

ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆ ಅನ್ವಯ ಸ್ಥಾಪಿತ

KARNATAKA STATE FINANCIAL CORPORATION

Established under the State Financial Corporations' Act, 1951



ಸಂಖ್ಯೆ : ಕ.ರಾ.ಹ.ಸಂ./ಪ್ರ.ಕ./

Ref. No. KSFC/H.O./AGM(C)/ ೮೨೨೦

ದಿನಾಂಕ : ೦೭/೦೯/೨೦೨೨

INTER OFFICE NOTE

Sub: Restriction on cash transactions as per section 269ST and 40A(3)(a) of Income Tax Act, 1961.

Ref: Inter Office Note dated 19.4.2017 issued by ED II.

It was brought to the notice of all the branches vide the above referred ION about the restrictions on cash transactions brought by Income Tax Act, 1961 with effect from 01.4.2017. As per section 269ST of Income Tax Act 1961, cash receipts of Rs.2,00,000/- and above per day and per transaction should not be accepted. If this restriction is violated, the penalty will be the equivalent of the transaction amount. Such transactions are being monitored by the Risk Management Department of the Corporation on monthly basis.

During the tax audit for the FY2021-22 it was noticed that some branches received cash of Rs.2,00,000/- and above and drew receipts as detailed below:

| Sl. No | Name of the branch | Name of the unit | Account No | Receipt date | Amount (Rs.) |
|--------|--------------------|---------------------------------|------------|--------------|--------------|
| 1 | Jayanagar | Shilpa Enterprises | 240137 | 07-10-2021 | 2,28,727 |
| 2 | Mysore | Sri Hari Palace | 157162 | 16-03-2022 | 3,00,000 |
| 3 | Mysore | Mahalaxmi Enterprises | 157360 | 28-06-2021 | 2,23,500 |
| 4 | Mysore | Sri Srikanteswara Brick Inds | 157382 | 31-08-2021 | 2,28,000 |
| 5 | Mandya | Akshay Garden Family Restaurant | 143100 | 17-04-2021 | 2,00,000 |
| 6 | Vijayapura | Rihan Foods | 55521 | 31-12-2021 | 2,00,600 |

ಪ್ರಧಾನ ಕಛೇರಿ : ಕೆ.ಎಸ್.ಎಫ್.ಸಿ. ಭವನ, ನಂ. 1/1, ತಿಮ್ಮಯ್ಯ ರಸ್ತೆ, ಕಂಟೊನಮೆಂಟ್ ರೈಲ್ವೆ ನಿಲ್ದಾಣದ ಹತ್ತಿರ, ಬೆಂಗಳೂರು - 560 052.

ದೂರವಾಣಿ ಸಂಖ್ಯೆ ಸಾಮಾನ್ಯ : 080-22263322 ಇ-ಮೇಲ್ : info@ksfc.in ವೆಬ್ : https://ksfc.karnataka.gov.in

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It is regretted to note that some branches have resorted to splitting the amounts and drawing multiple receipts for avoiding reporting to Risk Management Department. It is once again reminded about Section 269ST of the Income Tax Act, 1961 **which prohibits any person to receive an amount of Rs.2 lakh or more (i) in aggregate from a person in a day or (ii) in respect of a single transaction or (iii) in respect of transactions relating to one event or occasion from a person.**

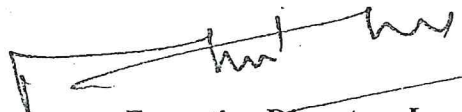
A copy of the ION dated 19/04/2017 which explains more fully about the said provision is enclosed herewith for reference. It is once again instructed to strictly follow the restrictions imposed on the cash transactions by the Income Tax Department.

Further, as per section 40A(3)(a) of the Income Tax Act, 1961, any expenditure incurred in respect of which the payment is made exceeding Rs.10,000/- in a single day should be done in demand draft/cheque/electronic mode and shall not be allowed as a deduction if made in cash. All the concerned officials should bear in mind this provision and avoid making any expenditure of more than Rs.10,000/- in cash in a single day.

The Internal Audit Department should check these aspects during their periodic audits and bring out any violation in the audit reports.

If the above said provisions are violated, the concerned officials will be held accountable and any penalty imposed by the Income Tax Department under Sec.269ST/loss on account of disallowance of expenditure under Sec.40A(3)(a) will be recovered from them.

The content of this Inter Office Note shall be brought to the notice of all the concerned in your office.


Executive Director- I

To:
All the AGMs/BMs of Branch Offices
All the DGMs / AGMs of Audit Cells
Library
The General Managers for information
The Executive Director –II for information
The Managing Director for kind information

INTER OFFICE NOTE

Sub : Restriction on cash transactions – by Income Tax Act, 1961.

A new section 269 ST has been introduced into Income Tax Act, 1961 by Finance Act, 2017. It provides restriction on acceptance of cash of Rupees Two lakhs and above with effect from 1st April 2017. In accordance with the Provisions of the Act, No person shall receive an amount of Rs two lakhs or more -

- a) In aggregate from a person in a day
- b) In respect of a single transaction

(i) **In aggregate from a person in a day:** Under this clause, cash can be accepted in aggregate from a single person in a day up to an amount of Rs 1.99 lakhs.(i.e less Rs. 2 lakhs).

(ii) **In respect of a single transaction:** It pertains to receipt of Rs.2.00 lakhs or more in respect of single transaction. It envisages the receipt of Rs.2.00 lakhs or more in respect of single transaction though not in aggregate in a single day. For e.g., if a payment towards loan repayment or OTS settlement or sale proceeds exceeds Rs.2.00 lakhs, even if received on different dates, such transactions are classified as prohibited transactions. Hence, splitting of payments in case exceeding Rs.2.00 lakhs of a single transaction on several days is prohibited.

The Corporation also receives payments in cash from borrowers, purchasers of secured assets etc. There is no exemption for the Corporation from this new clause, and have to comply with the new amendment.

Further, as per the Act, any contravention to the above shall be liable to pay, by way of penalty, a sum equal to the amount of such receipt and restriction is on the payee and not on the payer. It is payee who will invite penalty for any violation.

In view of this, the Branch offices are advised to strictly adhere to restriction on cash transactions both in aggregate from a person in a day and in respect of a single transaction.

The detailed opinion in this regard received from M/s Santhappa & Company, Tax Consultants, is enclosed herewith as Annexure.

The contents of inter office note shall be brought to the notice of all the concerned in your office.

Sd/-

Executive Director -II

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