

SECTION 194N :

TDS on cash
withdrawal in
excess of Rs 1 crore



Parikh & Associates
Chartered Accountants

QUESTION

ANSWER

01 Rational behind Introduction of Section 194N ?

To promote digital economy and to widen tax base by finding persons who are not filling Income tax return and involve in huge amount of cash transaction.

02 Who will deduct TDS under section 194N ?

1. Banking company to which Banking regulation act, 1949 applies.
2. Co-operative societies engaged in business of banking.
3. Post office.

03 What is applicability of section 194N ?

Section 194N will apply to all the persons except specified in act or notified by government.

04 What is TDS rate up to June, 2020

2% on withdrawal of cash of more than Rs. 1,00,00,000

05 What is TDS rate from 1st July, 2020 ?

TDS deduction rate from 1st July, 2020 is bifurcated on two parts.

1. If person has not filled income tax return for Three Previous Assessment years for which due date is time limit u/s 139(1) is expired than TDS should be deducted at 2% for Cash withdrawal exceeding amount Rs. 20,00,000 to Rs. 1,00,00,000 5% for Cash withdrawals exceeding amount Rs. 1,00,00,000.
2. In other cases 2 % for amount exceeding Rs. 1,00,00,000

Illustration

Scenario 1. Mr. A had not filled Income tax return for Previous 3 A.Y.

Case 1. Withdrawal in cash is Rs. 40,00,000

TDS on Rs. 20,00,000 should be deducted at 2% i.e. Rs. 4,000 while paying additional Rs. 20,00,000 to customer so bank will pay 19,96,000 to customer and deduct TDS of Rs. 4,000.

Illustration (Cont'd)

Case 2. Withdrawal in cash is
Rs. 1,20,00,000

TDS @ 2% on cash withdrawal between Rs. 20 Lac to 1 Crore i.e. Rs. 80,00,000 and above 1 crore withdrawal TDS @ 5% on Rs. 20,00,000 should be deducted by Bank.

Scenario 2. If Mr. A had filled income tax return for all 3 previous A.Y.

Case 1. Withdrawal in cash is
Rs. 40,00,000

TDS liability will arise only after withdrawal of more than Rs. 1,00,00,000 in cash @ 2%

Case 2. Withdrawal in cash is
Rs. 1,20,00,000

TDS @2 % need to deduct on withdrawal exceeding Rs. 1,00,00,000 i.e. Rs. 20,00,000

QUESTION

ANSWER

06 Who are the persons exempt from applicability of Section 194N ?

Payment to Following persons in cash by banks will not attract applicability of section 194N.

1. Government
2. Banking company, Co-operative society engaged in business of banking and post office.
3. Any Business correspondent of Banking company or co-operative society engaged in business of banking.
4. Any white label automated teller machine operator of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the authorisation issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007.
5. Central Government may specify in consultation with the Reserve Bank of India, by notification in the Official Gazette, the recipient in whose case the provision of this section shall not apply or apply at reduced rate, if such recipient satisfies the conditions specified in such notification

QUESTION

07 Who are the persons notified by Government till 23-05-2020 to whom section 194N will not apply. ?

08 When TDS need to be deducted ?

09 If customer has more than one account in different branches than how to calculate limit of cash withdrawal. ?

ANSWER

Following persons are notified.

Notification 70_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, who has intimated to the banking company or co-operative society or post office his account number through which he wishes to withdraw cash in excess of rupees one crore in the previous year along with his Permanent Account Number.

Notification 80_2019 :

- i. Authorised dealer and its franchise agent and sub-agent.
- ii. Full-Fledged Money Changer (FFMC) licensed by the Reserve Bank of India and its franchise agent.

Notification 68_2019:

Cash Replenishment Agencies (CRA's) and franchise agents of White Label Automated Teller Machine Operators (WLATMO's).

TDS need to be deducted by bank If aggregate of amount of cash withdrawal during the financial year from one or more account does exceed Rs. 1 crore/20 lakhs (as the case may be).

If customer has more than one account than aggregate amount of cash withdrawal need to consider by total withdrawal of all accounts.

QUESTION

ANSWER

10

What are the steps need to take by banks for giving effect of new section insertion by Finance Act, 2020 ?

1. Bank can ask from all the customers or notified them to provide them previous 3 A.Y.s filled ITR OR
2. Bank can prepare list of accounts which exceeded cash withdrawal of Rs. 20 lakhs and ask from them previous 3 A.Y.s filled ITR.

AUTHOR'S VIEW ON AMENDMENT :

Many people are still not filling Income Tax Return and doing business of Crores. This persons are out of tax base because most of their business done through cash channel or their receipts are in banks but their payments are in cash so by introduction or amendments to this section more payments will be done through digital channel and this people will also fall in the tax base.



Effect of 13th May, 2020 press release on reduction of rate of TDS.



No effect on TDS rate under section 194N likewise on all other sections of reduction of 25% as no reduction benefit given for this section.

About Parikh & Associates

Parikh & Associates, Chartered Accountants is Chartered Accountancy Firm Registered with The Institute of Chartered Accountants of India (ICAI). We are the team of young and energetic professionals having experience in diversified areas of the industry with a positive approach to provide expert and professional services with due care of professional ethics.

We believe in a steady approach towards offering high-quality professional services to our clients.

Offices

Ahmedabad

308, Akshar Stadia,
Opp. Symphony House,
Off Sindhuhavan Road,
Bodakdev, Ahmedabad – 380 054

Godhra

Swaminarayana Complex,
Bamroli Road,
Godhra. – 389001

Contact:

CA Vedant K. Parikh

Partner
T: +91 9427261777

CA Jainam P. Shah

Partner
T: +91 9429966332

W: www.parikhandassociates.in

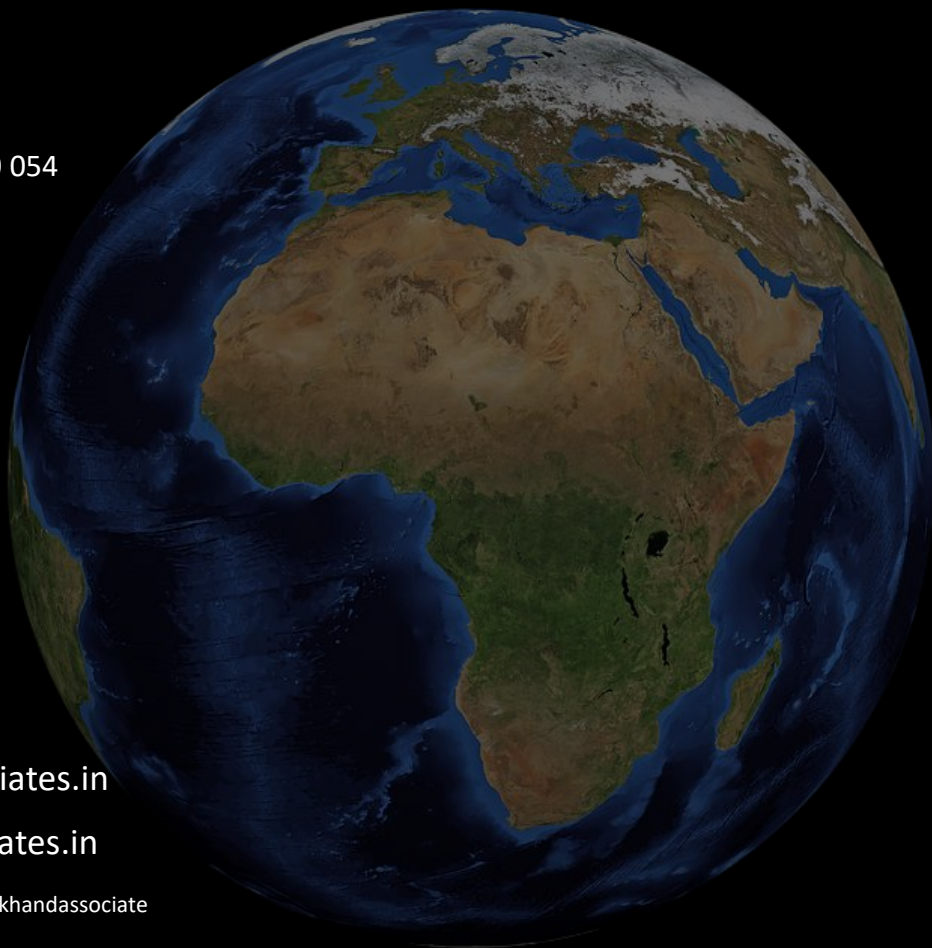
E: info@parikhandassociates.in



[parikhandassociates](https://www.facebook.com/parikhandassociates)



[parikhandassociate](https://www.instagram.com/parikhandassociate)



This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither Parikh and Associates nor any other member of the organization accepts any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.