



Undisclosed Foreign Income

For Prelims: Bank of International Settlements, Government's Initiatives

For Mains: Effects of Black Money on Economy, India's status of Undisclosed Income, Related Government's initiatives

Why in News?

Recently, the **Finance Minister of India** has reported that [undisclosed income](#) in unreported foreign accounts of more than Rs 8,468 crore has been brought to tax and penalty of over Rs 1,294 crore has been levied.

What do we know about the Undisclosed Income?

- **About:**
 - It is the income which the assessee has not shown in his Income Tax Return and **thereby not paid [income tax](#)** on it.
 - **It may include:**
 - any **money, bullion, jewellery** or other **valuable article** or thing or any **income based on any entry in the books of account** or other **documents or transactions**, which has not been or would not have been disclosed for the purposes of Income Tax.
- **Finance Minister's Report:**
 - Assessments have been completed for 368 cases, raising tax demand of Rs 14,820 crore under the **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**.
 - 648 disclosures involving **undisclosed foreign assets** worth Rs 4,164 crore were made in the **one-time three months compliance window**, which closed on 30th September 2015, under the **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**.
 - Amount collected by way of tax and penalty in such cases was about Rs 2,476 crore.
 - '**Locational banking statistics**' of the [Bank for International Settlements \(BIS\)](#) showed a fall of 8.3% during 2021 in deposits by Indian individuals in Swiss banks.

What is Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015?

- It penalises the **concealment of foreign income** and provides for **criminal liability for attempting to evade [tax](#)** in relation to foreign income.
- The Act gave a **one-time opportunity to Indian residents** to declare undisclosed foreign income and assets.
- The concerned person had to pay **tax at the rate of 30% and an equal amount by way of penalty** if found having undisclosed overseas wealth.

- However, **in case of non-declaration**, the provisions included slapping of tax at the rate of **30% along with a penalty equal to three times the amount of tax evaded or 90%** of the undisclosed income or the value of the asset.
- The Act provides for **punishment of jail for 3-10 years for the willful evasion.**

What are the Government's steps for Undisclosed Income?

- [Demonetisation](#)
- [The Fugitive Economic Offenders Act, 2018](#)
- [Prevention of Money Laundering Act, 2002](#)
- [The Benami Transactions \(Prohibition\) Amendment Act, 2016](#)

Way Forward

- **Incentivising Bank Transactions:**
 - To curb the menace of black money, industry body [Federation of Indian Chambers of Commerce and Industry](#) has suggested **incentivisation of transactions through banking channels** and a suitable framework for taxation of agricultural income.
- **Electoral Reforms:**
 - **Appropriate reforms** are needed to **reduce money power in elections**, since elections are one of the biggest channels to utilize the black money.
- **Training Personnel:**
 - **Both domestic and international training** to personnel for effective action pertaining to the concerned area can also help.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. Discuss how emerging technologies and globalisation contribute to money laundering. Elaborate measures to tackle the problem of money laundering both at national and international levels. **(2021)**

Q. India's proximity to the two of the world's biggest illicit opium-growing states has enhanced her internal security concerns. Explain the linkages between drug trafficking and other illicit activities such as gunrunning, money laundering and human trafficking. What counter-measures should be taken to prevent the same? **(2018)**

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