

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION No. 4905
TO BE ANSWERED ON FRIDAY, THE 31st MARCH, 2017
10, CHAITRA, 1939 (SAKA)**

RATE OF DEEMED PROFIT

4905. SHRI NARANBHAI KACHHADIYA:

Will the Minister of **FINANCE** be pleased to state:

- (a) whether the Government has decided to reduce the existing rate of deemed profit under Section 44AD of the Income Tax Act in respect of amounts/receipts received through banking channel/digital means;
- (b) if so, the details thereof;
- (c) the details of the earlier rate of deemed profit and the extent to which it has been reduced; and
- (d) the manner in which the said step is likely to achieve the Government's mission of moving towards less cash economy?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)**

- (a) Yes Madam.
- (b) In order to promote digital transactions and to encourage small unorganized business to accept digital payments, it is proposed vide Finance Bill, 2017, to amend section 44AD of the Income-tax Act, 1961 to reduce the existing rate of deemed total income of eight per cent. to six per cent in respect of the amount of such total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year.
- (c) Earlier rate of deemed profit was eight per cent. It has been reduced to six per cent in respect of the amount of such total turnover or gross receipts received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account.
- (d) The said step is likely to achieve the Government's mission of moving towards less cash economy as it shall incentivise small traders / businesses to proactively accept payments by digital means. Apart from making a substantial tax saving by migrating to banking mode, the small businesses would be able to build their books which may also help them get bank loans/credit facility easily.