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Demonetisation: Blanket reprieve unlikely for currency deposits up to Rs 2.5 lakh

By [Deepshikha Sikarwar](#), ET Bureau | Updated: Nov 28, 2016, 10:54 AM IST

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NEW DELHI: There may not be a blanket reprieve for anyone depositing demonetised notes up to Rs 2.5 lakh under the scheme being worked out by the government for those holding unaccounted cash. The government is likely to introduce an amendment this week in Parliament that will allow those depositing unaccounted cash in demonetised Rs 500 and Rs 1,000 notes to pay 50% tax, lock in 25% amount for four years at zero interest, leaving only 25% for immediate use.

Under the scheme, all large deposits beyond a threshold could be asked to explain the source and why the 50% tax and the mandatory 25% deposit scheme should not be applied.

Tax officials may look at all significant deposits of demonetised notes to see if there is unaccounted wealth or smaller deposits in a household in different family members' accounts.



No Free Ride

I-T DEPARTMENT could look at all material cash deposits

SEEK explanation for all cash deposits above a threshold

Even deposits below ₹2.5 lakh may be investigated if there's evidence of wrongdoing

THERE are reports of people using Jan Dhan & other accounts to launder cash

"There is a Rs 2.5 lakh exemption but if you have split (the money) and four family members have each deposited this amount, then it will need to be seen," said a government official.

Changes to the income tax law were approved by Union Cabinet on Thursday. The government had earlier said it would not look into deposits of up to Rs 2.5 lakh, income tax exemption threshold.

"We would be getting reports of all cash deposited during the period of November 10 to December 30 above a threshold of Rs 2.5 lakh in every account," Revenue Secretary Hasmukh Adhia had said on November 10. "The department would do matching of this with income returns filed by the depositors. And suitable action may follow."

There are reports people with unaccounted cash in the old denominations have been farming it out to others to deposit in their accounts.

JAN DHAN ACCOUNTS AWASH

Balances in the Pradhan Mantri Jan Dhan Yojana accounts swelled by more than Rs 27,000 crore between November 9 and 23, raising the suspicion that these accounts, meant to promote financial inclusion of the poor, were being used to launder money. There are also reports of informal channels being used to launder currency at a 30-35% discount. The disclosure option allows people to come clean at a 50% cost.

The government had on November 8 demonetised Rs 500 and Rs 1,000 currency notes but allowed limited use of these currencies till

November 24 as also exchange and deposits.'

Exemptions have been extended till December 15 but only for Rs 500 notes. The Rs 1,000 currency note is not usable anywhere now, except for depositing in bank accounts. Swapping of old notes at bank counters for new ones ended November 24. Old notes can now be exchanged for now only at Reserve Bank of India offices.

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