

TAX FLASH NEWS

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CBDT notifies electronic modes of accepting payment for a person having business turnover of exceeding INR 50 crores

The Finance (No.2) Act 2019, introduced Section 269SU in the Income-tax Act, 1961 (the Act) with an objective to encourage digital economy and move towards a less-cash economy. It provides that every person having total sales, turnover or gross receipts in business exceeding INR50 crore shall mandatorily provide facilities for accepting payments through prescribed electronic modes.

On 30 December 2019, the Central Board of Direct Taxes (CBDT), vide Notification¹ has introduced a new Rule 119AA in the Income-tax Rules, 1962 (the Rule) with effect from 1 January 2020, prescribing the electronic modes of payment for the purpose of Section 269SU of the Act. As per the Rule, every person having total sales, turnover or gross receipts in business exceeding INR50 crore shall provide facility for accepting payment through following electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, namely:

- 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).

On 30 December 2019, CBDT has also issued a Circular² clarifying that the specified person must provide the facilities for accepting payment through the prescribed electronic modes with effect from 1 January 2020. Section 10A of the Payments and Settlement Systems Act, 2007 provides that no bank or service provider shall impose any charge on a payer making payment, or a beneficiary receiving payment, through electronic modes prescribed under Section 269SU of the Act. Consequently, any charge including the Merchant Discount Rate shall not be applicable on or after 1 January 2020 on payment made through prescribed electronic modes.

The Finance (No. 2) Act 2019 also introduced Section 271DB of the Act with respect to the levy of penalty for failure to comply with the provisions of Section 269SU of the Act. In order to allow sufficient time to the specified person to install and operationalise the facility for accepting payment through the prescribed electronic modes, CBDT has clarified that the penalty under Section 271DB shall not be levied if the specified person installs and operationalises the facilities on or before 31 January 2020. However, on failure to comply with the same, the specified person shall be liable to pay a penalty of INR 5000 per day from 1 February 2020 till such failure continues.

Our comments

To encourage digital economy and to move towards a less-cash economy, the provisions of Section 269SU have been introduced. In that direction, CBDT has notified certain electronic modes of payment for every person with a business sales, turnover or gross receipts of more than INR50 crores.

On failure to comply with these provisions, the specified person shall be liable to pay a penalty of INR 5000 per day from 1 February 2020 till such failure continues. However, the penalty under Section 271DB of the Act shall not be impossible if person proves that there were good and sufficient reasons for failure to comply with the provisions. Thus, in certain genuine cases where the taxpayer is not able to provide such facilities of the prescribed electronic modes, no such penalty shall be levied, if that person is able to prove that there were good and sufficient reasons for such failure.

¹ Notification No. 105, (dated – 30 December 2019)

² Circular No. 32, (dated – 30 December 2019)

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Ahmedabad

Commerce House V, 9th Floor,
902, Near Vodafone House,
Corporate Road,
Pralhad Nagar,
Ahmedabad – 380 051.
Tel: +91 79 4040 2200

Bengaluru

Embassy Golf Links Business Park,
Pebble Beach, 'B' Block,
1st & 2nd Floor,
Off Intermediate Ring Road,
Bengaluru – 560071
Tel: +91 80 6833 5000

Chandigarh

SCO 22-23 (1st Floor),
Sector 8C, Madhya Marg,
Chandigarh – 160 009.
Tel: +91 172 664 4000

Chennai

KRM Towers, Ground Floor,
1, 2 & 3 Floor, Harrington Road,
Chetpet, Chennai – 600 031.
Tel: +91 44 3914 5000

Gurugram

Building No.10, 8th Floor,
DLF Cyber City, Phase II,
Gurugram, Haryana – 122 002.
Tel: +91 124 307 4000

Hyderabad

Salarpuria Knowledge City,
6th Floor, Unit 3, Phase III,
Sy No. 83/1, Plot No 2,
Serilingampally Mandal,
Ranga Reddy District,
Hyderabad – 500 081.
Tel: +91 40 6111 6000

Jaipur

Regus Radiant Centre Pvt Ltd.,
Level 6, Jaipur Centre Mall,
B2 By pass Tonk Road,
Jaipur – 302 018.
Tel: +91 141 - 7103224

Kochi

Syama Business Centre,
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682 019.
Tel: +91 484 302 5600

Kolkata

Unit No. 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata – 700 091.
Tel: +91 33 4403 4000

Mumbai

1st Floor, Lodha Excelus,
Apollo Mills,
N. M. Joshi Marg,
Mahalaxmi,
Mumbai – 400 011.
Tel: +91 22 3989 6000

Noida

Unit No. 501, 5th Floor,
Advant Navis Business Park,
Tower-A, Plot# 7, Sector 142,
Expressway Noida,
Gautam Budh Nagar,
Noida – 201 305.
Tel: +91 0120 386 8000

Pune

9th floor, Business Plaza,
Westin Hotel Campus, 36/3-B,
Koregaon Park Annex,
Mundhwa Road, Ghorpadi,
Pune – 411 001.
Tel: +91 20 6747 7000

Vadodara

Ocean Building, 303, 3rd Floor,
Beside Center Square Mall,
Opp. Vadodara Central Mall,
Dr. Vikram Sarabhai Marg,
Vadodara – 390 023.
Tel: +91 265 619 4200

Vijayawada

Door No. 54-15-18E,
Sai Odyssey,
Gurunanak Nagar Road, NH 5,
Opp. Executive Club, Vijayawada,
Krishna District,
Andhra Pradesh – 520 008.
Tel: +91 0866 669 1000

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