

## **Black Money Bill Disallows Foreign Tax Credits for Undisclosed Accounts**

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There's more trouble for Indians holding undeclared assets overseas as the black money bill passed by the Lok Sabha on Monday will disallow foreign tax credits, cutting off another loophole.

Holders of such assets that are not declared within the stipulated period will be denied credits under double-taxation agreements, according to a provision added to the bill as part of the amendments moved by the government.

“It is very clear that if you have not owned up to having an asset when the compliance window is open, you cannot turn back later and claim that taxes were paid in another jurisdiction and hence not declared,” a government official told ET.

The Black Money (Undisclosed Income and Foreign Assets) Impo sition of New Tax Bill was passed by the Lok Sabha on Monday. As it is a money bill, the Rajya Sabha's assent is not material. The provision is designed to encourage everyone to declare foreign assets so that the country gets an idea of the overseas wealth of Indians.

India gives credits for recognised taxes paid in another country as per the provisions of tax treaties. However, the government is keen to ensure that the law acts as a strong deterrent against parking of black money overseas. The provision will ensure that any Indian resident who has not disclosed a foreign asset would not be able to take refuge in the fact that he or she had paid legitimate taxes on it in the overseas jurisdiction. While the provision had said exemptions, deductions, set off and carried forward losses would not be allowed under the new legislation, the government also wanted to explicitly specify in the law itself that no foreign tax credit would be granted.

Tax experts say the provision enhances deterrence.

“This just makes it very clear that there will be no concession under the law,” said Sunil Jain, a partner at Jyoti Sagar & Associates.

The black money law passed by the lower house provides for a twomonth compliance window to give one last chance to those with undeclared foreign assets to come clean. This would ensure respite from prosecution but they would be liable to pay tax at 30% and an equal amount as penalty.

*(Economic Times)*