

DIRECT TAX ALERT – STATEMENT OF FINANCIAL TRANSACTION (SFT) – PERSONS LIABLE FOR AUDIT UNDER SECTION 44AB

Background

Rule 114E of the Income Tax Rules provides for furnishing of Statement of Financial Transaction in Form No.61A by certain specified persons. Originally, specified categories of persons such as banks, post office, registration authorities, etc. were specified. The table to the Rules identifies the nature and value of transaction and the person responsible for reporting.

Rule 114E was substituted w.e.f. 01.04.2016, and new categories of reporting persons were added and Serial No.11 is significant and has wide ramifications:

Serial No.11, Rule 114E(2)

<i>Sl. No.</i>	<i>Nature and value of transaction</i>	<i>Class of person (reporting person)</i>
11	<i>Receipt of cash payment exceeding two lakh rupees for sale, by any person, of goods or services of any nature (other than those specified at Sl. Nos. 1 to 10 of this rule, if any.)</i>	<i>Any person who is liable for audit under section 44AB of the Act.</i>

Rule 114E(3)

In terms of Rule 114E(3), a reporting person (other than the persons at Sl.No.10 and Sl.No.11) shall while aggregating the amounts for determining the threshold amount for reporting in respect of any person as specified in the table,—

- (a) take into account all the accounts of the same nature maintained in respect of that person during the financial year;
- (b) aggregate all the transactions of the same nature recorded in respect of that person during the financial year;

- (c) attribute the entire value of the transaction or the aggregated value of all the transactions to all the persons, in a case where the account is maintained or transaction is recorded in the name of more than one person;

Press Release

- (i) The Ministry of Finance vide Press Release dated 22.12.2016 has stated that the norms of aggregation contained in sub-rule 3 of Rule 114E have been amended vide CBDT's Notification No. 91/2016 dated 6th October, 2016 clearly indicating that the said transactions did not require aggregation and the reporting requirement under SFT for this purpose is on receipt of cash payment exceeding Rupees two lakh for sale of goods or services per transaction.
- (ii) The Ministry of Finance vide Press Release dated 26th May 2017 has stated that

- ***The due date for filing such SFT in Form 61A is 31st May 2017.***
- *In case there are reportable transactions for the year, the reporting person/entity is required to register with the Income Tax Department and generate Income Tax Department Reporting Entity Identification Number (ITDREIN) The same can be generated by logging-in to the e-filing website (<https://incometaxindiaefiling.gov.in/>) with the log in ID used for the purpose of filing the Income Tax Return of the reporting person / entity. Entity having PAN can take only PAN based ITDREIN. Entity having TAN can generate an ITDREIN only when such TAN's Organisational PAN is not available.*
- *The registration of reporting person (ITDREIN registration) is mandatory only when at least one of the Transaction Type is reportable. A functionality "SFT Preliminary Response" has been provided on the e-*

Filing portal for the reporting persons to indicate that a specified transaction type is not reportable for the year.

*Persons who are liable to tax audit under Section 44AB are the reporting persons referred to in Serial No.11 who now have to mandatorily file the SFT for the financial year ending 31.03.2017 in Form No.61A in case there is receipt of cash payment exceeding Rs.2,00,000/- for sale of goods or services of any nature (other than those specified at Sl. Nos. 1 to 10). **The last date for filing the SFT is 31.05.2017.***

Failure to furnish the SFT attracts penalty of Rs.100/- per day during which such failure continues in terms of Section 271FA.

This provision is also in line with Section 269ST which prohibits receipt of an amount of Rs.2,00,000/- or more otherwise by way of account payee cheque or bank draft or electronic remittance. Section 269ST was introduced by Finance Act, 2017 w.e.f. 01.04.2017.

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