

Analysis of Transactions (SFT) to be reported under rule 114E of the Income-tax Rules

Introduction

As per section 285BA of the Income-tax Act, 1961, specified persons are required to report transactions prescribed under Rule 114E of the Income-tax Rules, 1962, which are registered or recorded on or after 1.4.2016, by furnishing statement of financial transaction in **Form No. 61A**. In respect of transactions registered or recorded in the Financial Year 2016-17, the statement of financial transaction has to be furnished by such persons **on or before 31st May, 2017**.

It may be noted that **Rule 114E**, substituted with effect from **1.4.2016**, now requires **any person who is liable for audit under section 44AB** of the Income-tax Act, 1961 to report **transaction of receipt of cash payment exceeding Rs. 2 lakh (per transaction) for sale of goods or services of any nature in the Financial Year 2016-17**.

Rule 114E also requires a company issuing shares to report any transaction for receipt from any person (in any mode) for issue of shares of an amount **aggregating to ten lakh rupees** or more in a financial year (including share application money).

Analysis: Which transactions are

covered?

Accordingly, if you have carried out any of the following transactions during the year, you are liable to furnish particulars of such transactions in Form 61A:

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| Receipt (in any mode: cash, cheque or otherwise) from any person of an amount <u>aggregating to ten lakh rupees</u> or more in a financial year for acquiring shares (including share application money) issued by the company. | A company issuing shares. |
| <u>Receipt of cash payment exceeding two lakh rupees</u> for sale, by any person, of goods or services of any nature (per transaction). [SFT - 013] | Any person who is liable for audit under section 44AB of the Act. |

Now, for reporting receipt of cash payment exceeding two lakh rupees for sale [SFT- 013], a question arises, what should be considered as a “transaction”.

As per subsection (3) to the section 285BA of the Income-tax Act, **“specified financial transaction”** means any “transaction of purchase, sale or exchange of goods or property or right or interest in a property or transaction for rendering any service or works contract or”.

Hence, in my opinion, for the purpose of rule 114E read with section 285BA, in context of SFT – 013, value to considered shall be value of single invoice. That is, if an invoice is for any amount exceeding Rs.2 lakh and cash payments are recieved in parts aggregating to more than Rs. 2 lakh, the said transaction is liable to be reported.

Also, if a single cash payment for more than Rs. 2 lakh is received, then irrespective of the amount of invoice/ invoice(s), it should be reported.

Other information

In this context, for your reference and records, the procedure

for registration and submission of statement of financial transactions as per section 285BA of Income-tax Act, 1961 read with Rule 114E of Income-tax Rules, 1962, contained in CBDT Notification No. 1/2017 dated 17/1/2017, is available at http://www.incometaxindia.gov.in/communications/notification/systemnotification1_2017.pdf . This Notification also contains the details of the nature and value of transactions & class of persons who are required to report such transactions.

Note

This article is written in context to only companies and persons liable to audit under section 44AB of the Income-tax Act. The scope of rule 114E is wide and covers other persons and other transactions too.

Users are advised to obtain an expert opinion before furnishing Form 61A.