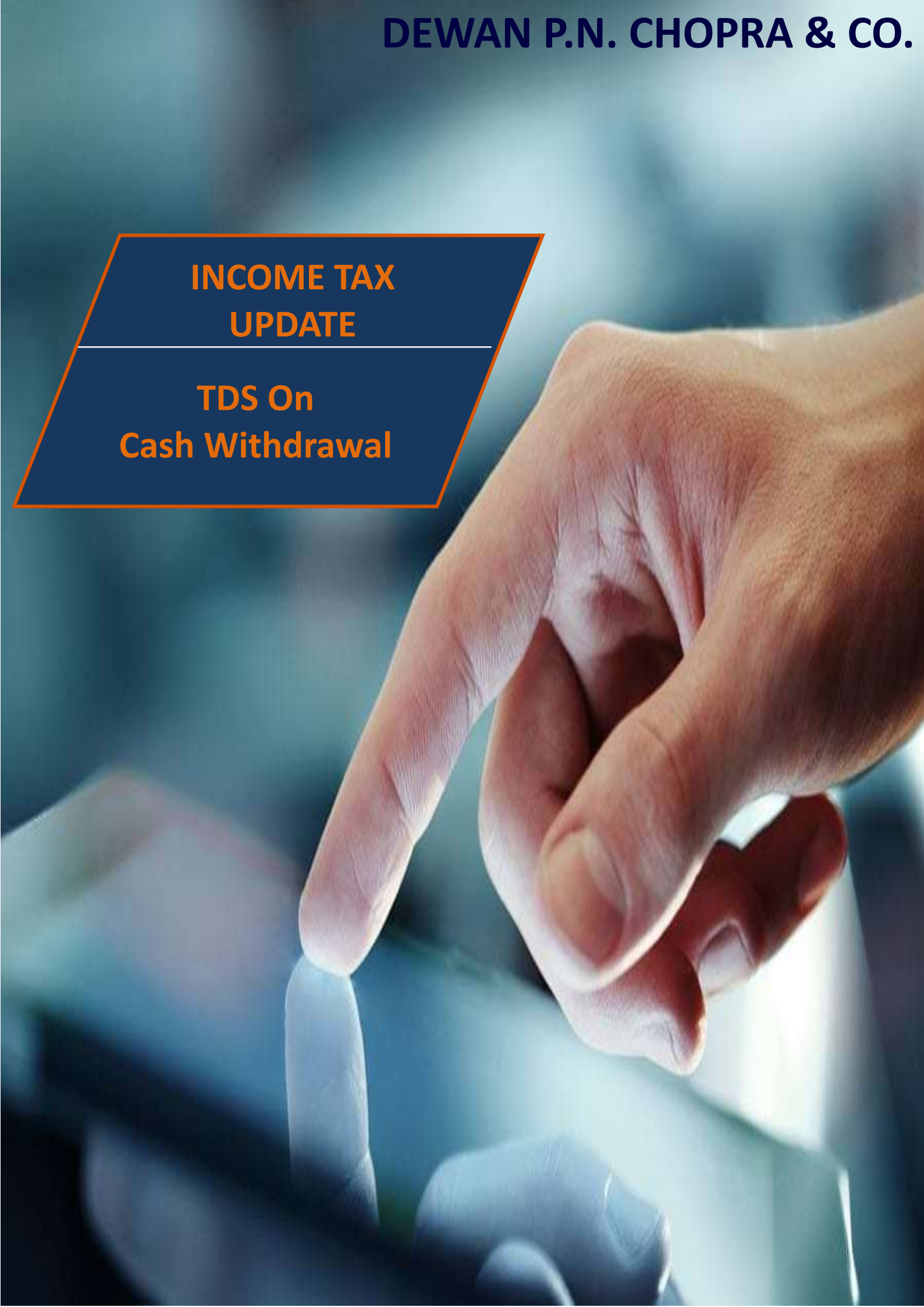


**INCOME TAX
UPDATE**

**TDS On
Cash Withdrawal**



**TDS ON CASH WITHDRAWAL UNDER SECTION 194N OF
THE INCOME TAX ACT, 1961**

Background

To discourage cash transactions and move towards a cashless economy, the Finance Act, 2019 inserted section 194N to provide for deduction of *tax by a banking company, cooperative society engaged in carrying on business of banking or post office at the rate of 2% on cash withdrawals in excess of INR 1 crore in aggregate made during the year by a person being an individual, A Hindu Undivided Family (HUF), a Company, a partnership firm, or an LLP, a local authority, an Association of Person (AOPs) or Body of Individuals (BOIs).*

However, the said section exempts cash withdrawals made by the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators, who are involved in the handling of substantial amounts of cash as a part of their business operation, from the application of this provision.

The said section came into effect from 1st September 2019.

Amendment Made By The Finance Act, 2020

In addition to the existing provisions of section 194N, the Finance Act, 2020 amended section 194N with effect from 1 July 2020 and further provided that in respect of a person who has not filed tax return for prior 3 years (where time limit of filing such tax returns has expired) preceding the previous year in which withdrawal of cash is made, TDS shall be deducted at the following rates:

- TDS @2% - Cash withdrawal exceeds INR 20 lacs but is less than INR 1 crore.
- TDS @5%- Cash withdrawal exceeds INR 1 crore

Applicability of Section 194N

Financial Year	Cash Withdrawal limit	TDS Rate
FY 2019-20 <i>[1 September 2019 to 31 March 2020]</i>	Cash withdrawal in excess of INR 1 Crore from bank etc.	2%
FY 2020-21 <i>[1 April 2020 – 31 March 2021]</i>	Cash withdrawal in excess of INR 1 Crore from bank etc.	2%
FY 2020-21 <i>[1 July 2020 – March 2021]</i>	For persons who have not filed tax return for prior 3 years (where time limit of filing such tax returns has expired) preceding the previous year in which withdrawal of cash is made. <i>Applicable from 1 July 2020.</i>	
	Cash withdrawal exceeds INR 20 lacs but less than 1 crore from bank etc.	2%
	Cash withdrawal in excess of INR 1 crore from bank etc.	5%

DISCLAIMER:

The information contained herein is in summary form based on interpretation of section 194N of Income Tax Act, 1961 as amended by the Finance Act, 2020. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Recipient should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This document is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.

CONTACT US:

Head Office

57 H, Connaught Circus,
New Delhi – 110001, India
Phones: 011-2332 1418/2359

Branch Offices

C-9, Defence Colony,
New Delhi – 110024, India
Phones: 011-2464 5894

C-100, Defence Colony,
New Delhi – 110024, India
Phones: 011-2433 3253 / 3254

C-109, Defence Colony,
New Delhi – 110024, India
Phones: 011-2464 5895 / 5896

D-203, Defence Colony,
New Delhi – 110024, India
Phones: 011-2464 5897

D-295, Defence Colony,
New Delhi – 110024, India
Phones: 011-2464 5891 / 5892

Connect with us at:

Website: [Dewan P.N Chopra & Co](#)

