



CLARIFICATION FOR PRESCRIBED MODES OF PAYMENT UNDER INCOME TAX ACT, 1961



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EXECUTIVE SUMMARY

Section 269SU was introduced by the Central Government w.e.f 1-11-2019 under Income Tax Act with an intention to promote cashless economy and digital mode of payments. It prescribes providing facility for accepting payments through certain prescribed electronic modes (Debit cards, UPI Payments notified from 01-01-2020) in addition to other existing electronic modes. This amendment had created huge disruption amongst business houses as this general application is not possible across different business environments. To sort this trouble The CBDT has provided further clarifications diluting its application detailed as under:

Clarifications in respect of prescribed electronic modes under section 269SU of the Income-tax Act, 1961 – Circular No.12/2020 dated 20th May 2020.

- Section 269SU is applicable w.e.f 01.01.2020 to every person (i.e. Individual, HUF, Company, LLP or having any other status, irrespective of whether they are resident or not) carrying on any **business**, and if total sales, turnover, or gross receipts, as the case may be, in **that business** exceeds Rs.50 crores during the immediately preceding previous year.
- Every person who falls under Section 269SU has to compulsorily provide for options to their customers to pay through modes prescribed by CBDT within 31-01-2020 failing which penalty will be levied for Rs.5,000/- per day during such continuing default. The abovementioned prescribed modes will be in addition to other options of electronic payments already provided by such person.
- Rule 119AA specifies mode of electronic payment such as:
 - Debit Card powered by RuPay;
 - Unified Payments Interface (UPI) (BHIM-UPI); and
 - Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code).]

- **Circular 12/2020 dated 20th May 2020 clarifies that Section 269SU is not applicable to a specified person having only B2B transactions (i.e no transactions with retail customer/consumer) if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by otherwise than by way of cash.**

- The clarification was issued as the prescribed electronic mode have a maximum payment limit of per transaction per day they are not so relevant to B2B transactions, which generally receives large payments through other electronic modes of payment such as NEFT tor RTGS. Mandating such business to provide the facility for accepting payments through prescribed electronic modes would cause administrative inconvenience and impose additional costs.

- However, note that for every B2C business falling under section 269SU, the prescribed electronic modes of payment should be made available to the customers.

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