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1. Prior to demonetization, if one declared any income in the current year, it would suffer tax at the usual rates.

Section 115BBE was introduced as a deterrent against the errant depositing cash in their banks during the currency of the scheme and getting away by paying at the normal rate of tax i.e. 30% or less. However, the provision has stayed in the Statute and mandates that even current year's income offered to tax must have a source of unimpeachable documentary evidence otherwise it would suffer tax @60%.

This is proving as a major deterrent for potential assesses as 60% tax rate is prohibitive and to narrate evidence of the source of income as mandated in section 115BBE read with section 68/69 of the Act is near impossible.

It is suggested that suo-moto declaration of income for the current year by an assessee, should suffer tax at 30% and only its nature be disclosed. However, if the Assessing Officer unearths undisclosed income during assessment, it may continue to suffer tax @60% plus the penalty as prescribed as per the current provisions

2. Penny stock cases need to move towards closure. Litigation will serve no one. Even if the Supreme Court finally decides in favor of the Department, many assessees would have vanished by then.

It is suggested that the requirement of disclosing the manner of earning income before the Settlement Commission be clarified to include penny stock cases where the mere mention of the nature of income offered to tax should suffice. Tax @50% may be prescribed. Settlement Commission being a high power body will be able to ensure that no undisclosed income escapes and the Department can also be provided an opportunity to examine the disclosure.

Alternatively, a disclosure scheme to settle these matters is the need of the hour.

3. Reopening of assessment on the basis of information received is the most litigious subject today. It will continue to be so considering the humongous case law on the subject.

It is suggested that wherever information about escapement is found, the assessee be given an opportunity to pay tax @60% on the said income and a quietus be given to the matter. There is a lot of information available with the Department which can be put to use to garner much needed resources and at the same time avoid wasteful expenses on litigation.

