

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 preceding 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.	

4. How to check ITR filing status of a depositor.

- i) Browse the link
<https://www1.incometaxindiaefiling.gov.in/e-FilingGS/Services/ViewReturnStatusLink.html?lang=eng>
- ii) Enter depositor's PAN and your mobile number,
- iii) Select check box and continue.
- iv) The rate of applicability of TDS will be displayed.

5. These changes are not yet incorporated in Finacle and to facilitate Post Offices CEPT has identified and extract the details of such depositors for the period from 01/04/2020 to 31/12/2020, CEPT will forward the list in excel to concerned Circle/CBS CPCs of the concerned Circles with details of account, PAN number if available along TDS amount to be deducted. **Incharge, CPC(CBS) of the Circle shall forward the details to respective Post Office and take up for deduction of TDS from such customers/account without fail.**

6. Respective Post Office will deduct TDS and account under Section 194N. Account holder should be informed of such deduction in writing. A voucher will be prepared and signed by the Postmaster concerned for the TDS amount, which will be forwarded to HO/SBCO alongwith other SB vouchers.

7. Procedure to deduct TDS till such time provision is made in Finacle: -

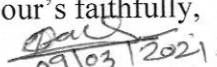
- a) New Office account **SOL Id + 0033** - TDS UNDER SEC.194-N under GL 36016 is created in all SOLs
- b) Invoke CXFER menu – Debit SB account an amount equivalent to TDS amount and credit into office account **Sol Id + 0033**
- c) This will get reflected in Long Book detailed and Summary report and Daily Transaction report.
- d) These deductions will reflect automatically in Daily Transaction report under 15 Digit GL **002100102260000TDS on cash Withdrawals - Section 194N**. 10 digit GL Code is 8002100140.
- e) Concerned HO shall ensure to include such deductions in TDS return for their HO/SOs.

Note:- It is a regulatory provision and the concerned postmaster is personally responsible for deduction of TDS as per rules, Non-deduction of TDS may attract recovery/penalty.

8. CEPT, Chennai will provide details of such Account Holders in the first week of every month to the respective CPC. CPC will check all these entries in respect of applicability of TDS as prescribed in CBDT press release dated 12.07.2020 (copy enclosed) and as detailed above. After verifying all the entries received from CEPT, Chennai, concerned CPC will share details with respective Post Offices for deduction of TDS on applicable rates as detailed above.

9. Circle shall ensure that all due TDS u/s 194N is deducted by the concerned Post Offices and incorporated by concerned HOs in the TDS returns. It is requested to circulate this amendment to all concerned for information and guidance and necessary action.

11. This issues with the approval of Competent Authority.

Your's faithfully,

(Devendra Sharma)
Assistant Director (SB-II)

Copy to:-

1. Sr. PPS to Secretary (Posts)
2. PS to Director General Postal Services.
3. PPS/ PS to Addl. DG (Co-ordination)/Member (Banking)/ Member (O)/ Member (P)/ Member (Planning & HRD)/ Member (PLI)/ Member (Tech)/AS & FA
4. Addl. Director General, APS, New Delhi
5. Chief General Manager, BD Directorate / Parcel Directorate / PLI Directorate
6. Sr. Deputy Director General (Vigilance) & CVO) / Sr. Deputy Director General (PAF)
7. Director, RAKNPA / GM, CEPT / Directors of all PTCs
8. Director General P & T (Audit), Civil Lines, New Delhi
9. Secretary, Postal Services Board/ All Deputy Directors General
10. All General Managers (Finance) / Directors Postal Accounts / DDAP.
11. Chief Engineer (Civil), Postal Directorate
12. All Sections of Postal Directorate
13. All recognized Federations / Unions/ Associations
14. GM, CEPT for uploading the order on the India Post website.
15. Dy. Director (CEPT) to provide list of such accounts to the Circles/CBS (CPC) concerned.
16. MOF (DEA), NS-II, North Block, New Delhi.
17. Joint Director & HOD, ICCW Building, 4 Deendayal Upadhyay Marg, New Delhi-110002
18. Guard File
19. Spare copies.

**Government of India
Department of Revenue
Ministry of Finance
Central Board of Direct Taxes**

New Delhi, 12th July, 2020

PRESS RELEASE

CBDT provides Utility to ascertain TDS applicability rates on cash withdrawals

The Income Tax Department has facilitated a new functionality for Banks and Post offices through which they can ascertain the TDS applicability rates on cash withdrawal of above Rs.20 lakh in case of a non-filer of Income Tax Return(ITR) and that of above Rs. 1 crore in case of a filer of the ITR. So far, more than 53,000 verification requests have been executed successfully on this facility.

This functionality has been available as "Verification of applicability u/s 194N" on www.incometaxindiaefiling.gov.in since 1st July, 2020 and has also been made available to the Banks through web-services, so that the entire process can be automated and be linked to the Bank's internal core banking solution.

It is stated that now the Bank/Post Office has to only enter the PAN of the person who is withdrawing cash for ascertaining the applicable rate of TDS. On entering PAN, a message will be instantly displayed on the departmental utility: "TDS is deductible at the rate of 2% if cash withdrawal exceeds Rs. 1 crore" [if the person withdrawing cash is a filer of ITR] and "TDS is deductible at the rate 2% if cash withdrawal exceeds Rs. 20 lakh and at the rate of 5% if it exceeds Rs. 1 crore" [if the person withdrawing cash is a non-filer of ITR]. Shree Tax Chambers Bengaluru India

It is further stated that the data on cash withdrawal indicated that huge amount of cash is being withdrawn by the persons who have never filed Income Tax Returns. To ensure filing of return by these persons and to keep track on cash withdrawals by the non-filers, and to curb black money, the Finance Act, 2020 w.e.f. 1st July, 2020 further amended Income-tax Act, 1961 to lower the threshold of cash withdrawal to Rs. 20 lakh for the applicability of this TDS for non-filers and also mandated TDS at a higher rate of 5% on cash withdrawal exceeding Rs. 1 crore by the non-filers.

It may be noted, that, in order to discourage cash transactions and move towards less-cash economy, the Finance (No.2) Act, 2019 had inserted section 194N in the Income-tax Act, 1961 w.e.f. 1st September, 2019 to provide for levy of TDS @ 2% on cash withdrawal exceeding Rs. 1 crore from a Bank/Post Office account/s subject to certain exceptions.

(Surabhi Ahluwalia)
Commissioner of Income Tax
(Media & Technical Policy)
Official Spokesperson, CBDT