**Tax deduction at source on Cash Withdrawals -194N of Income Tax Act**

Dear All,

As it is evident that Government of India is continuously striving to discourage cash transactions and moving towards less cash economy, in this move a new section of TDS (Tax deducted at Source) 194N was introduced in income tax act through Finance act 2019. The provisions of new section were applicable from 1st September 2019.

1. **The Provisions of the section originally were as below:**

***Section 194N***; To deduct TDS @2% and deposit in Government Exchequer as prescribed with in the specified time from the cash withdraw by any person from any of the accounts maintained with:

* a banking company to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act) or
* a co-operative society engaged in carrying on the business of banking or
* a post office

If any Person withdraws Cash in excess of Rs. 1 crore then the Banks/Co-operative Society/Post office shall deduct TDS @2% on the amount exceeding 1 crore.

There is some exception to the Provisions of this Section are not applicable to the below withdrawers or recipient or applicable at reduced rates-

* the Government
* any banking company or co-operative society engaged in carrying on the business of banking or a post office
* any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking, in accordance with the guidelines issued in this regard by the Reserve Bank of India under the Reserve Bank of India Act, 1934
* 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 authorization issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007, **on the Basis of discussion between Central Government and Reserve Bank of India, Notifications issued to control the transaction**.

Now, in Finance Bill 2020, the amendment has been proposed and the bill got the President of India consent on 27th March 2020, the proposed amendments have been enacted:

In addition to old/earlier provision the below amendments have been made.

1. **Amendment are as below: (effective from 1st July 2020)**

If any Person who has not filled his/her Return of Income for all the last three years and the time limit under section 139(1) to file the return has expired, then for those Recipients/Withdrawers the rate of TDS would as below:

Rate of TDS shall be applicable in below both the cases on the amount exceeding *twenty lakh rupees*:

* If cash withdrawal exceeds *twenty lakh rupees* but does not exceed *one crore rupees*, TDS shall be deducted @2% on the amount in excess of *twenty lakh rupees.*
* If withdrawal exceeds *one Crore rupees*, TDS shall be deducted @5% on the amount in excess of *twenty lakh rupees.*

Note:

**The Liability to deduct TDS** is on your Banks, Co-operative Society, Post Offices etc. (deductors) where the assessee has the accounts.

**Deductee** The Section is applicable to all types of withdrawers whether Individual, HUF, Firm, LLP, Company etc. except the exception given above.

**BY CA Puneet Deora**

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