

APPLICABILITY OF TDS TO CO-OP BANKS

Following are the details of relevant changes in TDS Provisions related to Banks / Co-Op Societies made in Finance Bill 2020 :

Section 194N :

(Applicable from 1st July, 2020)

- ◆ **Existing Provision – Section 194N** provides for TDS at the rate of 2% by banks or specified financial institutions on the cash payments/withdrawals of more than Rs. 1 crore in a financial year.
- ◆ **As per Finance Bill, 2020** – No Such Amendment
- ◆ **As per Finance Act, 2020** – The scope of Section 194N has been extended.

Section 194N to provide for deduction of tax at source by a **banking company** or **co-op. bank** or **post office** at the **rate of 2%** from the **amount withdrawn in cash** from **any account** (saving or current account) if the **aggregate of the amount** of withdrawal **exceeds Rs. 1 crore** during the year.

Provided that in case of a **recipient** who has **not filed the returns** of income for all of the **3 assessment years** relevant to the 3 previous years, for which the time limit of file return of income under section 139(1) has expired, immediately preceding the previous year in which the payment of the sum is made to him, the provision of this section shall apply with the modification that—

- ▲ the sum shall be the **amount or the aggregate of amounts**, as the case may be, in cash **exceeding Rs. 20 Lakhs** during the previous year; **and**
- ▲ the deduction shall be—
 - (a) **TDS at the rate of 2%** of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash **exceeds Rs. 20 Lakhs** during the previous year **but does not exceed Rs. 1 Crore; or**
 - (b) **TDS at the rate of 5%** of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash **exceeds Rs. 1 Crore** during the previous year.

Summarised Provision is as follows:

Amount Withdrawn (Single or Aggregate in a F.Y.)	Rate of TDS	
	Recipient has not filed ITR for preceding 3 years	Recipient has filed ITR for preceding 3 years
Rs. 20 Lakhs to Rs. 1 Crore	2 %	N.A.
Exceeding Rs. 1 Crore	5 %	2%

However, no tax shall be deducted if amount is withdrawn from the bank or post office by following recipients:

(a) Central or State Government, (b) Banks (c) Co-operative Banks (d) Post Office (e) Banking correspondents (f) White label ATM operators (g) Other persons to be notified by the Govt. in consultation with the RBI.

Enlarging the scope for TDS on interest income under section 194A:

[Applicable from 1st April, 2020]

Presently, **Section 194A** governs interest other than interest on securities. The exemption from deducting TDS was available in case of payment of interest by a co-operative society (other than a co-operative bank) to a member or to income credited or paid by a co-operative society to any other co-operative society.

In order to extend the scope of this section **to interest paid by large co-operative society**, it is proposed to amend to provide that a **cooperative society shall be liable to deduct TDS under Section 194A, if-**

- (a) **the total sales, gross receipts or turnover** of the co-operative society exceeds **Rs. 50 crores** during the financial year immediately preceding the financial year in which the interest is credited or paid; and
- (b) **the amount of interest, or the aggregate of the amount of such interest**, credited or paid, or is likely to be credited or paid, **during the financial year is more than Rs. 50,000** in case of payee being **a senior citizen** and **Rs. 40,000, in any other case.**

TDS on interest paid/received by Co-operative Societies/Banks - A Birds' eye view:

Sr.	Payer	Payee	Threshold (Rs.) / TDS rate	TDS Rate	Nature of deposit	Other Conditions
1	Co-operative Society (other than Co-operative Bank) (Amendment As per Finance Act 2020)	Members	Rs. 50,000 for senior citizen Rs. 40,000 for Others	10 % up to 13/05/2020 (7.50% from 14/05/2020 to 31/03/2021)	Any (Time/Recurring/Saving, etc.)	Only if Gross receipts/ Turnover of payer society exceeds Rs. 50 Crores during FY immediately preceding FY in which interest is paid/credited
2	Co-operative Society (including Co-operative Bank) (Amendment As per Finance Act 2020)	Any other Co-operative society (Except Co-op. Soc. engaged in business of Banking)	Rs. 40,000	10 % up to 13/05/2020 (7.50% from 14/05/2020 to 31/03/2021)	Any (Time/Recurring/Saving, etc.)	Only if Gross receipts/ Turnover of payer society exceeds Rs. 50 Crores during FY immediately preceding FY in which interest is paid/credited
3	Co-operative Bank	Members	Rs. 50,000 for senior citizen Rs. 40,000 for Others	10 % up to 13/05/2020 (7.50% from 14/05/2020 to 31/03/2021)	Time & Recurring deposits	Threshold shall be calculated for bank as a whole in case of Core Banking in place

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4	Co-operative Society engaged in carrying on business of banking (including Co-operative Bank)	Non-members	Rs. 50,000 for senior citizen Rs. 40,000 for Others	10 % up to 13/05/2020 (7.50% from 14/05/2020 to 31/03/2021)	Time & Recurring deposits	Threshold shall be calculated for bank as a whole in case of Core Banking in place
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Some of the important lists of interest which is exempted under section 194A are –

- Interest paid
- to any bank,
 - financial corporation,
 - Life Insurance Corporation
 - Unit Trust of India,
 - any company or a co-operative society engaged in the insurance business.

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