

Frequently Asked Questions (FAQ)



FAQ ON ACCEPTANCE OF PAYMENT THROUGH PRESCRIBED ELECTRONIC MODES (Applicable from 01.01.2020)

Background

The Finance (No. 2) Act, 2019 has introduced a new section in the Income Tax Act, 1961 namely, section 269SU with an objective to encourage digital economy and move towards a less-cash economy. This section provides for the acceptance of payment through prescribed electronic modes. Rule 119AA of the Income tax Rules, 1962 prescribes the various electronic modes of payment for the purpose of section 269SU of the act.

Summary of the section along with notification and clarification with respect to the section 269SU is given in the form of FAQs for the better understanding.

Frequently Asked Questions

Q-1 What does section 269SU say?

Ans. As per section 269SU, "Every person, carrying on business, shall provide facility for accepting payment through prescribed electronic modes, in addition to the facility for other electronic modes, of payment, if any, being provided by such person, if his total sales, turnover or gross receipts, as the case may be, in business exceeds fifty crore rupees during the immediately preceding previous year."

Q-2 Who is required to provide electronic modes for accepting payments?

Ans. Every person, carrying business and having **turnover exceeding Rs. 50 Crores** during the immediately preceding financial year. (To check applicability in FY 2019-20, Turnover of **FY 2018-19** is to be checked)

Q-3 From which date this provision is applicable?

Ans. This provision is applicable w.e.f. **1st January 2020**

Q-4 Whether the provision of this section is applicable if the business income exempt under income tax act?

Ans. It is not necessary that the income must be chargeable to income tax. Even if the income is exempt but the activities carried on by the person qualifies as 'business', the provision of this section will apply.

Q-5 Whether the provision of this section is applicable to trust?

Ans. A Trust carrying on business activity, and if the turnover of the Trust from the business activity exceeds Rs. 50 crores, then section 269SU will also apply to the Trust.

Q-6 Whether the provision of this section is applicable to professionals?

Ans. This provision shall apply to a person carrying on "Business" and not a "profession". Hence, the section does not apply to professionals like doctors, Chartered Accountants, etc. even though the gross receipts from the profession exceeds Rs. 50 Crores.

Q-7 How to calculate the limit of Rs. 50 Crore turnover?

Ans. The threshold limit of Rs. 50 crore turnover is with respect to the preceding financial year and not in the current year. If the turnover of the preceding financial year is more than Rs. 50 crore then in the current year section 269SU will apply.

Q-8 What are the prescribed modes for accepting payments?

Ans. CBDT wide notification No. 105/2019 dated 30.12.2019 prescribed following modes by inserting Rule 119AA in the Income Tax Rules,1962:

- i) Debit Card powered by RuPay;
- ii) Unified Payment Interface (UPI) (BHIM-UPI); **and**
- iii) Unified Payment Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

Q-9 Is it compulsory to provide above payment modes by Businesses?

Ans. Yes. Every business with turnover exceeding Rs. 50 Crores in a preceding financial year must provide above mentioned payment modes.

Q-10 Is it compulsory to provide all the alternatives of prescribed payment modes?

Ans. Yes. As per the notification, **all the three alternatives** as prescribed, need to be provided for accepting the payment.

Q-11 What business entity should do to provide this facilities?

Ans. To provide the prescribed mode of electronic payments, following actions need to be taken by business entity:

i) Debit Card powered by RuPay

To provide this facility, Business Entity should have Card Swipe Machine which can accept RuPay Debit card.

ii) Unified Payment Interface (UPI) (BHIM-UPI) and

iii) Unified Payment Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

To provide this facilities, Business Entity should have UPI ID and UPI QR Code. To obtain UPI ID and UPI QR Code, kindly contact your bank with whom you have account.

To know more about UPI ID & UPI QR Code, kindly visit www.bhimupi.org.in

Q-12 What if, business entity already providing NEFT, RTGS facility for acceptance of payment?

Ans. Irrespective of existing facility, business entity must provide prescribed modes for accepting payment. Above mentioned e-payment modes are additional facility along with existing facility if any provided.

Q-13 Is it compulsory for the customer to make payments through prescribed payment modes?

Ans. No. It must be noted that the section mandates the availability of the facility for the customers. The customer can opt to pay or not to pay through prescribed mode. If customer wants, the seller is bound to accept it in electronic mode. It is a mandatory provision for an eligible entity to provide the facility for digital payments.

Q-14 Whether persons with turnover exceeding Rs. 50 Crore is require to obtain any declaration from the purchaser that they are not having the facility of making payment by banking channel and that's why they are making the payment in cash or through cheque or draft?

Ans. No. Section 269SU though mandates providing the facility for payment in electronic modes by an eligible entity but do not prohibit other modes of payments viz payment in cash (subject to section 40A(3), section 269ST), cheque, draft, etc. As such, no declaration or undertaking is required to be obtained.

Q-15 Is there any penalty, if business does not provide prescribed modes of payment?

Ans. Yes.

As per the section 271DB, failure to provide facility as per section 269SU shall attract **penalty** of a sum of **Rs. 5000/- for every day** during which such failure continues.

Q-16 From which date penalty u/s 271DB will be levied?

Ans. As per the clarification issued by CBDT dated 30th December, 2019 penalty will not be levied if prescribed class of person install and operationalise such facility on or before 31st January, 2020.

If the entity fails to do so, he shall be liable to pay a penalty of Rs. 5000/- per day **from 1st February, 2020.**

Q-17 What are the bank charges for using prescribed electronic payment modes?

Ans. As per the newly inserted section 10A of the Payment and Settlement Systems Act, 2007 banks will not impose any charges on digital payment made through prescribed electronic modes, for both payer and receiver.

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