

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO. 2148**

TO BE ANSWERED ON MONDAY, MARCH 8, 2021 / PHALGUNA 17, 1942 (SAKA)

‘LESS-CASH ECONOMY’

2148: MS. RAMYA HARIDAS

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

- a. the details of steps taken by the Government to ensure a transition towards a less-cash economy;
- b. whether the Government is in the favour of allowing minimum KYC wallets for low value transactions to ensure ease of moving towards less-cash economy; and
- c. if so, the details thereof and if not, the reasons therefor?

**ANSWER
MINISTER OF STATE (FINANCE)
(SHRI ANURAG SINGH THAKUR)**

(a) : A Statement indicating steps taken by the Government to promote digital payment ecosystem in India, discouraging cash transactions and encouraging digital transactions is at **Annexure-I.**

(b) & (c): To give impetus to small value digital payments and for enhanced user experience, RBI introduced a new type of semi-closed Prepaid Payment Instrument (PPI), vide Circular No.DPSS.CO.PD.No.1198/02.14.006/2019-20 dated 24.12.2019, which can be issued by bank and non-bank PPI issuers after obtaining minimum details of PPI holder. RBI's step towards introducing minimum KYC wallets is an eminent step towards less cash economy.

Statement referred to in reply to part (a) of LSUSQ 2148 for answer on 8.3.2021.

A. Promotion of digital payments is an essential aspect of Digital India programme. DIGIDHAN Mission was set up at MeitY in June 2017, which has been primary catalyst to promote the digital payment ecosystem in India. Under the Mission following steps were taken to promote digital payments:

- 1) Incentive schemes:** Government has launched various schemes for incentivizing merchants, individuals and banks like BHIM Cashback schemes for Individuals & Merchants, BHIM Aadhaar Merchant Incentive Scheme, BHIM-UPI Merchant On-boarding Scheme and MDR Reimbursement Scheme.
- 2) Digital Payments Dashboard:** DIGIDHAN Dashboard (<https://digipay.gov.in>) has been developed to create a platform for reporting, monitoring and analysis of digital payments transactions occurring in the country and enablement of infrastructure through deployment of Physical/Mobile/BHIM Aadhaar PoS devices.
- 3) On-boarding of Billers on Bharat Bill Payment System (BBPS):** BBPS is one of the main focus areas of the Government providing an interoperable and easily accessible recurring and bill payment service to consumers via multiple channels like Internet Banking, Mobile Banking, Mobile Apps, UPI, etc., and major billers (Electricity, DTH, Gas, etc.) have been on-boarded on BBPS.
- 4) National Common Mobility Card (NCMC):** Government has launched NCMC to provide an easy, convenient and fast method of digital payment to the citizens for public transport and other low value transactions including retail, parking etc. NCMC will enable a single interoperable digital payment mode in all the Metros and Bus services along with retail to fulfill the vision of 'One Nation One Card'.
- 5) Campaigns to Promote Digital Payments:** Several initiatives have been undertaken to promote digital payments in the country. Few of digital payments literacy and promotion campaign undertaken are :-
 - **Smart City Campaign** to promote digital payments in 100 smart cities from 1st July, 2018 to 31st October, 2018.
 - **Data Security Council of India (DSCI)**, Government of India and Google India joined hands for 'Digital Payment Abhiyan' creating awareness & best practices videos & brochures in 07 different languages to spread awareness and build trust in digital payments among common man.
 - **MeitY Awards:** In 2019, MeitY awarded Fintech companies (6 Nos.) for bringing in innovation in digital payments domain. Banks (12 Nos.) were also awarded based on their performance in pre-defined Key Performance Indicators (KPIs) to encourage and recognize their efforts.

- **Workshops:** Promotional workshops on digital payments in all the capitals of the North East States have been organized by MeitY through NIELIT in 2019.
- 6) Promotion of indigenous payment solutions BHIM-UPI & RuPay globally:** India's indigenously developed BHIM-UPI and RuPay cards are world class platforms for enabling digital payments. Several countries in Asia, Africa and the Middle East have displayed an inclination towards establishing a 'real time payment system' or 'domestic card scheme' and wish to replicate our model in their country. Government is making efforts to promote these products globally.
- 7) Security Measures for Digital Payments:** While the customers are rapidly shifting to the non-cash modes of payments, at the same time, number of frauds in digital transactions are also increasing. Various measures have been taken to ensure increased efficiency, uninterrupted availability of safe, secure, accessible and affordable payment systems.
- 8) Grievance Redressal System:** A strong grievance redressal mechanism is essential to increase trust of customers in digital payments. MeitY has integrated Digital Payment Grievances along with Ministry of Consumer Affairs (MoCA) for utilizing it with National Consumer Helpline (NCH) platform of Department of Consumer Affairs (DoCA).

B. Measures to discourage cash transactions

- (a) Section 194 N inserted to the Income Tax Act vide Finance Act (No. 2) of 2019 provides for deduction of tax on payment by a banking company or co-operative society engaged in the business of banking or post office @ 2% on the sum exceeding Rs. 1 crore in aggregate from one or more account maintained by the recipient. For taxpayers who have not filed their income tax returns for past three years, Finance Act 2020 provided a TDS @ 2% for withdrawing cash in excess of Rs 20 lakh and up to Rs. 1 crore and TDS 5% in case of withdrawals exceeding Rs. 1 crore.
- (b) With effect from 01.04.2018, any payment in cash above Rs 10,000/- to a person in a day is not allowed as deduction in computation of income from 'Profit and Gains of business or profession' as per sub-section (3) of section 40 A of the Income Tax Act.
- (c) Section 269ST inserted to prohibit cash receipt of rupees two lakh or more by a person in respect of a single transaction or in respect of transaction relating to one event or occasion, with effect from 01.04.2017. Section 271 DA was inserted to provide for a penalty equal to the amount of such receipt in contravention of section 269ST.
- (d) Section 269SS prohibits a taxpayer from taking or accepting loans or deposits of more than Rs.20,000/- in cash. Section 269T prohibits a taxpayer from repayment of loans or deposits of more than Rs.20,000/- in cash. These section payments/advance in relation to transfer of immovable property.
- (e) Limit of cash donations to charitable organizations has been reduced from Rs.10,000/- to Rs. 2000/- w.e.f. 01.04.2018 vide Finance Act, 2017. Further, section 13 A has been amended to provide all donations of Rs.2000 and above to political parties be made through account payee cheque or bank draft or electronic clearing system or electoral bonds.

- (f) Sections 43(1) and 35AD amended vide Finance Act, 2017 w.e.f. 01.04.2018, to restrict limit of capital expenditure in cash at Rs.10,000/- for claiming depreciation or investment linked allowance.

C. Measures to incentivize digital transactions

- (a) Vide Finance Act, 2020, the monetary threshold of getting books of account of MSMEs audited under section 44AB of Income Tax Act was increased from Rs. One crore to Rs. Five crore if the total sales or receipts by cash during the financial year is less than 5% of total receipts and total purchases or payments in cash during the financial year is less than 5% of the total payments.
- (b) Vide Finance Act, 2019 section 269SU was inserted to provide that w.e.f. 01.11.2019 every person carrying on business shall provide facility for accepting payment through the prescribed electronic modes in addition to the facility for other electronic modes of payment being provided by such person, if his total sales, turnover or gross receipts in business exceeds Fifty crore rupees during the immediately preceding previous years.
- (c) Vide Notification No.8/2020 dated 29th January, 2020, Rule 6ABBA was inserted to prescribe other electronic mode of payment like credit cards, debit cards, net banking, UPI, RTGS, NEFT, IMPS and BHIM Aadhar Pay for carrying out of transactions, apart from account payee cheque/bank draft.
- (d) Vide Finance Act, 2017, w.e.f. 01.04.2017, the existing rate of deemed profit under section 44 AD of the Act has been reduced from 8% to 6% in respect of the amount of total turnover or gross receipts received through banking channel/digital means.
