



Tax Deduction at Source for Cash Withdrawal under Section 194 N of the Income Tax Act, 1961

Section 194N of the Income Tax Act, 1961 provides for tax withholding by a bank where cash withdrawal exceeds one crore rupees during the financial year.

The Finance Act, 2020 has substituted this section with new section 194N, mainly to provide for:

1. Tax withholding of 2% on the entire amount of cash withdrawal (currently it is on amount exceeding one crore rupees) if the cash withdrawal exceeds one crore rupees in a fiscal year
2. Different tax withholding rate if the withdrawer has not filed his tax return for three years . The tax withholding in such cases shall be as under:
 1. At 2% when the cash withdrawal in a year is more than twenty lakh rupees but does not exceed one crore rupees (on amount exceeding twenty lakh rupees) and
 2. At 5% when the cash withdrawal exceeds one crore rupees (on amount exceeding one crore rupees) .

Please note that tax withholding shall be further increased by applicable Surcharge and Health & Education Cess.

If you have any query regarding this, please contact the Branch Staff.