INCOME DECLARATION SCHEME, 2016

Is 45% too much to pay??

Here is how you can reduce it…..

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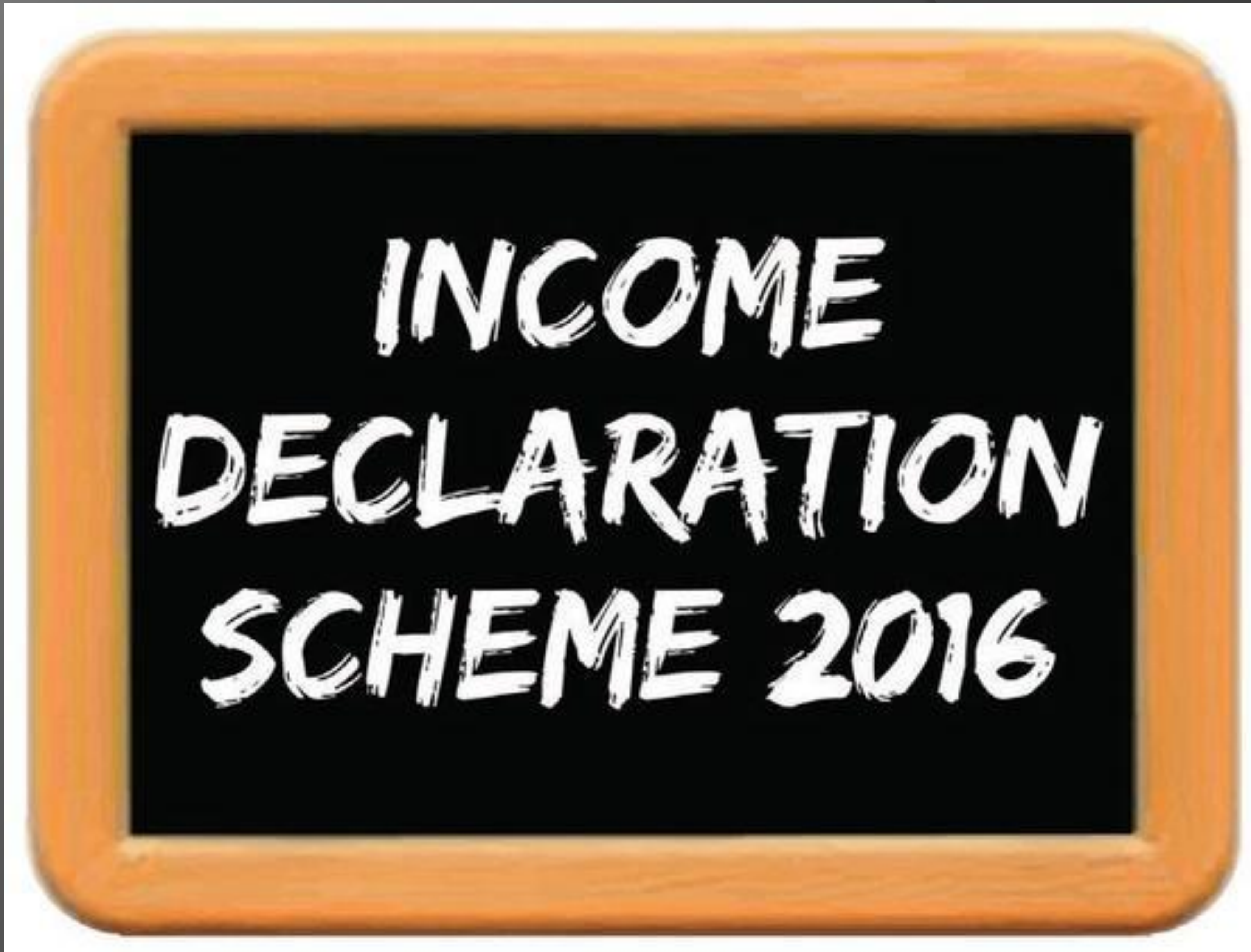
INCOME
DECLARATION
SCHEME 2016

Is 45% too much to pay??

Is 45% tax rate is higher?????

Here is the opportunity, the Government had earlier provided time for payment of taxes upto 30 November 2016.

Now, the government has allowed payment of dues in three installments by 30 September 2017.

However, the declaration is open only till 30 September 2016.

Due date of tax payment in now extended!!!!!

The first installment of 25% of the total tax, surcharge and penalty due will have to be paid by 30 November 2016

followed by a second tranche of an equivalent amount by 31 March 2017.

The remaining 50% will have to be paid by 30 September 2017, a Finance Ministry statement said.

Isn't this a Golden Opportunity????

This gives the declarant an opportunity to declare the income today and such white money can be immediately invested in the business/deposits.

The declarant can earn income out of such investments and pay IDS scheme tax through installments upto 30 Sep 2017.

Do you know what could this mean….???

You may end up paying simply 30%-35% of taxes…

Not digestible!!!!!!!!!?????

Let me give you an example in the next slide…

Declare income and earn out of the same…..

Date	Events	Amount
01-08-2016	Income declared	1,00,00,000
01-08-2016	Invest the same into Business or lend it for interest	
	Assuming you may earn Post tax rate of return of 12%	
30-11-2016	Income earned upto 4 months	4,00,000
30-11-2016	Tax to be paid	(11,25,000)
	Balance money remaining out of income declared	**92,75,000**
31-03-2017	Income earned in next 4 months	3,71,000
31-03-2017	Tax to be paid	(11,25,000)
	Balance money remaining out of income declared	**85,21,000**
30-09-2017	Income earned in next 6 months	5,11,260
30-09-2017	Tax to be paid	(22,50,000)
	Balance money remaining out of income declared	**67,82,260**
	Effective tax amount paid	**32,17,740**
	Effective tax rate	**32.18**

Effective tax rate could become 30% to 35%

Income declared	1,00,00,000
Tax @ 45%	45,00,000
Tax to be paid by 30.11.16 - 25%	11,25,000
Tax to be paid by 31.03.17 - 25%	11,25,000
Tax to be paid by 30.09.17 - 50%	22,50,000
Total tax expense	45,00,000
Total income that may be earned	12,82,260
Effective tax amount paid	32,17,740
Effective tax rate	**32.18**

2 points worth noting!!!!!

1. *Post 30 September 2016, IDS Scheme allows IT officers to go after all tax evaders for undisclosed assets acquired well before 6 years.*

This is against the current law where assets acquired before 6 years can not be questioned which means such cases can not be reopened for any assessment.

This can be challenged in future. But at this point of time there is no clarity on this.

2. *Half declaration would be dangerous: It has been provided that where a declaration under the scheme has been made by misrepresentation or suppression of facts (half disclosure), such declaration shall be treated as void.*

Disclose the undisclosed income and defuse the IT BOMB

The IDS scheme announced by the government is open till 30th September, 2016.

It is an important opportunity and the government has committed to not to seek any details or source of money earned and assets created once disclosed in terms of the scheme.

Let's disclose the undisclosed income and come clean

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