

F.No 109-27/2019-SB  
Govt. of India  
Ministry of Communication  
Department of Posts  
(F.S. Division)

Dak Bhawan, New Delhi-110001  
Dated: 09.01.2020

To,

All Head of Circles/Regions  
Addl. Director General, APS, New Delhi

**Subject :-** Deduction of TDS in respect of Cash Withdrawal above Rs. 1 Crore by an account holder of National Savings Schemes regarding.

Sir/Madam,

The undersigned is directed to inform that Government of India has inserted Section 194N in the Income Tax Act, 1961, through Finance Act (No.2) 2019 for deduction of TDS @2% on cash withdrawals in excess of Rs.1 crore in a year, from 1.9.2019, and the new provision mentioned in Section 194N is applicable from the financial year 2019-20. Text of the new Section is reproduced below:-

**Payment of certain amounts in cash.**

**194N. 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);

(ii) a co-operative society engaged in carrying on the business of banking; or

(iii) a post office,

who is responsible for paying any sum, or, as the case may be, aggregate of sums, in cash, in excess of one crore rupees during the previous year, to any person (herein referred to as the recipient) from one or more accounts maintained by the recipient with it shall, at the time of payment of such sum, deduct an amount equal to two per cent of sum exceeding one crore rupees, as income tax:

Provided that nothing contained in this sub-section shall apply to any payment made to,-

(i) the Government;

(ii) any banking company or co-operative society engaged in carrying on the business of banking or a post office.

(iii) any business correspondent of 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 Act, 1934 ( 2 of 1934);

(iv) 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 (51 of 2007);

(v) such other person or class of persons, which the Central Government may, be notification in the Official Gazette, specify in consultation with the Reserve Bank of India;

**Further Clarification issued by CBDT on 30.8.2019**

(extract from press release of CBDT dated 30.08.2019)

“.....The CBDT, having considered the concerns of the people, hereby clarifies that section 194N inserted in the Act, is to come into effect from 1<sup>st</sup> September, 2019. Hence any cash withdrawal prior to 1st September, 2019 will not be subjected to the TDS under Section 194N. However, since the threshold of Rs. 1 crore is with respect to the previous year, calculation of amount of cash withdrawal for triggering deduction under section 194N shall be counted from 1st April, 2019. Hence, if a person has already withdrawn Rs. 1 crore or more in cash up to 31st August, 2019 from one or more accounts maintained with a banking company or a cooperative bank or a post office, the 2% TDS shall apply on all subsequent cash withdrawals made on or after 1st September, 2019.”

2. With this amendment, now TDS @2% will be applicable on all cash withdrawals above Rs. One Crore taken by an account holder in his/her all type of Small Savings Schemes Accounts /Certificates taken together, from 1.4.2019 onwards. However, for the current financial year (2019-20) as per clarification issued by CBDT, TDS will be deducted on cash withdrawals taken on or after 1.9.2019, even if cash withdrawals are taken in excess of Rs.1 Crore from 1.4.2019 to 31.8.2019. The TDS @ 2% is to be deducted on all subsequent cash withdrawal (from 01.09.2019) to be taken by a customer who has taken cash withdrawals in excess of Rs.1 crore during 2019-20 in his/her all accounts.

3. Necessary changes in FINACLE will be done in due course to automatically deduct TDS at the time of such cash withdrawal. Till these changes are done, CEPT Team will inform details of such Account Holders in the first week of every month to the respective CPC which will inform the concerned Post Office to deduct TDS @2%. Post Offices have to ensure that PAN number of such account holder are invariably taken and fed in Finacle. TDS so deducted should be accounted under Section 194N and incorporated in TDS return of HO (for HO and its SOs). Account holder should be informed of such deduction at the time of cash withdrawal.

4. It is requested to circulate this amendment to all concerned for information and guidance and necessary action.

5. This issues with the approval of Competent Authority.

Yours Faithfully,

*DDG*  
21/11/2020  
(Devendra Sharma)  
Assistant Director (SB)

Copy to:-

1. DDG(FS)/DDG(VIG)/AS&FA/DDG(PAF)/DDG(RB)/DDG (Estt.)/DDG(PG & Inspections)/DDG (PCO/Sr. DDG(PBI)
2. Director of Audit (P&T), Delhi.
3. Resident Audit Officer, Room No.517-B, Dak Bhawan, New Delhi.
4. All Directors/Dy. Directors of Accounts, Postal
5. Director, RAKANPA, Ghaziabad, All Directors, Postal Training Centres.
6. Director PTC Mysore for uploading the SB order on India Post Web Site.
7. Deputy Director (CEPT) O/o CPMG T.N.Circle, Chennai for information and necessary action accordingly.
8. AD /Inspection/PF/Vigilance
9. All recognized unions.
10. MOF(DEA), NS-II, North Block, New Delhi
11. National Savings Institute, 4 Deen Dayal Upadhyay Marg, New Delhi.
12. PS to Member (Banking)
13. PPS to DG Posts.
14. PPS to Secretary Posts.