

Restrictions on Cash Receipts imposed u/s 269ST

The [Finance Bill 2017](#) introduced a new [Section 269ST](#) in the Income Tax Act. The new section will impose restriction on receipt of any amount exceeding Rs.3 lakhs through modes other than the modes prescribed in that section.

The exact wording of this proposed new section is like this: -

No person shall receive an amount of three 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.

So in short the main purpose of this section is to curb cash transactions exceeding Rs. 3 Lakhs that are being made routinely.

Let us analyze the section in detail:

Applicable to All Persons: The provisions are applicable to all the persons of any status receiving the amount.

Effective date: Provisions are effective from 01/04/2017 (F.Y.2017-18 onwards)

Nature of Receipts: All types of receipts except those referred under Section 269SS (amount received in the nature of Loan or Deposit) are covered under these provisions

Threshold Limit:- Amount of Rs.3 Lakhs or more.

Restrictions Imposed:-

No person shall receive an amount of 3 lakhs 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

Exceptions:

Provision is not applicable to following transactions: -

any receipt by -

- (i) (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.

Penal Provisions:- For any contravention of the provisions contained in this section, penalty equivalent to amount received is leviable under newly inserted Section 271DA.

From the above points it is clear that this provision imposes restriction on cash receipts of Rs.3 Lakhs or more-

- Day wise
- Transaction wise
- Event or occasion wise

For example if A sold goods to B OF Rs. 5 lakhs through a single bill, A can receive less than Rs. 3 Lakhs in cash and balance amount by A/c payee cheque or electronic transfer only. Thus penalty cannot be avoided by splitting the payment over several days.

If A sells goods worth Rs. 5 lakhs by making two different bills say of Rs. 2.5 lakhs each then A can receive entire amount in cash. But in this case A cannot receive amount of 3 lakhs or more in cash in a single day from B

However, in a day, the aggregate of the receipts may exceed the specified sum of Rs.3 lakhs if the same are from different persons and none of them makes payment exceeding the said limit.

The third category of restriction pertains to a single event or occasion. Thus where cash receipts pertaining to a single event like a marriage or a conference although received under different heads e.g. catering, rent, other services, it cannot exceed the specified limit of 3 lakhs.

So from the analysis of above provisions it can be derived that these restrictions are imposed on the Payee and not the Payer. Although there are already prohibitions for cash expenses U/s 40A(3) for payers, one can pay amount exceeding Rs.3 lakhs in some cases e.g. for personal expenses. In such a case penalty would be imposed on payee not the payer.

Conclusion:

As honorable Finance Minister said in his speech, these measures are aimed at curbing black money and a move towards less cash economy. This new provision will definitely lead to increase in transactions through banking channels.

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