

TDS on Cash Withdrawal- Sec.194N

By

CMA S VENKANNA

PRACTICING COST ACCOUNTANT

Applicability

- **Union Budget 2019**

- TDS Under Section 194N is applicable if Cash Withdrawal exceeds Rs 1 crore during a financial year from the account in Bank.

- **Amendment – Union Budget 2020**

- According to section 194N of the Act, TDS has to be deducted if a sum or aggregate of sum withdrawn in cash by a person in a particular FY exceeds :
 - ₹ 20 lakh (if no ITR has been filed for all the three previous AYs), or
 - ₹ 1 crore (if ITRs have been filed for all or any one of three previous AYs).

Rate of TDS

- Cash Withdrawal during the year exceeds Rs 20 lakhs but less than Rs 1 crore :
 - Rate of TDS is 2%
- Cash With Drawal during the year exceeds Rs.1 Crore:
 - Rate of TDS is 5%

Explanation of Applicability

Aggregate Amount of Cash Withdrawal	If the Return of Income has been filed for Any of the 3 Previous Years	If the Return of Income has NOT been filed for all the 3 previous years
Withdrawal upto Rs.20 lakhs	NIL	NIL
Withdrawal More than Rs.20 lakhs but less than Rs.1 Crore	NIL	2%
Withdrawal More than Rs.1 Crore	2%	5%

Purpose

- to discourage huge cash withdrawals
- promote digital payments
- keep track of cash flow in the country
- arrest the creation of unaccounted wealth ; and
- phase out black money from the country

To whom applicable

This Section will apply to withdrawals made by any of the taxpayer:

- An Individual
- HUF
- Company
- Firm Including LLP
- Local Authority
- AOP or BOI

To whom not Applicable

- Central or State Government
- Private or Public Sector Bank
- Any Co-operative bank
- Post office
- Banking Correspondent of any bank
- White label ATM operator of any bank

Other Persons Notified by Government

- a) Cash Replenishment Agencies (CRA's) and franchise agents of White Label Automated Teller Machine Operators (WLATMO's)
- b) Commission agent or trader, operating under Agriculture Produce Market Committee (APMC), and registered under any Law relating to Agriculture Produce Market
- c) The authorized dealer and its franchise agent and sub-agent and Full-Fledged Money Changer (FFMC) licensed by the RBI and its franchise agent.

Person Responsible for making TDS

- Every person, being,
 - (i) a banking company to which the Banking Regulation Act, 1949 (10 of 1949) applies (including any bank or banking institution referred to in section 51 of that Act); (Including Co-Operative Bank)
 - ii) a Co-operative Society engaged in carrying on the business of banking;
 - iii) A Post Office

Threshold Limit

- The threshold limit is applicable to each different bank separately.
- But in case of same bank
- Branch-wise withdrawal is taken into account – The Limit is applicable for all aggregate withdrawal

Example – Same Bank

- 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:

On 1.8.2021	Kolkatta Branch	Withdrawal Rs.40 Lakhs
On 1.10.2021	Delhi Branch	Withdrawal Rs.50 Lakhs
On 1.12.2021	Mumbai Branch	Withdrawal Rs.40 Lakhs

TDS on 1.12.2021 on Rs.30 lakhs - TDS 2% Rs.60,000 from the payment of Rs.40 alkhs.

Example – Different Banks

- A Company withdraws cash during the year 2021-22 as per the following details from different Banks:

• State Bank of India	Rs.75 lakhs	On 1.12.2021
• HDFC Bank	Rs.90 lakhs	On 1.1.2022
• ICICI Bank	Rs.60 lakhs	On 1.3.2022

- No TDS in any of the above cases. Multiple accounts in different banks and makes a cash withdrawal of more than 1 crore from different banks, TDS will not be applicable to him.

Non Resident

- The provisions of section 194N is applicable to cash withdrawals made by Resident as well as Non-resident.
- An NRI withdraws an amount of ₹ 150 lakhs on 15.02.2022 from his NRE Account maintained in India,
- The bank shall deduct TDS of ₹1,00,000 (2% of Rs.50 lakhs)

Exemptions for TDS

- Answer is NO Except notified persons

Joint Account

- The law is not clear.
- However, withdrawal by both husband and wife is considered for determining the limit.

Multiple Accounts in same bank

- Since multiple accounts in different branches are considered for the limit,
- It is clear that
- For the purpose of calculation of threshold limit of ₹ 1 crore, the aggregate amount of cash withdrawn from one or more accounts during the previous year shall be considered.
-

Tax Treatment of cash withdrawal

- Cash withdrawn on which Tax is deducted u/s 194N is not considered as deemed receipt of income.

Point of TDS

- TDS will be deducted by the payer while making the cash payment over and above Rs 1 crore in a financial year to the payee.
- If the payee withdraws a sum of money on regular intervals, the payer will have to deduct TDS from the amount, once the total sum withdrawn exceeds Rs 1 crore in a financial year.
- Further, the TDS will be done on the amount exceeding Rs 1 crore.
- For example, if a person withdraws Rs 98 lakh in the aggregate in the financial year and in the next withdrawal, an amount of Rs 2,50,000 is withdrawn, the TDS liability is only on the excess amount of Rs 50,000.

How to claim TDS

- One can claim the TDS deducted under section 194N at the time of filing your income tax return.
- While filing the income tax return must enter the amount of TDS already deducted under the details of 'TDS Deduction'.
- From the total tax liability, one can deduct the TDS amount and pay the residual net payable amount.
- The person can claim the credit of the TDS under section 194N in his/its return of income. The credit will be allowed even if the person has no income under any heads of income. Further, the credit of such TDS can be adjusted with the tax liability of the person. Any remaining or **excess credit of TDS will be refunded** to such person.

No carry forward of TDS

- Further, such credit of TDS on cash withdrawals shall be claimed in the year in which it is deducted.
- It cannot be carried forward for subsequent year(s) as is allowed by Rule 37BA for other credits.

Whether Form 15G or 15H can be submitted

- NO.
- Not allowed
- Note
 - While calculating three years immediately preceding the years, if the date of return u/s 139(1) has not expired, then that assessment year is not to be considered.

Example-1

- X has withdrawn Rs 99,50,000 upto February.
- Again withdraws Rs, 2,00,000 in March.
- The TDS will be applicable on Rs 1,50,000 (the excess cash over Rs 1 Crore).
- TDS is Rs.3,000 (2% of Rs.1,50,000)
- The net payment the recipient will receive will be Rs 1,97,000.

Example-2

- X, an account holder withdraws Rs 1,00,00, 000 in a year and again issues a bearer cheque to Y, his friend for Rs 5,00,000
- No TDS will be deducted in this case.
- Though the total amount withdrawn is over Rs 1 Crore,
- But the recipient and the holder of the account do not have the same bank account.

Example-3

- All types of bank accounts maintained by an individual in a bank come under the Rs 1 Crore threshold limits.
- For instance, if M has a current and a savings bank account in the same bank, the threshold limit of Rs 1 crore will be applied on the aggregate cash withdrawals from both his accounts.

Verification of TDS

- A functionality is added to the e-filing portal of the Income Tax Department for VERIFICATION OF APPLICABILITY u/s 194N.
- The deductor needs to fill the PAN and mobile number and it will show the applicability.
- In the new portal.
- Log in
- Follow the procedure by entering the OTP received on Mobile.