



Clarification on the application of Section 194N- Tax Deducted at Source in respect of Cash withdrawal in excess of Rs. 1 crore

(W.e.f.: 01.09.2019)

SR No	Issue	Clarification
1	Applicability	This change is applicable from 01.09.2019
2	TDS To be deducted by	a) Bank or b) co-operative society in banking activity or c) post office.
3	Rate of TDS	2% of amount withdrawn
4	Up to what amount NO TDS is required.	Rs.1 Cr.
5	Whether to consider one account or all account of the customer to calculate limit of 1 cr	All the bank accounts based on customer identification (CIF) number to be considered to calculate the limit.

Let us understand by examples:

Cash Withdrawn		TDS liable amount	Remarks
Before 31.08.2019	After 01.09.2019		
1,50,00,000/-	-	-	Since this section is applicable after 01.09.2019, TDS is not required to be deducted on Rs.1,50,00,000/-.
1,50,00,000/-	1,00,000/-	1,00,000/-	Since this section is applicable after 01.09.2019, TDS is required to be deducted on Rs.1,00,000/- withdrawn after 01.09.2019
95,00,000/-	10,00,000/-	5,00,000/-	In calculating the limit of Rs.1 Cr. withdrawal made before 31.08.2019 is to be considered but TDS is required to be deducted on amount in excess of Rs. 1Cr.
-	95,00,000/-	-	No TDS as withdrawal is not more than 1 Cr
-	1,15,00,000/-	15,00,000/-	TDS on Rs.15 Lakhs i.e. in excess of 1 Cr
-	05.09.2019 98,00,000/- 10.09.2019 6,00,000/- Total = 1,04,00,000/-	4,00,000/-	TDS to be deducted only when total withdrawal exceeds Rs.1 Cr.

-: Head office :-

1 st Floor, Sapphire Business Centre, Above SBI Vadaj Branch, Usmanpura, Ashram Road,
Ahmedabad-380013

www.apcca.com, Ph: 079-2755680/70



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6	When tax shall not be required to be deducted?	<p>If cash withdrawal from bank or post office is made by the following Persons:</p> <ol style="list-style-type: none"> 1. Central or State Government 2. Banks 3. Co-op. Banks 4. Post Office 5. Banking correspondents 6. White label ATM operators 7. Other persons notified by the Govt. in consultation with the RBI. 														
7	What is the exemption available to person registered with APMC (as per notification dated 20.09.2019)															
A	Who is eligible?	Commission agent or trader, operating and registered under APMC														
B	For what purpose this cash withdrawn can be used to claim exemption?	Cash withdrawn can only be used for making the payment to Farmers for Purchase of Agriculture Produce														
C	What documents bank should collect to ensure compliance	<ol style="list-style-type: none"> 1) PAN CARD of the account holder 2) APMC registration certificate 3) Declaration cum certificate from account holder for the end use of fund 4) <u>It is advisable that bank should open a separate bank account for the said purpose</u> 														
D	Whether the amount withdrawn for payment to farmers will be counted for 1 Cr limit	<p>According to us it will not be counted for calculating 1 Cr limit. Let us understand by example:</p> <table border="1"> <thead> <tr> <th colspan="2">Cash withdrawn for</th> <th rowspan="2">Exemption Amount</th> <th rowspan="2">TDS to be deducted on</th> </tr> <tr> <th>Payment to farmer A/c -1</th> <th>Payment to others A/c-2</th> </tr> </thead> <tbody> <tr> <td>1.50 Cr</td> <td>90 lakhs</td> <td>2.40 Cr.</td> <td>No TDS</td> </tr> <tr> <td>1.50 Cr</td> <td>1.10 Cr</td> <td>2.50 Cr.</td> <td>TDS on 10 lakhs</td> </tr> </tbody> </table>	Cash withdrawn for		Exemption Amount	TDS to be deducted on	Payment to farmer A/c -1	Payment to others A/c-2	1.50 Cr	90 lakhs	2.40 Cr.	No TDS	1.50 Cr	1.10 Cr	2.50 Cr.	TDS on 10 lakhs
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8	In which year TDS deducted can be claimed by account holder?	As per CBDT notification dated 27.09.2019, TDS credit can be claimed by the taxpayer in the Financial year in which TDS is deducted. This TDS cannot be carried forward.														

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Ambalal Patel & Co
Chartered Accountants

Suggested Format of Declaration cum Certificate

(to be taken on Rs.300/- stamp)

To
The Branch Manager
The _____ Bank
_____ branch
City: _____

Date:

Dear Sir

Sub: Declaration cum certificate for No TDS on cash Withdrawal u/s 194N of the Income tax Act,1961

I/We the undersigned hereby certify and make a declaration that we will use cash withdrawn from following bank account for the payment to farmers for purchase of agriculture produce only. And if we use it for any other purpose other than mentioned herein, we shall be liable and indemnify to bank for any damages, tax, interest, penalty, etc. caused to bank due to our false declaration.

I/We also declare that whatever details is required by bank at anytime in this regards will be provided.

Name of Account holder	
Constitution of the business (Prop/Partnership/Co./LLP,etc)	
PAN of the account holder	
Address of the Account Holder	
Bank Account Number	
Customer Identification number	
Name of branch where account Held	
APMC licence Number	

I/ We _____ (name of Person) being Proprietor/partner/Director
of _____(Name of business) hereby
declare that whatever details given above is true and correct as per best of my/our knowledge and
testimony.

For _____

Proprietor/Partner/Director.

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