

Cash Receipts and Income Tax Provisions and Compliances

The Finance Act,2017 introduced new section 269ST in the Income Tax Act, 1961 w.e.f 01.04.2017. Section 269ST has been introduced with the intention to curb the cash transactions.

Applicability of Section 269ST :

Section 269ST:

269ST. Mode of undertaking transactions.-No person shall receive an amount of two lakh rupees or more-

(a)	in aggregate from a person in a day; or
(b)	in respect of a single transaction; or
(c)	in respect of transactions relating to one event or occasion from a person,

otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:

Provided that the provisions of this section shall not apply to-

(i)	any receipt by-
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(a)	Government;
(b)	any banking company, post office savings bank or co-operative bank;

(ii)	transactions of the nature referred to in section 269SS;
(iii)	such other persons or class of persons or receipts, which the Central Government may, by notification in the Official Gazette, specify.

Explanation.-For the purposes of this section,-

(a)	"banking company" shall have the same meaning as assigned to it in clause (i) of the Explanation to section 269SS;
(b)	"co-operative bank" shall have the same meaning as assigned to it in clause (ii) of the Explanation to section 269SS.!

Applicable from : 01.04.2017

Explanation to the section :

The section 269ST covers all the transaction whether the receipt is revenue receipt or capital receipt. Even receipts of personal nature will be taxable. Here threshold limit is Rs.2,00,000 or more, therefore even receipts of Rs.2,00,000 received otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account amounts to contravention of the provisions of this section. Crossed cheques and bearer cheques too attracts the penalty. Whereas cash receipts via electronic clearing systems like BHIM or paytm etc does not attract penalty.

Points to be taken care of :

Do not accept Rs. 2,00,000/- or more otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account :

1. From a person in a single day,
2. In respect of same transaction.

For e.g. Mr. A receives cash of Rs.1,00,000/- on 01.04.2018 and Rs. 1,01,000/- on 12.04.2018 against the same invoice, being the same transaction, it attracts the penalty,

In respect of same event/Occasion.

For e.g. If Cash gift received on account of marriage exceeds Rs.2,00,000/- from "a person" than section gets attracted as marriage is single event here. It should be noted that gift received on account of marriage is exempt from tax u/s 56(2)(vii) does not alter the applicability of penalty u/s 271DA.

It is applicable to all the persons i.e. Individual, Company, Partnership firm, AOP or BOI etc. whether being audit case or non audit case.

Penalty :

Penalty u/s 271DA for failure to comply with the provisions of Section 269ST: if a person receives any sum in contravention of provisions of section 269ST, he shall be liable to pay, by way of penalty, a sum equal to the amount of such receipt. Penalty under this section will be imposed by Joint Commissioner.

When restriction is not applicable :

The above restriction shall not apply when recipient is Government, any banking company, post office or co-operative bank. Further, above restriction shall not apply when recipient is a person notified by Central Government.

Note: Rule 114E of Income-Tax Rules, 1962, for furnishing Statements of Financial Transaction came into force from 1st April, 2016. Any person who is liable to get the accounts audited u/s 44AB of Income Tax Act, 1961 is required to furnish statement in respect of transaction relating to cash receipt in excess of Rs.2,00,000/- for sale of goods/services. This transaction does not require aggregating as per the CBDT notification no. 91/2016 dated 6th October,2016. SFT for this purpose is on receipt of cash payment exceeding Rs. 2Lacs for sale of goods/services per transaction.

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