



Budget gives a major push to Digital Economy; proposes No Cash Transaction above Rs 3 lakh

Government to launch schemes to promote BHIM app, Aadhar Enabled Payment System

Mission to be set-up to achieve a target of 2500 Cr digital transactions in 2017-18

Series of measures proposed to strengthen and regulate digital economy

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In a bid to give a push to Digital Economy and weed-out corruption and black money, the Union Minister for Finance and Corporate Affairs, Shri Arun Jaitley in his Budget Speech today said that the Government has decided that no transaction above Rs 3 lakh will be permitted in cash. Accepting a suggestion by Special Investigation Team on Black Money to ban cash transactions above Rs 3 lakhs, the Finance Minister has proposed an amendment to the Income-tax Act in the Finance Bill.

Presenting the General Budget 2017-18 in the Parliament, the Finance Minister said that the Government will launch two new Schemes to promote the usage of BHIM App i.e, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants. BHIM App was launched to promote digital transactions and will unleash the power of mobile phones for digital payments and financial inclusion, The Finance Minister Shri Jaitley informed the House that 125 lakh people have adopted the BHIM app so far.

The Finance Minister Shri Jaitley also announced that Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly. This will be specifically beneficial for those who do not have debit cards, mobile wallets and mobile phones. A Mission will be set-up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards. Banks have targeted to introduce additional 10 lakh new PoS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based PoS by September 2017.

Highlighting the Government's strategy to clean the system through digital economy, Shri Jaitley said that it has a transformative impact in terms of greater formalisation of the economy and mainstreaming of financial savings into the banking system. This, in turn, is expected to energise private investment in the country through lower cost of credit. India is now on the cusp of a massive digital revolution, he added. The Finance Minister said that a shift to digital payments has huge benefits for the common man. The earlier initiative of the Government to promote financial inclusion and the JAM trinity were important precursors to the current push for digital transactions, the Finance Minister added.

In a bid to incentivize the digital transactions, the Finance Minister Shri Jaitley proposed that the presumptive income tax for small and medium tax payers whose turn-over is up to Rs 2 crore will be reduced from the present 8% of their turnover which is counted as presumptive income to 6% in respect of turnover which is received by non-cash means. This benefit will be applicable for transactions undertaken in the current year also, he added.

The Finance Minister also proposed to limit the cash expenditure allowable as deduction, both for revenue as well as capital expenditure, up to Rs 10,000. Similarly, the limit of cash donation which can be received by a Charitable Trust is being reduced from Rs 10,000/- to Rs 2000/-.

To promote cashless transactions, the Finance Minister in the Budget has proposed to exempt BCD, Excise/CV duty and SAD on miniaturised POS card reader for m-POS, micro ATM standards version 1.5.1, Finger Print Readers/Scanners and Iris Scanners. He also proposed to exempt parts and components for manufacture of such devices, so as to encourage domestic manufacturing of these devices.

To strengthen and regulate the digital economy, the Finance Minister has proposed to create a Payments Regulatory Board in the Reserve Bank of India(RBI) by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems. The Committee on Digital Payments constituted by the Department of Economic Affairs has recommended structural reforms in the payment eco system, including amendments to the Payment and Settlement Systems Act, 2007. The Government will undertake a comprehensive review of this Act and bring about appropriate amendments, Finance Minister added.

To strengthen the digital payment infrastructure and grievance handling mechanisms, the Finance Minister said in his Budget Speech that the focus would be on rural and semi urban areas through Post Offices, Fair Price Shops and Banking Correspondents. He added that steps would be taken to promote and possibly mandate petrol pumps, fertilizer depots, municipalities, Block offices, road transport offices, universities, colleges, hospitals and other institutions to have facilities for digital payments, including BHIM App. A proposal to mandate all the Government receipts through digital means, beyond a prescribed limit, is under consideration. The Government will strengthen the Financial Inclusion Fund to augment resources for taking up these initiatives, the Finance Minister added.

In his Budget Speech, the Finance Minister informed that increased digital transactions will enable small and micro enterprises to access formal credit. He said that the Government will encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.

The Finance Minister assured the House that the Government will consider and work with various stakeholders for early implementation of the interim recommendations of the Committee of Chief Ministers on digital transactions.

Shri Jaitley said that the Government is considering the option of amending the Negotiable Instruments Act to ensure that the payees of dishonoured cheques are able to realise the payments.

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