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1. Taking or Accepting Certain Loans, Deposits

No person is permitted to accept Rs. 20,000 or more in cash

- a) for any loan or deposit or
- b) any amount in relation to transfer of any immovable property (even if transfer does not take place).

If any cash received from a person for any such purpose is still outstanding to be repaid, then the overall limit of Rs. 20,000/- will apply to the outstanding amount plus any subsequent receipt in cash.

The exceptions to this provision include the following:-

Sums of this nature accepted from

- (a) Government;
- (b) any banking company, post office savings bank or co-operative bank;
- (c) any corporation established by a central, state or provincial Act;
- (d) any Government company as defined in clause (45) of section 2 of the Companies Act, 2013;
- (e) such other institution, association or body or class of institutions, associations or bodies which the Central Government may, by notification in the Official Gazette, specify.
- (f) from a person having agriculture income, and the recipient is also having agriculture income and neither of them is chargeable to income tax.

Consequences of violation: Penalty of an amount equal to the amount taken in cash will be levied.



2. Repayment of Certain Loans or Deposits

Any branch of a banking company or a cooperative society, firm or other person is not allowed to repay any loan or deposit in cash if

- (a) The amount of the loan or deposit or specified advance* together with the interest, if any, is Rs.20,000/- or more, or
- (b) The aggregate amount of loans or deposits or specified advance held by such person, either in his own name or jointly with other person on the date of such repayment together with the interest, if any, is Rs.20,000/- or more.
- (c) w.e.f 2019-20. TDS @ 2% to be deducted on cash withdrawals of Rs. 1 Crore in a year from bank account for business purpose.

to any person who has made

- a) the loan or deposit or
- b) paid the specified advance*.

This provision does not apply to-

Repayment of any loan or deposit or specified sum* taken or accepted from -

- (a) Government;
- (b) any banking company, post office savings bank or co-operative bank;
- (c) any corporation established by a central, state or provincial Act;
- (d) any Government company as defined in clause (45) of section 2 of the Companies Act, 2013;
- (e) such other institution, association or body or class of institutions, associations or bodies which the Central Government may, by notification in the Official Gazette, specify. (Refer Sec.269T)

*Specified advance means any sum of money in the nature of advance, by whatever name called in relation to transfer of an immovable property, whether or not transfer takes place.

Consequences of violation : Penalty for an amount equal to the amount of such loan or deposit repaid will be levied.



3. Other Cash Transaction

No person is allowed to receive in cash an amount of Rs. 2,00,000 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,

This provision does 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. (Refer Section 269ST)
- (d) w.e.f 2019-20, Digital payments (Mode of electronic payments) is permissible in addition to account payee cheque, account payee bank draft or electronic clearing system through a bank account. Persons having business income and turnover/ receipt exceeding 50 crores in a financial year are mandatorily required to accept payment through prescribed electronic mode or other electronic mode only. In case of failure to do so, it would attract a penalty of Rs. 5000/- for every day during which such failure continues.

Consequences of violation of this provision: penalty u/s. 271DA is levied for a sum equal to the amount of such receipt.



4. Disallowance of expenses incurred in Cash

In case a person incurs any expenditure for his business or profession, in respect of which payment or aggregate of payments made in cash in a day exceeds Rs. 10,000/-, 100% of such payment will be disallowed while computing his taxable income from business/ profession. (Refer Section 40A(3)). However some exceptions are provided (See Rule 6DD of the Income Tax Rules).



5. Deemed Income of Subsequent year in which payment is made

In case an allowance has been made in respect of any liability incurred by a person for any expenditure, and then during any subsequent year the person makes payment in respect thereof in cash, the payment is chargeable to income-tax as income of the subsequent year if the payment or aggregate of payments made to a person in a day exceeds Rs.10,000/-.

In case payment is being made for plying, hiring or leasing goods carriages, then limit is Rs.35000/-, instead of Rs.10000/-.



6. Disallowance in respect of Fixed Assets i.e. Capital Expenditure

In case a person incurs any expenditure for acquisition of any asset in respect which a payment or aggregate of payments made to a

person in cash in a day exceeds Rs.10,000/-, such expenditure is not included for the purposes of determination of actual cost of such asset. This means that no depreciation benefit will be available on such capital expenditure incurred in cash.



7. Cash Donations

Donation made in cash to a registered trust or political party, if exceeds Rs. 2000, are not allowable as deduction u/s 80G.



8. Premium on Health Insurance

Any payment made in cash on account of premium on health insurance facilities is not allowable as deduction u/s 80D of IT Act.

This brochure should not be construed as an exhaustive statement of the law. For details-reference should always be made to the relevant provisions in the Acts and the Rules.



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