

Income tax department launches tool to calculate TDS rate on cash withdrawals

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- TDS rules for making cash withdrawals from bank accounts have changed from this month.
- If you have been filing ITR regularly, you get benefit on TDS.

NEW DELHI: As the new rules relating to TDS (tax deducted at source) on cash withdrawals came into force from this month, the income tax department has made it easier for banks and other financial institutions to do the calculation. A functionality to calculate TDS rate under Section 194N has been enabled in income tax department's e-filing portal.

The service is, however, meant only for official use by banks, co-operative societies and post offices. Under the 'Quick Links' section on the e-filing portal, a new sub-section called 'Verification of applicability u/s 194N' has been inserted.

To verify the applicability of TDS rate, one can go to the link and give his or her PAN (Permanent Account Number) and mobile number where an OTP will be shared. Banks and other financial institutions can use the facility to calculate the TDS rate applicable in your case.

Otherwise, you may be asked to sign a declaration letter along with a copy of acknowledgment of return of Income (ITR-V) of FY 2018-19, FY 2017-18 and FY 2016-17 for verification purposes.

To discourage cash transactions and move towards a less-cash economy, a new section 194N was introduced in the Income Tax Act. Under the rule, TDS at the rate of 2% is charged on cash payments of more than ₹1 crore in aggregate made during a year by a banking company or cooperative bank or post office to any person from an account maintained by the recipient.

With effect from July 1 this year, the rule has been amended further to link TDS with the filing of income tax return (ITR). If you have not filed your ITR for the last three years, banks will charge you TDS of 2% on cash withdrawal in excess of ₹20 lakhs to ₹1 crore. The rate goes up to 5% if the amount is above ₹1 crore.

For those who have been filing ITR regularly for the last three years, there is no TDS for cash withdrawals of upto ₹1 crore and 2% for above ₹1 crore.