

High Value Transactions under Income Tax Act 1961

1. Introduction

The Government of India has started tightening to acquire financial information by joining hands with other departments of the Government. Off late, assesseees have been receiving Notices pertaining to certain high value transaction undertaken by them.

High Value transactions are transactions which are incurred in high denominations. The information collected from the other related Govt. departments from which it can procure financial information and trace all the persons who are spending high amount but are not filing income tax return or are not paying taxes according to income earned. The Government is taking several measures to reduce tax evasion and hence, it is adopting technology and is bringing its operation in digital mode. There are 11 transactions which are closely monitored by income tax department. Let us consolidate it into 5 transactions and understand.

2. High Value Transactions

S.NO.	HIGH VALUE TRANSACTIONS	REPORTING AUTHORITY
(1)	Cash deposit/ Withdrawal/ Fixed deposit made in bank account, purchase of bank drafts or pay orders of Rs.10 lakhs or more in all bank accounts and Rs.50 lakhs made in all Current accounts.	Banks/Post Office
(2)	Time deposits made, Purchase of Debentures or bonds, investments made in shares and Mutual Funds, buy back of shares by company, purchase of foreign currency, purchase of prepaid instruments issued by RBI of Rs.10 lakhs or more.	Bank/Post Office/ Companies/ Mutual Fund Trustee
(3)	Payment made from credit card of Rs.10 lakhs or more against bill raised of purchases or expenses or Rs.1 lakhs paid in Cash.	Banks
(4)	Purchase or sale of immovable property whose Stamp Duty Value is Rs.30 lakhs or more.	Registrar/Sub-registrar
(5)	Cash received for 2 lakhs or more against sale of goods or services.	Person who has received cash and is liable for audit u/s 44AB of Income-tax Act.

3. How does the Income-Tax department know about your High-Value Transactions?

Reporting Authorities like banks, post office, Registrars, companies are required to intimate about high value transactions to Director of Income-tax (Intelligence and Criminal Investigation) by filing Form 61A called Statement of Financial Transaction. Through this form Investigation Wing of Income-tax Department comes to know about your high-value transactions and then it checks whether such person has filed return of income or not. If Return is filed, whether income disclosed is true and taxes have been paid correctly or not.

4. What measures are taken by the Income-Tax Department?

The Income-tax Department is actively taking the following measures to trace all the high value transactions:

1) Revised Form 26AS

Form No. 26AS has been revised with effect from 01st June 2020 and PART-E of Form 26AS shows information about High Value Transaction. In earlier years, income-tax notices were issued on the basis of such information. In the year 2018, cases for the last 8 years were reopened and notices were issued u/s. 148. In year 2019, notices were issued to assessee depositing cash above Rs. 2.50 lakhs during demonetisation period.

2) Shaking hands with related department for exchange of data

Income-tax Deptt. has signed MoUs with various departments as follows-

- a) Memorandum of Understanding (MoU) was signed on 21st July 2020 for exchange of data between Department of Direct tax and Department of **Indirect tax**.
- b) MoU was signed on 20th July 2020 for sharing of information between Central Board of Direct Taxes (**CBDT**) and Ministry of **Micro, Small and Medium Enterprises**.
- c) MoU was signed on 8th July 2020 between CBDT and Securities and Exchange Board of India (SEBI) for data exchange.

3) Launched e-campaign to voluntary filing of returns for F.Y. 2017-18

Giving one-time opportunity to persons who have not filed Return of Income for F.Y.2018-19 or has filed the Return but is not in line with High Value transactions. The CBDT had started 11 days' e-campaign from 20th July and sent e-mails /messages to non-filers or in whose case, discrepancies were noticed to voluntarily file the Return of Income so that they can avoid further income-tax notices and scrutiny.

4) Mandatory to file Return of Income

Up to F.Y. 2019-20, a person (other than company or firm) was required to file Return of Income if the income exceeded Rs. 2.50 lakhs. In the Budget 2020, the Hon'ble Finance Minister Smt. Nirmala Sitaraman announced that with effect from 1st April 2020, filing of Income-tax Return would be necessary even if your income does not exceed Rs. 2.50

lakhs and such persons who have entered into High Value transactions i.e. deposited Rs.1 crore in current account, expended more than Rs. 2 lakhs in Foreign travel or paid above Rs. 1 lakh towards electricity expenses.

5) TDS on cash withdrawals

With effect from 01st June 2020, banks and post offices are required to deduct TDS if any person withdraws cash above Rs. 20 lakhs or Rs.1 crore based on their income filing status @ 5% or 2%.

Conclusion:

All persons who fall under High-Value transactions are on the radar of the Income-tax department. In most cases, income tax notices have been issued based on these High Value Transactions. All assesseees thus have to inform about all these transactions and file their Return of Income accordingly. If one avoids cash transactions beyond the limits, one can avoid income-tax notices on that count.