

SAY NO TO CASH TRANSACTION

Incentives to encourage cashless business transactions, Restrictions on Cash Loans, Deposits & Advances, Restrictions on Cash Transactions in Real Estate, Restrictions on Income Tax Deductions, Restrictions on Cash Transactions of Rs. 2 Lacs or more, Mandating of Payment through prescribed Electronic modes, Tax Deducted at Source, Provisions on Cash Transactions, Cash Transactions in Agriculture Sector, Cash Restrictions on Charitable Trusts and Compulsorily Filing of Income Tax Return.

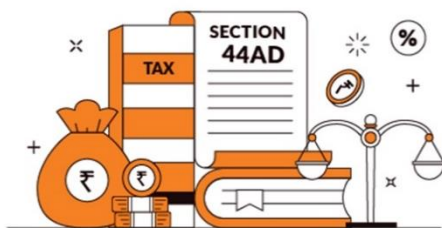


RESTRICTIONS ON CASH TRANSACTIONS

SECTION	PARTICULARS	CASH LIMIT	DISADVANTAGES, IF CASH LIMIT IS EXCEEDED
Section 44AD	Presumptive profit	Maximum 5% of Turnover	100% Penalty
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Section 269ST	Acceptance/Repayment of cash	Rs.2,00,000	100% Penalty
Section 194N	TDS on Cash withdrawals from bank/Post offices	Rs.20 Lakh / Rs.1 Crores	Depends on filing of ITR for 3 Previous year
Section 80GGA	Contributions towards scientific research or rural development	Rs.10,000	No Deduction allowed
Section 36	Insurance Premium & Health Insurance Premium	Nil	No Deduction allowed
Section 35AD	Capital Expenditure on specified business	Rs.10,000	No Deduction allowed
Section 13A	Donation received by political parties	Rs.2,000	Exemption shall not be allowed
Section 40A(3)	Payment of any expenditure	Rs.10,000	Disallowance of expenditure
Section 43(1)	Payment for Capital Expenditure	Rs.10,000	Shall be ignored for actual cost of asset calculation
Section 80GGB Section 80GGC	Contribution to political parties	Nil	No Deduction allowed
Section 80G	Contribution to charitable institutions	Rs.2,000	No Deduction allowed

List of Cash Payment Restrictions under income tax:

➤ Presumptive Profit (Section 44AD)



Under Section 44AD of the Income Tax Act, small taxpayers with less than 2 crores of turnover 3 crore (previously 2 crore) do not have to maintain books of accounts. Additionally, their profits are presumed to be 8% of their turnover. For availing benefit under this scheme, profits where income is credited digitally or through the bank will be considered as 6% as against 8% for cash receipts.

Section	Particulars	Cash Limit	Disadvantages if Cash Limit is exceeded
Section 44AD	<p style="text-align: center;"><u>Presumptive Profit</u></p> <p>For availing benefit under this scheme, profits where income is credited digitally or through the bank will be considered as 6% as against 8% for cash receipts.</p>	95% Digital Transactions	100% Penalty

➤ Presumptive Profit (Section 44ADA)



Section 44ADA of the Income Tax Act provides presumptive taxation for certain professionals like doctors, lawyers, engineers, etc.. It allows eligible individuals to pay 50% of their gross

income tax. Only those with a professional income under section 44ADA is less than 75 lakh (previously ₹50 lakh) and those engaged in specified occupations can opt for this scheme. It aims to simplify tax compliance for self-employed individuals while reducing their tax liability.

Section	Particulars	Cash Limit	Disadvantages if Cash Limit is exceeded
Section 44ADA	<p style="text-align: center;"><u>Presumptive Profit</u></p> <p>For availing benefit under this scheme, profits where income is credited digitally or through the bank will be considered as 50%</p>	95% Digital Transactions	100% Penalty

➤ **Cash received for transactions (Section 269ST)**



Lastly, Section 269ST prohibits any person to receive an amount of Rs.2 lakh and above in cash:

- In aggregate from a person in a day, or
- A single transaction, or- In respect of transactions relating to one event or occasion from a person.

Therefore, there is cash payment restrictions under this section above Rs. 2 lacs on the above transactions.

Section	Particulars	Cash Limit	Disadvantages if Cash Limit is exceeded
Section 269ST	Cash received for transactions	Rs. 2,00,000	100% penalty

➤ **TDS on cash withdrawals from banks/post offices (Section 194N)**

Section 194 N
TDS
on Cash Withdrawal



If there is no filing of Income Tax Return (ITR) for the last three financial years by an assessee, then cash withdrawal from his/her savings or current bank account will attract TDS if the total amount withdrawn in a financial year exceeds Rs 20 lakh / Rs. 1 crore, as the case may be.

Aggregate Cash Withdrawal in a Financial Year	TDS Rates, if ITR of last 3 years filed	TDS Rates, if ITR of last 3 years not filed
Up to ₹20 lacs	NIL	NIL
₹20 lacs – ₹1 crore	NIL	2%
Above ₹1 crore	2%	5%

➤ **Contributions towards scientific research or rural development (Section 80GGA)**



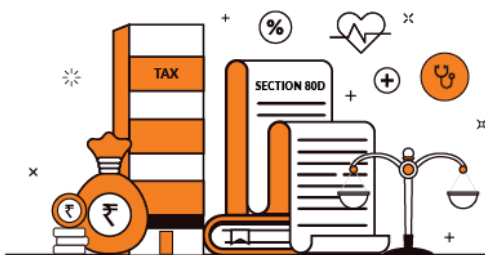
Section 80GGA of Income Tax Act

Section 80GGA allows deductions for donations made towards scientific research or rural development. This deduction is allowable to all assesses except those who have an income (or loss) from a business and/or a profession.

Donations can be in the form of a cheque/demand draft/cash. However, there can be no deductions on cash donations over Rs 10,000.

Section	Particulars	Cash Limit	Disadvantages if Cash Limit is exceeded
Section 80GGA	Contributions towards scientific research or rural development	Rs. 10,000	No deduction allowed

➤ **Insurance Premium, Health Insurance Premium (Section 36, 80D)**



Section 36 and Section 80D covers deductions on the insurance premium and health insurance premium respectively. These deductions can be claimed only if, the premiums are bought by way of a banking transaction (cheque/demand draft/electronic transfer). Therefore, there is cash payment restrictions on medical insurance deduction.

Section	Particulars	Cash Limit	Disadvantages if Cash Limit is exceeded
Section 36 Section 80D	Deduction on Insurance Premium and Health Insurance Premium	Rs. 0	No deduction allowed

➤ Donations Via Cash Transactions Received By Political Parties (Section 13A)



A political party for the purpose of Section 13A means a political party whose registration is under Section 29A of the Representation of the People Act, 1951. Further, these political parties cannot involve in any activity of a commercial nature and accordingly, they cannot earn profits. However, these parties can accept voluntary contributions under the Representation of People Act and own 'immovable property' which may give them income.

Now, Section 13A gives 100% exemption to political parties on their income from house property, income from other sources, capital gains, and voluntary contributions received from any person.

Section	Particulars	Cash Limit	Disadvantages if Cash Limit is exceeded
Section 13A	Donations received by political parties	₹2000	Exemption shall not be allowed

➤ Capital Expenditure On Specified Business (Section 35AD)



Provision of Section 35AD states that the deduction is available towards any capital expenditure, wholly and exclusively, which is for carrying on a specified business.

However, deduction under section 35AD is not available towards expenditure on acquisition of any land or financial instrument or goodwill. Above all, to avail of this deduction, the person has to meet certain conditions. Further, there is cash payment restrictions on payment of more than Rs.10,000 in a single day.

Section	Particulars	Cash Limit	Disadvantages if Cash Limit is exceeded
Section 35AD	Capital expenditure on specified business	Rs. 10,000	No deduction allowed

IMPACT OF CASHLESS TRANSACTIONS ON CORRUPTION:

No corruption, No Black Money: Through cashless transactions, details of every transaction is maintained. Payments done by every individual can be easily traced. No fake Money: One of biggest advantage would be totally eliminating fake currency. Ensures Payment of taxes: As every single penny you own is counted, so it will be difficult to evade taxes.