

UNION BUDGET 2017- ACHE DIN FOR DIGITAL ECONOMY

In India, the quantum of domestic black money is huge which adversely affects the revenue of the Government creating a revenue crunch. Black money is generally transacted in cash and large amount of unaccounted wealth is stored in cash.

A chain of bombs one after the another are continuously being dropped by government on people having black money. After making huge decisions of demonetisation and benami property, everyone was expecting some surprises in the finance bill 2017 and government did as expected. This year's finance bill was somehow concerned with curbing black money and promoting digital payments (i.e. payments through cheques, demand drafts, electronic clearing system).

Question that arises is that what all have been proposed by the government to promote digital payments and restrict cash transactions.

In order to promote cash less economy and transparency various steps/decisions have been proposed like

- **DONATION U/S 80G AND 13A**

Under the existing provision of section 80G, deduction is not allowed in respect of donation made of any sum exceeding ₹ 10000 if it has been paid in cash. In order to promote cash less economy, it is proposed that no deduction shall be allowed in respect of donation of amount exceeding ₹ 2000 in cash

Further to transparency in electoral funding existing provisions of section 13A are also proposed to be amended which says that income of political parties registered with election commission of India subject to the condition that they have submitted a report to election commission furnishing the details of contributors providing contribution in excess of ₹20000 however there is no restriction on receipt of donation in cash. It is proposed that no donation shall be received of an amount exceeding

₹2000 in cash. It should be received through account payee cheque or account payee demand draft or through electronic clearing system.

- **AMENDMENT IN SECTION 44AD**

As always people expect that some benefit should be given to small business. This year government has proposed to amend section 44AD. Existing provision says that all eligible assesses (having turnover less than 2crore) carrying eligible business has the option to pay tax on income calculated by assuming it to be 8% of turnover. In order to encourage small unorganised business to accept digital payments it is proposed to reduce the existing rate of 8% to 6% in respect of turnover received through account payee cheque or account payee demand draft or through electronic clearing system during previous year or upto the last date of filling return u/s 139(1).

- **NEW ENTRY SECTION 269ST**

In this budget it is proposed to insert section 269ST in the act which says that no person shall receive an amount of ₹ 2 lakhs or more

1. In aggregate from a person in a day
2. In respect of single transaction
3. In respect of transaction relating to one event or occasion from a person

Otherwise than by an account payee cheque or account payee demand draft or electronic clearing system

It is further proposed that said restriction shall not apply to government, banking companies (now withdrawn through notification 28/2017)

Transactions of nature referred in section 269SS are excluded from the scope

Matter of concern is what will happen if a person do not comply with provisions of section 269ST, a new section 271DA has been proposed

which spells out a penalty of 100% shall be charged i.e. amount equal to receipt.

- **DISALLOWANCE OF DEPRECIATION U/S 32 AND CAPITAL EXPENDITURE U/S 35AD ON CASH PAYMENT AND AMENDMENT IN SECTION 40A(3)**

Under existing provisions, revenue expenditure incurred in cash exceeding certain monetary threshold limit is not allowed (sec40A(3)) subject to exception under rule 6DD. However there is no provision for disallowance of capital expenditure paid in cash.

In order to discourage cash transaction even for capital expenditure, it is proposed to amend section 43(actual cost of asset) which says if payment made to person in aggregate in a day exceeds ₹10000 in cash then such expenditure shall be ignored while computing actual cost.

Same provision has been proposed for capital expenditure u/s 35AD.

CONCLUSION

So, it won't be wrong to say that this year's budget has taken a step to curb black money and promote digital transactions majorly by disallowing cash expenditure subject to limit and giving reward for accepting digital payments.