

HomeOpinion Tax rates for cheats down from 90% to 57%, new categories of tax-thieves created

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By: [Sunil Jain](#) | New Delhi | Updated: November 28, 2016 6:44 PM

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These tax-cheats will pay the 200% penalty – it is 50% for under-reporting of income – or an effective tax of 90%. (Source: IE)

After the stern warning given whenever a [black money](#) scheme is rolled out – and there have been many over the past few decades – honest taxpayers believe this will be the last time tax-cheats will be allowed to get away lightly. And so, after the Income Disclosure Scheme (IDS) which levied a tax-cum-penalty of 45%, most took the government seriously when it said, when caught, tax-cheats would pay a 200% penalty or an effective tax of around 90% – given those in the highest income bracket pay a 35% tax rate anyway, this seemed reasonable. Not only has that hope been belied within just a few weeks, the government has even created new categories of tax-thieves, and the not-so-bad among them are to pay a much lower tax rate. Those who got caught in the demonetization aftermath were supposed to pay a 90% tax going by the government's previous statements since the penalty rate was 200%. What has now been proposed in

tax-cum-penalty of 50%. Since 25% of the income disclosed will, in addition, be locked in an interest-free deposit for four years, this implies an additional 6-7% tax based on the current rates for fixed deposits, taking the effective tax rate down from 90% to around 56-57%.

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If, however, the tax-cheat chooses not to use this scheme linked to a new Pradhan Mantri Garib Kalyan Yojana, he will be taxed at a 75% rate (including penalties) though the taxman has the option of taking this up to 85%. In addition, since the existing provisions of Section 270A will remain on the statute, this will apply to tax-cheats caught in the normal course of investigations, not those caught out by the demonetization. These tax-cheats will pay the 200% penalty – it is 50% for under-reporting of income – or an effective tax of 90%. Why there should be another scheme for tax-cheats to come clean is not clear, what's even less clear is why the penalties have been dropped so dramatically and why there are new categories of tax thieves being created.