



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Indian Companies Act, 1956)

OFFICE OF THE FINANCIAL ADVISER

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No. FA/Tax Cell/IT/2017-18

Date: 12/04/2017

To

All ARUs

Sir,

Sub: Recent Amendments in Income Tax Act 1961 – regarding.

Please find the gist of the recent amendments in Income Tax Act 1961, which are directly applicable to KSEBL:

I. Income Tax Rates (applicable for FY 2017-18 - AY: 2018-19)

Net Income range (For resident senior citizen)	Net Income range (For super senior citizen)	Net Income Range (For all other individuals)	Income Tax Rates
Up to Rs.3,00,000	Up to Rs.5,00,000	Up to Rs.2,50,000	Nil
Rs.3,00,001-Rs.5,00,000		Rs.2,50,001-5,00,000	5%
Rs.5,00,001-10,00,000	Rs.5,00,001-Rs.10,00,000	Rs.5,00,001-10,00,000	20%
Above Rs.10,00,000	Above Rs.10,00,000	Above Rs.10,00,000	30%

II. Rebate under Section 87A: The rebate is available to a resident individual if his total income does not exceed Rs.3,50,000. The amount of rebate shall be 100% of income-tax or Rs.2,500, whichever is less.

III. Restrictions on cash transactions above Rs.2,00,000/-

Any person who **receives** above Rs.2 lakh in cash, irrespective of the nature of receipt, will be liable to **penalty equivalent to the amount received**. The restriction will be applicable on receipt of money by all persons such as individuals, HUFs, firms, companies, trusts, charitable

Institutions, etc. It is irrelevant that the person receiving the cash has a PAN or not and whether such person is assessed to income tax or not. Even if a person receives a sum which is not chargeable to tax still he would be hit by the provisions of this section and would be liable to penalty.

Receipts can be anything such as proceeds of sales of goods, income of whatsoever nature – taxable or not, gifts, capital receipts, loans, advances, government grants, subsidies, encashment of bonds/securities, encashment of instruments like National Savings Certificates, proceeds of Life Insurance Policies, scholarships, sale of shares, transactions between related parties and so on.

Even receipt of money from a banking company is not exempted. Therefore even cash withdrawal in contravention of the above limits can be hit by the provisions of section 269ST.

Receiving cash above Rs. 2 lakh in a day from a person is not allowed:

Receipt of more than Rs.2 lakh **from a single person in a day** is not allowed even though the amount has been paid in multiple transactions during the day which are below Rs.2 lakh.

If KSEBL sells materials worth Rs.3,00,000/- through three different bills of Rs.1,00,000/- each to one person and accepts **cash in single day** at different times then penalty under the Act will be applicable.

Receipt exceeding Rs. 2 lakh for a single transaction is not allowed:

For example, if a transaction is for Rs.7 lakh, then payments for such transaction, otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account, cannot exceed Rs.2 lakh, even if the payments were made by different persons.

If KSEBL sells goods worth Rs.3,00,000/- through **single bill** and receives cash of Rs.1,50,000/- on day 1 and another Rs.1,50,000/- on day 2 then penalty under the Act will be applicable, since it pertains to single transaction.

Receipt above Rs. 2 lakh in respect of a single event or an occasion from a person:

This limit on an occasion/event is not limited to **per day basis**. Therefore receipts even on various days in respect of a single event or occasion aggregating above Rs.2 lakh is prohibited.

If the receipts are from different persons, the same would not be covered, even if the same relates to a single event or occasion.

If one accepts cash of Rs.1,80,000/- for sales and Rs.30,000/- for freight charges, then penalty under the Act will be applicable even if cash is accepted on different dates, since they pertain to a single sales event.

The modes of receipt which are not allowed:

As per the provisions of the Act, any receipt of money other than **by account payee cheque or account payee draft or e-payment from a Bank Account** is not allowed. Some of the modes of receipt which are not allowed are **cash, bearer cheque, crossed cheque, self cheque, adjustment or transfer entry in the books of account.**

IV. Restriction on cash expenses above Rs.10,000/-

Cash payments above Rs.10,000/- shall not be allowed as expense in the income tax return.

However, in the case of payment made for plying, hiring or leasing goods carriages, cash payment upto Rs.35,000/- is allowed.

Cash payments of above Rs.10,000/- done for purchase of capital asset will be disallowed. i.e. they cannot be added in the cost of asset for Income Tax purposes, and hence depreciation cannot be claimed on same.

It has to be ensured that all payments above Rs.10,000/-, even out of the Permanent or Temporary Imprest of officers, has to be paid by an **Account Payee Cheque drawn on a bank or Account Payee Bank Draft** or use of **electronic clearing system through a bank account.**

Thus, ARU officers have to ensure that cash payments above Rs.10,000/- is made through Account Payee Cheque or Bank Draft or through e-payment from a bank account.

All ARU heads may take note of the above provisions of Income Tax Act, 1961. Only the gist/amendments relating to the FY 2017-18 are included. For further details, and for getting the update information on the Act, the ARUs may go through the Income Tax Act, Rules, Notifications and Circulars available in the website of Income Tax Department - “www.incometaxindia.gov.in”

Yours faithfully

Sd/-

FINANCIAL ADVISER