

Pinning down beneficiaries of benami assets govt's key challenge

Benami transactions are next on Prime Minister's Narendra Modi's list in the ongoing war against black money. But tracking down the actual beneficiaries of the benami assets may turn out to be trickier than targeting black money holders through demonetisation.

The government's bet that most people with undisclosed wealth would not be able to deposit it in banks has been proven wrong. Jan Dhan accounts and even ordinary saving accounts have been used as a conduit to launder black money with the result that almost the entire quantity of Rs 500 and Rs 1000 rupee notes in circulation are expected to return to the banking system.

"The key challenge is to find the real owners of the money deposited in these bank accounts," said Daksha Baxi, Executive Director at Khaitan & Co.

"It is generally a known fact that a large number of people with Jan Dhan Accounts have been given remuneration to deposit money in their accounts since it was announced that deposits up to the minimum taxable amount of Rs 2,50,000 would not be scrutinised" she said.

The government has reiterated that people who have been depositing illegal money into Jan Dhan accounts of poor people will be dealt with under the stringent laws against benami transactions. But tax experts wonder if banks have a system in place to deal with such transactions.

"The government plans to use powers under the benami law to confiscate illicit deposits into others' accounts, but banks have said that they do not have the capacity to differentiate between black money and white money being deposited," said TP Ostwal, Owner, T.P.Ostwal and Associates.

The amount in Jan Dhan accounts has swelled to Rs 71,557 crore from Rs 45,636 crore since November 8 when demonetisation was announced.

The New Benami Act came into effect from November. It prohibits illegal benami transactions, under which up to seven years of imprisonment and penalty for those indulging in such activities could be handed out.

Assets of any kind--movable, immovable, tangible, intangible, any right or interest, or legal documents. As such, even gold or financial securities could qualify as benami.

Experts say government will be using data analytics system to find out the benami properties and transactions.

"Lockers of jewelers are expected to be raided as they may have hidden property papers and transfer deeds," said Amit Maheshwari, Partner Ashok Maheswary & Associates LP.

"The government will also find out who is trying to operate the account if any banking documents are found," he said, adding there is an expected surge in search and seizure operations.

According to JLL India, cash-rich investors have in the past sought to park untaxed money in benami real estate transactions to circumvent the tax authorities while simultaneously reaping sizeable returns on investments. However, "with the passing of this amended (Benami transactions) Bill, there will be no way to avoid adding the proper name to a purchased property. This will bring in more transparency into the sector, minimize title risks and boost buyer confidence with regards to residential property transactions," says Anuj Puri, Chairman & Country Head, JLL India in a monthly report.