



## 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 30<sup>th</sup> 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)**

**Source:** [IE](#)

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