

Understand the TDS implication on cash withdrawals-194N



Income Tax Department
Central Board of Direct Taxes

Q1 The amended section 194N of Income tax Act, 1961 provides for TDS obligation on cash withdrawals. Which institutions are covered under scheme of this section which has to deduct TDS on certain cash withdrawals?

The following persons have to deduct TDS on certain cash withdrawals made by a person holding one or more accounts with them:

- i) a bank (banking co. to which Banking Regulation Act, 1949 applies);
- ii) a co-operative bank;
- iii) a post office.

Q2 From which date will the new Section 194N come into force?

The new Section 194N has been substituted for the earlier section in IT Act, 1961 with effect from 1st July, 2020. (Earlier section came into effect from 01-09-2019).

Q3 What is the point at which TDS will be deducted by a Bank, Co-operative Bank or a Post Office on a cash withdrawal from the account?

The TDS will be deducted by the Bank, Co-operative Bank or Post Office, when the cash withdrawal by a person from his account/accounts during a previous year is an amount or aggregate of amounts which exceeds Rs 20 lakhs or Rs 1 crore as the case may be. (Depending upon whether the person has filed the ITR u/s 139(1) or not, explained below)

Q4 What is the rate of deduction of TDS from such cash withdrawals and on what sum?

The TDS would be deducted by a Bank, Co-operative Bank or Post Office @2% or @5% (as the case may be) on a sum of cash withdrawal being the amount or the aggregate of amounts exceeding Rs 20 Lakhs or 1 crore (as the case may be) during a previous year.

Q5 How the conditions of TDS deduction from cash withdrawals as given in answer to Q4 above would vary, depending on filing or non-filing of ITR in earlier years by the recipient of cash?

In case the recipient receiving the money on cash withdrawal has not filed the income tax return for all of the three assessment years relevant to three previous years, immediately preceding the previous year when the

withdrawal is being made, and time limit for filing return u/s 139(1) has expired, then the TDS is to be deducted during the previous year-

- a) @ 2% of the sum where amount or aggregate of amount being paid in cash exceeds Rs 20 lakh but does not exceed Rs 1 crore; or
- b) @5% of the sum where amount or aggregate of amounts being paid in cash exceeds Rs 1 crore.

Q6 What are the exceptions to the provisions of section 194N?

The provisions of Section 194N would not apply to any payment made to

- i) The Government;
- ii) Banking company or Co-op Society engaged in carrying on the business of banking or a post office;
- iii) Any business correspondent of a Banking company or Co-op Society engaged in carrying on the business of banking;
- iv) Any white label automated teller machine operator of a banking company or a co-operative society engaged in the business of banking;
- v) Any other persons as notified by the government in consultation with RBI;

Q7 Any notification/s issued by government w r t exemption till date?

Yes, the following notifications have been issued by the Central Government in consultation with RBI:





- i. Notification 68 of 2019 dated 18.09.2019: Cash Replenishment Agencies (CRAs) and franchise agents of White Label Automated Teller Machine Operators (WLATMOs);
- ii. Notification 70 of 2019 dated 20.09.2019: Commission agent or trader operating under Agriculture Produce market Committee (APMC) and registered under any law relating to Agriculture Produce Market of the concerned State;
- iii. Notification 80 of 2019 dated 15.10.2019: the authorized dealer and its franchise agent and sub-agent and Full Fledged Money Changer (FFMC) licensed by the Reserve Bank of India and its franchise agent;

Circular No 14 of 2020 clarified that the above notifications issued under clause (v) of Section 194N prior to its amendment shall be deemed to be issued under fourth proviso to Section 194N as amended by Finance Act 2020.

- Q8 In a case in which an individual 'ABC' has a savings account and a current account in a Bank. During FY 2020-21, he withdraws cash of Rs 50 lakhs from savings account on 31.12.2020 and Rs 60 lakhs from current account on 28.2.2021, what will be the amount of TDS by the bank in FY 20-21 u/s 194N. Mr ABC is regularly filing his ITR in time for last 10 years.**

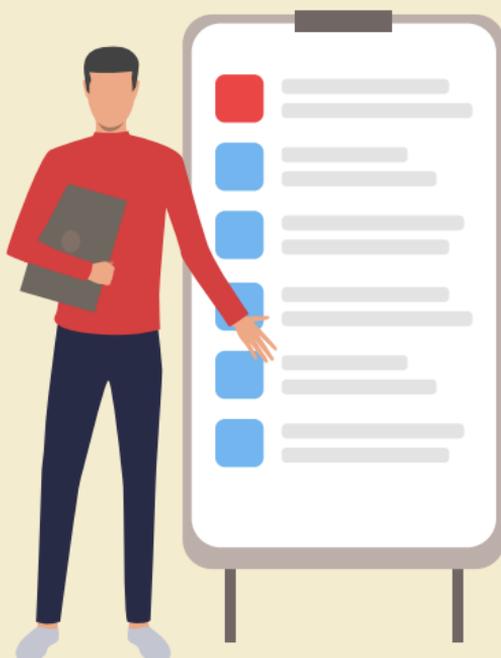
Total cash withdrawal in FY 20-21 by Mr ABC from a bank	Rs 1,10,00,000/-
Sum exceeding Rs 1 crore	Rs 10,00,000/-
Rate of TDS	2%
Total TDS to be deducted by the bank	Rs 20,000/-

Q9 In the case mentioned in last Question, what would be the TDS deduction by the bank from cash withdrawal by Mr ABC in FY 20-21, if he is a non-filer and has never filed an ITR?

Total cash withdrawal in FY 20-21 by Mr ABC from a bank	Rs 1,10,00,000/-
Sum exceeding Rs 20 lakhs upto Rs 1 crore	Rs 80,00,000/-
TDS @2%	Rs 1,60,000/-
Sum exceeding Rs 1 crore	Rs 10,00,000/-
TDS@5%	Rs 50,000/-
Total TDS deduction by bank in FY 20-21	Rs 2,10,000/-

Q10 How the deductor can verify the applicability of TDS u/s 194N?

A functionality is added to the e-filing portal of the Income Tax Department for VERIFICATION OF APPLICABILITY u/s 194N. The deductor needs to fill the PAN and mobile number and it will show the applicability.





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This brochure should not be construed as an exhaustive statement of the law. For details-reference should always be made to the relevant provisions in the Acts and the Rules.

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