



# DTSB & ASSOCIATES

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## DECODING: SECTION 269SU OF INCOME-TAX ACT, 1961 - ACCEPTANCE OF PAYMENT THROUGH PRESCRIBED ELECTRONIC MODES

### ➤ ABOUT THE SECTION 269 SU

The section was inserted by the Act No. 23 of 2019, w.e.f. **01-11-2019**, read as follows:

“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.”

### ➤ RULE 119AA

The Prescribed Electronic Mode was notified through **Income Tax Rules, Rule 119AA**, (The rule was inserted by Income-tax (16<sup>th</sup> Amendment) Rules, 2019, w.e.f. **01-01-2020**)

The rules provide Modes of payment for the purpose of section 269SU, read as follows:

“Every person, carrying on business, 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 shall provide facility for accepting payment through following electronic modes, **in addition to the facility for other electronic modes of payment**, if any, being provided by such person, namely:—

1. Debit Card powered by RuPay;
2. Unified Payments Interface (UPI) (BHIM-UPI); **and**
3. Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code).”

### ➤ PENALTY FOR NON-COMPLIANCE

#### Section 271DB - Penalty for failure to comply with provisions of section 269SU

The section was inserted by the Act No. 23 of 2019, w.e.f. **01-11-2019**, read as follows:

Such facility, he shall be liable to pay, by way of penalty, **a sum of five thousand rupees, per day** during which such failure continues:

Provided that no such penalty shall be imposable if such person proves that there were good and sufficient reasons for such failure.

1. If a person who is required to provide facility for accepting payment through the prescribed electronic modes of payment referred to in section 269SU, fails to provide such facility, he shall be liable to pay, by way of penalty, a sum of five thousand rupees, per day during which such failure continues:



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2. Provided that no such penalty shall be imposable if such person proves that there were good and sufficient reasons for such failure.
3. Any penalty imposable under sub-section (1) shall be imposed by the Joint Commissioner of Income-tax.

## **THE GIST OF THE ABOVE ACT & RULE IS AS FOLLOWS:**

**Effectively applicable from:** 1<sup>st</sup> February, 2020

**Eligible tax payers:** Every person, carrying on business 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. (Section – 269SU)

**Penalty for non-compliance:** Rs. 5000 (Rupees Five Thousand), for per day during which such failure continues (Section – 271DB)

No penalty under Section 271DB, if the person installs and operationalizes the facilities on or before 31<sup>st</sup> January, 2020.

### **Penalty will start from 01.02.2020**

#### ➤ **CLARIFICATION REGARDING THE APPLICABILITY OF THE SECTION 269SU**

CBDT through Circular No 12./2020 clarified that provisions of section 269SU of the Act **shall not be applicable** to a specified person having **only B2B transactions** (i.e. no transaction with retail customer/consumer) if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by **other than cash.**

#### ➤ **INTERPRETATION OF THE ABOVE CIRCULAR**

The provision of section 269SU **won't be applicable to a specified person** if:-

1. It has no retail customer, **and**
2. 95% of sale amount is received through other than cash.

✚ **FOR EASY UNDERSTANDING OF THE SECTION & RULE THE SAME HAS BEEN REPRESENTED IN THE FOLLOWING FLOW CHART**



# Applicability of Sec. 269SU

