

What's New

News Flash

CBDT prescribes modes of electronic payment for section 269SU of the Income-tax Act, 1961

Section 269SU¹ of the Income-tax Act, 1961 (the Act) provides that every person carrying on business and having total sales/ turnover/ gross receipts exceeding INR 500m in the immediate preceding year is required to provide facility for accepting payments in prescribed electronic modes in addition to any other facility of electronic mode being provided by him/ her.

The Central Board of Direct Taxes (CBDT), *vide* its notification² has inserted Rule 119AA in the Income-tax Rules, 1962, with effect from 1 January 2020, to prescribe the following modes of payment for the purpose of section 269SU of the Act:

- Debit Card powered by RuPay
- Unified Payments Interface (UPI) (BHIM-UPI)
- Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

The above are in addition to the facility for other electronic modes already being provided by such person. The Finance (No. 2) Act, 2019 also inserted section 271DB of the Act to provide for levy of penalty on failure to comply with provisions of section 269SU of the Act. Further, CBDT, *vide* its circular³ has expressed its view that such penalty under section 271DB of the Act shall not be levied where aforesaid electronic modes are installed and operationalised upto 31 January 2020. In case of failure, the person shall be liable to pay penalty of INR 5,000 per day from 1 February 2020 onwards.

Further, necessary amendments have been made under the Payment and Settlement Systems Act, 2007 to provide that no charge, including Merchant Discount Rates (MDR), shall be levied by banks on payments made through prescribed electronic modes from 1 January 2020 onwards.

PwC comments

Post insertion of section 269SU of the Act, companies were looking forward to knowing the prescribed modes of payments. Also, a clarification was being sought specifically for MDR charges. The notification and circular through light on both these aspects.

The notification prescribes and includes various methods of payment that are required to be installed by the specified persons to encourage digital and a less-cash economy. The persons have been provided with additional time to install such payment methods. The waiver of any fee/ charges by the bank envisages the motive to encourage every person to comply with the provisions.

¹ Inserted *vide* Finance Act (No. 2) Act 2019

² Notification No. 105/2019 dated 30 December 2019

³ Circular No. 32/2019 dated 30 December 2019

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