RBI Maintains Repo Rate at 6.25%; Cuts FY17 GVA forecast

In its fifth bimonthly policy review, the Reserve Bank of India recently kept the repo rate unchanged at 6.25 per cent. The central bank cut (FY17) GVA estimate to 7.1 per cent from 7.6 per cent earlier. To the relief of the domestic lenders, the central bank withdrew the policy on incremental CRR from December 10 last year. Surge of funds following the government's demonetisation move prompted the central bank to raise the CRR to drain out the liquidity. Government had assured that it will be lowered once fresh market stabilisation scheme (MSS) bonds are issued. Accordingly, the limit for MSS bonds had been raised to ₹6 lakh crore for the fiscal from ₹30,000 crore aiding in withdrawal of incremental CRR. The Reserve Bank has also revised downward the outlook on growth for FY17 as measured by gross value added (GVA) from 7.6 percent to 7.1 percent saying the outlook turned uncertain after the unexpected loss of momentum by 50 basis points in Q2 and the effects of the withdrawal of specified bank notes, which are still playing out. Consumer Price Index (CPI) projections are maintained at 5 percent for Q4FY17 with risks tilted to the upside, lower than the October policy, RBI said in a release.

***(Source:** www.economictimes.com and www.moneycontrol.com)*

Salient Features of Pradhan Mantri Garib Kalyan Yojna, 2016, the New Income Disclosure Scheme

The Government has recently announced Pradhan Mantri Garib Kalyan Yojna, 2016, the new scheme for disclosing black money held as cash or deposits to make demonetisation successful. It is applicable for undisclosed income in the form of Cash or deposits (including FD/RD etc) held in bank accounts or in Post Office (Section 199C) or any other specified entity. Under this scheme, pay Income Tax @ 30% of Cash + Surcharge @ 33% of Tax + Penalty @ 10% of Cash i.e. aggregating to 49.90% of undisclosed income (cash) (Section 199D & 199E). No deduction or exemption allowed. The declarant shall 'deposit' minimum 25% of Cash in a Deposit Scheme to be notified by the CG in consultation with RBI. (Section 199F). The 'deposit' shall be interest free and shall have a lock-in period of 4 years from the date of deposit [Section 199F(2)]. Income Tax + Surcharge + Penalty + Deposit i.e. 74.90% has to be paid to the treasury before making the declaration and the proof of payment is to be attached with declaration (Section 199H). The amount of undisclosed income (cash) shall not be included in the total income of any assessment year of the declarant (Section 199I). The benefit of scheme won't be available to politicians, government employees (any public servant), drug mafias, benamidars, terror funds, etc (tainted money). If a declaration has been made by misrepresentation or suppression of facts or without payment of 74.90% of cash as per scheme, such declaration shall be void and shall be deemed never to have been made under this Scheme.

***(Source:** www.profit.ndtv.com)*

I-T Act Amendments Upset Calculations of Cash Hoarders

Many hoarders of cash, clueless about PM Modi's November 8 bombshell, had planned to pay advance tax in December on their hoard. Even after being forced by demonetisation to bring out their cash, they had hoped to get away by paying 35.5%. The amendments have put paid to the plan. For, the changes in Section 115BBE of I-T Act for such disclosure of cash would now invite a total tax of 82.5% — a flat tax of 60% in addition to surcharge of 25% of tax i.e. 15% of such income. So, the total tax on such cash disclosure would be 75%. In addition, the new amendment provides for a penalty of 10% of this 75% tax. Thus, the total tax outgo would be 82.5%. As the window of Section 115BBE has now become hugely punishing, the only option available to hoarders of black money is to opt for the PM's 'Garib Kalyan Yojana'.

***(Source:** www.financialexpress.com)*

India, US Resolve Tax Disputes Worth ₹5,000 Crore via APA

India and the US have resolved tax disputes of about ₹5,000 crore through bilateral advance pricing agreements (APA), the finance ministry said in a recent statement. The two countries also reached an agreement on the terms and conditions of the first-ever bilateral APA involving the two nations. The APA scheme, introduced in the Income Tax Act in 2012, aimed at providing certainty to taxpayers with regard to "transfer pricing" by specifying the methods of pricing and setting the prices of international transactions in advance.

***(Source:** Press Trust of India)*

India to Levy Tax on Investments from Cyprus from April 2017

India and Cyprus have signed the revised tax treaty, along with the protocol, plugging a gap that allowed investments routed through the country to escape tax in India. The protocol is expected to come into effect in India, in respect of income derived in fiscal years beginning on or after April 1, 2017. Amended tax treaty provides for source-based taxation of capital gains, implying that capital gains made on investment in shares of Indian companies will be taxed in India. It provides for grandfathering of investments made prior to April 1, 2017, which would continue to be taxed in the country of residence.

***(Source:** http://www.business-standard.com/)*