

IDS 2016 and Scourge of Black Money — The Role Chartered Accountants Can Play

Our Economy, which is tenth-largest in the world by nominal GDP and the third-largest by purchasing power parity, remains irrefutably robust even in present times of irregular global growth. However, the grand underlying vision and path of national economy are riddled with formidable hurdles and challenges. And the scourge of black money remains one of the biggest challenges in this regard. Black money has emerged as a grave menace affecting overall growth of our nation. There is no doubt that manifestation of black money in social-economic and political space of our lives can have diminishing effects on the institutions of our governance and conduct of public policy in our nation.

As the non-inclusion of such undisclosed wealth in the economic mainstream has far-reaching negative effects on the economy, the government is rightly geared up to check the menace. As such, a very important dimension to our tax administration in recent years has been the fight against the scourge of black money, which has been very forcefully taken care of in the Budget proposals in recent years. In this regard, the Income Declaration Scheme 2016, (IDS) as announced in Budget Proposals earlier this year, is the latest addition to the Government's anti-black money drive.

As a one-time compliance window of opportunity for defaulters, it is open till September 30 this year, the IDS 2016—incorporated as Chapter IX of the Finance Act 2016, is a welcome move to curb the generation and spread of black money and to make citizens the compliant tax payer. The scheme, which applies on undisclosed/unaccounted domestic income and assets for any assessment year prior to Assessment Year beginning on the 1st day of April 2017, gives an opportunity to tax evaders to disclose their unaccounted income or assets, and come out clean by paying the applicable tax, cess and penalty totalling 45% of the undisclosed income.

“There will be no questions asked by the government regarding the source of the income, this is an opportunity to make oneself a compliant tax payer,” says Finance Minister Arun Jaitley adding: *“this is a ‘disclosure’ scheme and not an ‘immunity’ scheme... Immunity scheme allows discrimination against the honest tax payer. We don’t want that; we want the honest tax payer to get premium.”* It is hoped that the IDS 2016 emerges successful in achieving its objective like the Voluntary Disclosure of Income Scheme (VDIS) of 1997, which garnered revenue of over Rs. 7,800 crore for the government.

The Black money is a menace not only for national economy but global economy too. It transcends the borders and has created a global quandary. To check India-bound Black Money generation across borders, the *‘The Black Money (Undisclosed Foreign Income and*

Assets) and Imposition of Tax Act, 2015’ had also been enacted on 26th May, 2015, which provides for stringent taxation of undisclosed income in relation to foreign income and assets and acts as a strong deterrent against black money stashed away abroad by Indians. Soon after this new Act had been enacted, money held by Indians in Swiss banks fell to 1,815 million Swiss francs (about ₹ 12,615 crore). As a result, India moved down to 61st place in terms of foreigners' money in Swiss banks and accounted for a meagre 0.123% of the total global wealth worth \$1.6 trillion in the banking system of Switzerland.

Meanwhile, with the advent of tremendous increase in capital mobility and cross border transactions, state-run tax laws have been abused to evade double taxation and create black money. The information exposed through the *‘Panama Papers’* leak has, unquestionably, impacted the tax administrators' wisdom worldwide. The global complexities in taxation laws arose owing to Base Erosion and Profit Shifting (BEPS). BEPS has led to massive revenue losses to the governments, particularly the developing countries.

The OECD and G20 countries collectively grasped this inventiveness to rationalise that every country gets its due share of tax and the tax payers do not elude paying tax in any country or pay the least tax by adopting different planning devices which are to a large extent tactics to evade tax. The OECD has formulated 15 Action Plans which provide tools to the establishments to encounter BEPS. India too has keenly participated in the process.

In this backdrop, as a partner in nation building, the Indian Chartered Accountant fraternity can play a crucial role in making the all-encompassing anti-black money drive a great success. Be it Income Declaration Scheme 2016, *The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015’* or BEPS, the Chartered Accountants, given their unique skill sets and exposure to every layer of Indian business and economy, are in a very strong position to implement the provisions of related laws, ensure compliance, spread awareness and convince Indian businesses against generation of black money in any form. It is worth mentioning that the ICAI is proactively helping the Government in promoting and propagating the Income Declaration Scheme 2016 through its nation-wide network.

It is indeed a difficult task to eradicate black money but it is achievable with the help of Indian CA fraternity. The recent measures taken by our Government can go a long way in this regard and help realise the dream of Indian economy going in for the double digit growth trajectory. ■

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