



Important Information on Tax Deducted at Source (TDS) on Cash Withdrawals

Extract

The provisions of Section 194N of the Income-tax Act, 1961 have been amended vide Finance Act 2020. The amended provisions are applicable from 01-July-2020. Pursuant to the amendment, the provisions of section 194N have been extended to cash withdrawals in excess of INR 2 M during the financial year, where the Bank customer has not filed tax returns for three immediately preceding financial years for which due date of filing under section 139 (1) of Act has expired.

What you need to know

In such cases, Tax deduction at source (TDS) @ 2% will apply if the cash withdrawal amount does not exceed INR 10 M. In case cash withdrawal exceeds 10 M, TDS @ 5% will apply. Where the customer is a non-resident, the TDS amount will be increased by surcharge and cess. Where no PAN is available, the higher TDS of 20% will apply. The existing provision of TDS @ 2% on cash withdrawal exceeding 10 m will continue to apply subject to the above.

What you need to do

In view of the above, if your cash withdrawals are expected to exceed INR 2 M during the financial year, please furnish duly completed attached declaration providing status of Income tax return filed for preceding three financial years 2016-17, 2017-18, 2018-19 by 30 Jun 2020. Please provide an updated declaration immediately after you have filed the return for subsequent years. Please Do ensure that your declaration is received by 30 June 2020 and the updated declaration post filing return of subsequent years is received on or before the due of furnishing the return under section 139 (1) of the Act.

If any of these declaration(s) are not received, we will levy TDS under section 194N on the basis that, the condition of filing the tax return for immediately preceding three years has not been complied. This TDS shall be recovered from your account. Please ensure your account is adequately funded. Please click the below mentioned link for the formats of the declarations applicable.