

Demonetisation of Currency in  
Denomination of Rs. 500/- and  
Rs. 1000/- from 8<sup>th</sup> Nov 2016...  
What to Do?

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Notes of denomination of INR 500 and 1,000 issued till 8<sup>th</sup> November, 2016 have been demonetized with immediate effect



# **Role of various provisions of Income tax law in achieving the objectives to curb black money**

## **Furnishing of PAN [Sec 139A, read with Rule 114B]**

PAN is mandatory if a person wants to deposit cash of more than Rs. 50,000/- into his bank account during any one day.

## **Furnishing of Information by Bank /P.O. to IT Dept - Annual Information Return [Sec 258BA]**

Requirement of Banks/P.O to furnish cash deposit made by a person aggregating to Rs. 10 Lakhs or more in a FY, in his one or more accounts with a bank (including different branches of same bank). The limit is Rs. 50 lakhs in case of current accounts.

## **Penalty for concealment or misreporting of income [Sec 270A]**

if person fails to disclose source of amount deposited in bank and post office account, penalized at 50% of tax payable on under-reported income & 200% of tax payable on misreported income. If the assessee reports such deposit voluntarily, and pay tax thereon, it is debatable whether such penalty can be levied.

## **Rate of tax for unexplained deposits**

Such deposits will be taxed at 30% under section 115BBE, without any deduction for expenses or set off of loss.

## Demonetisation of Bank Notes in Denomination of Rs. 500/- and Rs. 1000/- from 8<sup>th</sup> Nov 2016... What to Do?

- **Exchange Old Currency Notes for New Currency Notes at Bank/P.O.**

Old notes can be exchanged at **any** bank / post office etc.(whether or not you have an account there) for new currency notes in a requisition slip along with an identity proof such as Adhar card, Voter ID, Ration Card, PAN etc. as under:

- 10th Nov 2016 to 24th Nov 2016                      upto Rs. 4000
- 25th Nov 2016 to 30th Nov 2016                      more than Rs. 4000

- **Deposit of Old Notes in Bank account without any limit**

- 10th Nov 2016 to 30th Dec 2016 at bank account or P.O. savings account.
- 31st Dec 2016 to 31st March 2017 at RBI specified office without and along with ID Proof, PAN and Declaration Form.
- Deposit in third party accounts possible subject to authorization and KYC of depositor

## Demonetisation of Bank Notes in Denomination of Rs. 500/- and Rs. 1000/- from 8<sup>th</sup> Nov 2016... What to Do?

### • Withdrawal of New Bank Notes

i) From Bank Counter/P.O. -

- 10th Nov 2016 onwards                      Max Rs. 10000/day but Max Rs. 20000/week.

ii) From ATM -

- 10th Nov 2016 to 19th Nov 2016      Max Rs 2000/day

- 19th Nov 2016 onwards                      Max Rs. 4000/day

### • Shopping/Payments

i) with old bank notes is not permissible, after 8<sup>th</sup> Nov 2016.

ii) with new notes is valid from 10<sup>th</sup> Nov 2016 without any limit

ii) via credit card, Debit Card, Cheque, DD, online and E banking through a valid transacting medium, without any restrictions.

To avoid inconvenience to the public for the first 72 Hours, old Bank Notes will continue to be accepted at Govt. Hospitals and pharmacies in these hospitals/Railway ticketing counters/ticket counters of Govt. /PSU buses and airline ticketing counters at airports; for purchases at consumer co-operative societies, at milk booths, at crematoria/burial grounds, at petrol/diesel/gas stations of Public Sector Oil Marketing Companies and for arriving and departing passengers at international airports and for foreign tourists to exchange foreign currency at airports up to a specified amount.

The action is a step taken to act against counterfeit currency, terror funding and black money.

These objectives are laudable, and indeed will lead to inconvenience to all sections of the economy in the short run. However, it appears to be a small price to pay for meeting the objectives.

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