



INTRICACIES OF CASH TRANSACTION UNDER INCOME TAX ACT 1961

CA Deepabali Das



AGENDA

■ RESTRICTION TO CASH TRANSACTION

- *Restrictions on Expenditure (Capital & Revenue) us 40A*
- *Disallowance us 35AD and 43(1)*
- *Restriction us 269SS*
- *Restriction us 269T*
- *Restriction us 269ST*
- *Disallowance us 80D, 80G, 80GGA, 80GGB & 80 GGC*

■ Incentive for cashless transaction

■ Change in tax audit eligibility for FY 2019-20

■ Mandatory Acceptance of Payment through prescribed Electronic modes

■ TDS Applicability for Cash withdrawal us 194N

■ Exemption of Income in the hands of Political Parties Section 13A

BLACK MONEY AND CORRUPTION

- Black money is that quantum of income which was not disclosed to government and hence no tax was paid, although the source is legal. Black money becomes white and legal if tax and penalty at the prevalent rate is paid.
- Corrupt money is the money obtained by bribes. The source is also illegal and it can't become legitimate by paying tax.
- Cash transactions **seldom leave any trail** and has always been a facilitator of black money. Whereas, electronic transactions ensure a clear money trail and make it very difficult for tax evaders. Government, in this regard, has from time to time brought in various provisions in order to **restrict/discourage cash transactions and incentivise/ promote non-cash mode.**

CASHLESS TRANSACTION

Cashless Economy is not possible since cash to economy is like what blood is to human body, it will standstill, government can introduce various ways to restrict its usage thus reducing after effects of cash transactions but it cannot pull it out of the system and throw away in an instant.

IMPACT OF CASHLESS TRANSACTION ON ECONOMY



ADVANTAGES OF CASHLESS TRANSACTION

Curb generation of
Black Money

Avoid risk Associated
with carrying cash

Elimination of
Counterfeit Currency

Reduces tax evasion

Increases Government
revenue

Reduces the risk of
money laundering

RESTRICTION ON CASH TRANSACTION

Disallowance of
Expenditure

Section 40A

Limit Rs 10,000

Disallowance of Health
Insurance Premium

Section 80D

No Cash Payment allowed except
preventive health check up

Disallowance on
Donation

Section 80G

Limit Rs 2,000

Prohibition on
acceptance of Cash Loan
and Deposits

Section 269SS

Limit < Rs 20,000

Prohibition on repayment
of Loans and Deposits

Section 269T

Limit < Rs 20,000

Restriction on Cash
Receipts

Section 269ST

Limit < Rs 2,00,000

Disallowance on Capital
Expenditure and
Depreciation

Section 35AD & 43(1)

Limit Rs 10,000

Disallowance of
Scientific Research or
Rural Development
Donation

Section 80GGA

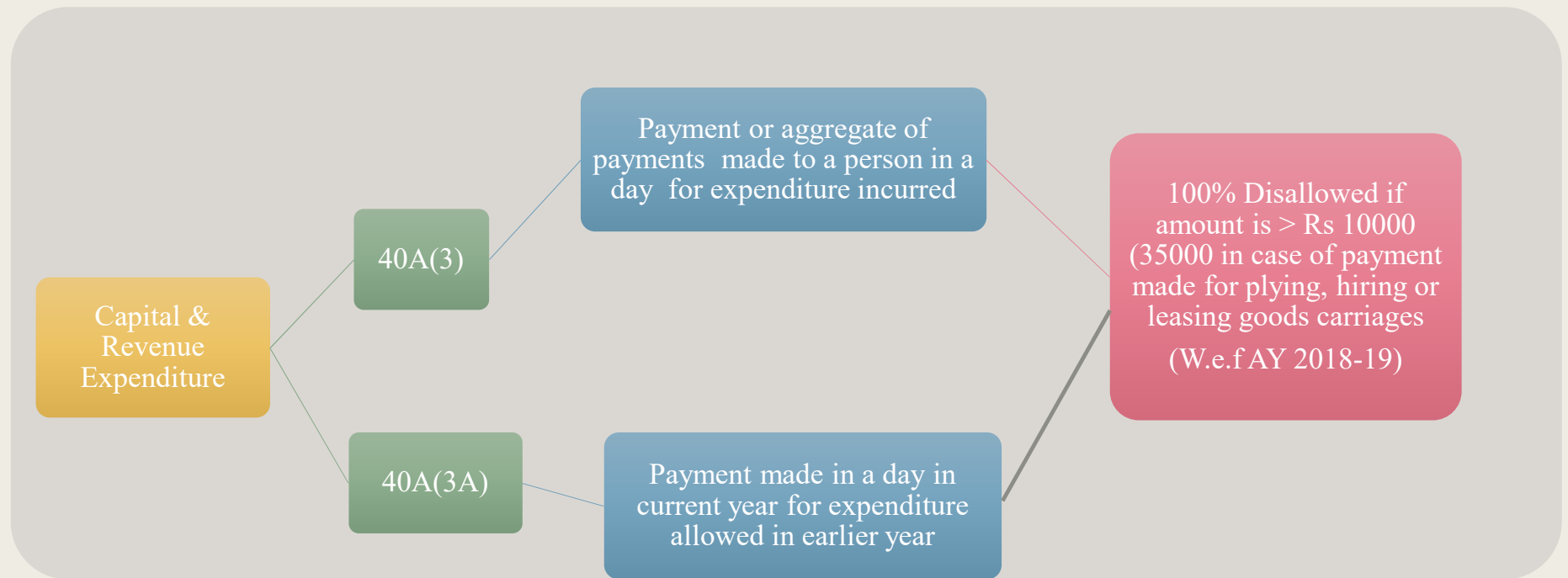
Limit Rs 2000 (w.e.f
1.06.2020)

Disallowamace of
Doanation to Political
parties

Section 80 GGB &
80GGC

No Cash Payment is
allowed

RESTRICTION ON EXPENDITURE (CAPITAL & REVENUE)



ANALYSIS OF 40A(3)

Where payment is made in the year the expenditure is incurred: 100% disallowance of payment if in excess of Rs. 10,000 and not by a/c payee cheque/draft/ECS. [Sec40A(3)] There are following two conditions for the applicability of this section. If both of these two conditions are satisfied, then the provisions of this section will be applicable.

Condition 1.

The assessee incurs any expenditure exceeding Rs.10000/- which is allowable for computing income under the head business or profession.

Condition 2.

The assessee has made payment or aggregate of payments in a day exceeding Rs.10000/- in cash.

Note : If the above two conditions are satisfied, then whole of the expenditure shall be disallowed under this section. In case where payment is made to the transporters for plying, hiring or leasing goods carriages, then amount of Rs.10000/- shall be increased to Rs.35000/ in the above two conditions.

ANALYSIS OF 40A(3)

- ❖ An expenditure of Rs. 40,000 is incurred for purchase of stationary against Invoice No A01-2019-20 from M/s XYZ Ltd on 01/01/2020. The assessee makes separate payments of Rs. 15,000, 16,000 and Rs. 9,000 all by cash, to the person concerned in a single day.
- ❖ An expenditure of Rs. 30,000 is incurred for purchase of stationary against Bill No 1, 2 & 3 from M/s XYZ Ltd on 01/01/20, 28/01/20 & 01/02/20 for Rs 10,000 each. The assessee makes separate payments of Rs. 10,000, Rs. 6,000, Rs 5,000 and Rs. 9,000 all by cash at different times, to the person concerned on a single day.
- ❖ An expenditure of Rs. 37,000 is incurred for purchase of stationary against Bill No 1 & 2 from M/s XYZ Ltd on 01/01/20 and 01/02/20 for Rs 28,000 and Rs 9,000 respectively. The assessee makes separate payments of Rs. 15,000, Rs. 13,000 and Rs. 9,000 all by cash, to the person concerned in a single day.

ANALYSIS OF 40A(3)

- ❖ **An expenditure of Rs. 40,000 is incurred for purchase of stationary against Invoice No A01-2019-20 from M/s XYZ Ltd on 01/01/2020. The assessee makes separate payments of Rs. 15,000, 16,000 and Rs. 9,000 all by cash, to the person concerned in a single day.**

Since the aggregate amount of payment made to a person in a day, in this case, is Rs. 40,000. Since, the aggregate payment by cash exceeds Rs. 10,000, Rs. 40,000 will not be allowed as a deduction in computing the total income of the taxpayer in accordance with the provisions of the Act.

- ❖ **An expenditure of Rs. 30,000 is incurred for purchase of stationary against Bill No 1, 2 & 3 from M/s XYZ Ltd on 01/01/20, 28/01/20 & 01/02/20 for Rs 10,000 each. The assessee makes separate payments of Rs. 10,000, Rs. 6,000, Rs 5,000 and Rs. 9,000 all by cash at different times, to the person concerned on a single day.**

Since the aggregate amount of payment made to a person in a day, in this case, is Rs. 30,000 however since the payment is on account of three bills, none of which is in excess of Rs 10,000, thus the entire payment will be allowed.

- ❖ **An expenditure of Rs. 37,000 is incurred for purchase of stationary against Bill No 1 & 2 from M/s XYZ Ltd on 01/01/20 and 01/02/20 for Rs 28,000 and Rs 9,000 respectively. The assessee makes separate payments of Rs. 15,000, Rs. 13,000 and Rs. 9,000 all by cash, to the person concerned in a single day.**

Since the aggregate amount of payment made to a person in a day, in this case, is Rs. 37,000 however since the payment is on account of two bills, one of which exceeds Rs 10,000, thus only Rs 28,000 will be disallowed

ANALYSIS OF 40A(3A)

Where *payment* is made in the subsequent years (after deduction has been claimed in an earlier year): where an expenditure has been allowed as a deduction in an earlier year (on due basis) and if in any subsequent year the payment in respect of such expenditure is in excess of Rs 10,000 and not by an account payee cheque, account payee bank draft or ECS – then the payment shall be deemed to be income under the head business & profession for the previous year in which payment is made. There are following two conditions for the applicability of this section. If both of these two conditions are satisfied, then the provisions of this section will be applicable.

Condition 1.

The assessee had claimed deduction in respect of an expenditure exceeding Rs.10000/- in any of the earlier years.

Condition 2.

The assessee has made payment of the liability (condition no.1) in cash in subsequent year and payment is exceeding Rs.1 0000/-in a day

If both conditions are satisfied, the payment so made shall be deemed to be the business

Example: Where expenditure of shop expense for Bill raised on 01/05/2018 is made on 3/05/2019 by cash amounting to Rs 30,000, then the expenditure of Rs 30,000 was due in PY 2018-19 and would have been claimed as a deduction in that year assuming that the assessee follows mercantile system of accounting, in this case for the PY 2019-20 we cannot disallow the payment since it is not allowable in that year, thus it will be treated as income of PY 2019-20

IMPORTANT CASE LAWS

❖ **Purchase of stock-in-trade, whether expenditure to be covered by section 40A(3).-**

Attar Singh Gurumukh Singh, etc. v. ITO(1991) 191 ITR 667(SC)

The payment made for purchasing stock-in-trade would also be covered by the word expenditure and such payment can be disallowed if they are made in cash in a sum exceeding the amount specified in section 40A(3).

❖ **Disallowance under section 40A(3) not attracted where books of accounts are rejected**

ITO v. Sadhwani Brothers (2012) 44 (II) ITCL 371 (Jp 'B'-Trib) : (2011) 142 TTJ (Jp 'B'- Trib) 26

It was held that since the books of accounts were rejected therefore, provisions of section 40A(3) were not applicable.

❖ **Plan to apply flat rate of profit u/s 44AD to avoid disallowance**

New Narayan Builder v. ITO (1992) 43 TTJ (Ahd-Trib) 508

The restriction contained in section 40A(3) relating to allowability of any expenditure would come into play and when such expenditure is otherwise treated as allowable under section 30 to 37. If the income of the assessee is determined by applying flat profit rate u/s 44AD, the question of considering the allowability of different items expenses claimed by the assessee does not arise at all

IMPORTANT CASE LAWS

❖ Advance payment is not out of ambit of expenditure

Vijay Kumar Ajit Kumar v. CIT (1991) 55 Taxman 388 (All)

merely because a payment in excess of prescribed limit is made prior to delivery of goods, it cannot be argued that it constitutes an advance and not expenditure so as to invoke provisions of section 40A(3). X has given an advance to Mr. Y of Rs. 2,50,000 in cash on 15.03.2020 for supply of goods. The goods are supplied on 29.05.2020 for Rs. 2,50,000, and the advance is adjusted. Section 40A (3) will be attracted and Rs. 2,50,000 will be disallowed in Assessment Year 2021-22.

❖ Section 40A(3) will not hit if purchase from single person and value of each invoice is less than Rs 10000

ITAT COCHIN BENCH Raja & Co.v. Deputy Commissioner of Income-tax, Central Circle, Trichur IT APPEAL NO. 534 (COCH.)

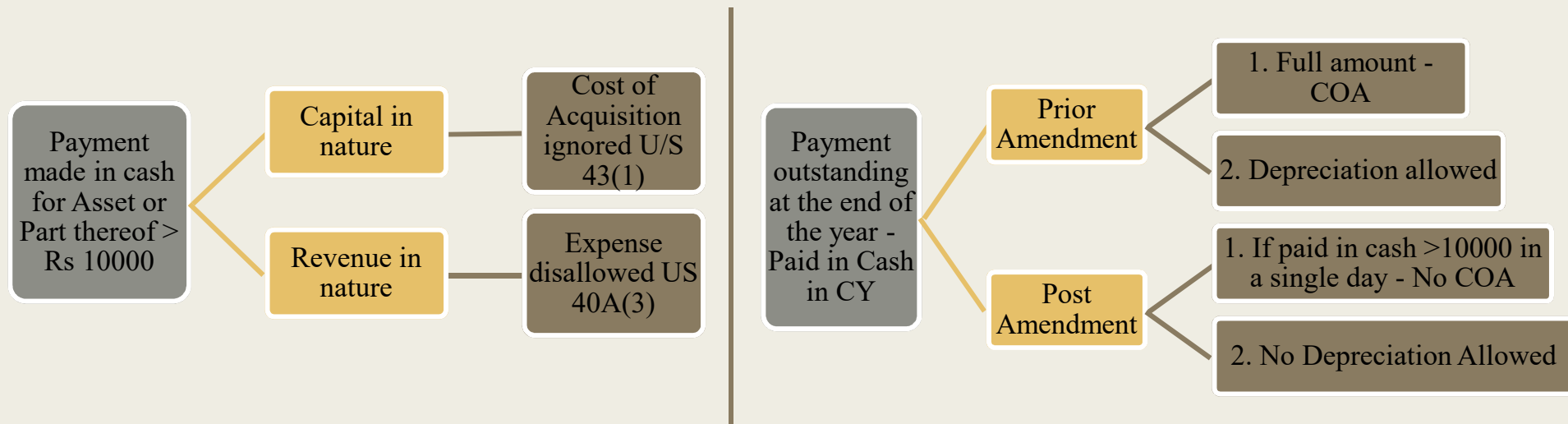
If purchase is effected from a single person by way of several bills/invoices and if value of each bill/invoice is less than Rs. 10,000 then payments made to settle each bill/invoice would not be hit by provisions of section 40A(3), as each bill/invoice has to be considered as a separate contract

DISALLOWANCE OF DEPRECIATION SEC 43(1)

Disallowance of Depreciation where cash payment exceeding Rs. 10,000 is made for purchase of asset
(Amendment to section 43(1) from AY 2018-19)

The cost in acquisition of any asset or part thereof in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost.

Note: Land is Non-Depreciable asset hence this amendment will not trigger whatsoever



DISALLOWANCE OF DEPRECIATION SEC 43(1)

EXAMPLE 1: Assessee purchases plant and machinery of Rs. 3,50,000 on 1.04.2020 and pays the entire amount in cash.

Since payment of Rs. 3,50,000/- is made by cash, it shall not be considered as part of actual cost of plant and machinery. The actual cost of plant and machinery shall be taken to be NIL and NIL shall be added to WDV of Block of assets. Note: As per section 269ST, the seller of machinery is liable to pay penalty of Rs. 3,50,000 for accepting cash of Rs.2,00,000 or more. The Penalty shall be under section 271DA.

EXAMPLE 2: Suppose in Example 1, assessee makes payments as under:

Date	Mode of Payment	Amount	Tax Treatment
1.04.2020	Cash	Rs 2500 *10 times = Rs 25000	Payment made on 1.04.2020 of Rs. 25,000 shall not be considered for determining actual cost since aggregate payments in cash in a day exceeds Rs. 10,000
03.04.2020 to 12.04.2020	Cash	Rs 10000 every day *10 Days = Rs 100000	Payment of Rs. 1,00,000 made by cash from 3.04.2020 to 12.04.2020 shall be considered for determining actual cost since aggregate payments in a day do not exceed Rs. 10,000
22.04.2020	Cheque	Rs 2,25,000	Payment of Rs. 2,25,000 shall be added to WDV of Block of assets

Disallowance of Cash Payments under Section 35AD

As per the provisions of section 35AD investment linked deduction is available in respect of capital expenditure laid out for certain specified businesses. An amendment is has been made to curb the incurring of any expenditure in cash on such expenditure – which is eligible for deduction under section 35AD and accordingly an expenditure of above Rs. 10,000/- in aggregate made to a person in a day shall not qualify for deduction under the provisions of the said section

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Applicability: individual, HUF, Company (including branch of the banking company), Partnership firm, AOP/BOI, Local authority, Co-operative society, Trust, AJP.

Provision of the Section: A person cannot accept loan or deposit or any other specified sum from another person otherwise than by an account payee cheque or account payee bank draft or use of **electronic clearing system** through a bank account, if

- i. Amount of loan **or** deposit **or** specified sum is Rs. 20,000 or more, or
- ii. Sum total amount of loan, deposit and the specified sum is Rs. 20,000 or more
- iii. In a case where a person had already received a loan, deposit or specified sum from the depositor but the loan or deposit or specified sum hasn't been paid back in such case, if the unpaid loan or deposit or-specified sum is Rs. 20,000 or more, or
- iv. The aggregate of amount referred above is Rs. 20,000 or more.

Penalty for failure to comply with section 269SS:

As per Section 271 D of the Income tax act, 1961 if a person fails to comply with Section 269SS then the Joint Commissioner shall charge a sum by way of penalty equal to the amount of the loan or deposit or specified sum so taken or accepted.

Specified Sum: any sum of money receivable, whether as advance or otherwise, in relation to transfer of an immovable property, whether or not the transfer takes place.

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

The provisions of this section are not applicable in cases (Exemption from 269SS)

- Where the following persons are either recipient or payer:
 - a) Government ;*
 - b) any banking company, post office savings bank or co-operative bank ;*
 - c) any corporation established by a Central, State or Provincial Act ;*
 - d) any Government company as defined in section 617 of the Companies Act, 1956*
 - e) such other institution, association or body or class of institutions, associations or bodies which the Central Government may, for reasons to be recorded in writing, notify in this behalf in the Official Gazette.*
- Where the payer of loan or deposit and the recipient are both having agricultural income and neither of them has any income chargeable to tax under the Act.

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Example (a) Where X had accepted a loan from XYZ on 1st of June 19 by crossed cheque for Rs 19,000. on 15th April 2020 X takes another loan from XYZ for Rs 2000 in cash (the earlier loan remaining unpaid on the date)

Example (b) Where X had accepted a loan from XYZ on 1st of June 19 by crossed cheque for Rs 19,000. He had repaid 3,000 in cash on 3rd Aug 2019. On 15th April 2020 X takes another loan from XYZ for Rs 2000 in cash (the earlier loan remaining unpaid on the date)

Example (c) If X accepts a loan of Rs 10,000 in cash from Y and a deposit of Rs 15,000 in cash from Z .

Example (d) Mr. Rohit had borrowed a loan of Rs. 14,000 from Mr. X as on 01 .09.2018 in form of account payee cheque and the same is still payable as on 20.12.2019 amounting to Rs 18,000 (Including interest). Also he has borrowed Rs. 7,000 as Deposit in cash as on 20.12.2019, whether there is any contravention to section 269SS?

Example (e) Mr. A purchased an agriculture land for Rs. 1,80,000 in cash from Mr. B. Both of them are agriculturists and none of them have income exceeding the basic exemption limit. Whether sec 269SS be applicable on them and whether penalty u/s 271 D will be imposed on them?

Whether the answer will remain same if the land is other than agriculture land?

Whether the answer will remain same if land is purchased for Rs. 5,00,000?

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Example (a) Where X had accepted a loan from XYZ on 1st of June 19 by crossed cheque for Rs 19,000. on 15th April 2020 X takes another loan from XYZ for Rs 2000 in cash (the earlier loan remaining unpaid on the date)

Then since the combined loan outstanding $(20,000 + 2,000) = 21,000$ is more than or equal to 20,000 the provisions of Sec 269SS will be attracted if the new loan on 15th April is taken in cash.

Example (b) Where X had accepted a loan from XYZ on 1st of June 19 by crossed cheque for Rs 19,000. He had repaid 3,000 in cash on 3rd Aug 2019. On 15th April 2020 X takes another loan from XYZ for Rs 2000 in cash (the earlier loan remaining unpaid on the date)

Then since the combined loan outstanding $(19,000 - 3,000 + 2,000) = 18,000$ is not more than or equal to 20,000 the provisions of Sec 269SS will not be attracted even if the new loan on 15th April is taken in cash

Example (c) If X accepts a loan of Rs 10,000 in cash from Y and a deposit of Rs 15,000 in cash from Z .

Then there is no violation of the provisions of Sec 269SS as the amount is not more than or equal to 20,000 from one person.

Example (d) Mr. Rohit had borrowed a loan of Rs. 14,000 from Mr. X as on 01.09.2018 in form of account payee cheque and the same is still payable as on 20.12.2019 amounting to Rs 18,000 (Including interest). Also he has borrowed Rs. 7,000 as Deposit in cash as on 20.12.2019, whether there is any contravention to section 269SS?

As per Section 269SS (b), as on the date of taking or accepting loan or deposit or specified sum, if there is any loan or deposit or specified sum accepted earlier is remaining unpaid then the same should be considered for Rs 20,000/- limit. In the instant case, as the amount exceeds 20,000/- $(18,000 + 7,000 = 25,000/-)$ there is a contravention

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Example (e) Mr. A purchased an agriculture land for Rs. 1,80,000 in cash from Mr. B. Both of them are agriculturists and none of them have income exceeding the basic exemption limit. Whether sec 269SS be applicable on them and whether penalty u/s 271 D will be imposed on them?

Whether the answer will remain same if the land is other than agriculture land?

Whether the answer will remain same if land is purchased for Rs. 5,00,000?

Sec 269SS deals with receipt of specified sum. Explanation to the section provides the meaning of specified sum” means any sum of money receivable, whether as advance or otherwise, in relation to transfer of an immovable property, whether or not the transfer takes place. It covers not only advance related to immoveable property, but also money received at time of transfer of property.

- However, as both Mr. A and Mr. B are agriculturists and both have income below basic exemption limit, sec 269SS shall not be applicable on them. Mr. A have received ‘specified sum’ other than account payee cheque/ draft or ECS. But this will not amount to violation of sec 269SS and hence, penalty u/s 271 D shall not be imposed.
- The answer would remain same even if the land is other than agriculture land because the exemption provided is not related to type of property. Rather, the exemption is for the agriculturists. Therefore, sec 269SS will not be applicable in this case.
- If the consideration for the land is Rs. 5,00,000 the answer will still remain same.

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Whether Share application money to be considered as loan or deposit or not?

- Bhalotia Engineering Works (P.) Ltd. v. CIT: Share application money partakes the character of a deposit, since it is repayable in specie on refusal to allot shares and is repayable if recalled by the applicant, before allotment of shares and the conclusion of the contract
- Director of Income-tax (Exemption) v. Alarippu: The essence of deposit is that there must be a liability to return it to the party by whom or on whose behalf has been made on fulfillment of certain conditions. A loan, on the other hand, is granting temporary use of money, or temporary accommodation.
- CIT vs I.P. India (P.) Ltd.[2011]/ VLS Foods (P.) Ltd.Vs Addl. CIT : if these tests are applied the receipt of share application monies cannot be treated as receipt of loan or deposit.

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Retention Money held for warranty period whether covered under 269SS?

Mr . X paid Rs. 12,00,00,000 to Mr. Z, a civil contractor after retention of Rs. 12,00,000 to be released after expiry of warranty period.

- Whether the above transaction attracts reporting in Form 3CD for Mr. X. If Yes, then under which clause of Form 3CD.
- Would your answer be same in case the contractor i.e. Mr. Z deposits money with Mr X and this money is refunded by Mr. X to him on expiry of warranty period?

Retentions from contractor's bills as 'Security Deposit' – are held as 'Retention deposit'. Thus, it is not really correct to call these security deposits. They are 'retentions'. So, withholding amounts out of contractor's bills and releasing them after warranty period does not attract clause 31(a) and/or clause 31(d) of Form 3CD. As the money is not received.

However, if contractor deposits money with assessee and this money is refunded by assessee to him on expiry of warranty period – clause 31(a) and/or 31(b) will attracted as the amount is received

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Mohan, Partner in M/s GSM & Associates contributed to the firm otherwise than by cheque. Whether Mr. Mohan can contribute to the firm otherwise than by cheque?

Repayment or receipt of amount to partners: If a partner introduces capital in cash in the firm or withdraws the same to the tune of Rs 20,000 or in excess of Rs 20,000, then Provisions of section 269SS or 269T shall not be attracted as the introduction of capital or withdrawal from firm cannot be called as loans or deposits. Amount paid by firm to partners or vice versa – is payment to self and does not take the character of loan or deposits in general law. Provisions of section 269SS are not applicable to such facts

- CIT v. Lokhpat Film Exchange (Cinema) [2008]
- Shrepak Enterprises vs. Dy. CIT

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Whether penalty is leviable on cash loan taken by partners from firm or not?

In CIT v. R.M. Chidambaram Pillai [1977] 106 ITR 292(SC), it has been held that partnership is only a collective of separate persons and not a legal person in itself. Thus, there cannot be a contract of service in strict law between a firm and one of its partners.

Thus, relying on the above principle, various courts have held that In case of a partnership firm, there is no separate identity of partner and firm and, therefore, where a partner took loan in cash from firm, there was no violation of section 269SS so as to invoke penal provisions of section 271D.

- CIT vs V. Sivakumar [2013]
- CIT vs Lokhpat Film Exchange (Cinema) [2008] ,
- Shrepak Enterprises vs DCIT [1998]

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Applicability of section 269SS in case of Loan or deposit received/ repaid by way of journal entries

- The ambit of the Section is clearly restricted to transactions involving acceptance of money and is not intended to affect cases where a debt or a liability arises on account of book entries.
- This is also clearly explicit from clause (iii) of the explanation to Section 269SS of the Act which defines loan or deposit to mean loan or deposit of money
- In Commissioner of Income-tax, (Central) IV v. Adinath Builders (P.) Ltd [2019], SC held that journal entries constitute a recognized mode of recording of transactions and in absence of any adverse finding by authorities that journal entries were made with a view to achieve purpose outside normal business operations or there was any involvement of money, there was a reasonable cause for not complying with section 269SS and penalty under section 271 D was not to be imposed.
- (a) CIT v. Worldwide Township Projects Ltd. [2014], (b) Asstt. CIT v. Vardaan Fashion [2015], (c) Asstt. CIT v. Gujarat Ambuja Proteins Ltd. [2004]:
as mentioned above the objective of the section is to discourage “cash receipts” and not “journal entries”. Hence, it may be argued that receipts through journal entries, are not covered by section 269ST

RESTRICTION ON LOANS DEPOSIT ADVANCES SEC 269SS

Amount received from sister concern to meet exigencies of situation amounts to borrowing of loan or receipt of deposit?

- CIT vs Sree Krishna Promoters & Builders[2011]

Temporary accommodation provided to one sister concern by another sister concern does not amount to transaction of loan or deposit and, therefore, it is outside purview of section 269SS.

- CIT vs Bangalore Leather & Leather Crafts Ltd. [2012]

Amount received from a sister concern to tide over financial crisis in several installments, each of which was below Rs. 20,000/-, cannot be treated as loan under section 269SS, where the assessee is running in losses and doing job work only for that sister concern.

PROHIBITION ON REPAYMENT OF LOANS & DEPOSITS SEC 269T

Applicability: individual, HUF, Company (including branch of the banking company), Partnership firm, AOP/BOI, Local authority, Co-operative society, Trust, AJP.

Provision of the Section

The section prohibits any person to repay the loan or deposit or specified sum otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account, if –

1. Amount of loan or deposit, specified sum including interest amount, is Rs. 20,000 or more, or
2. The aggregate amount of loans or deposits or specified sum, including the interest amount, held by such person in his own name, or jointly with any person, is Rs. 20,000 or more.
3. In case of specified sum (advances) received by such person either in his own name or jointly with any other person, the aggregate of such specified advances along with any interest payable on such specified advances is Rs. 20,000 or more

Hence a person cannot repay the loan or deposit in cash, if the amount is Rs. 20,000 or more.

Specified Sum: any sum of money receivable, whether as advance or otherwise, in relation to transfer of an immovable property, whether or not the transfer takes place.

PROHIBITION ON REPAYMENT OF LOANS & DEPOSITS SEC 269T

Cases where the above provisions do not apply:

The provisions of this section does not apply to in case the loan / deposit has been taken/ made by the following persons:

1. *Government;*
2. *any banking company, post office savings bank or cooperative bank;*
3. *any corporation established by a Central, State or Provincial Act;*
4. *any Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956) ;*
5. *such other institution, association or body or class of institutions, associations or bodies which the Central Government may, for reasons to be recorded in writing, notify in this behalf in the Official Gazette.*

Penalty for failure to comply with section 269T:

As per Section 271 E of the Income tax act, 1961 if a person fails to comply with Section 269T then the Joint Commissioner shall charge a sum by way of penalty equal to the amount of the loan or deposit or specified sum so repaid.

PROHIBITION ON REPAYMENT OF LOANS & DEPOSITS SEC 269T

Example. XYZ Ltd. had deposited of Rs. 18,500 from Mr. Arnab. During the previous year 2017-18, such deposit has become due for repayment (Interest payable Rs. 3100). XYZ Ltd repaid such amount by way of bearer cheque.

Example. XYZ Ltd had accepted deposited of Rs. 12000 from Mr. Singh on 01-05-2015 for a period of two year (Rate of interest 12% p.a. payable annually). It further accepted deposit of Rs. 15,000 (Rate of interest 10% p.a payable annually). Date of second deposit was 01-06-2016. On 01-05-2017, XYZ Ltd repaid Rs.16,800 (together with interest) towards first deposit in cash. XYZ Ltd also repaid Rs. 16,500 towards second deposit on 03-05-2017 in cash.

Does your answer differ if second deposit of Rs. 15,000 was in a joint name of Mr. & Mrs. Singh

PROHIBITION ON REPAYMENT OF LOANS & DEPOSITS SEC 269T

Example. XYZ Ltd. had deposited of Rs. 18,500 from Mr. Arnab. During the previous year 2017-18, such deposit has become due for repayment (Interest payable Rs. 3100). XYZ Ltd repaid such amount by way of bearer cheque.

The provision of section 269T shall be made applicable if amount to be repaid (together with interest) exceeds Rs. 20,000. In this case, XYZ Ltd. had repaid Rs. 21,600 otherwise than by account cheque or draft or ECS, there is a clear violation of provisions of section 269T.

Example. XYZ Ltd had accepted deposited of Rs. 12000 from Mr. Singh on 01-05-2015 for a period of two year (Rate of interest 12% p.a. payable annually). It further accepted deposit of Rs. 15,000 (Rate of interest 10% p.a payable annually). Date of second deposit was 01-06-2016. On 01-05-2017, XYZ Ltd repaid Rs.16,800 (together with interest) towards first deposit in cash. XYZ Ltd also repaid Rs. 16,500 towards second deposit on 03-05-2017 in cash.

Does your answer differ if second deposit of Rs. 15,000 was in a joint name of Mr. & Mrs. Singh

The provision of the section 269T shall be made applicable if aggregate amount of deposits held by a person together with interest exceeds Rs.20,000 . Therefore, at the time of repayment of first deposit in cash, there is a violation of provision of section 269T since aggregate deposits together with interest exceeded Rs. 20,000.

However, there is no violation of section 269T by XYZ Ltd. at the time of repayment of second deposit in cash since neither the amount of deposit with interest nor the aggregate amount deposit held by Mr. Singh on that date together with interest exceeds the threshold limit of Rs. 20,000.

The answer will not differ because the law mentioned under section 269T is applicable even if deposits are held in joint name with other person.

PROHIBITION ON REPAYMENT OF LOANS & DEPOSITS SEC 269T

Whether Penalty u/s 271D be imposed where deposits are not genuine and considered as income u/s 68

Sec 68 is applicable where any sum is credited in the books maintained by the assessee and no explanation is offered or the explanation offered is not satisfactory. The amount so credited may be charged to income tax and tax is payable at the rate specified in sec 115BBE.

The issue is where the deposit/ loan has already been considered as income u/s 68, whether penalty u/s 271 D for violation of sec 269SS can be imposed?

- In case of CIT v. Shyam Corporation [(2013) 35 taxmann.com519 (Gujarat)] it was held that once booking of advance received by constructor had been assessed as undisclosed income under section 68, same could not be considered as deposit for levy of penalty under sections 271 D and 271 E
- In case of ITO v. Smt. Gurmeet Kaur [(2012) 27 com173 (Jodh.)] it was held that once AO had made addition under section 68 treating deposits received in cash as non-genuine, then no penalty could be imposed under section 271 D

Restriction on Cash transaction 269ST

Applicability – No Person shall Receive Rs 2 Lakh or more from a person otherwise than by account payee cheque/account payee bank draft or use of ECS

IN AGGREGATE FROM A PERSON IN A DAY

IN A SINGLE TRANSACTION

RELATING TO ONE EVENT/OCCASION

- 1) Applicable to individual, company, firm, trust or association of persons.
- 2) Applicable to residents and non residents.

Exemption

Any receipt by:- Government
Banking Co, Post office saving bank, Co-op bank

Transactions of the nature referred to in section 269SS

such other persons or class of persons or receipts, which the Central Government may, by notification in the Official Gazette, specify.

Penalty

Sec 271 DA – 100% of the amount received

RESTRICTION ON CASH TRANSACTION – 269ST

No person shall receive an amount of two lakh rupees or more in aggregate from a person in a day:

The restriction is applicable even if the different receipts are in relation to distinct transactions entered into on same day or different days. This section will be violated if following four pre-requisites are fulfilled:

- i. There is single payer
- ii. There is a single receiver.
- iii. The payment is in single day.
- iv. The amount received by the person in cash is Rs. 2 Lakhs or above.

The payment may be towards two separate invoices of different dates and each invoice below Rs. 2 Lakh, but the person cannot receive Rs. 2,00,000 or more in cash from a person in aggregate in a single day.

Example 1: ABC & Co. issued invoice of Rs. 1,60,000 to Mr. Arun on 15/04/2020 and another invoice of Rs. 1,25,000 on 16/04/2020. Can ABC & Co receive the payment of Rs.2,85,000 in cash/ bearer cheque on 17/04/2020?

Ans: No, as the aggregate of both the invoices exceeds Rs. 2,00,000; ABC & Co. cannot receive the whole amount in cash/ bearer cheque. Only amount up to Rs. 1,99,999 can be received in cash/ bearer cheque in single day.

RESTRICTION ON CASH TRANSACTION – 269ST

Example 2: ABC & Co. issued following invoices and received following payments

Invoice No	Customer A	Customer B	Customer C
001	2,50,000	1,50,000	1,10,000
002	-	30,000	65,000
003	-	-	45,000
Total	2,50,000	1,80,000	2,20,000
Total Receipts in a single day	2,50,000	1,80,000	2,20,000
Whether 269ST violated	Yes	No	Yes
Penalty	2,50,000	NIL	2,20,000

Example 3: Suppose in above example, Rs 1,80,000 is received in cash from Mr. Arun and balance Rs. 1,05,000 is received from Mrs. Arun (Mr. Arun's wife) on 17/04/2020. Is there any violation of law?

There is no violation of law in this case. ABC & Co. can receive the amount in cash from 2 different persons as the first limb restricts receiving cash of Rs. 2 lakh or more from 'a person' in a day.

RESTRICTION ON CASH TRANSACTION – 269ST

In respect of a single transaction:

The recipient cannot receive Rs.2,00,000 or more in cash in a single transaction even if different persons are making payment. However, if the each of invoice amounts are below Rs. 2 Lakh, this provision may not be contravened. The pre-requisites for section to be violated are:

- i) Single Receiver
- ii) The cash payment relating to a particular transaction is Rs. 2,00,000 or more.

Example 4 ABC co issued invoice of Rs. 7,50,000 to their customer on 19/12/2019. The customer intends to make payment in cash in 10 weekly installments of Rs. 75,000 each. Whether ABC co can accept the above proposal?

ABC Co cannot accept the above proposal as the cash receipts (though on different dates) are towards a single transaction and exceeds Rs. 2 Lakh.

Example 5 Mr. Arun bought car of Rs. 3,50,000 on 15/03/2020. The car seller receives Rs. 1,80,000 from Mr. Gupta and Rs. 1,70,000 from his son. Whether Sec 269ST has been violated?

The car seller has violated the section as the total cash receipt relating to a particular transaction (sale of car in this case) exceeds Rs. 2,00,000

RESTRICTION ON CASH TRANSACTION – 269ST

- **Example 6:** ABC & Co. sold a machinery for Rs. 6,00,000 to 3 different persons

Invoice No	Customer A	Customer B	Customer C
Sale amount	6,00,000	6,00,000	6,00,000
Cash receipt – 13/10/2019	2,50,000	1,90,000	-
Cash receipt – 20/10/2019	-	1,90,000	1,50,000
Receipt by Ac payee cheque	3,00,000	2,20,000	2,00,000
Receipt by RTGS	50,000	-	2,50,000
Total Cash Receipts	2,50,000	3,80,000	1,50,000
269ST Violated	Yes	Yes	No
Penalty	2,50,000	3,80,000	NIL

RESTRICTION ON CASH TRANSACTION – 269ST

In respect of transactions relating to one event or occasion from a person:

This clause attempts to target transactions scattered over different days but relating to a single event or occasion. Here major focus is **‘one event or occasion’** and **‘a person’**.

Pre-requisites for attraction of this section shall be:

- i) Single Receiver
- ii) Single Payer
- iii) Cash payment relating to single event/ occasion is Rs. 2 Lakhs or more.

Example 7: if for a marriage there are 3 different bills of Rs. 1 lakhs each (total Rs. 3 lakhs), and all the three bills are in the name of three different persons

- first bill(garden on rent for marriage reception,) of Rs. 1 lakhs is in the name of the person who is being married,
- second bill (given tent house services) is in the name of father of that person for Rs. 1 lakhs and
- third bill (for decoration) is in the name of the mother of that person for Rs. 1 lakhs.

Then in such a situation entire Rs. 3 lakhs can be paid in cash etc. mode i.e., Rs. 1 lakh by the person being married, Rs. 1 lakhs by the father and Rs. 1 lakhs by the mother. Even if all the bills are in the joint names of three persons then also the payment can be made in the above manner

RESTRICTION ON CASH TRANSACTION – 269ST

Example 8 : Marriage is an event and there may be several functions relating to it like ring ceremony, haldi ceremony, bangle ceremony, *shagun*, wedding party, reception etc. All these functions are related to a single event. Therefore, the limit of Rs.2 Lakh will be for the entire marriage and not for each function.

Particulars	Whether 269ST Violated	Reason
Receives shagun of Rs.1,000 each in cash from 220 persons	No	None of the person gifted Rs.2 Lakh or more in cash.
Receives shagun of Rs. 1,11,000 from his uncle on the marriage day and Rs.1,51,000 on the day of reception	Yes	As the total cash receipt from a Person relating to occasion marriage exceeds Rs. 2 Lakh.
His uncle gifted Rs. 1,70,000 to him and Rs. 81,000 to his mother in cash	No	No person has received Rs.2 Lakh or more in cash.

Example 9: ABC Event Managers arranged a marriage function in February 2020.

Date	Invoice for function	Scenario 1	Scenario 2	Scenario 3	Scenario 4
22/02/2020	Ring Ceremony	1,80,000	70,000	1,80,000	1,80,000
23/02/2020	Food Catering	1,90,000	60,000	1,90,000	1,90,000
23/02/2020	Decoration of Mandap	45,000	45,000	45,000	45,000
Total of all invoices		4,15,000	1,75,000	4,15,000	4,15,000

RESTRICTION ON CASH TRANSACTION – 269ST

Continued

Date	Cash Receipt	Scenario 1	Scenario 2	Scenario 3	Scenario 4
01/03/2020	Bride's Father	1,75,000	1,75,000	1,75,000	1,75,000
03/03/2020	Bride's Father	60,000	-	-	25,000
04/03/2020	Bride's Brother	-	-	65,000	-
05/03/2020	Credit Card	1,80,000	-	1,75,000	2,15,000
Total Cash Payment		2,35,000	1,75,000	2,40,000	2,00,000
Bride's Father		2,35,000	1,75,000	1,75,000	2,00,000
Bride's Brother				65,000	
Violation of 269 ST		Yes	No	No	Yes
Penalty us 271DA		2,35,000	-	-	2,00,000

RESTRICTION ON CASH TRANSACTION – 269ST

- **Mr. Bajaj borrowed Rs. 4,00,000 in cash from Mr. Akash. Later he repaid Rs. 2,50,000 in cash. State the applicability of Sec 269SS, 269T and 269ST?..**

Mr. Bajaj has violated sec 269SS by accepting cash loan of Rs. 20,000 or more and penalty shall be levied u/s 271 D on borrower (Mr. Bajaj). However Sec 269ST shall not be applicable even if amount exceeding Rs. 2,00,000 has been received from a person in a day as transactions covered by 269SS are out of ambit of Sec 269ST. Regarding repayment of Rs. 2,50,000 in cash, Sec 269T has been violated by Mr. Bajaj as loan has been repaid in cash exceeding Rs. 20,000 and penalty shall be levied u/s 271 E on the person who is making repayment (Mr. Bajaj).

Sec 269ST has been violated by Mr. Akash as he has accepted cash of Rs. 2,50,000 from a person in a day. Penalty u/s 271 DA shall be levied on recipient (Mr. Akash).

- **Mr A was hospitalized in DAC Hospital. The bill amount for treatment, testing charges, room rent and other charges was Rs. 4,45,000. What is the maximum amount hospital can receive in cash?**

The hospital can receive up to Rs. 1,99,999 in cash and balance through modes allowed u/s 269ST. The reason being, the treatment of a patient is a single transaction and hence covered by clause (b). Even if separate invoices are issued for treatment, testing charges and other charges, then also it will be covered by clause (c) as curing/treatment is a single event/ occasion. All the distinct transactions are related to this event.

- **One of the doubtful debtors, who was not clearing his dues suddenly camp up and offered to settle his account and pay Rs. 3,00,000 in cash. Whether money can be accepted in cash?**

As per sec 269ST, cash of Rs. 3,00,000 from a person in a day cannot be accepted.

However, as per sec 271 DA penalty may not be imposed if the recipient proves that there were good & sufficient reasons for the contravention. In this case, if the person has documentary proofs and evidences that the debtor was not clearing his dues and in past he was unable to recover the amount, penalty may not be imposed.

RESTRICTION ON CASH TRANSACTION – 269ST

At the time of selling of immovable property, old furniture, geyser, AC, fridge etc are also sold to the buyer by way of an agreement separate from the sale deed. These assets are sold for total consideration of Rs. 2,50,000/- and cash is received. Whether 269ST would be violated?

Yes, this cash receipt would be in violation of Section 269ST and penalty under section 271 DA would be levied. However, if these items are sold cumulatively with the sale deed of immovable property and no separate agreement is made for these items, then in such cases, Section 269SS would come into play and the limit of Rs. 20,000 would apply as against the limit of Rs. 2,00,000/-.

Disallowance u/s 40A(3) vs Restrictions on cash u/s 269ST

Five separate invoices of Rs. 60,000 each were issued to a customer. The customer intends to make cash payment in installments of Rs. 10,000 each on daily basis. State the applicability of Sec 269ST and 40A(3)?

Invoice Date	Invoice Amt	Maximum Cash Payment by Buyer Sec 40A(3)	Aggregate Maximum cash which can be Received by seller against this Invoice (sec 269ST)	Balance By Cheque, Draft, ECS
1/04/2020	2,90,000	10,000	1,99,000	90,001
15/04/2020	1,70,000	10,000	1,70,000	-

RESTRICTION ON CASH TRANSACTION – 269ST

Could the receipt of cash through forceful recovery by a lender from a defaulter be considered as good and sufficient reason to avoid penalty as otherwise, the possibility of recovery from that defaulter through A/c payee cheque was 'nil'.?

Decisions in favour of Assessee:

- CIT v. M. Ramakrishnan [2015] 63 taxmann.com 321 (Madras)/[2015] 378 ITR 437 (Madras) - Where repayment of loan in cash was made out of compulsion by financier as he did not lend or receive back loan amount in cheque or draft from anybody, penalty under section 271E was to be deleted.
- CIT v. Sahara India Mutual Benefit Co. Ltd. [2012] 28 taxmann.com 199 (Delhi) -

No penalty under section 271D for dealing in cash deposits as assessee dealt with rural dweller, being a reasonable cause for failure

PENALTY US 271 DA

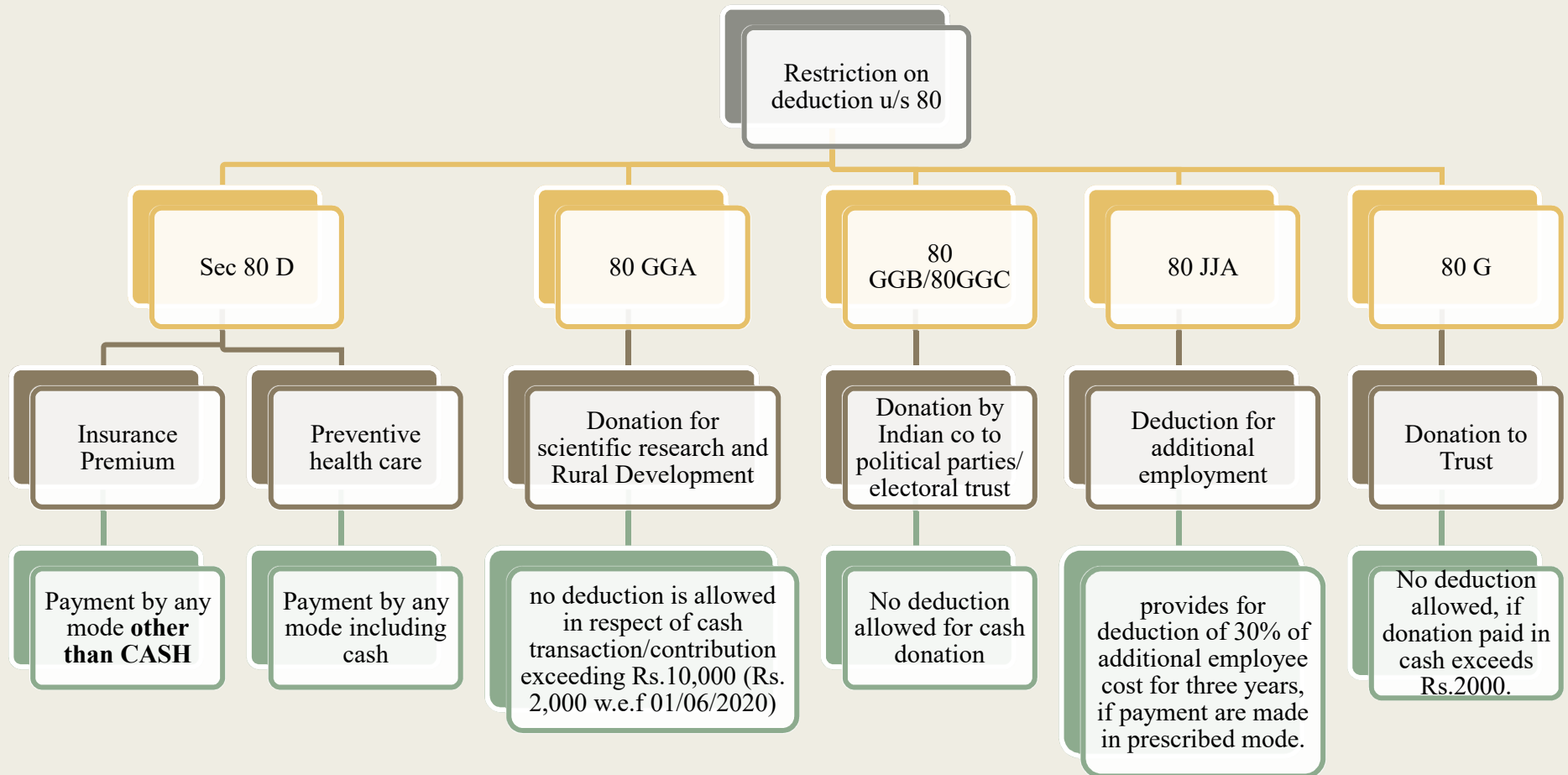
- Section 271DA has been inserted w.e.f. 1.4.2017 to provide for penalty for failure to comply with provisions of section 269ST. Essentially, the section provides as follows –
 - (a) If a person receives any sum in contravention of the provisions of section 269ST, he shall be liable to pay, by way of penalty, a sum equal to the amount of such receipt.
 - (b) Any such penalty shall be imposed by the Joint Commissioner.
 - (c) The penalty shall not be imposable if such person proves that there were “good and sufficient” reasons for the contravention
- Time limit for commencement of penalty proceeding:

It appears that there is no express time limit for initiation of penalty proceedings. Now, Courts have held that where there is no period of limitation, the power must be exercised in reasonable time

SPECIFIED FINANCIAL TRANSACTION – FORM 61A

Individuals responsible for furnishing Form 61A	Type of Transaction and limit
Banking Companies and Co-operative Banks	Cash payment for purchase of POs (Purchase orders) / DDs (Demand drafts) for amount totalling to INR 10 lakhs or more annually
Banking Companies and Co-operative Banks	Cash payment exceeding INR 10 lakhs for purchasing any prepaid RBI instruments like RBI bonds, etc.
Banking Companies and Co-operative Banks	Deposits or withdrawals amounting to INR 50 lakhs or more from a current account of an account holder
Banking Companies, Co-operative Banks and Post Offices	Deposit totalling to INR 10 lakhs or more in one or more accounts of an account holder
Banking Company, Co-operative Bank, Post Master General of Post office, Nidhi	Cash payment aggregating to INR 1 lakh or more in a year or INR 10 lakhs or more against any credit card bill which is issued to a customer in a year
A company or an institution issuing debentures or bonds	Receipt exceeding INR 10 lakhs in a year from an individual for acquiring such debentures/bonds
A company issuing shares	Receipt exceeding INR 10 lakhs in a year from an individual for acquiring such shares. This includes share application money received.
Listed companies	Share buy-back from a person for an amount totalling INR 10 lakhs or more
Manager/Trustee of a Mutual Fund	Receipt exceeding INR 10 lakhs in a year from an individual acquiring the units of such Mutual Fund
A Dealer of Foreign Exchange	Receipt from a person for sale of a foreign currency or expenses incurred in such foreign currency via a debit/credit card or via issue of draft or traveller's cheque or any other financial instrument for an amount totalling INR 10 lacs or more annually
Inspector-General/Sub-Registrar appointed under the Registration Act, 1908	Sale/ Purchase by a person of an immovable property for INR 30 lakhs or more or which is valued by stamp valuation authority at INR 30 lakhs or more
Persons liable for audit u/s 44AB of the Income Tax Act	Cash receipt exceeding INR 2 lakhs by a person for sale of goods or rendering of services (other the ones specified above)

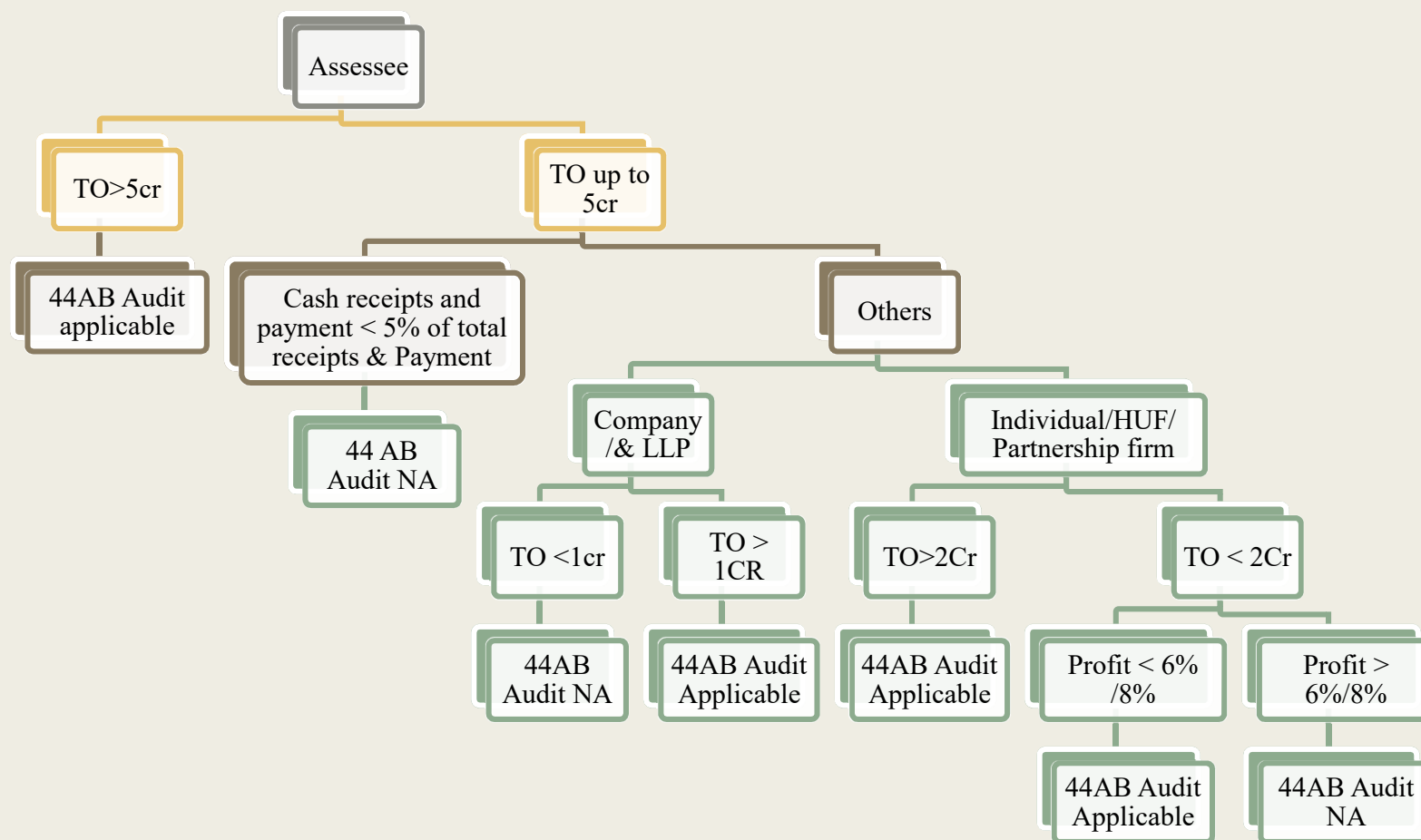
Restriction on Chapter VI – A Deduction



Incentives to encourage cashless business transaction

Section	Section relates to	Receipt/ Payment	Payment Mode	Brief
44AD	Presumptive taxation scheme	Receipt	Prescribed Mode	Section provides that eligible assessee (Individual, HUF & Firms except LLP) engaged in an eligible business can opt for presumptive taxation scheme by declaring profit at the rate of 8% or more of the total turnover/gross receipt. For receipt from the prescribed payment mode, lower presumptive profit rate of 6% (instead of 8%) is prescribed.
44AB	Tax Audit	Both	Any non cash	For assessee having cash receipts and cash payments not exceeding 5% of the total receipts and total payments respectively:– tax audit limit of ‘turnover/sales/gross receipt’ has been extended to Rs. 5 crores instead of existing limit of Rs. 1 crore. (amended by Finance Act, 2020)

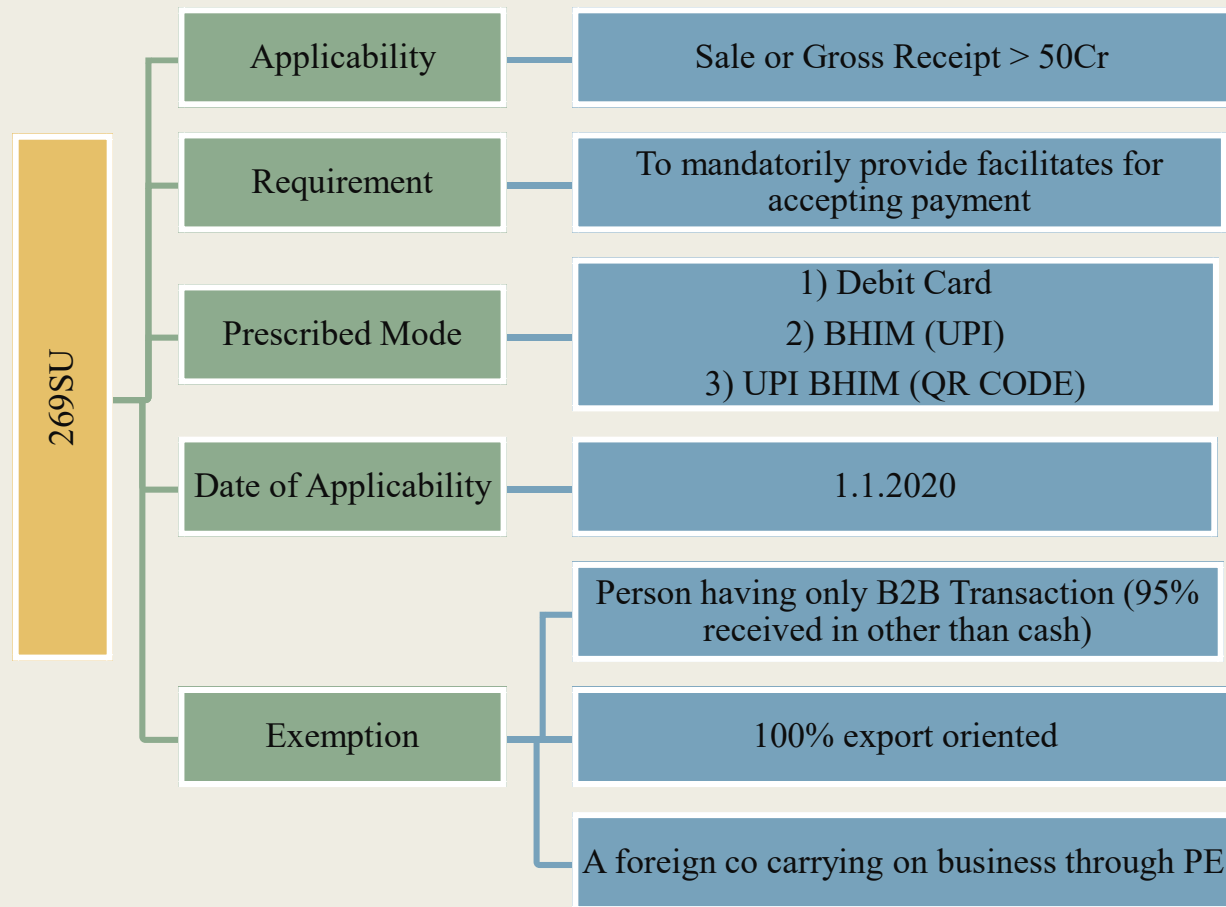
Tax Audit Applicability FY 2019-20



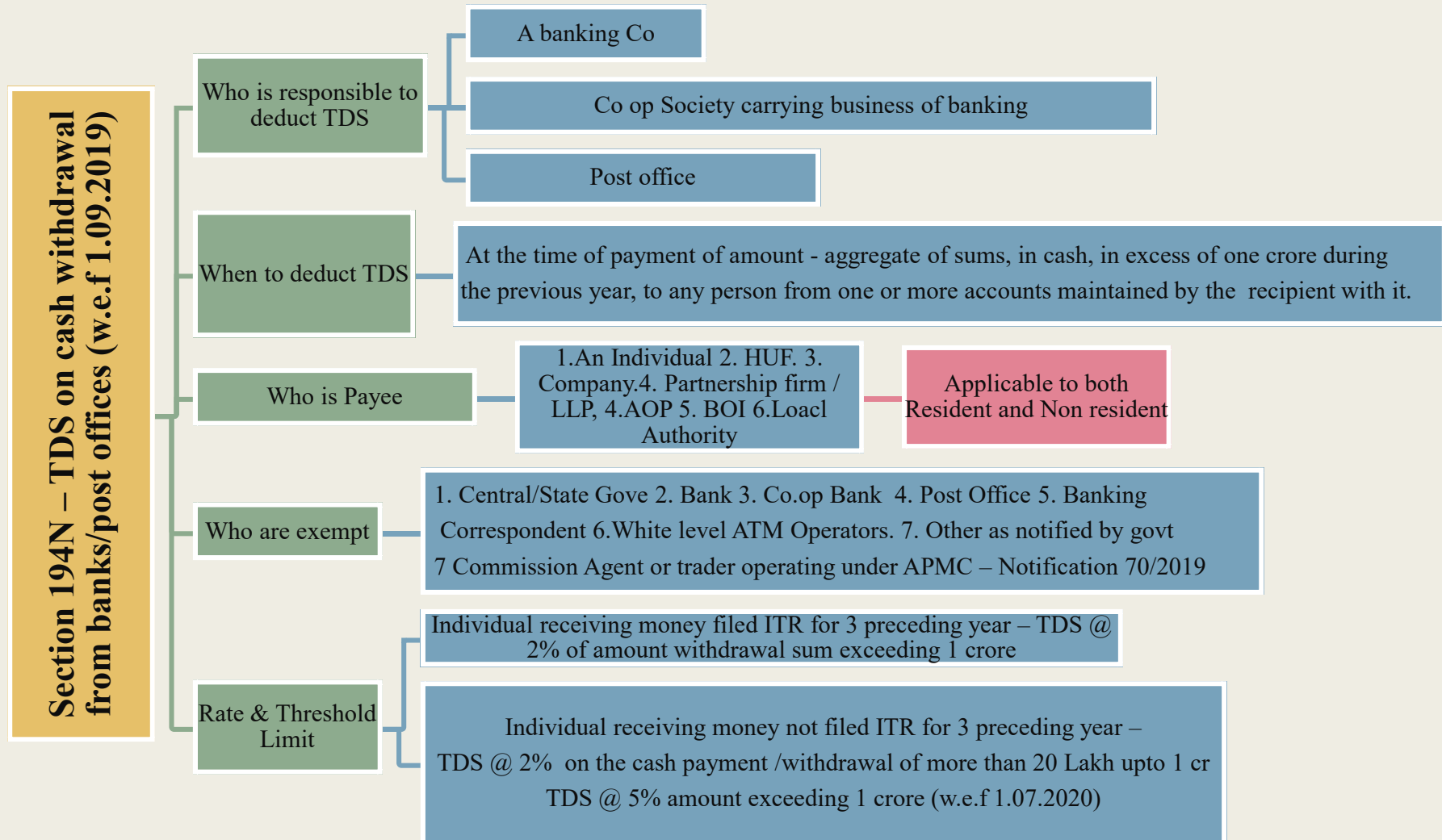
Mandating Acceptance of Payment through prescribed Electronic modes

- **APPLICABILITY OF THE PROVISIONS OF SECTION 269SU (Finance Act 2019)**
- which required every person with a business turnover, sales or gross receipts exceeding Rs. 50 crores to mandatorily provide facilities for accepting payments through prescribed electronic modes.
- The CBDT vide its **Notification [No.105/2019/F. No. 370142/35/2019-TPL]** dated **30th December 2019** and **Notification no 08/2020 dated 29.01.2020 (Rule 6BBA)** has prescribed such electronic modes, which needs to be provided.
- *Exemption from 269SU is available in following cases (both condition to satisfy):*
 - The exception is applicable only to a specified person having only B2B transactions.
 - At least 95% of the aggregate of all amounts received during the previous year, including the amount received for sales, turnover or gross receipts, are by other than cash
- **PENALTY :** The Penal provision for non-compliance of Section 269SU is covered by Section 271 DB. As per Section 271 DB, if the above provision not fulfilled w.e.f. 01.02.2020 penalty of 5,000/- per day would be levied after 01st Feb 2020. However, if the business fulfilled the criteria of install or operationalizes Digital payment system till 31st January 2020 so the penalty would not be levied.

Mandating Acceptance of Payment through prescribed Electronic modes



Tax Deducted At Source Provisions on Cash Transactions



Tax Deducted At Source Provisions on Cash Transactions

Applicability of section when amount is withdrawn from one or more account maintained with same bank/cooperative bank?

Date of cash withdrawn	Cash withdrawn from saving account	Cash withdrawn from current account
01-04-2019	20,00,000	20,00,000
05-07-2019	5,00,000	10,00,000
31-08-2019	4,00,000	25,00,000
01-09-2019	50,00,000	45,00,000
01-03-2020	65,00,000	20,00,000
Total amount withdrawn In Financial Year 2019-20		
Up to 31-08-2019	29,00,000	55,00,000
From 01-09-2019 onwards	1,15,00,000	65,00,000
Tax to be deducted	3,28,000 { (2,64,00,000-1,00,00,000)*2% }	

As Section 194N has been inserted in Income-tax Act with effect from 01-09 2019, the tax shall be required to be deducted only after the said date. However, for the purpose of calculation of threshold limit of ₹ 1 crore, the aggregate amount of cash withdrawn from one or more accounts during the previous year shall be considered.

Tax Deducted At Source Provisions on Cash Transactions

Applicability of section when amount is withdrawn from different branches of same bank?

ABC LTD has withdrawn cash from following branches of Bank of India during the financial year on

Dates	Branch	Amount
01.07.2019	Mumbai Branch	70,00,000
01.10.2019	Chennai Branch	80,00,000
1.12.2019	Bangalore Branch	90,00,000

In this case the bank shall deduct TDS on 01.10.2019 at the rate of 2% on ₹50,00,000/- (1.50 crores –1 crore) i.e. ₹1,00,000/- from the payment of ₹80,00,000/-.

Similarly bank shall deduct TDS on 01.12.2019 at the rate of 2% on ₹90,00,000/- i.e. ₹1,80,000/- from the payment of ₹90,00,000/-

Applicability of section when amount is withdrawn from different banks?

- The cash withdrawals from two different banks shall not be aggregated for the limit of ₹ 1 crore

Dates	Bank	Amount
01.07.2019	Mumbai Branch	70,00,000
01.10.2019	Chennai Branch	80,00,000
1.12.2019	Bangalore Branch	90,00,000

In this case neither of the banks is liable to deduct TDS under Section 194N.

Tax Deducted At Source Provisions on Cash Transactions

Applicability of Section when assessee has not filed return in previous three Assessment Years

Mr. Y -Not Filed his returns for 3 preceding Assessment years 2019-20, 2018-19 & 2017-18. Mr. Y has withdrawn cash from the bank in following instalments-

Date	Amount Withdrawn
April 2020	10,00,000
May 2020	15,00,000
July 2020	25,00,000
Sept 2020	80,00,000

In the present case scenario, no TDS will be deducted by bank on withdrawal of amount on 30 April & 31 May because the aggregate of the said amounts does not exceed Rs.1 Crore and there is no applicability of Section if aggregate withdrawal not crosses the limit of Rs. 1 Crore.

Bank is liable to deduct TDS on withdrawal of amount of Rs. 30 Lakh on 31 July because the aggregate of the said amounts (i.e.50 Lakh) during the financial year 2020-21 is exceeding the limit of Rs. 20 Lakh. Bank shall deduct TDS on 31.07.2020 at the rate of 2% on ₹30, 00,000/- i.e.₹60,000/- from the payment of ₹2500000/-.

On 30 September, bank shall deduct TDS on 30.07.2020 at the rate of 2% on ₹50, 00,000/- i.e.₹1,00,000/- and at the rate of 5% on ₹30, 00,000/- i.e ₹1, 50,000 from the payment of ₹80, 00,000/-.

COMPULSORY FILLING OF ITR 139(1)

To further curb Cash transaction Seventh proviso to section 139 has been inserted with effect from 1st April 2020, which requires compulsory filling of ITR under below cases who is otherwise not required to furnish ITR:

(i) has deposited an amount or aggregate of the amounts exceeding one crore rupees in one or more current accounts maintained with a banking company or a co operative bank; or

(ii) has incurred expenditure of an amount or aggregate of the amounts exceeding two lakh rupees for himself or any other person for travel to a foreign country; or

(iii) has incurred expenditure of an amount or aggregate of the amounts exceeding one lakh rupees towards consumption of electricity; or

EXEMPTION OF INCOME IN THE HANDS OF POLITICAL PARTIES SEC 13A

Political parties which is registered with the Election Commissioner of India, are exempt from paying income tax. To avail exemption political parties are required to submit a report with Election Commissioner of India and furnish details of contributions received in excess of **Rs. 20,000/-** from any person.

In order to discourage the cash transactions, additional conditions are provided for availing the benefit of the said section:

1

No donation of **Rs. 2,000/-** or more is received otherwise than by an account payee cheque/draft/use of electronic clearing system through a bank account or through electoral bonds. With effect from assessment year 2020-21, these donations may also be accepted through any electronic mode as may be prescribed.

2

Political party furnishes a return of income for the previous year in accordance with the provisions of Sec.139(4B) on or before the due date.

3

Further Political parties cannot accept a cash donation even as small as Re. 1 from a company.

Sec 13B read with Rule 17CA

- For availing the benefit of exemption u/s 13B, an electoral Trust shall accept contributions only by way of an account payee cheque or account payee bank draft or by electronic transfer and shall not accept any contribution in cash.

THANK YOU

Email: cadeepa2005@gmail.com

Mobile: 9449190453