

Realtors scurry to clean dirty money

Builders are taking advantage of the recently launched Income Declaration Scheme

Kushala.Satyanarayana
@timesgroup.com

TWEETS @skushalaMirror

Bengaluru realtors seem to be making a beeline to the income tax department to make good their undisclosed income and assets. The recently introduced Income Declaration Scheme (IDS), which kicked in from June 1, has had a good take-off in the city considering that Karnataka stands third nationally as far as income tax revenue collection is concerned.

To bring undisclosed income and assets to the books, and turn black money into white, the Union government introduced the IDS where Indians with undeclared income and assets can regularise their records by paying a tax of 45 per cent. Once declared, this scheme gives immunity from prosecution and inquiry with absolutely "no questions asked." In May, the scheme got the presidential nod.

During the normal course, the tax paid is up to 30 per cent, while under the IDS, it is 45 per cent of the declared income/asset — 30 per cent tax, and 7.5 per cent each of surcharge and penalty.

With Bengaluru being a huge tax garner for the country, the local I-T sleuths are already sitting with a well prepared inventory on such defaulters. "Since last month, nearly 100-150 returns are being filed daily under the new scheme. We have a good database of the tax-evaders and are expecting them to voluntarily disclose their undeclared incomes and assets before the scheme ends. If failed, the department will move action against the erring individuals/companies and the penalty then collected would be abysmally high," a senior income tax department official, who is coordinating the scheme, told Bangalore Mirror.

As per last year's revision, the penalty on defaults stood at a whopping 300 per cent plus tax — which means, for example, for an undeclared income of ₹100, the penalty is ₹300 with tax.

Basing on their inventory, the I-T sleuths are expecting a major chunk of tax inflow from the realty sector, followed by manufacturing (mining being the prime industry), trading, medical, software services (from sub-contractors who come up with bogus bills and factitious entries), international transactions et al.



BLACK TRANSACTIONS RULE THE ROOST

- The penalty on defaults stand at 300 per cent plus tax
- I-T sleuths expect a major chunk of tax inflow from the realty sector, followed by manufacturing (mining being the prime industry), trading, medical, software services (from sub-contractors who come up with bogus bills and factitious entries), international transactions et al
- Karnataka is the third-largest revenue earner from income tax to the central kitty — first being Mumbai — which stood at ₹96,000 crore last year; followed by Delhi — at around ₹90,000 crore; and Karnataka at ₹77,000 crore

The city has seen a spurt in residential properties, which have components of black and white transactions

—An officer

However, it is in the realty sector, according to sources, where 'black' transactions rule the roost. Citing the modus operandi, another officer explained: "Over the last 10 years, with

boom in the software industry, the city has seen a spurt in high-end residential properties, which have components of black and white transactions. If an apartment is ₹1 crore, 40 per cent is its disclosed value and the rest is cash which is black money. There is an inbuilt mechanism to conceal exact value. We expect realty industry to volunteer and disclose the actual incomes and assets."

For asset declaration, the fair market value as on June 1, 2016 is taken into consideration. The under-assessments are cross-checked, with the sleuths physically inspecting and conducting property valuation and due diligence of the title records.

Under the scheme, the immunity so achieved is — assets declared are exempt from wealth tax; no scrutiny/prosecution under Income Tax Act or Wealth Tax Act; immunity from Benami Transactions (Prohibition) Act subject to certain conditions and absolute confidentiality with "no questions asked about the source of income and also source of source." While declaration and returns to be filed before September 30, tax, surcharge and penalty have to be paid before November-end.

Karnataka is the third-largest revenue earner from income tax to the central kitty — first being Mumbai — which stood at ₹96,000 crore last year; followed by Delhi — at around ₹90,000 crore; and Karnataka at ₹77,000 crore.