Government of India Ministry of Finance Department of Revenue Central Board of Direct Taxes

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Press Release

Budget 2017 takes Steps to discourage Cash transactions & curb Black Money.

Various legislative steps have been taken by the Finance Act, 2017 to curb black money by discouraging cash transaction and by promoting digital economy.

These prominently include placing restriction on cash transaction by introduction of new sections 269ST & 271DA to the Income-tax Act. It has been provided that no person (other than those specified therein) shall receive an amount of two lakh rupees or more,

(a) in aggregate from a person in a day; (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 account payee bank draft or use of electronic clearing system through a bank account.

Any contravention to the said provision shall attract penalty of a sum equal to the amount of such receipt. However, the said restriction is not applicable to any receipt by Government, banking company, post office savings bank or co-operative bank. It has also been decided that the restriction on cash transaction shall not apply to withdrawal of cash from a bank, cooperative bank or a post office savings bank. Necessary notification in this regard is being issued.

It has also been provided that any capital expenditure in cash exceeding rupees ten thousand shall not be eligible for claiming depreciation allowance or investment-linked deduction. Similarly, the limit on revenue expenditure in cash has been reduced from ₹20,000 to ₹10,000.

In order to promote digital payments in case of small unorganized businesses, the rate of presumptive taxation has been reduced from 8% to 6% for the amount of turnover realised through cheque/digital mode.

Restriction on receipt of cash donation up to ₹2000 has been provided on political parties for availing exemption from Income-tax. Further, it has also mandated that any donation in cash exceeding ₹ 2000 to a charitable institution shall not be allowed as a deduction under the Income-tax Act.

(Meenakshi J. Goswami)
Commissioner of Income Tax
(Media & Technical Policy)
Official Spokesperson, CBDT.

Kindly make note of the following changes in IT law that come into effect from 1-4-2017:

(1) Limit for payment of expenses by cash (both, capital and revenue expenditure) reduced from Rs.20000 to Rs.10000 per day in aggregate per person. Capital expenses paid in cash beyond the said limit will not be taken into account for depreciation purposes. However, the cash payment limit for lorry fright etc. remains the same at Rs.35000.

(2) No person shall receive an amount of two lakh rupees or more, by cash (Sec. 269ST) —
(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.
The penalty for violation of above is to be a sum equal to the amount of such receipt.

Examples for above -

👉 i) If one sells goods worth Rs. 300000 through three different bills of Rs.100000 each to one person and accepts *cash in single day* at different times then section 269ST(a) will get violated.

👉 ii) If one sells goods worth Rs. 300000 through *single bill* to another person and receives cash of Rs.150000 on day 1 and another Rs.150000 on day 2 then section 269ST(b) will get violated, since it pertains to single transaction.

👉 iii) If one accepts cash of Rs.180000 for *sales* and Rs.20000 for *freight charges*, then section 269ST(c) will get violated even if cash is accepted on different dates, since they pertain to a single sales event.

👉 iv) If one sells his car for Rs.300000 and receives the amount in cash, then penalty levied on him will be Rs.300000.

(2A) In view of the newly introduced above said penal provisions relating to cash sales, the existing provisions (in vogue from 1.6.2016) relating to collection of TCS @ 1% on cash sales exceeding Rs.2 lakhs (Rs.5 lakhs, in the case of jewellery) are deleted. Consequently, there is no need to collect TCS on cash sales exceeding Rs.2 lakhs. Straight away it will attract equal amount penalty now.

(3) For below Rs.2 crores turnover cases -

👉 For Non Cash Sales (through Digital, Online, cheque, Bank etc.) : Net Profit will be taken as 6% of Turnover/Gross Receipt.

👉 For Cash Sales: Net Profit will be taken as 8% of Turnover/Gross Receipt.

(4) Tax Exemption limit is Rs.2,50,000/- (same as earlier) -

After that, upto Rs.5 lakh, Tax Rate is 5% (earlier it was 10%). Tax rebate of maximum Rs.2500 will be allowed, for total income upto Rs.3.50 lakhs.

Individuals having total income exceeding Rs.50 lakhs but below Rs.1 crore, are to pay surcharge @ 10% of the tax. Those having total income exceeding Rs. 1 crore shall continue to pay surcharge @ 15%.

(5) Payment of Rent - Rs.50,000 per month by any Individual or HUF (not subject to Tax Audit requirements) - deduct TDS @ 5%.

(6) Capital Gain in respect of Land & Buildings -
– Periodicity for long term Capital Gain is reduced from 3 years to 2 years.
– Base year shifted from 01.04.1981 to 01.04.2001 for all assets including Immovable property.

(7) Corporate tax rate for the account year 2017-18 for companies with annual turnover upto Rs. 50 crores (in the account year 2015-16) is reduced to 25%. No change in firm tax rate of 30%.

(8) Donations made exceeding Rs.2000 will be not be eligible for deduction under section 80G, unless these are made using modes other than cash. Consequently, trusts accepting 80G donations may advise their donors to give donations exceeding Rs.2000 vide cheque / RTGS / digital modes.

(9) Sale of unquoted shares to be taxed at (deemed) fair value.

(10) In absence of PAN of the buyer of specified goods, the rate of TCS will be twice of the extent rate or 5%, whichever is higher.

(11) From financial year 2017-18, if Return is not filed within due date, late fee of Rs.5000 for delay up to 31st December, and Rs. 10000 thereafter.

(12) Every person who is eligible to obtain Aadhar number, should quote such number, on or after 1 July 2017, in the Return of income. Furthermore, every person who has been allotted PAN as on 1st July 2017 must intimate the Aadhar number to the Tax Authority, failing which, PAN allotted to such person shall be deemed to be invalid. Kindly note that linking of Aadhar with PAN is not possible, unless name as per Aadhar and PAN match perfectly. Hence, please take steps to rectify your name as per Aadhar to match as per PAN.

(13) Where Sec.12AA registered trusts modify their objects clause, they need to apply within 30 days to CIT for approval of the modified clauses.