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## **TDS on Cash Withdrawal: New Income Tax notification details and who will be affected – Explained**

26th November'19

*TDS on Cash Withdrawal: The Ministry of Finance recently notified Form 26QD for TDS Return and Form 16D for TDS Certificate under section 194M and 194N of the Income Tax Act.*



The Ministry of Finance recently notified Form 26QD for TDS Return and Form 16D for TDS Certificate under section 194M and 194N of the Income Tax Act. Sameer Mittal, Managing Partner, Sameer Mittal & Associates LLP, breaks down details of the notification. Mittal told FE Online, "As per section 194M any individual or an HUF, which is not subject to tax audit and is not required to deduct TDS under section 194C, section 194H or section 194J and is making payment to any resident for carrying out any work, commission, brokerage or fees for professional service, shall deduct a sum equal to 5 per cent as TDS and deposit the amount with

the Government."

As per the notification, the liability to deduct TDS will arise when the amount paid in one go or multiple instalments exceeds Rs 50 lakh. The TDS so deducted is required to be deposited within 30 days from the end of the month in which the deduction was made and shall be accompanied by a challan-cum-statement in Form 26QD, said Mittal.

Additionally, an individual is required to issue the TDS certificate to the deductee in Form 16D within 15 days from the due date for furnishing the challan-cum-statement in Form No.26QD.

The notification has altered the format of TDS return for the TDS to be deducted on the withdrawal of cash exceeding Rs 1 crore in a financial year from banks, cooperative bank or post office pursuant to section 194 N.

### **What has changed?**

Mittal explained that earlier the TDS was only required to be deducted by the individuals and HUFs, who were subject to tax audit on the contractual, professional and commission or brokerage payments under section 194C, 194J and 194H. As per the new notification, now TDS has to be deducted by individuals and HUFs who are not subject to tax audit. Further under section 194N, the TDS at the rate of 2 per cent will be deducted on the cash withdrawal exceeding Rs 1 crore from banks, co-operative bank or post office.

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**Implications of the new notification**

Under Section 194M, since the TDS is required to be deducted by the individuals and the HUFs, which are not subject to tax audit, a major amount of the money that was being paid by them was often subject to tax evasion. Now the same can be brought under the income tax scanner, said Mittal. Further, the amount of tax on the withdrawal of money from banks and post offices will deter cash withdrawals and pave way for the digital economy.

**Who will be affected by the new notification**

Individuals and the HUFs, who were not required to deduct the tax, will be burdened with additional compliances. The TDS on cash withdrawals will pose additional compliance for both the deductor and the deductee.

Mittal said that benefit of TDS deducted under section 194N is available only to the deductee and the same cannot be carried forward in the subsequent financial years.