

## **BEWARE OF CASH TRANSACTION OF INCOME TAX ACT**

### **Arjuna (Fictional Character):**

Krishna, in our country "Cash" holds a significant importance and influence in the lives of taxpayers and individuals. Still many people around the nation prefer the traditional approach of exchange through cash instead of using the banking channel. What is your opinion on this?

### **Krishna (Fictional Character):**

Arjuna, it is true that people feel more secured when making transactions through cash. However as far as Income Tax is concerned this old habit comes at a serious cost. There are various provisions in the Income Tax Act which disallows the expenses incurred by taxpayers if they exceed a certain limit. It is important for taxpayers to know these limits in order to make sure their expenditure does not get disallowed under Income Tax Act.

### **Arjuna (Fictional Character):**

Krishna, What are various limits under various section of Income Tax Act?

### **Krishna (Fictional Character):**

Income Tax Act relating to cash transactions:

1. Sec. 40A(3): Cash expenses made to a single person in a day if amount exceeds Rs. 10,000/-. In case of Cash Expenses for plying, hiring or leasing goods carriages, the limit is Rs. 35,000/- per day. Exceptions to this section are provided in Rule 6DD. If expense is made above limits, it will be disallowed.
2. Sec 43(1): Expenditure for acquisition of any asset if exceeds Rs. 10,000 in a day to a single person. Such sum will not be included in actual cost and hence no depreciation can therefore be claimed.
3. Sec. 80D: No deduction in respect of Health insurance Premium if payment made in cash.
4. Sec. 80G: No Deduction in respect of donation to charitable trust if cash donation exceeds Rs. 2,000/-

5. Sec 269SS: Loans or Deposit or transactions in immovable property shall not be accepted in cash if amount in aggregate including unpaid amount if any exceeds Rs. 20,000. If contravened 100% penalty as per Sec. 271D.
6. Sec 269T: Loans or Deposit or transactions in immovable property shall not be repaid in cash if amount in aggregate along with interest exceeds Rs. 20,000. If contravened 100% penalty as per Sec. 271E.
7. Sec 269ST: Sum exceeding Rs. 2,00,000 shall not be accepted from a person in a single day or in respect of a single transaction or event. If contravened 100% penalty as per Sec. 271DA.
8. Sec 194N: TDS @2% will be applicable on Cash Withdrawal exceeding Rs. 1 Crore. However if ITR is not filed for 3 preceding years, the limit comes down to Rs. 20 Lakhs for TDS @ 2% & TDS @ 5% is applicable if amount exceeds Rs. 1 Crore.
9. Sec 44AB(a): Threshold limit for audit of Accounts increases to Rs. 10 Crore if cash transactions do not exceed 5%. If transactions exceed the limit, person becomes liable for audit u/s 44AB.
10. Presumptive Taxation: The limit for opting presumptive taxation will increase from Rs. 2 Crore to Rs. 3 Crore for businesses & from Rs. 50 Lakhs to Rs. 75 Lakhs for professionals if cash transactions do not exceed 5% from Assessment Year 2024-25.

### **Arjuna (Fictional Character):**

Krishna, What are the specific provisions for Cash Receipts For Agricultural Sale & From Related Person?

1. Agricultural Income: Restriction under Section 269ST are not applicable to receipts from sale of agricultural produce by an individual or HUF in whose hands such income constitutes agricultural income.
2. Capital Contribution by Partner: Penalty under Section 271DA is applicable if capital contribution by partner exceeds Rs. 2,00,000 in cash.
3. Cash from Sister Concern: There are various judgement which states that if the decision to effect cash movement in both sister concern rests with the same group of people or individuals then transactions cannot be held as loan or deposit & accordingly limits under Income Tax would not apply.

**Arjuna (Fictional Character):**

Krishna, what should one learn from this?

**Krishna (Fictional Character):**

Arjuna minimizing cash transactions in the system has always been the aim of Revenue Authorities. Eliminating cash transactions from business helps increasing transparency. The taxpayers shall consider these cash limits in undertaking cash transactions so as to ensure none of their transactions violates the provision of the Income Tax Act.