

**BRIEF NOTE (for information) ON BANKING CASH TRANSACTION TAX (BCTT) FOR BANKS** (Refer Chapter VII of the Finance Act 2005)**1. ACCOUNT – WISE ANALYSIS OF \*CASH OUTFLOWS WILL HAVE TO BE MADE DAILY (OTHER THAN FOR SAVINGS BANK ACCOUNTS)**

(\*Cash outflows mean withdrawals by any mode including:

- in cash through bearer cheques, withdrawal slips.
- by way of bearer cheques issued to parties by the account holder.
- debit card withdrawals.
- cash against credit cards.
- in cash against term deposits).

**2. WHERE AGGREGATE CASH OUTFLOWS PER DAY IN ANY ACCOUNT (Other than Saving Bank Account) EXCEED:**

		Code Assigned
a) Rs.25,000	in accounts maintained by Individuals/HUF	01
b) Rs.1,00,000	in accounts maintained by other i.e. companies, partnership firms, trusts	02
c) Rs.25,000	in case of encashment of term deposit(s) (whether on maturity or otherwise) in the name of individuals/HUF.	03
d) Rs.1,00,000	In case of encashment of term deposit(s) (whether on maturity or otherwise) by any other person.	04

**3. Withdrawals “by any mode” suggest any kind of instrument, letter, authorisation including cheques, withdrawal slip, use of debit/credit card, issuance of bearer cheques other than to “self”.**

This perhaps would not include encashment of Banker’s cheques and Pay slips in cash where Banker’s cheques and Pay slips are issued either against instructions of a constituent by debit to his/its account or where such instruments are issued by the Bank in discharge of its own liabilities for expenses etc. (e.g. Service/AMC charges for Computers, Electricity Bills, Security Maintenance charges).

**4. Withdrawals from account if covered by crossed cheques/bank drafts in favour of third parties not being in cash, would not be covered for BCTT, considering the use of the word “Cash”.****5. In case of withdrawals in cash against deposits (matured or otherwise), the words used in section 94(8) (b) “being receipt of cash from any scheduled bank on encashment of one or more term deposits”, suggest that both principal and interest would attract BCTT. The issue is whether TDS on the interest component would be a deemed receipt or should be ignored for BCTT.**

6. As per clause (1) of section 97, the scheduled bank needs to collect the BCTT from the account holder @ 0.1% of the cash withdrawal, or the receipt by, the constituent, as the case may be; and as per clause (2) of the said section, the BCTT collected during every calendar month shall be paid by the scheduled bank to the credit of the Central Govt. by the 15<sup>th</sup> day of the month following.

The issue is whether such payment is to be made on a decentralised basis at branches or should it be aggregated and paid on a centralised basis at designated branches locally or otherwise. The authorised/designated branches are entitled to collect Govt. dues for onward remittance to the Central Govt., but is this intended.

Para 4 of the Notification dated 30.05.2005 (Banking Cash Transactions Tax Rules, 2005) suggests that "Every scheduled bank which is required to collect and pay banking cash transaction tax under section 97 of the Act, shall, in respect of all its branches, pay the amount .....

The Bank is, therefore, charged with the obligation to pay "in respect of all its branches". It is, however, felt that where tax is paid on a decentralised level, it should be reckoned as a constructive payment to Govt. The only issue would be the reconciliation of the liability with payments (and reporting to the Head Office) for onward transmission of the centralised information.

The returns are centralised.

The preparation of data is decentralised and needs to be collated.

7. Clause 5 of the Notification requires that for banking cash transactions for each month, "every scheduled bank shall furnish a statement ..... in Form 2 to the income tax authority specified ..... on or before the expiry of the month immediately following the said month".

This suggests centralised furnishing of data. Form No.2, however, does not gel or correlate with the information as per Form No.1 required to be maintained by the Branch, e.g.

- a) Form 1 No. is required not to tabulate the number (based on the break up of the transactions by value) falling in columns 5 to 10 of Form No. 2.
- b) Taxable Banking Transaction Code required to be given in Form No.1 does not get reported in Form No.2 but is relevant for the Return as per Form No.3.
- c) Form No2 requires reporting on
  - No. of BCTT during the month
  - BCTT collected (Value) – Col.6 of Form No.1
  - No. of transactions not liable to BCTT (Col.1 of Form No.1).  
The value of transactions not liable to BCTT though given in Form No.1 finds no place in Form No.2.
- d) Number of transactions (for withdrawals)
  - i) Where the aggregate withdrawals in value are beyond the prescribed limits – these multi-transactions are treated as a single transaction in each account.

- ii) Where the aggregate withdrawals amounts are not liable i.e. below the prescribed limits in value, these are not aggregated in number.  
For example, 10 withdrawals exceeding Rs.25,000 for an individual are to be treated as one transaction while 10 withdrawals by the individual aggregating to less than Rs.25,000 in value, are to be considered as 10 transactions not liable to tax.
- e) Taxable banking transaction code (01, 02, 03, 04) is given in only one column (4) of Form No.1 in a manner that would made it impossible to collate the information for Form No.3 (the Return). It may be appropriate and practical if, at the Branch, either a separate form is used for each code (so that at the branch level the total number and value of transactions are worked out) for facilitating consolidation at Head Office or each code must disclose the taxable value and BCTT.
- f) If payments are decentralised, the Branches would:
  - a. have to show liability for BCTT collections at the year-end (for March) which are due for payment by 15<sup>th</sup> April following.
  - b. have to pay the amount collected to Reserve Bank of India, State Bank of India or remit the same to/through the Link Branch to the credit of the Govt.  
AND all challans sent to H.O. for collating and furnishing information as per schedule B (form 3). This would mean voluminous work involving follow up of 12 challans per branch per annum.
- g) **If the payments are centralised, the number of entries to be transferred through the Inter-branch route are going to be as many, so that the aggregate amount of the monthly liability may be discharged by the Bank, within the 15 days following. In any case Form No.2 needs to be filed for each month by the end of the month following. Form No.2 requires branch-wise monthly statements and No. of transactions liable (in given 6 ranges) and No. not liable, besides amounts of collection of the BCTT.**

**The form as such serves no purpose and does not contain the information required for preparing the Annual Return. Code-wise, month wise, value of BCT are to be filed along with liability to BCTT, its payment, interest and Branch wise details of payments with Challans Nos.**

**It is clear that the compliance of the law/procedures cannot be done easily unless the data is computerised and software developed as would capture the related information at the branch level itself. The software should be designed to automatically record the transactions as they take place at the branch. The software for transmission of data to Head Office for onwards furnishing of returns, should be capable of being automatically generated.**

**Refer to the Format recommended on the following page.**