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TAX

Deduction

Source



# **TDS on Rent**



## What Payment is Covered u/s 194I?

- **Rent includes service charges:** – Service charges payable to business Centre's are covered under the definition of rent, as they cover payments by whatever named called.
- **TDS requirement where rent not payable on monthly basis:** –  
Sec. 194I does not mandate that the tax deduction should be made on a month-to-month basis. Therefore, if the crediting of the rent is done on a quarterly basis, the deduction at source will have to be made on a quarterly basis only. Where the rent is paid on a yearly basis, deduction also will have to be made once a year on the basis of the actual payment or credit.

- **Charges regarding cold storage facility:** – In the case of cold storage where milk, ice cream, and vegetables, are stored, the payment may be styled as charges for use of plant and not for use of the building. The arrangement between customer & cold storage owners is contractual in nature, as the contract includes provision of cooling facilities, security services and other miscellaneous utilities. Therefore TDS is to be deducted u/s 194C, and not u/s 194I.
- **Hall rent paid by an association for use of it:-** Since the association is assessed as an association of persons and not as an individual or HUF, the obligation of tax deduction will be there, provided payment for the use of hall exceeds ₹2,40,000
- **Payments to hotels for holding seminars including lunch:-** Where hotels do not charge for use of premises but charge for catering/meal only, the provisions of Sec. 194I would not apply. However, Sec.194C would apply for catering part.
- **Payment for warehousing charges is liable for TDS u/s 194-I**
- **Payments for hotel accommodation on regular basis is liable for TDS u/s.194-I**

*Explanation.—For the purposes of this section,—*

*(i) “rent” means any payment, by whatever name called, under any lease, sub-lease, tenancy or any other agreement or arrangement for the use of (either separately or together) any,—*

*(a) land; or*

*(b) building (including factory building); or*

*(c) land appurtenant to a building (including factory building); or*

*(d) machinery; or*

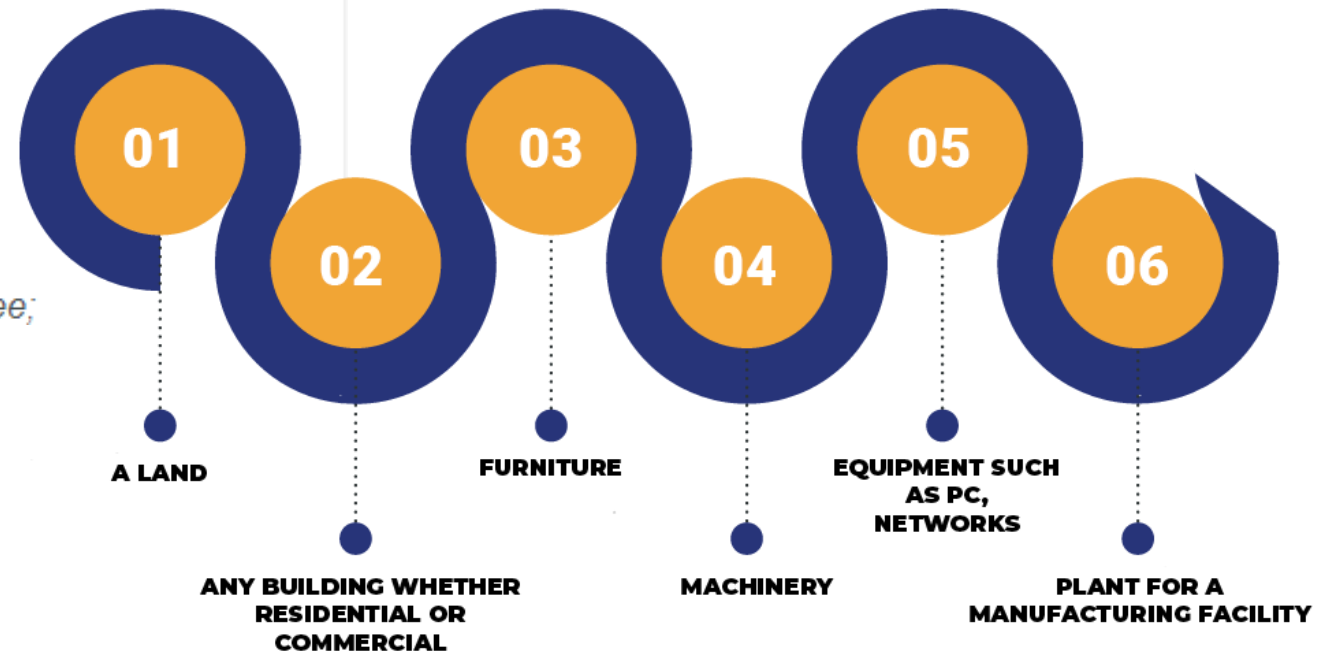
*(e) plant; or*

*(f) equipment; or*

*(g) furniture; or*

*(h) fittings,*

*whether or not any or all of the above are owned by the payee;*





## **Who is responsible to deduct tax u/s 194I?**

The person (not being an Individual or HUF) who is responsible for paying any income to a resident by way of rent is liable to deduct tax at source.

However an individual or a Hindu undivided family is liable to deduct TDS u/s 194I if total sales, gross receipts or turnover exceed one crore rupees in case of business or fifty lakh rupees in case of profession during the financial year immediately preceding the financial year in which such rent is credited or paid.



### When to Deduct TDS under Section 194I?

Tax is required to be deducted at source at the time of credit of 'income by way of rent' to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier.

### Rate of TDS under Section 194I

No.	Nature of Payment	TDS %
1.	Rent of Plant, Machinery or Equipment	2 % (1.5% w.e.f. 14.05.2020 to 31.03.2021)
2.	Rent of land, building or furniture or fitting	10 % (7.5% w.e.f. 14.05.2020 to 31.03.2021)

- No surcharge and Health & Education Cess shall be added to the above rates. Hence, tax will be deducted at source at the basic rate.
- The rate of TDS will be 20% in all cases, if PAN is not quoted by the deductee.



## Under what circumstances TDS u/s 194I is not deductible?

Amount payable/paid not exceeding ₹ 2,40,000 during the financial year- No tax is required to be deducted in case the amount of rent due or paid does not exceed ₹2,40,000.

- Sharing or proceeds of film exhibition between a film distributor and a film exhibitor owning a cinema theatre
- Where the payee is the Government at agency
- **Wharfage Charges** – Wharfage Charges in common parlance are shipping fees for carrying on loading/unloading along the river front.
- **Lounge Services** – Payment by assessee for usage of lounge space at the airport is not rent liable for TDS u/s. 194-I.

# *Section 194-IA*

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Payment on transfer  
of certain immovable  
property other than  
agricultural land



## Payment on transfer of certain immovable property other than agricultural land.


- (1) Any person, being a transferee, responsible for paying (other than the person referred to in [section 194LA](#)) to a resident transferor any sum by way of consideration for transfer of any immovable property (other than agricultural land), shall, at the time of credit of such sum to the account of the transferor or at the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to one per cent of such sum ***or the stamp duty value of such property, whichever is higher*** as income-tax thereon.
- (2) No deduction under sub-section (1) shall be made where the consideration for the transfer of an ***immovable property and the stamp duty value of such property, are both*** is less than fifty lakh rupees.
- (3) The provisions of [section 203A](#) shall not apply to a person required to deduct tax in accordance with the provisions of this section.



As per the proposals of Budget 2022, it is proposed to amend section 194-IA and consider the stamp duty value of such property as well for calculating the TDS amount.

***As per the proposal, TDS of 1 per cent will be calculated on the sale considering or stamp duty value of such property, whichever is higher.***

Thus, in case the stamp duty value of the property is high as compared to the sale value, TDS is to be deducted on such stamp duty value of the property.

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	LIMIT
194-IA	Payment on transfer of certain <b>immovable property</b> other than agricultural land.  	Any person, being a transferee (other than a person referred to in section 194LA)	Any <b>Resident</b> Transferor	<b>1 % (0.75 %*)</b>  * Rates for period from 14.5.2020 to 31.3.2021	<b>Rs. 50,00,000</b>

# Why TDS on transfer of Immovable Property?

- Former Finance Minister P. Chidambaram while introducing TDS on Property said that the transactions of Immovable Property are usually undervalued and under-reported.
- The parties don't even mention the PAN No. in the agreement or while entering into the transaction.
- With a view to improving the reporting of such transactions, the Section 194-IA was introduced in the Finance Bill of 2013





# Non-Applicability of Section 194-IA

- If Person acquires Agricultural Land in India.
- If Transferor is Non-Resident.



# Practical aspects of Section 194 IA and Section 195

Particulars	Section 194 IA	Section 195
Category of Payee/Seller	Resident	Non-Resident
Nature of Payment	any sum by way of <b>consideration</b> for transfer of <b>any immovable property</b> (other than agricultural land)	<b>any interest</b> or <b>any other sum</b> chargeable under the provisions of the Act
Rate of TDS	1 % on entire sale consideration or stamp duty value of such property, whichever is higher.	LTCG – <b>20%</b> , STCG – Slab Rate (Only on the Capital Gain, not on the entire sale consideration)
Remittance of TDS	The buyer shall remit the TDS amount through a challan cum statement in <b>Form 26QB</b> and a TDS certificate shall be issued to the Payee / Seller in <b>Form 16B</b> .	The person who is liable to deduct TDS (Buyer of the immovable property) must mandatorily apply for a <b>TAN</b> (There is no option for him to remit the TDS amount through Form 26QB)

# DETAILS REQUIRED FOR PAYMENT OF THE TDS

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## TDS ON IMMOVABLE PROPERTY

- Go to the Income Tax Dept. official site. Or use the following link:  
<http://www.incometaxindia.gov.in/Pages/tds-sale-of-immovable-property.aspx>
- Provide details like name, address, PAN, mobile number and email id of the seller as well as buyer, in **Form 26QB**
- Also, provide the complete address of the property, along with the date of agreement, total value of consideration, date of payment, etc.
- The buyer should ensure that the PAN of the seller is correct. Otherwise, the seller will not be able to get the credit for tax deducted by the buyer, as the credit shall flow on the basis of PAN card details furnished in Form 26QB.
- The TDS can be paid online or deposited offline, by tendering the physical challan to an authorised bank. The bank will then update the details on the income tax department's website
- Once the TDS has been deposited, the buyer has to download the TDS certificate in Form No 16B, from the website of the Income Tax Department and furnish it to the seller within 15 days.



# E-Payment Procedure of TDS on Property (Form 26 QB)

1. Taxpayer Info

2. Address

3. Property Details

4. Payment Info

Tax Applicable\* ⓘ

☐ (0020) Corporation Tax (Companies)

☐ (0021) Income Tax (Other than Companies)

Financial Year

Financial Year ▼

Financial Year will be populated on the basis of Date of Payment/Credit selected in the Form

Assessment Year

Assessment Year ▼

Assessment Year will be populated on the basis of Date of Payment/Credit selected in the Form

Type of Payment\*

☒ (800) TDS on Sale of Property

Status of the Payee/Seller/Transferor\*

☐ Resident

☐ Non-Resident

Permanent Account No. (PAN) of Transferee(Payer/Buyer)\*

ⓘ

Category of PAN of Transferee

Full Name (Masked) of the Transferee

Name and status as per Income Tax Department database (Masked) will be displayed on confirmation screen

Confirm Permanent Account No. of Transferee\*

ⓘ

Permanent Account No. (PAN) of Transferor (Payee/Seller)\*

ⓘ

Category of PAN of Transferor

Full Name (Masked) of the Transferor

Name and status as per Income Tax Department database (Masked) will be displayed on confirmation screen

Confirm Permanent Account No. of Transferor\*

ⓘ

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## COMPLETE ADDRESS OF THE TRANSFEREE ⓘ

Name of premises/Building/ Village

Flat/Door/Block No.

Road/Street/Lane

City/District\*

State\*

Pin Code\*

Email ID\*

Mobile No.

Whether more than one  
Transferee/Buyer\*

Select



## COMPLETE ADDRESS OF THE TRANSFEROR ⓘ

Name of premises/Building/ Village

Flat/Door/Block No.

Road/Street/Lane

City/District\*

State\*

Pin Code\*

Email ID

Mobile No.

Whether more than one  
Transferor/Seller\*

Select



## COMPLETE ADDRESS OF THE PROPERTY TRANSFERRED ⓘ

Type of Property\*

Select



Name of premises/Building/ Village

Flat/Door/Block No.

Road/Street/Lane

City/District\*

State\*

State



Pin Code\*

Date of Agreement/Booking\*

DD



MM



YYYY

Total Value of Consideration  
(Property Value)\*

Payment Type\*

Select

Date of Payment/Credit\*  
(Date of Payment to the  
Transferor/Seller)

DD



MM



YYYY



Date of Tax Deduction\*

DD



MM



YYYY





## AMOUNT PAID/CREDITED ⓘ

Based on the Payment Type selected i.e. Installment/Lumpsum, taxpayers are required to select the values from the dropdown. Values selected will be the amount payable to the Transferor/Seller on which tax will be deducted.

Please select Amount Paid/Credited from the list\* (Mention Amount payable to the Transferor/Seller)

Crores	0 ▼	<input type="text"/>
Lakhs	0 ▼	<input type="text"/>
Thousands	0 ▼	<input type="text"/>
Hundreds	0 ▼	<input type="text"/>
Tens	0 ▼	<input type="text"/>
Ones	0 ▼	<input type="text"/>

## TAX DEPOSIT DETAILS

Total Amount Paid/Credited*	<input type="text"/>	ⓘ
Rate of TDS (in %)**	0.75	ⓘ
Basic Tax (TDS Amount to be paid)*	<input type="text"/>	ⓘ
Interest	<input type="text"/>	
Fee	<input type="text"/>	

Value should be entered in 'Fee' only when taxpayer is liable to pay Fee amount under section 234E of the Income Tax Act read with Rule 31A(4A) of the Income Tax Rules. For more information, please refer FAQ on Fee.

Total payment	<input type="text"/>
Value in words	<input type="text"/>

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# Demand Payment for TDS on Property (Form 26 QB)

## Demand Payment

⌚ Time remaining: 29 minutes 48 seconds


**FACILITY TO MAKE PAYMENT OF DEMAND RAISED BY CPC-TDS AGAINST TDS ON SALE OF PROPERTY.**


PAN of Transferee/Buyer\*

PAN of Transferor/Seller\*

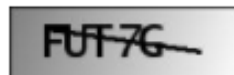
ACK No.\*


Assessment Year\*

Assessment Year 

SPECIAL INSTRUCTIONS 

Captcha Code\*



 click to refresh image

(Enter text as in above image)

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# Form 16B – TDS Certificate for Sale of Property

Form 16B which is a TDS certificate reflects the amount that has been deducted as [TDS](#) on property that has been deposited by the buyer with the Income Tax Department. Form 16B can be downloaded from TRACES website. Once the buyer furnishes the details in Form 26QB and deposits the TDS, he or she can download Form 16B online. This form is to be given to the buyer.

## Steps to Download Form 16b

The procedure for downloading the form 16b is as follows:

- Log on to [TRACES](#).
- If you are a first time accessor of the website, then you will have to register an account and furnish all the required details.
- The details you have submitted will be then validated and then your account will be created.
- Username will be your PAN number and you can choose the password of your choice.
- Activation link will be sent to your personal mailbox and you will get a code on your mobile number in order to activate the account.
- After the account has been created, you can access the download section and download the Form 16B for Buyer.
- The assessment year, PAN number and acknowledgement number of the seller has to be furnished.
- After those have been submitted, Form 16B will be made available in the Downloads section.
- The form can be printed and signed and then it is to be delivered to the buyer.

The buyer can also access the details of TDS deducted through the [Form 26AS](#). Form 26AS is a consolidated statement of the total TDS deducted which includes details that are reflected in Form 16, Form 16A and Form 16B.

# *Section 194-IB*

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Payment of rent by certain Individuals  
or Hindu Undivided family.





## **Payment of rent by certain individuals or Hindu undivided family.**

- (1) Any person, being an individual or a Hindu undivided family (other than those referred to in the second proviso to section 194-I), responsible for paying to a resident any income by way of rent exceeding fifty thousand rupees for a month or part of a month during the previous year, shall deduct an amount equal to five per cent of such income as income-tax thereon.
- (2) The income-tax referred to in sub-section (1) shall be deducted on such income at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.
- (3) The provisions of section 203A shall not apply to a person required to deduct tax in accordance with the provisions of this section.
- (4) In a case where the tax is required to be deducted as per the provisions of section 206AA, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of the tenancy, as the case may be.

SECTION	NATURE OF PAYMENT	PAYER	PAYEE	RATE	LIMIT
<b>194-IB</b>	Payment on <b>rent</b> by certain individuals or HUF  	<b>Individual/HUF</b> (other than Individual/HUF whose total sales, gross receipts or turnover from business or profession carried on by him exceeds Rs. 1 Crore or Rs. 50 Lakhs respectively.	Any <b>Resident</b>	<b>5 % (3.75 %*)</b>  * Rates for period from 14.5.2020 to 31.3.2021	<b>Rs. 50,000</b> for a month or part of a month

In The Finance Bill, 2022, it is proposed to amend Section 194 IA and Section 194 IB, the words “section 206AB” shall be omitted.

The tax is required to be deducted at rates higher than prescribed in the Act, if the transaction is incurred with the person who satisfies the following conditions:

1. The person not file the income tax return for both of the previous two Financial Years (FYs) immediately before the FY in which tax is required to be deducted,
2. where the income tax return (not belated return) filing due date is expired and
3. The total amount of deduction and collection of tax (TDS and TCS) is Rs.50,000 or more in each of these two previous years.

If the taxpayer falls under all the above conditions then tax shall be deducted at source (TDS) at higher of below rates:

- Twice at the rates prescribed in the relevant provisions of the Income Tax Act.
- At the rate or rates in force, i.e., the rate prescribed in the Finance Act
- At five per cent.

In addition to non-filing of income tax return, if the specified person does not furnish PAN, then tax shall be deducted or collected at 20 per cent or rates applicable as per this section, whichever is higher.

# Practical aspects of Section 194 I and Section 194IB

Particulars	Section 194 I	Section 194 IB
<b>Category of Payer</b>	Any person, other than an individual or a HUF or Individuals and HUF covered under section 44AB(a) and (b)	Individual/HUF (other than Individual/HUF whose total sales, gross receipts or turnover from business or profession carried on by him exceeds <b>Rs. 1 Crore</b> or <b>Rs. 50 Lakhs</b> respectively.
<b>Limit</b>	Aggregate more than <b>Rs. 2,40,000/-</b>	<b>Rs. 50,000</b> for a month or part of a month
<b>TDS Rate</b>	<ul style="list-style-type: none"> <li>• <b>2 %*</b> (plant, machinery or equipment)</li> <li>• <b>10 %*</b> (other cases)</li> </ul> <p>* Reduced to <b>1.5 %</b> and <b>7.5 %</b> respectively for the period from 14<sup>th</sup> May, 2020 to 31<sup>st</sup> March, 2021</p>	<p><b>5 % (3.75 %*)</b></p> <p>* Rates for period from 14.5.2020 to 31.3.2021</p>



# E-Payment for TDS on Rent of Property (Form 26 QC)

1. Taxpayer Info

2. Address

3. Property Details

4. Payment Info

Tax Applicable\*

☐ (0020) Corporation Tax (Companies)

☐ (0021) Income Tax (Other than Companies)

Tax applicable will be populated on the basis of PAN of the Landlord

Financial Year ⓘ

Financial Year ▼

Financial Year will be populated on the basis of Date of Payment/Credit selected in the Form

Type of Payment\*

☒ (800) TDS on Rent

Status of the Landlord/Lessor/Payee\*

☐ Resident

☐ Non-Resident

PAN Details of Landlord/Lessor/Payee\*

☐ Permanent Account No.

☐ Permanent Account No. Not Available

Permanent Account No.(PAN) of Tenant/Lessee/Payer\*

ⓘ

Category of PAN

Full Name (Masked) of the Tenant/Lessee/Payer\*

Name (masked) and status as per Income Tax Department database will be displayed on confirmation screen

Confirm Permanent Account No. of Tenant/Lessee/Payer\*

ⓘ

Permanent Account No. (PAN) of Landlord/Lessor/Payee\*

ⓘ

Category of PAN

Full Name (Masked) of the Landlord/Lessor/Payee\*

Name (masked) and status as per Income Tax Department database will be displayed on confirmation screen

Confirm Permanent Account No. of Landlord/Lessor/Payee\*

ⓘ

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## COMPLETE ADDRESS OF THE TENANT/LESSEE/PAYER ⓘ

Name of premises/Building/ Village	<input type="text"/>
Flat/Door/Block No.	<input type="text"/>
Road/Street/Lane	<input type="text"/>
City/District*	<input type="text" value="PALAKKAD"/>
State*	<input type="text" value="KERALA"/>
Pin Code*	<input type="text" value="678014"/>
Email ID*	<input type="text"/>
Mobile No.*	<input type="text"/>
Whether more than one Tenant/Lessee/Payer*	<input type="text" value="Select"/> ⓘ

## COMPLETE ADDRESS OF THE LANDLORD/LESSOR/PAYEE ⓘ

Name of premises/Building/ Village*	<input type="text"/>
Flat/Door/Block No.*	<input type="text"/>
Road/Street/Lane*	<input type="text"/>
City/District*	<input type="text"/>
State*	<input type="text" value="State"/>
Pin Code*	<input type="text"/>
Email ID*	<input type="text"/>
Mobile No.*	<input type="text"/>
Whether more than one Landlord / Lessor/ Payee*	<input type="text" value="Select"/> ⓘ

## COMPLETE ADDRESS OF PROPERTY LETOUT ⓘ

Type of Rented Category\*

Select ▼

Name of premises/Building/ Village

Flat/Door/Block No.

Road/Street/Lane

City/District\*

State\*

State ▼

Pin Code\*

Period of Tenancy\*

Total Value of Rent Payable  
(Amount in Rs.)\*Value of Rent Paid in Last Month  
(Amount in Rs.)\*

Date of Payment/Credit\*

DD ▼

MM ▼ ⓘ

YYYY ▼

Date of Tax Deduction\*

DD ▼

MM ▼ ⓘ

YYYY ▼

## AMOUNT PAID/CREDITED ⓘ

Please select Amount Paid/Credited from the list\* (Mention Amount payable to the Landlord/Lessor/Payee )

Crores	0 ▼	
Lakhs	0 ▼	
Thousands	0 ▼	
Hundreds	0 ▼	
Tens	0 ▼	
Ones	0 ▼	

## TAX DEPOSIT DETAILS

Total Amount Paid/Credited*		ⓘ
Rate of TDS (in %)*	20	ⓘ
Basic Tax (TDS Amount to be paid)* (Credit of tax to the Landlord/Lessor/Payee shall be given for this amount)		ⓘ
Interest		
Fee		
Total payment		
Value in words		⧏

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# Demand Payment for TDS on Rent of Property (Form 26 QC)

FACILITY TO MAKE PAYMENT AGAINST CPC (TDS) RAISED DEMAND (ONLY FOR TDS ON RENT OF PROPERTY)

PAN of Tenant/Lessee/Payer\*

PAN of Landlord/Lessor/Payee\*

ACK No.\*

Financial Year\*

Financial Year



SPECIAL INSTRUCTIONS



Captcha Code\*



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(Enter text as in above image)

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## 194 LA – TDS ON PAYMENTS OF COMPENSATION ON ACQUISITION OF CERTAIN IMMOVABLE PROPERTY



This section is effective from 1-10-2004 which provides as follows;

- a. Any person responsible for paying any sum to a resident is required to deduct tax at source;
- b. The payment must be in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition, under any law for the time being in force, of any immovable property, other than agricultural land;
- c. The tax must be deducted at the rate of 10 per cent. No surcharge or health and education cess shall be added to the above rates. Hence, tax will be deducted at source at the basic rate. The rate of TDS will be 20% in all cases, if PAN is not quoted by the deductee.
- d. The tax shall be deducted at the time of payment of the sum in cash or by issue of the cheque or of draft or by any other mode, whichever is earlier;
- e. No deduction is required where the amount of such payment or the total amount of such payment does not exceed Rs. 2.5 lakh, during the financial year;

## Section 194LA

TDS on Payments  
of Compensation  
on Acquisition of  
certain Immovable  
Property

### 1) Who is responsible to deduct tax u/s 194LA?

Any person, who is responsible for paying, on or after 1.10.2004, to a resident, any sum, being in the nature of compensation or the enhanced compensation or the consideration or the enhanced consideration on account of compulsory acquisition, under any law for the time being in force, of any immovable property (other than agricultural land) shall, deduct income-tax thereon.

“Immovable property” means any land (other than agricultural land) or any building or part of a building.

### 2) When to Deduct TDS under Section 194LA?

Tax is deductible at the time of payment of aforesaid sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.

### 3) Rate of TDS under Section 194LA

The rate of tax deduction u/s 194LA is 10%(7.5% w.e.f. 14.05.2020 to 31.03.2021) of such compensation.

1. No surcharge and Health & Education Cess shall be added to the above rates. Hence, tax will be deducted at source at the basic rate.

2. The rate of TDS will be 20% in all cases, if PAN is not quoted by the deductee

### 4) Where No TDS under Section 194LA is to be Deducted?

- No deduction shall be made under this section in a case where the amount of such payment or as the case may be, the aggregate amount of such payments to a resident during the financial year does not exceed **₹2,50,000**.
- No deduction shall be made under this section where such payment is made in respect of any award or agreement which has been exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.

### **5) Other key points related to section 194LA**

Agricultural land for the purpose of this section means agricultural land in India situated in any area. Therefore, tax cannot be deducted in respect of compensation payable on account of compulsory acquisition of agricultural land situated in urban area.

### **6) Points to be noted**

1. Agricultural land means agricultural land in India.
2. Immovable property means any land (other than agricultural land) or any building or part of a building.
3. Deduction shall not be made where payment is made in respect of any award or agreement which has been exempted from levy of income-tax u/s 96 of the **Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013**.



## *SECTION 194N*

**TDS on cash withdrawal  
from banks/post offices**



## APPLICABILITY

*Section 194N is applicable in case of cash withdrawals of more than Rs 1 crore during a financial year.*

*The section will apply to withdrawals made by any taxpayer including:*

*Individual*



*HUF*



*Company*



*Firm or LLP*



*Local authority*



*AOP/BOI*



## *Who will deduct TDS under Section 194N?*

*Any bank (private or public sector)*

*A co-operative bank*

*A post office*

### **NON APPLICABILITY**

*There are certain categories of person (payee) to whom the provision of this section will not apply. It includes:*

- ☐ ANY GOVERNMENT BODY
- ☐ ANY BANK INCLUDING CO-OPERATIVE BANKS
- ☐ ANY BUSINESS CORRESPONDENT OF A BANKING COMPANY (INCLUDING CO-OPERATIVE BANKS)
- ☐ ANY WHITE LABEL ATM OPERATOR OF ANY BANK (INCLUDING CO-OPERATIVE BANKS)
- ☐ ANY OTHER PERSON NOTIFIED BY THE GOVERNMENT

### ***RATE OF TDS***

*The payer will have to deduct TDS at the rate of **2%** on the cash payments/withdrawals of **more than Rs 1 crore** in a financial year under Section 194N*

*In case the individual receiving the money has not filed income tax return for three years immediately preceding the year,*

***THEN***

*The TDS is **2%** on the cash payments/withdrawals of more than Rs 20 lakh and up to Rs 1 crore, and **5%** for withdrawal exceeding Rs 1 crore.*

# SECTION 194N

Aggregate amount of cash withdrawal	If the recipient has FILED return of income for ANY of the 3 previous years	If the recipient has NOT FILED return of income for ALL of the 3 previous years
Upto Rs. 20 Lakhs	NIL	NIL
More than Rs. 20 Lakhs but upto Rs. 1 Crore	NIL	2%
More than Rs. 1 Crore	2%	5%





**Illustration:** Mr. Dheeraj has made the following withdrawals during the financial year 2021-22. He has not furnished his return of income for the previous year-2017-18, 2018-19, 2019-20 and the due date for filing of return is already expired.

Date	Amount of Withdrawal	Aggregate amount withdrawn	Rate	Computation	Tax to be deducted
10/04/2021	18 Lakhs	18 Lakhs	—	—	—
20/05/2021	32 Lakhs	50 Lakhs	2%	$(50 - 20) \times 2\%$	60,000
25/05/2021	25 Lakhs	75 Lakhs	2%	$25 \times 2\%$	50,000
31/05/2021	30 Lakhs	105 Lakhs	2% and 5%	$(25 \times 2\%) + (5 \times 5\%)$	75,000
25/06/2021	25 Lakhs	130 Lakhs	5%	$(25 \times 5\%)$	1,25,000

**Applicability of section when amount is withdrawn from one or more account maintained with same bank/cooperative bank?**

Date of cash withdrawn	Cash withdrawn from saving account	Cash withdrawn from current account
<b>01-04-2020</b>	20,00,000	20,00,000
<b>05-07-2020</b>	5,00,000	10,00,000
<b>31-08-2020</b>	4,00,000	25,00,000
<b>01-09-2020</b>	50,00,000	45,00,000
<b>01-03-2021</b>	65,00,000	20,00,000
<b>Total</b>	1,44,00,000	1,20,00,000
Tax to be deducted	328000{ (1,44,00,000+1,20,00,000-10000000)*2%}	

**Applicability of section when amount is withdrawn from different branches of same bank?**

The limit of Rs 1 crore has to be seen for cash withdrawals made from **all branches of a bank**.

**Illustration**– ABC LTD has withdrawn cash from following branches of Bank of India during the financial year on –

Dates	Branch	Amount
01.07.2020	Delhi Branch	₹70Lakhs
01.10.2020	Kolkata Branch	₹80Lakhs
01.12.2020	Chandigarh Branch	₹90Lakhs

> In this case the bank shall deduct TDS on 01.10.2020 at the rate of 2% on ₹50,00,000/- (1.50 crores –1 crore) i.e. ₹1,00,000/- from the payment of ₹80,00,000/-.

Similarly bank shall deduct TDS on 01.12.2020 at the rate of 2% on ₹90,00,000/- i.e. ₹1,80,000/- from the payment of ₹90,00,000/-.

## How 194N should be applied in case of cash withdrawals involving joint accounts?

This is a grey area where there could be multiple view-points. Let's consider an example: Husband and wife has individual accounts in a Bank. They also have a joint account in the same bank. Let's say they have withdrawn upto 92 lakhs from their individual accounts in cash. Now, the husband intends to withdraw Rs. 11 lakhs from their joint account in cash. In this case, one might argue that only 50% of cash withdrawal should be attributed towards husband and TDS may not be required, but this may not be appropriate. Whether Rs. 11 lakhs cash withdrawal is made by husband or wife, the limit should be treated as breached. This is so because both persons (in this case) are responsible for the operation of the account and qua each recipient the limit is reckoned from all accounts maintained in the bank. Even the banking software must be attuned to detect cash withdrawals breaching the specified threshold by duly considering cash withdrawals even in the joint accounts.

### **Applicability of section when amount is withdrawn from different banks?**

The cash withdrawals from two different banks shall not be aggregated for the limit of ₹ 1 Crore.

#### **Illustration–**

**ABC LTD has withdrawn cash from following Banks during the financial year on –**

<b>Dates</b>	<b>Bank</b>	<b>Amount</b>
<b>01.07.2020</b>	HDFC BANK	₹70Lakhs
<b>01.08.2020</b>	SBI BANK	₹70Lakhs
<b>01.12.2020</b>	BANK OF INDIA	₹70Lakhs

In this case neither of the banks is liable to deduct TDS under Section 194N.

**Whether TDS is applicable for cash withdrawals made by Charitable Institutions, Clubs, AOPs, Trusts, Resident Welfare Associations, etc. from its bank accounts?**

If cash withdrawals exceed the prescribed threshold, it is applicable in case of all persons in general. However, exceptions are clearly defined in the third proviso. TDS is not applicable in case of the Government, Co-operative society engaged in banking business, business correspondent or ATM operator of a banking company or co-operative society engaged in carrying on the business of banking and other notified persons. This means 194N is applicable in all other cases including Charitable Institutions, Clubs, AOPs, Trusts, Resident Welfare Associations, etc





ThAnK you