Cash payment of more than Rs. 20000 for electricity charges

Hey friends, if cash payment of more than Rs. 20000/- is made for electricity, telephone & internet charges, is it disallowed under Sec. 40 A(3) of the income tax act.

Hi, Mahesh,

Payment made to Government(Both Central & State), if under the rules framed by it, such payment is required to be made in legal tender [Rule 6DD (b)] Exception to Sec 40 A(3)

Hence the about the payment asked by you will not attract Sec 40 A(3).
Regards

CA Dhiraj Ramchandani (CA, M. com)  22 May 2010

Of coarse it is disallowed... Why it will be allowed???

I mean, what makes u think that it will be allowed....???

If u wud have been some proprietor or CPT student, i wud not have wondered ur Q.. But you are A FINAL STUDENT... u sure u r in finals or wat???

daya shankar singh (CA ,CS)  22 May 2010

yes. As per sec 40A(3), Where the assessee incurs any expenditure in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, exceeds Rs 20000, no deduction shall be allowed in respect of such expenditure

Sanket Damodar Karve (Business)  22 May 2010

Dear All

Rule 6 DD b is applicable only to payment made to govt. (Electricity) & not for internet charges, Telephone.

Regards

Jagdish Bhalia (Practicing CA)  22 May 2010

Paymnet of Electricity bill in cash in excess of Rs. 20000/- is technically covered by the provision of Sec. 40A(3) and would prima-facie attract a dis-allowance. However though the existence of the section has been constitutionally held to be valid by the Hon. Supreme Court in the case of Attar Sing Gurmukh S
ngh Vs. ITO 191 ITR 667, the same was considered along with the Rule 6DD as it existed then which duly provided for the genuine hardship that may be caused to the tax payers. The intention of the provision was to curb the use of black money, reduce tax evasion and inculcate the banking habits. However, it was never intended right from the inception of this section, read with the rule and circulars issued explaining the reason for such provision, to restrict the trading activities of the assessee or the tax payer.

vishal (karnal) 22 May 2010
thanx to all for give me important knowledge

Rashid VA (Articled Assistant) 22 May 2010
Hi All

The payment made to electricity board which is more than Rs:20000 in cash can not be disallowded because it is an exemption to sec 40a(3) under Rule 6DD. Remaining payment will be disallowded

Karu Arunachalam (Student) 22 May 2010
Dears,

Payment made in cash exceeding Rs.20000 is disallowed otherwise made in A/c Payee Cheque, DD are allowable as expenditure and 6DD rule. In 6DD rule payment made towards Telephone, EB not included.

CA LOVELY ARORA (C.A. B.Com (H) Graduate) 22 May 2010
Cash payment for above specified purposes are disallowed u/s 40A(3) of Income Tax Act, 1961 and Rule 6DD of Income Tax Rules, 1962........... if payment is being made on a single day and also to a single person..........