# CURRENT ISSUES IN INDIA REGARDING UNDECLARED ASSETS

Voluntary Disclosures, Panama Papers, FATCA and CRS

Rahul P. Ranadive, J.D., LL.M. (Taxation) Ranadive Law, P.A. 1001 Brickell Bay Drive, Suite 1200 Miami, FL 33131 305-913-7128 rpr@ranadivelaw.com

## 1997 Voluntary Disclosure of Income Scheme

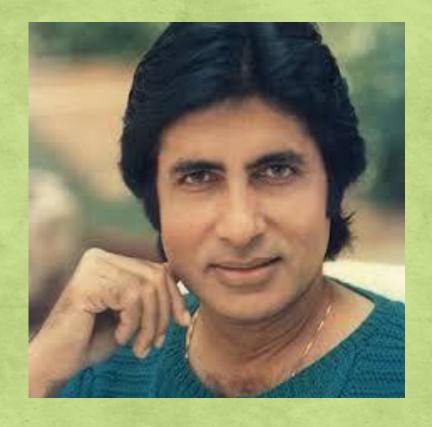
- Only targeted undisclosed assets and income within India
- \$5B of assets disclosed yielded \$1.5B in taxes (30% penalty rate)

India Voluntary Disclosure Schemes

# Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

- Three-month compliance window from 1 July to 30 September 2015
- Required declarants pay 30% each for penalty (assets) and tax (income) on the disclosed amounts.
- Govt originally estimated \$45B of assets would be disclosed
- Only 638 declarants with average disclosure of under \$1M Total \$632M disclosed
- No immunity from other laws Anti-Money Laundering; Foreign Currency Controls

#### India Voluntary Disclosure Schemes





Panama Papers





Panama Papers



Panama Papers

# Model 1 (Reciprocal) IGA Signed July 2015 FFIs report U.S. accounts to ITO Register with IRS for GIIN

https://apps.irs.gov/app/fatcaFfiList/flu.jsf So far 1,005 Indian FFIs have registered Banks; Mutual Funds; Brokerages; LICs Many private trusts **but no HUFs** 

**FATCA** in India

#### Early Adopter Group

Has signed the Multilateral Competent Authority Agreement and domestic legislation has been introduced

Start Compliance in 2016 and First Exchanges by 2017

2017 Tax Haven Jurisdictions BVI; Cayman; Isle of Man; Mauritius

2017 Countries

Most European countries, primarily United Kingdom

2018 Countries

Australia; Canada; Hong Kong; Singapore; Switzerland

CRS in India

#### **Unknown Accounts**

Known but POA Accounts

Historic Transferred Accounts

**HUF Accounts** 

FATCA/CRS in India – Specific Problems

### Unknown Accounts

Huge percentage use Indian address and PAN

## Known but POA Accounts

NRO/NRE easy to identify but not Resident accounts

FATCA/CRS in India – Specific Problems

# FATCA Regulations on Historic Accounts

Any account in existence July 1, 2014 onwards over \$50,000

FATCA/CRS in India – Specific Problems
Historic Transferred Accounts

## What is a HUF under Indian Law?

Usually for ancestral property such as a family home But often have bank accounts and portfolio accounts

Created upon initial inheritance resulting from patriarch's death Oldest Son is usually Kartha, although Daughters now eligible Children, Grandchildren and Great-grandchildren are Co-Parcenors Wives of Co-Parcenors are Members, but not Husbands Only Co-Parcenors have partition, but not renunciation, rights

Separate taxable entity for Income Tax purposes

# What is a HUF under FATCA? Definition of FFI

- Accepts deposits in the ordinary course of a banking or similar business (e.g. a bank)
- Holds, as a substantial part of its business, financial assets for the account of others (e.g. a custodian)
- Is engaged, or holds itself out as being engaged, in the business of investing, reinvesting, or trading in financial instruments, including derivative contracts (e.g. mutual funds, hedge funds, private equity funds)
- An insurance company that issues annuities or cash value insurance policies
- Under IGA an NFFE with a managed account

# What is a HUF under CRS? Definition of Reporting FI

- Depository Institutions
- Custodial Institutions
- Investment Entities
- Specified Insurance Companies

# Relevant Category of Non-Reporting FI

Trustee Documented Trust

### What is a HUF under CRS?

CRS generally applies to trusts when:

- (1) A trust is itself a Reporting FI; or
- (2) Is a NFE which has a financial account with a Reporting FI.

A trust is generally classified as a Reporting FI if:

- (1) The trust's gross income is primarily attributable to investing, reinvesting, or trading in financial assets, and
- (2) The trust is managed by another entity which is a FI.

#### What is a HUF under 7701 Entity Classification Regs?

- Eligible Entity or Not
  - Corporation possibly
  - Partnership possibly
  - Default classification depends on creation date
- Trust
  - Business Trust?
  - Grantor most likely not
  - Non-Grantor probably

# THANK YOU QUESTIONS?

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