



Applicability of Tax Deduction at Source on Cash withdrawals in excess of INR 1 Crore

As per the recent amendments to the Income Tax Act, 1961 guidelines with regards to cash withdrawals made from one or more accounts during a Financial Year, effective 1st September 2019 Tax Deduction at Source (TDS) of two percent (2%) is applicable on cash withdrawals made in excess of INR 1 Crore in aggregate through a Bank or a Co-operative Bank or a Post office.

Further it has been clarified that, any cash withdrawal prior to 1st September 2019 will not be subject to TDS under provisions of the Act. However, since the threshold of INR 1 Crore is with respect to the Financial Year, calculation of amount of cash withdrawal for triggering deduction of TDS for the current financial year (F.Y. 2019-20), shall be considered from 1st April 2019.

Hence, if a person has already withdrawn INR 1 Crore or more in cash upto 31st August 2019 from one or more accounts maintained with a banking company or a co-operative bank or a post office, the two per cent TDS shall apply on all subsequent cash withdrawals.

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

- 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 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;
- iv. Any business correspondent of a banking company or co-operative society engaged in carrying on the business of banking;
- v. Such other person(s) as the Central Government may notify