

**Press Information Bureau  
Government of India  
Ministry of Finance**

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19-December-2016 16:26 IST

**Government decides to reduce the existing rate of deemed profit under section 44AD of the Income Tax Act in respect of amounts/receipts through banking channel/digital means**

Under the existing provisions of section 44AD of the Income-tax Act, 1961 (the Act), in case of certain assesses (i.e. an individual, HUF or a partnership firm other than LLP) carrying on any business (other than transportation, agency, brokerage and commission) and having a turnover of Rupees Two Crore or less, the profit is deemed to be 8% of the total turnover.

In order to achieve the Government's mission of moving towards a less cash economy and to incentivise small traders / businesses to proactively accept payments by digital means, it has been decided to reduce the existing rate of deemed profit of 8% under section 44AD of the Act to 6% in respect of the amount of total turnover or gross receipts received through banking channel / digital means for the financial year 2016-17. However, the existing rate of deemed profit of 8% referred to in section 44AD of the Act, shall continue to apply in respect of total turnover or gross receipts received in cash.

Legislative amendment in this regard shall be carried out through the Finance Bill, 2017.

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