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CBDT issues clarification on prescribed electronic modes of accepting payments for B2B transactions

The CBDT has issued Circular 12 of 2020 on 20 May 2020, clarifying that the prescribed electronic modes of accepting payments will not apply for B2B transactions, subject to satisfaction of conditions

Background:

The government in order to encourage digital transactions and to move towards less-cash economy had introduced a new Section 269SU in the Income-tax Act, 1961 (the ITA) [with effect from 1 November 2019].

Section 269SU of the ITA mandates a taxpayer carrying on business and having sales / turnover / gross receipts of more than INR 500 million (~US\$ 6.6 million) in the preceding previous year, to provide facility of accepting payments through the following prescribed electronic modes:

- Debit Card powered by RuPay;
- Unified payments Interface (UPI) (BHIM-UPI); and
- Unified Payments Interface Quick response Code (UPI QR Code) (BHIM-UPI QR Code).

Representations were made to the Central Board of Direct taxes (CBDT), stating that the prescribed electronic modes of accepting payment were generally relevant for B2C (Business-to-Consumer) transactions involving retail consumers. However, with respect to B2B (Business-to-Business) transactions, the prescribed electronic modes were typically not relevant, caused administrative inconvenience and additional cost since:

- The prescribed electronic modes had maximum payment limit per transaction or per day; and
- Most of the large payments were generally routed through other electronic modes such as National Electronic Funds Transfer or Real Time Gross Settlement.

Considering the representations received, the CBDT has issued the Circular 12 of 2020 dated 20 May 2020 (Circular).

Highlights of the Circular:

Section 269SU of the ITA will not apply to a specified person [viz. a person carrying on business and having sales / turnover / gross receipts of more than INR 500 million (~US\$ 6.6 million) in the preceding previous year] satisfying the following conditions:

- The specified person has only B2B transactions (i.e. there should not be any transaction with retail customer / consumer); and
- At least 95% of the aggregate of all amounts received during the previous year (including amount received for sales / turnover / gross receipts) are by any mode other than cash.

Comments:

- This circular will provide relief to persons carrying on business and engaged in only B2B transactions and would reduce their administrative and compliance cost.



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