

**Alleged payments exceeding Rs. 10,000/- in cash in contravention to section 40A(3)
(Questionnaire Point No. 4 of Notice dated 20.09.2020)**

1. It is submitted that the assessee has asked to furnish complete details of cash payments made against purchase & other expenses such other salary etc. in a single day exceeding Rs. 10,000/- in contravention to the provision of Section 40A(3) of the Act.
2. In this regard, we hereby attach copy of complete cash ledger and day book for your kind perusal on page no. for your kind perusal.
3. Further, it is submitted that in the instant case, cash payments made against purchase, if any, are covered with in the rules 6DD prescribed in Income Tax Rules, 1961 (amended up to date). The Rule 6DD read as under: -

“Cases and circumstances in which a payment or aggregate of payments exceeding ten thousand rupees may be made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft.

No disallowance under sub-section (3) of section 40A shall be made and no payment shall be deemed to be the profits and gains of business or profession under sub-section (3A) of section 40A where 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 ten thousand rupees in the cases and circumstances specified hereunder, namely:—

a).....

b).....

c).....

d).....

e) Where the payment is made for the purchase of—

(i) agricultural or forest produce; or

(ii) the produce of animal husbandry (including livestock, meat, hides and skins) or dairy or poultry farming; or

(iii) fish or fish products; or

(iv) the products of horticulture or apiculture,

grower or producer of such articles, produce or products;”

4. It has been communicated to us that there is no payment in a single day to a person exceeding Rs. 10,000/- to persons covered by section 40A(3) of the Act. In view of the statutory provision there is no contravention of Sec 40A(3) of the Act, so far as purchases are concerned. As such if you have any specific instance contrary to the above submission, the same may be please provided to us so that suitable reply can be submitted.