**1. What is Section 269SS?**

A person cannot accept loan or deposit or any other specified sum (specified sum here refers to an advance or otherwise, in relation to the transfer of any immovable property) from another person otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account, if –

1. Amount of loan **or** deposit **or** specified sum is Rs. 20,000 or more, or
2. Sum total amount of loan, deposit and the specified sum is Rs. 20,000 or more. *For example – Rahul wants to take a loan of Rs. 6,000, a deposit of Rs. 9,000 and advance of Rs. 7,000 from Vineet, he cannot accept it in cash because the total sum is 22,000.*
3. In a case where a person had already received a loan, deposit or specified sum from the depositor *(person giving the loan, deposit or specified sum)* but the loan or deposit or specified sum hasn’t been paid back in such case, if the unpaid loan or deposit or-specified sum is Rs. 20,000 or more, or
4. *Sum total amount of (1), (2) and (3) is Rs. 20,000 or more.****Therefore, in nutshell, a person cannot accept cash loan or deposit of Rs. 20,000 or more from another person.***

**2. Exceptions to 269SS**

1. Any loan or deposit or specified sum “taken or accepted from” or “taken or accepted by” the following entities –

a. The Government

b. Any banking company, post office savings bank or co-operative bank

c. Any corporation established by a Central, State or Provincial Act

d. Any Government company as defined in clause (45) of section 2 of the Companies Act, 2013 (18 of 2013)

e. Any institution, association or body or class of institutions, associations or bodies notified in Official Gazette

***Thus, if any person accepts any loan or deposit or specified sum from the above-mentioned entities, or the entities accept any loan or deposit or specified sum from any person, provisions of 269SS will not apply****.*

1. A person earning **only** agriculture income accepts loan or deposit from  another person also earning **only** agriculture income
2. Receiving cash from relative during emergencies. Here intention should not be to evade the taxes.
3. Partners contributing cash capital into partnership firm

**3. Penalty on contravention of Section 269SS**

100% of the loan or deposit amount will be the quantum of penalty that can be levied by the assessing officer.

**4. Section 269T**

Section 269T prohibits any person to repay the loan or deposit or specified sum otherwise than by an account payee cheque or account payee bank draft or by use of electronic clearing system through a bank account, if –

a.  Amount of loan or deposit, including interest amount, is Rs. 20,000 or more, or

b. The aggregate amount of loans or deposits, including the interest amount, held by such person in his own name, or jointly with any person, is Rs. 20,000 or more.

***In nutshell, a person cannot repay the loan or deposit in cash, if the amount is Rs. 20,000 or more.***

**5. Exceptions to Section 269T**

A person paying Rs. 20,000 or more towards repayment of loan or deposit does not have to comply with 269T if he pays to the following parties –

a. The government,

b. Any banking company, post office savings bank or co-operative bank,

c. Any corporation established by a Central, State or Provincial Act,

d. Any Government company as defined in section 617 of the Companies Act, 1956,

e. Other notified institutions

**6. Penalty on contravention of Section 269T**

100% of the loan or deposit amount will be the penalty leviable by the assessing officer.

**7. Reporting of 269SS & 269T Transactions**

In clause 31 of Form 3CD, the tax auditor has to report the transactions that have been hit by the provisions of Sections 269SS and 269T . Both the parties (payer and receiver) have to report the transactions. Clause 31 of Form 3CD is where these need to be reported.