

## Section 269SU Acceptance of payment through electronic modes

**Section 269SU** was introduced by the government under Income Tax Act with an intention to promote cashless economy and digital mode of accepting payment. Section 269SU prescribes for accepting payment through certain electronic modes as prescribed in addition to other electronic modes.

### 1. To whom Section 269SU is applicable?

Section 269SU is applicable to **all Assessee** whether they are Individual , HUF, Company, LLP or having any other status (**irrespective of whether resident or not**) if they are **carrying on business** and 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**. So current provisions of section 269SU read along with Rule 119AA, will also be applicable to the following categories of assesseees-

- a. an assessee engaged in Business to Consumer (B2C) business model;

**Note: Circular No. 12/2020** (enclosed herewith) clarified that the provisions of section 269SU of the Act shall not be applicable to a specified person having only Business to Business (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.

- b. an assessee which is 100 percent export-oriented (i.e. no domestic sales, and therefore, all payments will always be received through normal banking channels); and
- c. a foreign company carrying on the business through a Permanent Establishment (PE) in India.

### 2. What does Turnover means? Does it include GST in its definition?

In the “**Guidance Note on Terms used in Financial Statements**” published by ICAI, “the expression “**Sales Turnover**” has been defined as: “The aggregate amount for which

sales are effected or services rendered by an enterprises. The term 'gross turnover/sales' and 'net turnover/sales' are sometimes used to distinguish the sales aggregate before and after deduction of returns and trade discounts”

In the statement issued by ICAI on the [Companies \(Auditors' Report\) Order 2016](#) the word '**turnover**' has been defined as under-

“The term 'turnover' for the purposes of this clause may be interpreted to mean the aggregate amount for which sales are effected or services rendered by an enterprises”

**Unless the CBDT clarifies** its stand on this matter, it would be **appropriate to ignore the amount of GST** while calculating the gross turnover or gross receipts.

### **3. What do you mean by Electronic Mode of Payment or e-payment system?**

**An e-payment system is a way of making transactions or paying for goods and services through an electronic medium, without the use of cheques or cash. It's also called an electronic payment system or online payment system.**

Most popular e-payment forms online are credit and debit cards. Other modes of e-payment are mobile payments like bank transfers, electronic wallets, smart cards etc.

### **4. What are the prescribed Electronic Modes of Payment?**

As per section 269SU, business which falls under Section 269SU has to compulsorily provide options to their customers to pay through modes prescribed by CBDT and same will be in addition to other options of electronic payment provided Business.

CBDT has vide [Notification No. 105/2019-Income Tax \[G.S.R. 960\(E\)\] – \(30/12/2019\)](#) prescribed following additional Modes of payment for the purpose of section 269SU by inserting new Income Tax Rule 119AA-

#### **i. Debit Card powered by RuPay:**

RuPay is a card scheme conceived and launched by the National Payments Corporation of India (NPCI) on 26 March 2012. It was created to fulfil the Reserve Bank of India's (RBI) vision to have a domestic, open and multilateral system of

payments. RuPay facilitates electronic payment at all Indian banks and financial institutions. Apart from the main private-sector and public-sector banks, RuPay cards are also issued by co-operative banks in the country.

**ii. Unified Payments Interface (UPI) (BHIM-UPI):**

Bharat Interface for Money (BHIM) is a payment app that lets you make simple, easy and quick transactions using Unified Payments Interface (UPI). One can make direct bank payments to anyone on UPI using their UPI ID with the BHIM app. You can also request money through the app from a UPI ID.

**iii. Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code):**

Bharat QR is P2M (Person to Merchant) Mobile payment solution. This solution is mutually derived among NPCI, Visa and Mastercard payment networks. Once the BQR codes are deployed on Merchant locations, user can pay the utility bills using BQR enabled mobile banking apps without sharing any user credentials to the merchant. It is a quick method of payment.

Bharat QR works as an alternate channel of payment where the cardholder has to download his/her bank's Bharat QR enabled mobile banking app. and the user has to scan the Bharat QR code at Merchant store and select card to make payment. Once the payment is successful, both cardholder and merchant receive notification in mobile application for successful transaction.

**5. What is the date of applicability of Section 269SU?**

The said provision is made applicable with effect from 1<sup>st</sup> January 2020.

**6. What is the penal provision if we have not complied with section 269SU?**

Section 271DB is the corresponding section for Penal provision for non-compliance of Section 269SU. If the above provision was not fulfilled w.e.f. 01.02.2020, penalty of **Rs. 5,000/- per day** would be levied after 01st Feb 2020.

However, if the business fulfilled the criteria of install or operationalizes Digital payment system till 31<sup>st</sup> January 2020 so the penalty would not be levied.

## 7. Some Frequently Asked Questions on Section 269SU:

a) **Are foreign companies covered under the provisions of Section 269SU?**

As mentioned above explaining the applicability of the section, Section 269SU is applicable to all assessee which include **foreign companies which have PE in India** subject to its total sales, turnover or gross receipts exceeds fifty crore rupees during the immediately preceding previous year.

b) **Are there any exceptions to the applicability of Section 269SU?**

No, there are no exceptions to the applicability of this section. There is no clarification released by Government regarding exceptions for applicability of Section 269SU.

c) **Can a businessman, whose turnover is exceeding Rs 50 crores, received payment by mode of cheque from any customer will be allowed under section 269SU?**

Section 269SU is not putting restriction on using any of the existing mode of receiving payments but it is only making it mandatory for that businessman whose turnover is exceeding Rs 50 Cr. to have those 3 prescribed modes compulsory in their system as a payment option for their customers. The businessman can receive payments by cheques.

d) **Whether in considering the turnover for this section, one should consider turnover of entire organisation as a whole or consider branch wise or outlet wise??**

The turnover means turnover of the entire organisation will be taken into consideration and not for separate branch or outlet wise.

e) **Whether only 1 mode (like UPI QR Code) is sufficient for compliance of law or all three modes are required to be provided?**

As per Notification under rule 119AA, all 3 facilities for accepting payment should be provided.

f) **Is there any monetary limit for receiving payments through these prescribed modes on per day basis like section 269ST or Section 40A(3)?**

Section 269SU doesn't prescribed any limit. However, the mode prescribed by CBDT has their own monetary limits which you can check on their respective authorized website.

**g) Is there any compulsion on mode for payment for those businessmen who has covered under Section 269SU?**

As per Section 269SU, clearly it only talks about facility for accepting payments i.e. receipts from customer and does not cover payment modes used by those businessmen who are covered under this section. Hence, the businessman is free to use any mode for making payments.

**h) Whether Section 269SU will apply for any receipt from foreign customer in foreign currency?**

As per the explanation covered under section, rules, notification and clarification issued by CBDT to-date, all the assesseees whether resident or not i.e. even covering foreign company having PE in India fall within the ambit of this section. there is no specific exclusions stated for any receipts from any foreign customers. Hence, it covers foreign company having PE in India will be considered as covered under this section. Incidentally, one can use BHIM-UPI or BHIM-UPI QR Code outside India to send and collect money for your local accounts. NRI/NRE accounts can be used for the same.

## **8. Extract of Section 269SU**

**Inserted vide Finance No. 2 Act, 2019 w.e.f. 01-11-2019**

**Acceptance of payment through prescribed electronic modes.**

*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.*

## **9. Extract of Income Tax Rule 119AA**

**119AA. Modes of payment for the purpose of section 269SU:**

*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:—*

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

## **10. Extract of Section 271DB of Income Tax Act, 1961**

**Inserted vide Finance No. 2 Act, 2019 w.e.f. 1-11-2019**

**Penalty for failure to comply with provisions of section 269SU.**

**271DB.** *(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, for every 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.*

*(2) Any penalty imposable under sub-section (1) shall be imposed by the Joint Commissioner of Income-tax.*

## **11. Extract of Section 10A of Payment and Settlement Systems Act, 2007**

**Inserted vide Finance No. 2 Act, 2019 w.e.f. 1-11-2019**

**Bank, etc., not to impose charge for using electronic modes of payment.**

*10A. Notwithstanding anything contained in this Act, no bank or system provider shall impose, whether directly or indirectly, any charge upon a person making or receiving a payment by using the electronic modes of payment prescribed under section 269SU of the Income-tax Act, 1961.*

## **12. Recent amendment to this section dated 20<sup>th</sup> May 2020**

Representations have been received stating that the above requirement of mandatory facility for payments through the prescribed electronic modes is generally applicable in

B2C (Business to Consumer) businesses, which directly deal with retail. Moreover, since the prescribed electronic modes have a maximum payment limit per transaction or per day, they are not so relevant to B2B (Business to Business) businesses, which generally receive large payments through other electronic modes of payment such as NETT or RTGS. Mandating such businesses to provide the facility for accepting payments through prescribed electronic modes would cause administrative inconvenience and impose additional costs.

Considering the representations, the CBDT has hereby clarified that the 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.



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**F.No.370142/3512019-TPL**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**Central Board of Direct Taxes**  
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**Dated: 20th May, 2020**

**Subject: Clarifications in respect of prescribed electronic modes under section 269SU of the income-tax Act, 1961 — reg.**

In furtherance to the declared policy objective of the Government to encourage digital transactions and move towards a less-cash economy, a new provision namely Section 269SU was inserted in the Income-tax Act, 1961 (**“the Act”**), vide the Finance (No. 2) Act 2019. This section requires every person carrying on business and having sales/turnover/gross receipts from business of more than Rs 50 Crores (**“specified person”**) in the immediately preceding previous year to mandatorily provide facilities for accepting payments through prescribed electronic modes. Subsequently vide **notification no. 105/2019 dated 30.12.2019** (i) Debit Card powered by RuPay; (ii) Unified Payments Interface (UPI) (BI-IIM-UPI); and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) were notified as prescribed electronic modes.

2. Representations have been received stating that the above requirement of mandatory facility for payments through the prescribed electronic modes is generally applicable in B2C (Business to Consumer) businesses, which directly deal with retail. Moreover, since the prescribed electronic modes have a maximum payment limit per transaction or per day they are not so relevant to B2B (Business to Business) businesses, which generally receive large payments through other electronic modes of payment such as NETT or RTGS. Mandating such businesses to provide the facility for accepting payments through prescribed electronic modes would cause administrative inconvenience and impose additional costs.

3. In view of the above, it is hereby clarified that the 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.

**(Ankur Goyal)**  
**Under Secretary to the Govt. of India**

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**MINISTRY OF FINANCE**  
**(Department of Revenue)**  
(CENTRAL BOARD OF DIRECT TAXES)

**Notification No. 105/2019-Income Tax**

New Delhi, the 30th December, 2019

**G.S.R. 960(E).**—In exercise of the powers conferred by section 269SU read with section 295 of the Income-tax Act, 1961 (43 of 1961), the **Central Board of Direct Taxes** hereby makes the following rules further to amend Income-tax Rules, 1962, namely:-

**1. Short title and commencement.**—(1) These rules may be called the Income-tax (16<sup>th</sup> Amendment) Rules, 2019.

(2) They shall come into force from 1st day of January, 2020.

2. In the Income-tax Rules, 1962, after rule 119A, the following rule shall be inserted, namely:—

**“119AA. Modes of payment for the purpose of section 269SU.**- 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:—

(i) Debit Card powered by RuPay;

(ii) Unified Payments Interface (UPI) (BHIM-UPI); and

(iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code).”.

[Notification No.105/2019/F. No. 370142/35/2019-TPL]

ANKUR GOYAL, Under Secy.