Module 10 · Black Money Act, 2015 P15 · topics 10.1, 10.2

SM pp. 399–405 (exercise 406). **An MCQ in 5 of 6 papers since Dec'23** (value of a partly disclosed foreign asset, tax, time limits, the ₹20 lakh exclusion); a long case only in the MQP (Q5(b), unused). Expected ~2 marks.

Paper	What was asked
Jun'23	Q5(b) undisclosed foreign apartment: value taxable, tax, time limit (3)
Jun'24 · Dec'25	MCQ: value taxable for a partly undisclosed / partly disclosed foreign asset
Dec'24	MCQ: time limit for a BMA order · Q5(b)(i) tax on an undisclosed foreign deposit of ₹30 lakhs
Jun'26	MCQ: ₹20 lakh limit — no penalty for unreported foreign assets (other than immovable property)
ICMAI	MQP Q5(b) (commission abroad → Singapore apartment), MCQ (viii) notice to a person now non-resident · PTP MCQ (viii) · postal Q5(a)

- **Charge** (s.3): tax **@ 30%** on total undisclosed foreign income and asset of the previous year; extends to the **whole of India** (SM MCQs 1–2). Assent 26th May 2015. [SM 400, SM 406]
- **Assessee**: a **resident other than not-ordinarily resident** (s.2(2)). An undisclosed foreign asset is taxed in the year it **comes to the notice of the AO** — even if the person is now a non-resident (MQP). [SM 400]
- **Undisclosed asset**: asset abroad (incl. financial interest) held or beneficially owned with no (satisfactory) explanation of its source; **value = FMV**. [SM 400–401]
- **Scope** (s.4): foreign income not disclosed in the return; foreign income where no return was filed; value of undisclosed foreign assets. Variations under ss. 29–43C, 57–59, 92C are not "undisclosed"; amounts taxed here are excluded from income-tax. [SM 401]
- **Computation** (s.5): **no expenses, allowances or set-off**; reduce income already taxed (under either Act) that funded the asset; for immovable property in proportion: value on the first day of the year of notice × taxed income ÷ cost. [SM 401]

- **Procedure**: income-tax authorities act; no separate return; notice u/s 10 at any time; order within **2 years** from the end of the FY of the notice (D24 MCQ); best-judgment possible; appeal / revision mirror the IT Act (ss. 12–24). [SM 402–403]
- **Penalties**: not disclosing → **300%** of tax (s.41); no return or asset not reported → **₹10 lakh** (ss. 42, 43) — **not if the assets (other than immovable property) total ₹20 lakh or less** (J26 MCQ); non-compliance s.45 ₹50,000 to ₹2,00,000. [SM 403–404]
- **Prosecution** (sanction of the PCIT / CIT / CIT(A)): failure to disclose 3 to 10 years; return / disclosure failures 6 months to 10 years; second offence 3 to 10 years + fine ₹5 lakh to ₹1 crore. Penalty orders within **1 year** from the end of the FY of the notice. [SM 403–404]
- Rounding: income / asset to the nearest ₹100; payable / receivable to ₹10. [SM 405]

PROBLEMS BOX · VALUE AND TAX UNDER THE BMA (MCQ / MQP Q5(b))

WORKED PATTERN 1 · SM ILLUSTRATION 1

Foreign house bought in 2009-10 for ₹50 lakh, of which ₹20 lakh was already taxed; noticed in 2025-26 when worth ₹1 crore → chargeable value = 1,00,00,000 − (₹20,00,000 / ₹50,00,000 of it) = **₹60,00,000**. [SM 401]

Tax at the s.3 rate (30%) = **₹18,00,000** (our working).

STEPS

1. Was the person a resident (ROR) when the income / asset arose?
2. Year of tax = year the asset comes to the AO's notice.
3. Value = FMV (higher of cost and FMV per the MQP answer) − proportion funded by taxed income.
4. Add undisclosed foreign income not represented by the asset; tax 30%; penalty 300% of tax if not disclosed.

WORKED PATTERN 2 · MQP Q5(b) ANKIT (ICMAI ANSWER) — RE-WORKED BY SCRIPT

Apartment: higher of cost USD 4,50,000 and FMV USD 6,50,000 × ₹80 (rate on 1.04.25)	5,20,00,000
Unspent commission (USD 5,00,000 – USD 4,50,000) = USD 50,000 × ₹80	40,00,000
Undisclosed foreign income and assets (P.Y. 2025-26)	**5,60,00,000**
Tax @30%	**1,68,00,000**

Resident in P.Y. 2019-20 when he acquired the apartment → liable although non-resident now; taxed in the year of notice. D24 Q5(b)(i) (our working): undisclosed foreign deposit ₹30 lakhs × 30% = ₹9,00,000.

PRACTISE THESE

MQP Q5(b) · J23 Q5(b) · D24 Q5(b)(i) · MCQs J24 Q1(iii), D24 Q1(ix), D25 Q1(iv), J26 Q1(viii) · MCQ bank Q33, Q34, Q140 · MQP MCQ (viii) · PTP MCQ (viii) · postal Q5(a) · SM short essays 1–2 · **ICMAI Practice Workbook: no problem on this module**.

R Revision sheet · penalties, prosecution, IT Act look-alikes

Default	Sec.	Penalty	Sec.	Prosecution
Fails to disclose foreign income and asset	41	**300% of tax** u/s 10	51(1)	3 years to 10 years + fine
No return before the end of the relevant AY (asset abroad)	42	₹10 lakh		
Foreign asset / income not disclosed in the return	43	₹10 lakh	50	6 months to 10 years + fine
Attempt to evade tax, interest, penalty	44	tax in arrear	51(2)	3 years to 10 years
Not answering, not signing, not attending (summons u/s 8)	45	₹50,000 to ₹2,00,000		
False statement · abetting a false statement			52 · 53	6 months to 10 years + fine
Second and subsequent offences			58	3 years to 10 years + fine ₹5 lakh to ₹1 crore

ss. 42 and 43 do not apply where the asset(s), other than immovable property, total ≤ ₹20 lakh. Penalty order: within 1 year from the end of the FY of the s.46 notice (s.47); approval of the JCIT if the penalty exceeds ₹1,00,000 (ITO) or ₹5,00,000 (AC / DC). [SM 403–404]

IT ACT → BMA SECTION

	IT Act	BMA
Rectification	154	12
Notice of demand	156	13
Appeal to CIT(A)	246A–250	15–17
Appeal to ITAT	252–255	18
High Court · Supreme Court	260A · 261	19 · 21
Revision	263 / 264	23 / 24
Recovery · TRO	220 · 222–232	30 · 31–39
Interest	234–234C	40
Discovery, inspection	131	8

[SM 403]

MCQ FACTS

- Manager of a company jointly and severally liable if tax cannot be recovered from the company (s.35), unless no neglect on his part; participants of an unincorporated body likewise (s.36). [SM 403]
- Only a metropolitan magistrate or magistrate of the first class tries offences (s.80); no civil suit against orders (s.82). [SM 404]
- s.73: agreements with foreign countries / specified territories for exchange of information and recovery of tax. [SM 405]
- Notice: **any time** · order: **2 years** from end of FY of notice · penalty: **1 year** from end of FY of penalty notice.

MEMORY HOOK

"30 tax, 300 penalty, 10 lakh fine, 20 lakh safe, 2 years to assess".