



**“What’s  
New?”**

June 28, 2020

## ***“2%-5% TDS on cash withdrawals from Bank, Co-Operative Bank and Post Office”***

Section 194N of the Income Tax Act, 1961 (“Act”) provides for tax deduction at source (TDS) at the rate of 2% on cash withdrawal by a person in excess of INR 10 Million. With effect from July 1, 2020 the cash withdrawal limit will be further reduced and rate of TDS will be increased.

In this Alert we have discussed these changes in section 194N.

*Source: Finance Act, 2020*

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# TDS on cash withdrawal [Section 194N of the Act]

- Section 194N, as introduced in 2019, provides for TDS @2% on cash withdrawal by any person from a bank, cooperative bank or post office in excess of INR 10 Million in a financial year.
- The Finance Act, 2020 w.e.f July 1, 2020 has further enlarged the scope of section 194N in case of a person who has failed to file his income-tax return on time for last three years immediately preceding the year of cash withdrawal. For such persons the threshold limit of INR 10 Million will be reduced to INR 2 Million and TDS shall be charged at-
  - 2% for cash withdrawal in excess of INR 2 Million upto INR 10 Million, and
  - 5% for cash withdrawal in excess of INR 10 Million.
- The limit of INR 10 Million or INR 2 Million shall apply bank-wise and not branch-wise or account-wise.
- TDS shall apply only on the amount of withdrawal in excess of the given threshold limits.
- The purpose of cash withdrawal, whether for business or personal, is irrelevant.
- However, section 194N does not apply if cash is withdrawn by Government, banks, cooperative banks, post office, banking correspondents and white label ATM operators.

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