

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 1376**

TO BE ANSWERED ON MONDAY, FEBRUARY 10, 2020 / MAGHA 21, 1941 (SAKA)

PROMOTION OF DIGITAL TRANSACTIONS

1376: SHRI PANKAJ CHAUDHARY:

Will the Minister of **FINANCE** be pleased to state:

- (a) whether the Government proposes to provide any incentive to promote digital transactions and if so, the details thereof;
- (b) whether the extra rate of interest being charged by the banks on digital transactions is causing adverse effect on it and if so, the details thereof;
- (c) whether the Central Board for Direct Taxes has issued circular regarding imposing heavy fine of Rs.5000 per day on the shops or companies having revenue of 50 crore or more for not making available at least one digital payment mode and if so, the details thereof; and
- (d) whether the Government proposes to review the rate of interest being charged by the banks on digital transactions and if so, the details thereof?

ANSWER

**MINISTER OF STATE (FINANCE)
(SHRI ANURAG SINGH THAKUR)**

(a): A Statement indicating steps taken by the Government to incentivise digital payments is at **Annexure**.

(b) to (d): Section 269SU has been inserted in the Income Tax Act, 1961 vide the Finance Act, 2019 to provide that every person carrying out business, whose total sales, turnover, or gross receipts, as the case may be exceeds fifty crore rupees during the immediately preceding year, shall provide facility for accepting payments through electronic modes prescribed vide Notification No.105/2019 dated 30.12.2019 of CBDT. The Finance (No.2) Act, 2019 has also inserted section 271DB in the Act which provides for a levy of penalty of five thousand rupees per day in case of failure by a specified person to comply with the provisions of section 269SU. However, the penalty will be levied w.e.f. 1st February 2020 if the specified person fails to install and operationalize the facilities on or before 31.01.2020.

Further, Section 10A of the Payment and Settlement Systems Act, 2007, inserted vide the Finance Act, 2019 provides that no bank or system provider shall impose and charge on a payer, or a beneficiary receiving payment, through electronic mode prescribed under Section 269SU of the Act. Consequently, any charge including the Merchant Discount Rate (MDR) shall not be applicable on or after January 1, 2020 on payment made through prescribed electronic modes.

On December 06, 2017, the Reserve Bank of India (RBI) had issued a circular on "Rationalization of Merchant Discount Rate (MDR) for Debit Card Transactions", whereby the maximum permissible MDR for both 'card present' and 'card not present' transactions have been prescribed. Further, banks have also been advised therein to ensure that MDR charges for debit card transactions are not passed on to the customers by the merchants on-boarded by them. RBI vide circular dated June 11,2019 waived processing charges and time varying charges levied on Banks for outward transactions undertaken using RTGS/NEFT w.e.f. 01.07.2019 and advised banks to pass the benefit to their customers.

Statement referred to in reply to part (a) of Lok Sabha Unstarred Question No.1376 for 10.02.2020

Measures to incentivize digital transactions

- A. In Finance Bill 2020, the threshold limit for getting accounts audited under section 44AB has been increased from existing one crore rupees to five crore rupees, if during the previous year (a) aggregate of all receipts in cash does not exceed 5% of such receipts and (b) aggregate of all payments in cash does not exceed 5% of such payments.
- B. Finance Act, 2019 sections 13A, 40A, 43, 43Ca, 44Ad, 50C, 56, 80JJA, 269SS & 269ST of Income Tax amended to include such other electronic modes as may be prescribed in addition to existing permissible modes of payment like account payee cheque, account payee bank draft and electronic clearing system through bank account. Notification No.08/2020 issued on 29.01.2020 inserted rule 6ABBA providing for inclusion of credit card, debit card, net banking, immediate payment service (IMPS), Unified Payment Interface (UPI), Real Time Gross Settlement (RTGS), National Electronic Transfer (NEFT), & Bharat Interface for Money (BHIM) Aadhaar Pay.
- C. Vide Finance Act, 2017, existing rate of deemed profit under section 44AD of the Act reduced from 8% to 6% in respect of total turnover or gross receipts received through banking channel/digital means, w.e.f. 01.04.2017.

Measures to discourage cash transactions

- A. Finance (No.2) Act, 2019 inserted a new section 194N w.e.f. 01.09.2019 to provide for levy of TDS@2% on the amount of cash withdrawal by a person exceeding Rs.1 crore from his bank account subject to certain exemptions.
- B. Vide Finance Act, 2017 w.e.f. 01.04.2018, existing threshold of cash payment under section 40A(3) of the Act reduced from Rs.20,000 to Rs.10,000 in a single day.
- C. Vide Finance Act, 2017, new section 269ST inserted w.e.f. 01.04.2017 to prohibit cash receipt of Rs, two lakh or more by a person in a single transaction or in respect of transaction relating to one event or occasion. Section 271DA inserted to provide for fine equal to the amount of such receipt in contravention of section 269ST.
- D. Vide Finance Act, 2017, limit of cash donation to a charitable organization has been reduced from Rs.10,000/- to Rs.2,000/- w.e.f. 01.04.2018.
- E. Provisions of section 13A of the Act has been amended vide Finance Act, 2017 w.e.f. 01.04.2018 prescribing that donations of Rs.2000 or more are to be received by a political party only through account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through electoral bonds.
- F. Vide Finance Act, 2017 section 43(1) and section 35 AD of the Act amended w.e.f. 01.04.2018 to restrict the limit of capital expenditure in cash at Rs.10,000 for claiming depreciation or investment linked allowance.
