

FAQs on cash withdrawal TDS

1. When was Section 194N introduced in the Income tax Act, 1961 ('IT Act')? Why?

In order to discourage cash transactions and move towards a digital economy, a new Section 194N was introduced in the Finance Act 2019 with effect from September 1, 2019 to provide for deduction of tax on cash withdrawals made by any person from his bank or post-office account.

2. What are the implications under Section 194N?

Section 194N is applicable in case of cash withdrawals of more than Rs. 1 crore during a financial year. This section will apply to all the sums of money or an aggregate of sums withdrawn from a particular customer in a financial year. Further, while calculating the limit of Rs 1 crore, cash withdrawals from all accounts maintained by a person with one bank are to be considered. The Bank will deduct tax @ 2% on the amount of cash withdrawn in excess of Rs 1 crore.

3. What is the recent amendment made in Section 194N?

The amended provisions which came into effect from **July 1, 2020** require that in case a customer has not filed his return of income for all the 3 preceding years, for which the time limit of filing return of income has expired, then the tax required to be deducted by the Bank shall be:

- **2% where the aggregate of amounts being withdrawn in cash is between Rs 20 lakh and Rs 1 crore during the financial year; and**
- **5% where the aggregate of amounts being withdrawn in cash exceeds Rs 1 crore during the financial year**

For other customers, the Bank will deduct tax @ 2% for cash withdrawn in excess of Rs 1 crore

The tax will be deducted on the amount of cash withdrawal in excess of the applicable limits.

4. How would the Bank be able to ascertain whether the customer has filed his tax returns for the past 3 years?

The IT Act has not prescribed the method of ascertaining the return filing status of the customer. The Bank has therefore decided to take a self-declaration from its customers in a standard format wherein the customer will be required to certify about the fact that he has filed his tax returns or not

5. For customers who withdraw cash in the financial year 2021-22, which are the 3 financial years that are expected to be covered for return filing status?

The return filing status for financial years 2017-18, 2018-19 and 2019-20 has to be declared

6. What would be the implications on the customer in case he was statutorily not required to file his tax returns for all/ any of the 3 preceding financial years?

The customer can declare accordingly and he would be eligible to the higher cash withdrawal exemption limit of Rs 1 crore

7. What would be the implications if the customer does not submit the declaration?

Unless a customer submits the declaration, the Bank will not be able to ascertain his compliance with respect to return filing for the past 3 years. In such a case, if the customer withdraws in aggregate an amount of Rs 20

lakhs in cash from all his accounts with the Bank, then the Bank will start deducting tax as per the applicable rates

8. From what date is the limit of Rs 20 lakhs or Rs 1 crore, as the case may be, has to be counted?

April 1

9. At what point of time will the tax be deducted?

Tax will be deducted at the time of cash withdrawal once the applicable threshold limit is breached

10. Are any customers exempt from the purview of Section 194N?

Yes, customers like Central Government, State Government, Banks, Post offices, co-operative societies engaged in banking business, business correspondents, white label ATM operators ('WLATMO') authorized by RBI are exempt under Section 194N of the IT Act.

Separately, from time to time, the Government has notified certain other classes of persons who are also eligible for exemption under Section 194N provided they satisfy certain specified conditions. As on date, such eligible classes of customers include 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, Cash Replenishment Agencies (CRAs) and franchise agents of WLATMOs, ADs (and their franchise agents and sub-agents) and full fledged money changers (and their agents). In case any of the customers qualifies as exempt and fulfills the necessary conditions and also furnishes the proof thereof, then they would not suffer any tax on cash withdrawals irrespective of the amount of cash withdrawn

11. What would be the rate of tax deduction at source in case the customer does not have a valid PAN?

In case the customer does not have either a valid PAN, then the rate of tax deduction will increase to 20%.

12. Whether the tax deducted at source by the Bank will appear in the customer's Form 26AS?

Yes, on quarterly basis

13. Which are the various modes available to the customer for submitting the declaration?

The customer can submit the declaration via a URL link which the Bank will provide on the customer's email id and/ or mobile no registered with the Bank. Physical declaration forms will also be available at the Bank's branches.