

# TAX FLASH NEWS

3 February 2020

## CBDT notification specifying additional electronic modes of payment in various provisions of the Income-tax Act

### Background

In order to encourage electronic modes of payment, the Finance (No.2) Act, 2019 amended various provisions so as to include specified electronic mode, in addition to the already existing permissible modes of payment in the form of an account payee cheque or an account payee bank draft or the electronic clearing system through a bank account.

Further, the Finance Act, 2017 amended Section 40A(3) of the Income-tax Act, 1961 (the Act) and reduced threshold to INR10,000 for prohibiting the payment of any expenditure in excess of such threshold otherwise than by an account payee cheque/bank draft or use of electronic clearing system through a bank account. However, there was no consequential amendment in Rule 6DD of the Rules.

### CBDT Notification

Recently, Central Board of Direct Taxes (CBDT) has issued a Notification<sup>1</sup> introducing new Rule 6ABBA in the Rules to prescribe 'other electronic modes' for the purpose of following provisions:

- Special provision relating to incomes of political parties - Section 13A
- Deduction in respect of expenditure on specified business - Section 35AD
- Expenditure or payments not deductible in certain circumstances - Section 40A
- Expenditure incurred for acquisition of any asset or part thereof - Section 43
- Special provisions for full value consideration for transfer of assets other than capital assets - Section 43CA

- Special provision for computing profits and gains of business on presumptive basis - Section 44AD
- Special provision for full value consideration in certain cases - Section 50C
- Income from other sources - Section 56
- Deduction in respect of employment of new employees - Section 80JJAA
- Mode of taking or accepting certain loans, deposits and specified sum - Section 269SS
- Mode of undertaking transactions - Section 269ST
- Mode of repayment of certain loans or deposits - Section 269T

The 'other electronic modes' specified are credit card, debit card, net banking, IMPS (Immediate Payment Service), UPI (Unified Payment Interface), RTGS (Real Time Gross Settlement), NEFT (National Electronic Funds Transfer), and BHIM (Bharat Interface for Money) Aadhaar Pay.

CBDT has also amended Rule 6DD of the Rules to provide that no disallowance shall be made under Section 40A(3) and no payment shall be deemed to be profits and gains of business or profession under Section 40A(3A) where payment or aggregate of payment in exceeding INR 10000 has been made through an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as prescribed under Rule 6ABBA.

### Our comments

This is a welcome move by the government to encourage electronic mode of payments. However, to promote and encourage the usage of digital mode of payments the government may cap the credit card commission charged by banks. Certain benefits can be provided to taxpayers who are transacting through specified electronic modes.

<sup>1</sup> Notification No. 8, 2020, dated 29 January 2020

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