

TDS on Cash Withdrawals exceeding INR 1 Crore

The Union Budget 2019 (July 2019) has inserted a new Section 194N in the Income Tax Act, 1961 ('Act') in terms of which Bank is required to deduct tax at source at applicable rate when any person withdraws aggregate cash from one or more accounts in excess of INR 1 crore during any financial year. The threshold limit of INR 1 crore is applicable on the aggregate amount withdrawn from all types of accounts maintained by a person with the Bank. This Section is effective from 1st September, 2019.

The provisions of Section 194N of the Act are not applicable on cash withdrawals by the following categories of persons:

- a. The Government;
- b. Any banking company or co-operative society engaged in carrying on the business of banking or a post office;
- c. 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;
- d. 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;
- e . Such other person or class of persons, which the Central Government may, by notification in the Official Gazette, specify in consultation with the Reserve Bank of India

For the financial year 2019-20, for calculating threshold of Rs.1 crore, withdrawals from 1-Apr-2019 would be considered. However, TDS would be applicable only on withdrawals on or after 1-Sept-2019.