# Income Declaration Scheme, 2016 A positive move towards strengthening Indian economy

With the objective of freeing India from the menace of black money and to increase revenue of the government, a new scheme has been introduced by the Indian Government through Finance Bill 2016 referred as Income Declaration Scheme, 2016(IDS,2016) for the persons who have not disclosed their whole income in the past. This scheme is introduced with the intention of providing last opportunity to the people of India to declare their undisclosed income and pay tax and come out clean.

This scheme came in force from 1 June 2016 and will close on 30th September 2016. This scheme applies to both resident & non resident. So, the person disclosing the undisclosed income has to pay tax @ 45% including surcharge and penalty.

Currently people don’t want to walk with the government. It becomes their habbit not to follow the government rules. They abide themselves from following the government rules and feels that it’s better to avoid taxes rather than putting themselves in the complications of the acts and rules. This can be proved from the data released by the government that out of 125 Cr populations only 5.17 Cr people filed their income tax return and out of this only 10 lac people declare their income in excess of Rs 10 lac. This shows that primarily Income tax and corporate tax is paid by rich people only. Aam Adami doesn’t want to come along with the government and put himself in any trouble. This situation created a huge black money in the country.

Currently, the economy of India is the seventh largest economy in the world measured by nominal GDP and the third largest by Purchasing power parity (PPP) and the share of Direct taxes to the GDP is only 5.47% in 201516 according to the data released by the government. For an Indian resident this is very shameful. Most of Indians wants everything in free of cost. They don’t want to pay anything to the government. Currently the maximum corporate tax rate in India is 34.608 %( Including Surcharge & Cess) and in USA it is 39.1% which is more than India. Then also US is developed & strong economy country because their people pay taxes and follow the government rules strictly.

Therefore to curb the black money and to give the last opportunity to the people of India to disclose their black money and do their business in white only, government has introduced scheme the IDS, 2016. PM Modi has also said in his monthly radio program ‘Mann ki Baat’ that this is the last chance to declare their undisclosed income and to avoid problems that will follow after the window of opportunity closes.

This is not the first time an Income Disclosure scheme has been launched. Earlier in between 1951 to 1997, 10 schemes were announced to declare unaccounted money. In 1997 a scheme VDIS was launched. In that scheme Rs 33000 Cr undisclosed income were disclosed but the tax collection was less because government gave discount on tax rate with zero interest & penalties. Therefore all the previous schemes are known as amnesty scheme or scheme given to reward dishonest taxpayers. But this IDS, 2016 is different from the amnesties of earlier times. This scheme doesn’t give discount on the tax liability of the dishonest. This do carry reasonable discount on interest & penalty, but taxes are payable at more than normal rates. An opportunity is given to taxpayers to escape prosecution and this creates a winwin situation for both taxpayers & government but dishonest are not rewarded for their dishonesty. In 2015 Government introduced a new act i.e. Black money (undisclosed foreign income and assets) and Imposition of tax act, 2015. Under that act, total 644 declarations received and just Rs 2428 Cr was collected in taxes. Ninety percent of the collection came from 5% of declarations. This scheme was not successful as expected the reason was that no discount was given on the original tax rate, but the tax rate was 60% instead of the normal 30%. But in my view this scheme was successful as compared to earlier schemes introduced up to 1997 because the tax rate was 60% i.e. double the normal tax payable as compared to 50% to 100% discount rate payable under the earlier schemes.

The Income declaration scheme is also just that. The tax payable is 45% i.e. 15% more than the normal tax of 30%. This includes a penalty of 7.5% and surcharge of 7.5%. Opportunity is given at a little extra cost to avoid further interest, penalty and prosecution under the Income tax act, 1961 and the Benami Transaction (Prohibition) Act, 1988. The fair market value of declared assets shall be taken as on June 1, 2016. There is no room to manipulate and pay tax like in VDIS, 1997.

Therefore this scheme is beneficial for both tax payers and government. Tax payers can convert their black money in to white and can save themselves from interest, penalty and prosecution. From Government point of view, Black money will be curbed; REVENUE and GDP of the Indian economy will increase.

So at last, I request all the people by this article to declare their undisclosed income and take benefits of this scheme, make yourself free from worries, support the government on IDS, 2016 to make it successful and MAKE INDIA FREE FROM BLACK MONEY.

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