



Rajput Jain & Associates



Chartered Accountants

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Section 194N - TDS



About Us



Rajput Jain & Associates, Chartered Accountants, is one of the leading providers of financial and business advisory, internal audit, statutory audit, corporate governance, & international taxation and regulatory services. With a global approach to service delivery, we are responds to clients' complex business challenges with a broad range of services

across industry sectors and national boundaries. The Firm has been set up by a group of energetic, open minded, highly skilled and motivated professionals who have gained experience from top consulting companies and are extensively experienced in their chosen fields has providing a wide array of Accounting, Auditing, Assurance, Risk, Taxation, & Business advisory services to various clients & their stake holders. We have been associated with various national & International recognized associations in the field of our profession; Association of International tax consultants (AITC) is one of them.



Section 194N - TDS on Cash withdrawal over and above Rs. 1 crore

In order to discourage cash transactions and move towards cash-less economy, a new Section 194N (Introduced via Union Budget 2019) has been inserted under Income-tax Act with effect from September 1, 2019 to provide for deduction of tax on cash withdrawals made by any person from his bank or post-office account.

Meaning of Section 194N

Section 194N is applicable in case of cash withdrawals of **more than Rs. 1 crore** during a financial year. This section will apply to all the sum of money or an aggregate of sums withdrawn from a particular payer in a financial year.

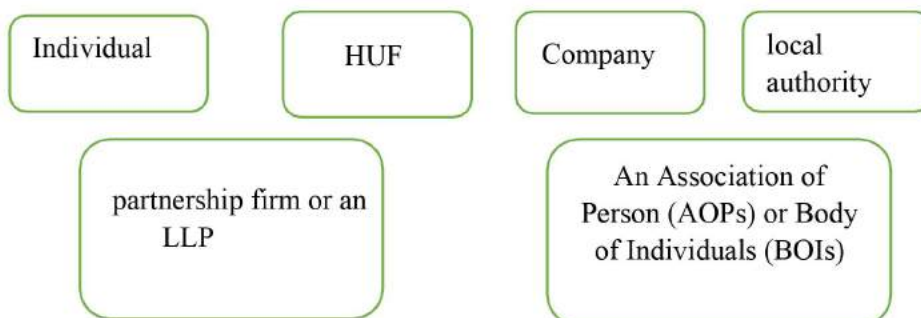
Further, while calculating the limit of Rs 1 Crore limit all accounts maintained by a person with one bank are to be considered. Which means,

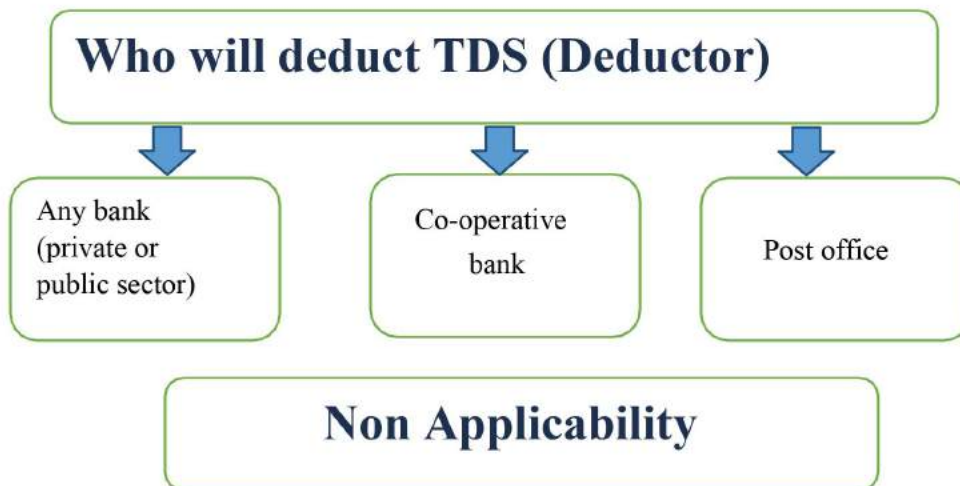
Mr.Raju has withdrawn the following amounts from different branches for HDFC Bank.

- Rs 50 lakh from Branch A
- Rs 30 lakh from Branch B
- Rs 40 lakh from Branch C
- Rs 20 lakh from Branch D of Axis Bank

In this case as per provisions of section 194N 2% TDS would be deducted by HDFC Bank on Rs 20 lakh i.e. TDS @2% by HDFC Bank Rs. 40,000

Withdrawals made by any taxpayer (Deductee)





The provisions under section 194N are not applicable in case **payment is made to** the following person:

- Government
- Banking company
- Co-operative society engaged in the business of banking
- Any business correspondent authorized by RBI
- Any white label automated teller machine (ATM) operator authorized issued by the RBI
- Any other person which central government may specify by the notification.
- As per recent notification (NN 70/2019) dated 20 September, 2019 – **NoTDS** under section 194N shall be deducted on cash withdrawal made by
 - Commission agents or
 - Trader operating under Agriculture Produce Market Committee (APMC) for the purpose of making payments to the farmers on account of purchase of agriculture produce.

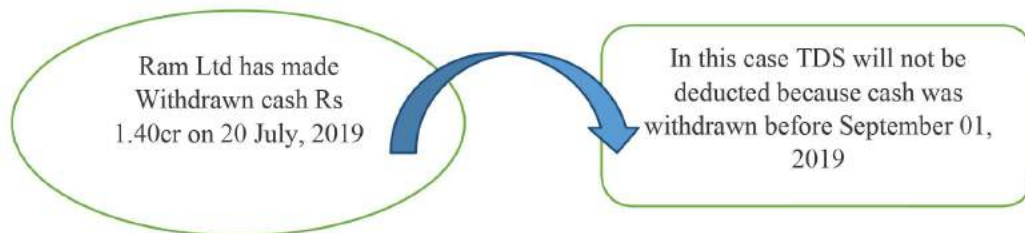
Point of TDS

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

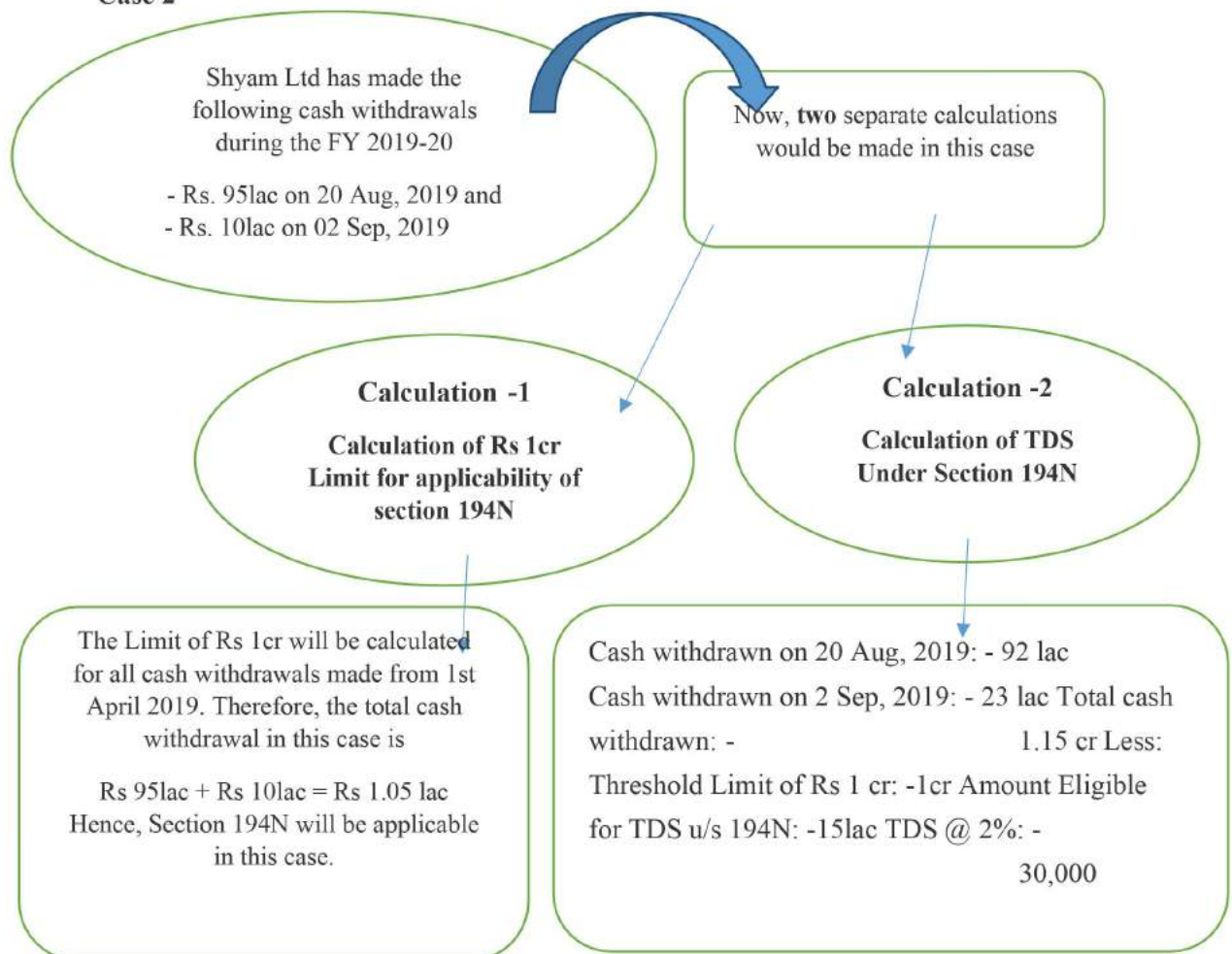
year and in the next withdrawal, an amount of Rs 2,50,000 is withdrawn, the TDS liability is only on the excess amount of Rs 50,000.

Section 194N is applicable from 01st September, 2019 hence any cash withdrawal prior to 01st September, 2019 will not be subject to TDS. However, cash withdrawal before 01st September, 2019 shall be counted for threshold of Rs 1 cr. Let's understand this with a case:

Case 1



Case 2



The payer will have
payments/withdrawals of m

Rate of TDS

of 2% on the cash
r Section 194N.

Let's understand the practical aspects of this section: -

Example1: - Mr. Mallya has saving and current account with a bank. The details of cash withdrawn from both the accounts are as follows:

Date of cash withdrawn	Cash withdrawn from saving account	Cash withdrawn from current account
01-04-2018	40,00,000	10,00,000
31-03-2019	70,00,000	60,00,000
01-04-2019	20,00,000	20,00,000
05-07-2019	5,00,000	10,00,000
31-08-2019	4,00,000	25,00,000
01-09-2019	50,00,000	45,00,000
01-03-2020	55,00,000	20,00,000
30-04-2020	1,20,00,000	5,00,000
Total amount withdrawn		
(a) In FY 2018-19	1,10,00,000	70,00,000
(b) In FY 2019-20		
- Up to 31-08-2019	29,00,000	55,00,000
- 01-09-2019 onwards	1,05,00,000	65,00,000
(c) FY 2020-21	1,20,00,000	5,00,000

Answer

Financial Year	Cash withdrawn from		Total Cash withdrawn	Tax to be deducted
	Saving Account	Current Account		
2018-19	1,10,00,000	70,00,000	1,80,00,000	Nil
2019-20	1,34,00,000	1,20,00,000	2,54,00,000	3,08,000

2020-21	1,20,00,000	5,00,000	1,25,00,000	50,000
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Example 2: - Suppose in the above example, Mr. Mallya has **also** withdrawn the following amounts during the year:

Date of cash withdrawn	Cash withdrawn from saving account	Cash withdrawn from current account
30-07-2019	1,00,00,000	50,00,000
Total amount withdrawn		
In FY 2019-20		
- Up to 31-08-2019	1,29,00,000	1,05,00,000
- 01-09-2019 onwards	1,05,00,000	65,00,000

Answer

Financial Year	Cash withdrawn from		Total Cash withdrawn	Tax to be deducted
	Saving Account	Current Account		
2019-20	2,34,00,000	1,70,00,000	4,04,00,000	3,40,000

Although the amount of cash withdrawn from the Mr. Mallya's bank accounts before September 1, 2019 exceeds Rs. 1 crore but no TDS will be deducted on such amount. TDS will be deducted only on the amounts which are withdrawn on or after September 1, 2019, i.e. Rs. 1,70,00,000 (1,05,00,000 + 65,00,000).

Frequently Asked Questions (FAQs)



1.

Can we submit lower TDS certificate for the purpose of Section 194N

No, lower TDS certificate cannot be submitted for the purpose of the provisions under Section 194N

2.

ABC has withdrawn Rs. 1cr in cash,
whether TDS u/s 194N will be
deducted in this case

No, TDS will not be deducted in
this case as aggregate amount
withdrawn in cash does not exceed
Rs. 1cr.

3.

Whether the limit of Rs. 1cr is for
single account or for all accounts
maintained with a bank

The limit of Rs. 1cr is overall limit for all
accounts (like saving A/c, current A/c etc.)
maintained by a person with one bank.
The limit is per bank rather than per
account. Let us take the help of an
example to better understand the scenario:

Cash withdrawn from Saving Account (from all branches) Cash
withdrawn from Current Account (from all branches) Total cash
withdrawn
Amount eligible for TDS deduction u/s 194N

45 lac
65 lac
1.10 cr 10
lac

4.

How the tax deducted under
Section 194N will be reflected
under Form 26AS

Form 26AS is a statement for such income
on which tax is deducted and deposited to
government by deductor.

5.

Withdrawal considered as
income

Cash withdrawal **cannot** be
considered as an income.
Therefore, the government has
simultaneously amended section 198 of the
Income Tax Act wherein it is clarified that
cash withdrawal shall not be deemed to be
the income of the person

6.

If A Ltd maintains an account with ICICI Bank. Now, A Ltd issue a bearer cheque/ Demand Draft of Rs. 2 crores to B Ltd and B Ltd encash the cheque from the Bank. Whether TDS is deductible in such case

As there is no clarity provided in law. There are different opinions on the same. As per first opinion, TDS shall be deducted in this case.

However, as per other possible view, TDS is not applicable as account holder is requesting the bank to issue a bearer cheque or demand draft and he is not withdrawing cash under the purview of Section 194N

7.

Can we claim the credit of TDS deducted u/s 194N

Since the implementation of Section 194N has recently been made effective hence there is no practical clarity on the matter. Different opinions are being taken up for claiming of credit of TDS deducted u/s 194N.

1.

As per opinion of majority you can validly claim credit/refund of TDS deducted u/s 194N while filing your Income Tax Return. The support for this opinion can be found in the fact that the TDS amount is reflected in 26AS and hence can be validly claimed.

2.

On the other side since the law has made the use of words Levy of TDS and no levy like surcharge or cess can be claimed as a refund. Hence, some opinion that the credit of TDS deducted u/s 194N cannot be claimed.

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