IMPORTANT: New TDS rule on cash withdrawal w.e.f. 1st July 2020

Since September 1, 2019, banks are required to deduct tax @ 2% of the aggregate cash withdrawals exceeding Rs. 1 crore during a financial year, from one or more accounts, maintained by a customer. For this purpose, cash withdrawals under all the bank accounts under your PAN / Aadhaar are aggregated. This is as per Section 194N of the Income-tax Act, 1961. In absence of PAN / Aadhaar, TDS rate is 20%.

New changes with effect from 1st July’20:

If Income Tax returns are not filed for the preceding 3 Financial Years, for which the time limit for filing return under section 139(1) has expired, then rates of TDS would be as under:

- TDS at 2% on aggregate cash withdrawal exceeding Rs 20 lakh to 1 crore, and
- TDS at 5% on aggregate cash withdrawal exceeding Rs 1 crore.

In all other cases, TDS at 2% would continue as mentioned above.

Cash withdrawals from 1st April 2020 onwards would be considered for calculating combined / total cash withdrawal.

In absence of PAN / Aadhaar, TDS rate will be @ 20%

Here is the list of persons and entities who are exempt from TDS on cash withdrawal:

(i) Government;
(ii) Banking company or co-operative society engaged in carrying on the business of banking or a post office;
(iii) Business correspondent of a banking company or co-operative society engaged in carrying on the business of banking;
(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;
(v) such other person(s) as the Central Government may notify. As of today, the Central Govt has notified the following entities subject to conditions to be fulfilled:
   a. Cash Replenishment Agencies (CRAs) and franchise agents of White Label Automated Teller Machine Operators (WLATMOs)
   b. Commission agent or trader operating under Agriculture Produce Market Committee (APMC)
   c. Authorized Dealer as per Section 10 of FEMA, and its franchise agent / sub-agent or Full-Fledged Money Changer (FFMC) licensed by the Reserve Bank of India and its franchise agent

For further details, kindly visit your nearest HDFC Bank branch.