



“Surgical Strike against Corruption”: PM derecognizes ₹500 & ₹1000/- notes

On the eve of November 8, 2016 Indians all over the country and abroad were taken by surprise when Prime Minister, Narendra Modi announced that all currency of denomination of ₹500 and ₹1000 shall be invalid with effect from midnight. After the initial groaning and confusion, as the Prime Minister’s speech went on, it was clear to all that this bold move was very well planned to cause minimum inconvenience to the citizens of the nation and the economic sector. Prime Minister Modi, in his address to the nation, sought the cooperation of every single citizen to fight against corruption and financial terrorism.

The Press Release issued by the Ministry of Finance, Government of India, provides that the World Bank in July 2010 estimated the size of the shadow economy for India at 20.7% of the GDP in 1999 and rising to 23.2% in 2007. A parallel shadow economy corrodes and eats into the vitals of the Country’s economy. It generates inflation which adversely affects the poor and the middle classes more than others. It deprives government of its legitimate revenues which could have been otherwise used for welfare and development activities.

Why this move?

While addressing the nation Prime Minister Modi mentioned the increase of counterfeiting notes circulated by ‘neighboring’ countries to induce decay of Indian Economy. This instigates the need of a very stringent action to save the Indian Economy from further destruction.

The Press Release states that this action was required to curb financing of terrorism through the proceeds of Fake Indian Currency Notes (FICN) and use of such funds for subversive activities such as espionage, smuggling of arms, drugs and other contrabands into India, and for eliminating Black Money which casts a long shadow of parallel economy on our real economy, it has been decided to cancel the legal tender character of the High Denomination bank notes of ₹500 and ₹1000 denominations issued by Reserve Bank of India(hereinafter referred to as RBI) till now.

New Series bank Notes:

According to the Press Release of the Ministry, new notes in the denominations of ₹500 and ₹2000 shall be released for circulation from November 10, 2016.

What you can do with your old currency notes?

Though people are facing shortage of cash for everyday transactions such as groceries, milk, food and other essential commodities because of ATMs and banks being closed on November 9 – 10. However, the inconvenience is short lived.

However, to avoid inconvenience to the public for the first 72 hours, Old High Denomination Bank Notes will continue to be accepted for transactions till November 11, 2016 at:

- Government Hospitals and pharmacies in these hospitals;
- Railway ticketing counters;



- ticket counters of Government/Public Sector Undertaking;
- buses and airline ticketing counters at airports;
- purchases at consumer co-operative societies;
- milk booths, at crematoria/burial grounds;
- petrol/diesel/gas stations of Public Sector Oil Marketing Companies;
- for arriving and departing passengers at international airports; and
- for foreign tourists to exchange foreign currency at airports up to a specified amount.

Some important highlights of the press release by the Ministry of Finance are:

- Getting your old currency exchanged for the new ones will not be a difficult task. Right from November 10 to December 30, 2016, people can exchange their old notes at banks and head post offices and sub post office.
- There is a limit of ₹4000 per day on such exchange. A Requisition Slip as specified by RBI and government issued identity proof such as Aadhaar, PAN card, Passport or voter ID card has to be presented before exchanging old currency notes.
- There will be no limit on the quantity or value of Old High Denomination Bank Notes **to be credited to your account** in the bank, where the Old High Denomination Bank Notes are tendered if the KYC procedure is completed and if it is not complete, a limit of ₹50, 000/- will be imposed.
- Cash withdrawal from a bank account, over the counter will be restricted to ₹10,000/- subject to an overall limit of ₹20,000/- in a week for the first fortnight, i.e., until the end of business hours on November 24, 2016. Withdrawal from ATMs would be restricted to ₹2,000 per day per card up to November 18, 2016. The limit will be raised to ₹4,000 per day per card from November 19, 2016 onwards.
- For those who are unable to exchange their Old High Denomination Bank Notes or deposit the same in their bank accounts on or before December 30, 2016, an opportunity will be given to them to do so at specified offices of the RBI on later dates along with necessary documentation as may be specified by the Reserve Bank of India
- This de-recognition will not affect **cashless fund transfer**, such as those by NEFT, Demand Draft, credit/debit cards, mobile wallets and electronic fund transfers.

Prime Minister Modi in his address to the nation said that utmost secrecy was maintained before this declaration. Hence, it is safe to assume that it has taken the black market and the tax evaders by a surprise.

Interestingly, Prime Minister Modi was quoted by Indian daily, Hindustan Times¹ on September 2, 2016 while giving a clear warning to those who have yet to declare their assets, “You may have made mistake with whatever intentions, be it willingly or unwillingly, but here is your chance. Come in the mainstream...no one should blame me if I take tough decisions after September 30, 2016.”

Admittedly, it is a very bold, unique and unprecedented move against corruption and inconvenience is a small price to be paid by every Indian in this ‘surgical strike against corruption’ initiated by the Modi Government.

¹ <http://www.hindustantimes.com/india-news/don-t-blame-me-for-tough-decisions-on-black-money-after-sept-30-pm-modi/story-6n3Z84kOs2cMLrVjzlmI9M.html>



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[The Press Release issued by the Ministry of Finance is available [here](#). Further, the RBI has published certain FAQs in this regard, which are accessible on their website www.rbi.org.in.]