



**Income Tax Department**  
Government of India

**CLARIFICATION REGARDING THE MEANING OF THE EXPRESSION "THE PRODUCE OF ANIMAL HUSBANDRY' USED IN SUB-CLAUSE (ii) OF CLAUSE (f) OF RULE 6DD OF THE INCOME-TAX RULES, 1962**

**CIRCULAR NO. 4/2006, DATED 29-3-2006**

Disallowance of twenty percent of the expenditure under the provisions of sub-section (3) of section 40A is made in the computation of income in any case where a payment is made otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft for a sum exceeding twenty thousand rupees. However, payment otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft does not attract the aforesaid disallowance in certain circumstances prescribed under Rule 6DD of the Income-tax Rules, 1962. Such exceptions, *inter alia*, refer to payment made to the producer for the purchase of the produce of "animal husbandry (including hides and skins)....." under sub-clause (ii) of clause (f) of rule 6DD.

2. Representations have been received from certain quarters that some Income-tax authorities are permitting payment of cash beyond rupees twenty thousand for the purchase of livestock and meat by considering them to be covered under the aforesaid sub-clause and at the same time some others are making disallowances. Divergent decisions are being attributed to ambiguity regarding the meaning of the expression 'the produce of animal husbandry' used in sub-clause (ii) of clause (f) of rule 6DD.

3. The Board after examination of the issue are of the view that the expression 'the produce of animal husbandry' used under rule 6DD(f) (ii) would include 'livestock and meat' and in a case where payment exceeding rupees twenty thousand is made to a producer of the products of animal husbandry (including livestock, meat, hides and skins) otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft for the purchase of such produce, no disallowance should be attracted under section 40A(3) read with rule 6DD. It is further clarified that exception will not be available on the payment for the purchase of livestock, meat, hides and skins from a person who is not proved to be the producer of these goods and is only a trader, broker or any other middleman by whatever name called.

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