

Govt.'s demonetization tax proposals decoded, effectively a second IDS on the go

Overview of Amendments Proposed (The Taxation Laws Second Amendment Bill'2016)

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PARTICULARS	EXISTING PROVISIONS	PROPOSED PROVISIONS
General provision for penalty	<u>PENALTY (Section 270A)</u> Under-reporting – @50% of tax Misreporting – @200% of tax (Under-reporting/ Misreporting income is normally difference between returned income and assessed income)	No changes proposed
Provisions for taxation & penalty of unexplained credit, investment, cash and other assets	<u>TAX (Section 115BBE)</u> Flat rate of tax @30% + surcharge + cess (No expense, deductions, set-off is allowed)	<u>TAX (Section 115BBE)</u> Flat rate of tax @60% + surcharge @25% of tax (i.e. 15% of such income). So total incidence of tax is 75% approx. (No expense, deductions, set-off is allowed) <u>PENALTY (Section 271AAC)</u> If Assessing Officer determines income referred to in section 115BBE, penalty @10% of tax payable in addition to tax (including surcharge) of 75%.
Penalty for search seizure cases	<u>Penalty (271AAB)</u> (i) 10% of income, if admitted, returned and taxes are paid (ii) 20% of income, if not admitted but returned and taxes are paid (iii) 60% of income in any other case	<u>Penalty (271AAB)</u> (i) 30% of income, if admitted, returned and taxes are paid (ii) 60% of income in any other case
Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana, 2016' (PMGKY)	New Taxation and Investment Regime	Undisclosed income in the form of cash & bank deposit can be declared: <u>(A) Tax, Surcharge, Penalty payable</u> Tax @30% of income declared Surcharge @33% of tax Penalty @10% of income declared Total @50% of income (approx.) <u>(B) Deposit</u> 25% of declared income to be deposited in interest free Deposit Scheme for four years.