

## CBDT has a new tool for banks, post offices to deduct tax on big cash withdrawals

The Income-Tax Department, on Sunday, announced a new tool for banks and post offices to ensure tax deduction at source (TDS) on cash withdrawals beyond a certain threshold.

Any non-filer of Income-Tax Return is subject to TDS if he/she withdraws ₹20 lakh or more in a financial year. The TDS rate would be 2 per cent (of withdrawn amount over ₹20 lakh). This rate will go up to 5 per cent if the withdrawal is more than ₹1 crore. Here, too, TDS will be applicable on the amount over ₹1 crore. This system came into effect from July 1. Earlier, a system was introduced with effect from September 1, 2019, to levy TDS at the rate of 2 per cent for any individual who has filed returns and withdraws cash of ₹1 crore or more from a bank or post office.

Now, in order to facilitate this arrangement, a new functionality for banks and post offices will help them ascertain the TDS applicability rates on cash withdrawal of above ₹20 lakh in case of a non-filer of the income-tax return and that of above ₹1 crore in case of a filer of income-tax returns.

Explaining the details of this facility, CBDT said 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 per cent if the cash withdrawal exceeds ₹1 crore” (if the person withdrawing cash is a filer of income-tax returns), and “TDS is deductible at the rate 2 per cent if cash withdrawal exceeds ₹20 lakh and at the rate of 5 per cent if it exceeds ₹1 crore” (if the person withdrawing cash is a non-filer of the income-tax return).

CBDT said that the data on cash withdrawal indicated a huge amount of cash is being withdrawn by persons who have never filed income-tax returns. To ensure filing of return by these persons and to keep track on cash withdrawals by non-filers and to curb black money, the Finance Act, 2020, further amended Income-Tax Act to lower threshold of cash withdrawal to ₹20 lakh for the applicability of this TDS for the non-filers, and also mandated TDS at the higher rate of on cash withdrawals exceeding ₹1 crore by non-filers.

Source: Business Standard