

**DEMONETISATION OF
Rs. 500/= & Rs. 1,000/=
CURRENCY NOTES
AND
ISSUES RELATING TO
INCOME TAX
&
IMPACT ON ECONOMY**

Rs. 500/= & Rs. 1,000/= Notes, what is the amount of Notes that I can deposit?

If books of accounts are maintained :

- ✓ Cash on hand as on 08/11/2016.

If books of accounts are not maintained :

- ✓ Amounts which can be explained (to the satisfaction of the A.O.) as cash in hand as on 08/11/2016.
- ✓ Below Rs. 2,50,000/= as per the announcement by the Ministry of Finance.

If NO BOOKS OF ACCOUNTS are maintained, in that case :

- ✓ Can a NRI deposit below Rs. 2,50,000/= in his NRO A/c ?
- ✓ Can a HUF deposit below Rs. 2,50,000/= in it's Bank A/c ?
- ✓ Can a person filing Return of Income deposit below Rs. 2,50,000/= in his Bank A/c ?

For deposit of Rs. 500/= & Rs. 1,000/= notes

- ✓ Is it advisable to deposit all Rs. 500/= & Rs. 1,000/= notes in one go or it can be deposited in parts / instalments ?
- ✓ Will it make any difference if Rs. 500/= & Rs. 1,000/= notes are deposited in separate bank A/cs or one account ?

Cash generated from Agriculture Income

✓ Factors to be considered :

- Area.
- Irrigation Facility.
- Crop.
- Yeild.
- Rate of the crop.

✓ Expenses need to be provided from the sale proceed of the crop.

Misuse of 2.5 Lakh relaxation provided by the government

- ✓ It can lead to difficulties for the account holder & person for whom he is acting.

Repayment of loan by Rs. 500/= or Rs. 1,000/= notes

- ✓ They are deposits in the bank which will fall in the ambit of banks reporting.

Reporting requirements for Banks

Sr. No.	Nature of transaction	Value of transaction
(1)	(2)	(3)
12.	Cash deposits during the period 09th November, 2016 to 30th December, 2016 aggregating to— (i) twelve lakh fifty thousand rupees or more, in one or more current account of a person; or (ii) two lakh fifty thousand rupees or more, in one or more accounts (other than a current account) of a person.	(i) A banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); (ii) Post Master General

✓ Do not deposit new currency in the bank during 9th November to 30th December 2016.

Keep a track of amounts deposited as Rs. 500/= & Rs. 1,000/= Notes

CASH IN HAND DETAILS AS OF DATE 08.11.2016, 12.00 MIDNIGHT

SR. NO.	PARTY NAME	CASH IN HAND AS ON 08.11.16	AMOUNT NOT IN 500/1000 NOTES	NET AMT. IN 500/1000 NOTES	DATE OF DEPOSIT	AMOUNT OF DEPOSIT	CASH BALANCE IN 500/1000 NOTES

**Should retain copy of slips through which the
Rs. 500/= & Rs. 1,000/= notes are credited**

Can Police seize Rs. 500/= & Rs. 1,000/= notes transported from one place to another

Yes, U/s. 102 Code of Criminal Procedure, any Police Officer may seize any property found under circumstances which create suspicion of the commission of any offence.

Should carry appropriate evidence to demonstrate that Rs. 500/= & Rs. 1,000/= notes are not transported for commission or any offence.

Compliance of certain transactions

For bullion & jewellery

Transaction Type	TCS	PAN	E – Reporting
Sale of bullion or jewellery, in cash, above Rs. 2 Lakh in aggregate to one party.	Yes 1% (Limit raised to Rs. 5 Lakhs).	Yes	Yes wef 01/01/'16 If seller is U/s 44AB
Sale / Purchase of bullion, jewellery by any mode, including cash, above Rs. 2 Lakhs per transaction.	----	Yes wef 01/01/'16	----

Compliance of certain transactions

Other than bullion & jewellery

Transaction Type	TCS	PAN	E – Reporting
Sale of any goods / service by cash above Rs. 2 Lakhs, in aggregate during the year to one party.	Yes 1% wef 01/06/'16	Yes wef 01/01/'16	Yes wef 01/01/'16 If seller is U/s 44AB
Sale / Purchase of any goods / services by any mode including cash above Rs. 2 Lakhs, per transaction.	----	Yes wef 01/01/'16	----

Revenue Secretary Hasmukh Adhia replies to questions relating to action by Income Tax Department on depositing old notes in banks

Q : Will the Income Tax Department be getting reports of cash deposits made during this period? If so, will the current threshold of reporting requirement of reporting cash deposits of more than Rs. 10 lakh will only continue?

A : We would be getting reports of all cash deposited during the period of 10th November to 30th December, 2016, above a threshold of Rs. 2.5 lacs in every account. The department would do matching of this with income returns filled by the depositors. And suitable action may follow.

Revenue Secretary Hasmukh Adhia replies to questions relating to action by Income Tax Department on depositing old notes in banks

Q : Suppose the department finds that huge amount of cash above Rs. 10 lacs is deposited in a bank account, which is not matching with the income declared, what would be the tax and penalty to be paid on the same?

A : This would be treated as the case of tax evasion and the tax amount, plus a penalty of 200% of the tax payable, would be levied as per the section 270(A) of the income tax Act.

What can go wrong on the Income Tax front ?

✓ Section 56 : INCOME FROM OTHER SOURCES

Income of every kind which is not to be excluded from the total income under this Act shall be chargeable to income tax under the head “Income from other sources”, if it is not chargeable to income tax under any of the heads.

What can go wrong on the Income Tax front ?

✓ **Section 68 : CASH CREDITS**

Where any sum is found credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the (Assessing) Officer, satisfactory, the sum credited may be charged to income-tax as the income of the assessee of that previous year.

What can go wrong on the Income Tax front ?

✓ **Section 115BBE :** **Tax on income referred to in section 68**

Where the total income of an assessee includes any income referred to in section 68... The income tax payable shall be...

(a) at the rate of thirty per cent.

What can go wrong on the Income Tax front ?

✓ **Section 270A :**

Penalty for under reporting & misreporting of income

(8) Where under-reported income is in consequence of any misreporting thereof by any person, the penalty referred to in sub-section (1) shall be equal to two hundred per cent of the amount of tax payable on under-reported income.

The case of misreporting of income referred to in sub-section (8) shall be the following namely

(a) misrepresentation or suppression of facts :

(10) The tax payable in respect of the under-reported income shall be

Tax calculated as per Assessed Income (-) Tax Calculated as per Returned Income.

Amendments under Income Tax Act expected

Why?

- ✓ Approach of this government is different.
- ✓ Persons who have declared under IDS would end up paying higher tax which was (30% as tax + 7.5% towards penalty + 7.5% towards interest = 45%).
- ✓ Government in no mood to grant amnesty by charging concessional rates.

Fears in the minds of Indians

- ✓ Lockers will be inspected & searched.
- ✓ Gold exceeding a certain limit will be seized.
- ✓ Real Estate beyond a certain limit will be state properly.

India is a Democratic Country with its institutions. The entire world knows that communism & socialism has failed.

Limit of gold ornaments for which no questions asked by Income Tax authorities

- ✓ As per CBDT Instruction No. 1916 dtd. 11 May 1994
 - Each married lady in the family 500 gms.
 - Each unmarried lady in the family 250 gms.
 - Each male member in the family 100 gms.

Impact of the Economy

On 08/11/2016 two events happned

Demonetisation & Trump Victory

Change in the global currencies between 08/11/2016 and 24/11/2016

Sr. No.	Country	Currency	Change as value against US\$
01	Mexico	Peso	- 12.38
02	Japan	Yen	- 7.69
03	Turkey	Turkish Lira	- 7.19
04	Brazil	Brazilian Real	- 6.78
05	Australia	Australian Dollar	- 4.52
06, 07, 08, 09, 10	Spain, Italy, France, Germany, Netherlands	Euro	- 4.41
11	Switzerland	Swiss Franc	- 4.16
12	Korea	South Korean	- 4.15
13	India	Rupees	- 3.50

India at 13th rank in depreciation amongst the top 20 economies of the world

Global Stock Market

Sr. No.	Country	Index Name	Change in the Index
01	Mexico	IPC	- 6.78
02	Indonesia	JKSE	- 6.64
03	India	Sensex	- 6.27
04	Brazil	Bovespa	- 3.39
05	Spain	IBEX 25	- 3.30
06	Korea	Kospi	- 1.60

Change in the Index between the period 08/11/2016 to 24/11/2016.

Demonetisation has impacted in the earning estimates.

Positive

- Fall in the interest rates. Banks have kick started the interest rates decline process. Reason : Book in my cupboard is now book in the library.
- Government treasury to be flush with funds. This will improve the credit rating of the country.
- Change in the way of business / profession is conducted in the country. Effect of Demonetisation & GST.
- India to emerge as a well governed country. It has started for sure from the top.

**It is a war against
Corruption,
Black Money
and
Financial & Social misrule in
the country**

Challenges

- Re-start of the black economy in new notes if governance not improved drastically.
- Sectors floating on black money will suffer – Real Estate, Jewellery places where money is splurged.
- Execution process of replacing 86% if the currency needs to be managed effectively.
- Spending power will shift to government. Hope they spend at right places.

**We all wanted to go
to heaven without
dying.**

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Thank You...

Questions ?



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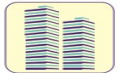
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