

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

Dak Bhawan, New Delhi-110001

Dated: 09.03.2021

To,
All Head of Circles/Regions

Subject:- Deduction of TDS in respect of aggregate Cash Withdrawal above Rs. 20 lakh by an account holder of National (Small) Savings Schemes for non ITR filer under section 194N of I.T. Act 1961.

Sir/Madam,

In continuation of SB Order No. 02/2020 dated 09.01.2020 on aforesaid subject, the undersigned is directed to inform that Government of India has amended section 194N of the Income Tax Act, 1961 through Finance Bill 2020 for deduction of TDS @ 2% on aggregate cash withdrawals in excess of Rs. 20 Lakh in a year and deduction of TDS @ 5% on aggregate cash withdrawals in excess of Rs. 1 Crore in a year , **in case of a recipient who has not filed the returns of income for all the three assessment years relevant to the three previous years.** These new provisions in section 194N are applicable from 01.07.2020.

2. Text of the section 194N as amended is reproduced below: -

For section 194N of the Income-tax Act, the following section shall be substituted with effect from the 1st day of the July, 2020, namely: -

“194N. every person, being,-

(i) a banking company to which the Banking Regulation Act, 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, being the amount or the aggregate of amounts, as the case may be, in cash exceeding 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 such sum, as income-tax:

Provided that in case of a recipient who has not filed the returns of income for all of the three assessment years relevant to the three previous years, for which the time limit of file return of income under sub-section (1) of section 139 has expired, immediately preceeding the previous year in which the payment of the sum is made to him, the provision of this section shall apply with the modification that-

(i) the sum shall be the amount or the aggregate of amounts, as the case may be, in cash exceeding twenty lakh rupees during the previous year; and

(ii) the deduction shall be-

(a) an amount equal to two per cent. of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds twenty lakh rupees during the previous year but does not exceed one crore rupees; or

(b) an amount equal to five per cent. of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds one crore rupees during the previous year:

Provided further that the Central Government may specify in consultation with the Reserve Bank of India, by notification in the Official Gazette, the recipient in whose case the first proviso shall not apply or apply at reduced rate, if such recipient satisfies the conditions specified in such notifications:

Provided also that nothing contained in this 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 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.

(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 System Act, 2007:

Provided also that the Central Government may specify in consultation with the Reserve Bank of India, by notification in the Official Gazette, the recipient in whose case the provision of this section shall not apply or apply at reduced rate, if such recipient satisfies the conditions specified in such notification.

3. Summary

Amount paid in cash during a FY to a customer in all accounts	Rate of Income Tax (TDS)	Remarks
A. For non ITR Filers. (a) If aggregate Cash withdrawal exceeds Rs. 20 Lakh but does not exceed Rs. 1 Crore during a FY. (b) If Cash withdrawal exceeds 1 Crore during a FY.	2% of amount exceeds Rs. 20 lakh. 5% of amount above Rs. 1 crore.	
B. For ITR filers If Cash withdrawal exceeds Rs. 1 crore during a FY.	2% of amount above Rs. 1 crore.	