

Move to ban cash deals divides finance ministry

The recommendation of the Supreme Court-appointed Special Investigation Team (SIT) that cash transactions above Rs 3 lakh be fully banned, seems to have brought a schism in the bureaucracy.

While the Central Board of Direct Taxes (CBDT) is in favour of the proposal, senior officials in the finance ministry are opposing it on grounds that lack of infrastructure and technology, especially in rural areas, could pose a problem in implementing different modes of cashless transactions, including point of sale machines and net banking.

The final decision on the SIT proposals will be taken by finance minister Arun Jaitley, CBDT chairperson Rani Singh Nair had said earlier this week.

In a bid to curb black money, the SIT has recommended a ban on cash transactions above Rs 3 lakh. If a person needs to keep cash above Rs.15 lakh, s/he would need to take the permission of the area tax commissioner.

“We have told the SIT that this does not have merit. A cash transaction of Rs 3 lakh does not necessarily mean it is illegal or involves black money,” said a top ministry official, who did not wish to be named.

“Often the ATMs do not work and there is no facility for acceptance of plastic money; in that scenario, putting a Rs 3 lakh cap may not be feasible,” said another senior official said, who did not wish to be named. Besides, enforcement would also mean monitoring, and the department does not have the manpower, he added.

“These recommendations have come. It is under examination,” CBDT chairperson Rani Singh Nair had said.

As the board of direct tax and the revenue department disagree on the issue, tax consultants and retired tax officers point to the difficulty of monitoring such a rule.

“The threshold is too low, it should be brought up to Rs10 lakh as in the interiors, the systems are still not in place to support this move,” said Girish Vanvari, head, tax, KPMG.

“We already have several provisions to deter cash transactions, still raids throw up several instances of jewellery and property being bought with large stashes of cash,” says a retired official of the revenue department.

The Income Tax Act prohibits acceptance or payment of an advance of Rs 20,000 or more in cash for purchase of immovable property.

Besides, quoting of permanent account number (PAN) has been made mandatory for any purchase of above Rs 1 lakh, and a 1% tax collected at source for cash transactions over Rs 2 lakh.

“We battle a perception problem. Indians think we only create inconvenience for them, this ban on cash transactions above Rs 3 lakh will only add to the perception,” said the ministry official.

(Hindustan Times)