

F.No .370142/35/2019-TPL-Pt Government of India
Ministry of Finance
Department of Revenue Central Board of Direct Taxes ****

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Circular No.J .b..J2020

Dated: ~ August, 2020

Subject: Imposition of charge on the prescribed electronic modes under section 269SU of the Income-tax Act, 1961 - reg.

In furtherance to the declared policy objective of the Government to encourage digital transactions and move towards a less-cash economy, the Finance (No. 2) Act 2019 inserted a new provision namely section 269SU in the Income-tax Act, 1961 ("the IT Act"), which provides that every person having a business turnover of more than Rs. 50 crores during the immediately preceding previous year shall mandatorily provide facilities for accepting payments through prescribed electronic modes. Further, a new provision namely section 10A was also inserted in the Payment and Settlement Systems Act 2007 ("the PSS Act"), which provides that no Sank or system provider shall impose any charge on a payer making payment, or a beneficiary receiving payment, through electronic modes prescribed under section 269SU of their IT Act. Subsequently vide notification no. 105/2019 dated 30.12.2019 (i) Debit Card powered by RuPay; (ii) Unified Payments Interface (UPI) (SHIM-UPI); and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (SHIM-UPI QR Code) were notified as prescribed electronic modes under section 269 SU of the IT Act.

2. A circular no. 32/2019 dated 30.12.2019 was issued by the Soard to clarify that based on section 10A of the PSS Act, any charge including the MDR (Merchant Discount Rate) shall not be applicable on or after 01 " January, 2020 on payment made through prescribed electronic modes. However, representations have been received that some banks are imposing and col lecting charges on transactions carried out through UPI. A certain number of transactions are al lowed free of charge beyond which every transaction bears a charge. Such practice on part of banks is a breach of section 10A of the PSS Act as well as section 269SU of the IT Act. Such breach attracts penal provisions under section 271 DS of the IT Act as well as section 26 of the PSS Act.

3. Sanks are, therefore, advised to immediately refund the charges collected, if any, on or after 1" January, 2020 on transactions carried out using the electronic modes



prescribed under section 269SU of the IT Act and not to impose charges on any future transactions carried through the said prescribed modes.

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Under Secretary to the Gov!. of India

Copy to:

1. PS to FMI OSD to FMI PS to MoS(F)1 OSD to MoS(F)
2. PPS to Secretary (Revenue)
3. Chairman, CBDT & All Members, CBDT
4. All Pro DGsITI Pro CCsIT/OGsIT/CCsIT with a request to ensure compliance of the provisions of section 269SU of the IT ACT read with section 10A of the PSS Act.
5. All Joint Secretaries! CslTI Directors! Deputy Secretaries! Under Secretaries of CBOT
6. The C&AG of India
7. The JS & Legal Adviser, Ministry of Law & Justice, New Delhi
- B. CIT (M&TP), Official Spokesperson of CBDT
- g. 0/0 Pro DGIT (Systems) for uploading on official website
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