

**Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes**

New Delhi, 20th December, 2016.

Press Release

Sub: Measures for Promoting Digital Payments & Creation of Less-Cash Economy.

The benefit of lower rate of Income-tax on digital turnover for small businesses up to a turnover of Rs. Two crore announced by the Government on 19th December, 2016 under Section 44AD of the Income-tax Act, 1961 is a huge benefit given to businessmen for promoting digital/banking transactions. The benefits given are explained in the following paragraph.

2. If a trader makes his transactions in cash on a turnover of Rs. Two crore, then his income under the presumptive scheme will then be presumed to be Rs.16 lakhs @ 8% of turnover. After availing of Rs.1.5 lakhs of deduction under Section 80C, his total tax liability will be Rs.2,67,800/-. However, if he shifts to 100% digital transactions under the new announcement made, his profit will be presumed to be at Rs.12 lakhs @ 6% of turnover, and after availing of Rs.1.5 lakhs under Section 80C, his tax liability now will be only Rs.1,44,200/-. Here, digital transaction includes payment received by Cheque or through any other digital means. In the following example, the benefit obtained by traders and small businesses is explained in 3 different scenario.

Particulars	100% Cash Turnover (Rs.)	60% Digital Turnover (Rs.)	100% Digital Turnover (Rs.)
Total Turnover	2 Crore	2 Core	2 Crore
Cash Turnover	2 Crore	0.80 Crore	NIL
Digital Turnover	NIL	1.2 Crore	2 Crore
Profit on Cash Turnover @ 8%	16 Lakh	6.40 Lakh	NIL
Profit on Digital turnover @ 6%	NIL	7.20 Lakh	12 Lakh
Total Profit	16 Lakh	13.60 Lakh	12 Lakh
Deduction u/s 80C	1.5 Lakh	1.5 Lakh	1.5 Lakh
Taxable Income	14.50 Lakh	12.10 Lakh	10.50 Lakh
Tax Payable	2,67,800	1,93,640	1,44,200
Tax Saving	NIL	74,160	1,23,600

3. Apart from making a tax saving of almost 46% by migrating to banking mode, the small businesses would be able to build their books which may also help them get bank loans easily. Also, if transactions are carried out through banking channels, then anybody having annual turnover upto Rs.66 lakhs will have zero tax liability after availing the benefit of Section 80C, after amendment of this new rate structure.

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