

Section 269ST

No person shall receive an amount of two lakh rupees or more—

(a) in aggregate from a person in a day; or

(b) in respect of a single transaction; or

(c) in respect of transactions relating to one event or occasion from a person,

otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:

Restriction would apply on all persons/entities except those which are specifically exempted like banks etc. Therefore, section 269ST will be applicable on receipt of money by all persons such as individuals, HUFs, firms, companies, trusts, charitable Institutions, AOPs/ BOIs etc.

The proposed section **269ST would not be applicable** in following cases:

“(i) any receipt by—

(a) Government;

(b) any banking company, post office savings bank or co-operative bank;

(ii) transactions of the nature referred to in section 269SS;

(iii) such other persons or class of persons or receipts, which the Central Government may, by notification in the Official Gazette, specify”.

Therefore, if Govt. or a banking company receives any sum in contravention of this section, they would not be liable to any penalty.

Any person who enters into a transaction of Rs.2.00 Lakhs or above in cash, will be liable to a penalty of an amount equivalent to the amount of transaction.

For example:

If you buy an expensive watch for cash worth Rs 5 Lakh, it is the shopkeeper who will have to pay the tax (*penalty*) of Rs 5 Lakh. So, here the tax rate is 100%.

Though this new section on Cash Transaction limit sounds simple, we need to go through it in details.

Insertion of
new section
269ST.
Mode of
undertaking
transactions.

84. After section 269SS of the Income-tax Act, the following section shall be inserted, namely:—

‘269ST. No person shall receive an amount of two lakh rupees or more—

- (a) in aggregate from a person in a day; or
- (b) in respect of a single transaction; or
- (c) in respect of transactions relating to one event or occasion from a person,

otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:

Provided that the provisions of this section shall not apply to—

- (i) any receipt by—
 - (a) Government;
 - (b) any banking company, post office savings bank or co-operative bank;
- (ii) transactions of the nature referred to in section 269SS;
- (iii) such other persons or class of persons or receipts, which the Central Government may, by notification in the Official Gazette, specify.

Explanation.—For the purposes of this section,—

- (a) “banking company” shall have the same meaning as assigned to it in clause (i) of the *Explanation* to section 269SS;
- (b) “co-operative bank” shall have the same meaning as assigned to it in clause (ii) of the *Explanation* to section 269SS.’.

With effective from 1st April, 2017, no person shall receive an amount of Rs. **2.00 Lakhs** or more;

(A) in aggregate from a person in a day (or)

(B) in respect of a single transaction (or)

(C) in respect of transactions relating to one event or occasion from a person.

The new Cash transaction limit is not applicable

If a person receives the amount through

1. an Account Payee Cheque (or)
2. an Account Payee Bank Draft (or)
3. through use of electronic clearing system through a bank account.

Kindly note that **Penalty u/s 271DA** will be imposed on a person who receives a sum of Rs 2.00 Lakhs and above in cash. The extent of penalty will be a **sum equal to the amount of such receipt**. The said **penalty shall however not be levied if the person proves that there were good and sufficient reasons for such contravention**.

Section 269ST & Rs 2.00 Lakhs Cash Transaction Limit – Examples

Let us understand the above three points with examples;

A. Single Person : Cash Receipt of Rs 2.00 lakh or more, from a **single person in a day** is not allowed even if the amount has been paid through multiple transactions during the day which are below Rs. 2.00 lakh.

For example : Mr A buys a gold chain worth Rs 2.00 Lakh and pays the amount by cash to Mr B on a single day in 4 equal installments of Rs 50,000.00 each. As Mr B accepted cash worth Rs 2.00 Lakh from a single person and in a single day, section 269ST is applicable in this case. Mr. B has to pay a penalty of Rs 2.00 Lakhs.

B. Single Transaction : Cash receipts of Rs 2.00 Lakhs or more which are related to a single transaction are prohibited.

For example : Mr X goes through a medical surgery and the hospital charges him a bill of Rs 4.00 Lakh. Mr. X clears the bill in 4 installments of Rs1.00 Lakh each on four different dates. Here, the cash receipts got by hospital are less than Rs 2.00 Lakhs and have been received on different dates.

Whether this transaction violates section 269ST? – Yes. Hospital has to pay the penalty. Because, they received the payments with respect to single bill / transaction. So, splitting of payments over several days is prohibited.

C. Single Event / Occasion: Cash transactions or cash receipts related to a single event or occasion, cannot be more than Rs 2.00 Lakhs.

For example: Paramjit Kumar gets married to Samantha. On their wedding occasion, Caterer is paid Rs 1.50 Lakh, Rs 1.25 Lakh is paid to Raghav Tent House and Rs 0.50 Lakh is paid to electrical fitting to Ashok Electrician, now here Rs 3.25 Lakh is being paid in total to different persons against this marriage event. Now, even though each person is being paid less than Rs 2.00 Lakh but total amount in cash for this marriage event being paid in excess of Rs 2.00 Lakhs.

Yes, penalty can be levied. Here, marriage is a ‘single occasion’ and cash expenses worth more than Rs. 2.00 Lakhs cannot be paid.

Other Cash Related restrictions:

- Donations in cash exceeding Rs 2,000 are not permitted (Donations can be claimed u/s 80G)
- Premiums on Health insurance policies paid in cash cannot be claimed u/s 80D
- Loans or Deposits cannot be repaid in cash in excess of Rs 20,000.00 or more
- Payment of above Rs 10,000.00 per person, cannot be made for any business payment towards any expenses (or) purchase of capital asset.
- One should not accept a loan or deposit or sale consideration of immovable assets in cash in excess of Rs 20,000.00