

How safe are digital transactions?

More importantly, do digital transactions increase indirect tax revenue?



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The last couple of years have witnessed an increase in the number of digital transactions, and the era of the current government will forever be remembered for pushing digital transactions. Two questions that come to my mind are: Are these transactions safe? And do they increase indirect tax revenue?

It all started with a visit to one of the local stores of a famous FMCG company that has a chain of retail stores across India. The store accepts digital payments like Paytm, etc, in the name of an individual, but refuses to provide an automatic electronic bill to its customers. If the customer insists, the store gives a handwritten bill. We all understand the reasons behind such a phenomenon and that could be the topic of

another article. A story with a vegetable vendor on the street is more or less the same. Digital payments are accepted, but no bill is generated. The same is the case with some of the famous coffee shops, too. The digital payment made to seller transfers money into the account of an individual, instead of the business entity. There are also variations to this phenomenon. A digital payment made for something that I purchased from a café shows that I am paying money to a related concern and not to the same business entity.

These payments that I am paying day-in and day-out made me think what could be the possible implications of such digital transactions. First, the transfer is in the name of an individual. Second, the number has changed very often, which made me even more suspect of the transactions. What if the money to whom I am transferring is funding undesirable elements in the economy? The digital trail might wrongly implicate me, too. An article in a national daily, "Mobile phone penetration in India set to rise to 85-90% by 2020: report", shows there is going to be an increase in the number of such murky transactions. Unless the phone numbers are linked to some unique ID, the system of digital payments can be exploited as people can have multiple numbers and can accept payments using multiple digital payment apps without getting noticed by the appropriate tax authorities.

Here, one must note that the banking segment has clearly identified what constitutes payments and what constitutes money transfers. However, such a segregation of transactions is totally missing in most of the digital payment apps and everything is defined as payment. Does this mean a money transfer that I make to my children is a payment? Does that mean these transactions attract indirect taxes? Furthermore, do such digital transactions lead to transfer of GST to the government? I doubt.

So, I have stopped purchasing from FMCG stores that do not provide a bill on the name of the business entity and only use cash or card if the digital payment phone number indicates that I am paying to an individual. I do take the customer copy of the card transactions, just to ensure that my transaction has happened with the concerned

business entity. To summarise, in a nutshell, the transactions need not be safe, and segmenting what constitutes payment and what constitutes transfer has very important tax implications.

The digital payment companies should address this problem by providing a way to differentiate payments to business transactions and transfers to individuals. A purchase bill indicating digital payment transaction information is still lacking in most places, and unless a link is made, the transaction is suspect—whether it is a payment or mere transfer of money. Fixing it would also resolve the issue of tax evasion. Thus, the caveat emptor, for all the people who make digital payments, is to insist that the transaction happens in the name of a concerned business entity and that payment identification number is reflected in the bill. This is where I expect to see a change before we allow new entrants entering into this space.

By Sridhar Telidevara, Associate Professor, Economics and Statistics, Great Lakes Institute of Management, Gurgaon

The article can be read online [here](#).