

Centre may not apply new TDS rules to some sectors

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NEW DELHI: The government may exempt certain businesses, particularly those dealing with farmers, from the 2% tax deducted at source (TDS) levied on cash withdrawal of over ₹1 crore annually, two officials aware of the development said.

The levy, introduced in this year's budget to discourage cash transactions, became applicable from September 1. The 2% TDS will be applicable from day one on all such withdrawals in case of those who have already exhausted the ₹1 crore limit for the financial year 2019-20, the officials cited above said, requesting anonymity.

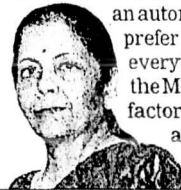
The officials said the government is considering providing relief to some sectors, which mostly deal in cash. "Such cases

BS-VI, MILLENNIAL MINDSET IMPACTING AUTO SALES: FM

NEW DELHI: Finance minister Nirmala Sitharaman on Tuesday said the automobile sector has been affected by several issues, including the move to Bharat Stage (BS) VI emission norms from 2020 and a change in "mindset" among consumers, that have impacted

demand for cars.

"Some studies do tell us that mindset of millennials, who are now preferring not to commit an EMI for buying an automobile, instead prefer to take Ola, Uber, everything else, or take the Metro. Whole lot of factors are influencing automobile sector," she said. **»P19**



are being reviewed based on the sectoral representations. A considered view will be taken on these matters and some exemption could be provided to businesses, where large amounts of cash payments are inevitable,"

said one of the officials.

As per the law, the Union government has the power to exempt certain individuals or certain sectors from TDS in consultation with the Reserve Bank of India

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(RBI), a second official said.

Spokespersons for the finance ministry and the Central Board of Direct Taxes (CBDT) did not respond to email queries about the possible exemption.

Confederation of All India Traders (CAIT) secretary-general Praveen Khandelwal said traders were facing problems in making payments to farmers, who refuse to accept cheques. "They also resist the 2% TDS when they are paid in cash. CAIT is expected to meet finance minister Nirmala Sitharaman next week to highlight concerns of the farmers," he said.

Khandelwal said the traders cannot absorb the 2% TDS. "The problems of farmers are also genuine. They come to towns to sell their produce and use cash to purchase essentials, including seeds, fertilisers, and other farm inputs. Villages do not have efficient banking facilities like towns. Therefore, cheque payments are not always a viable option," he said.

Khandelwal said traders do not otherwise need over ₹1 crore cash annually. "₹1 crore cash [annually] is sufficient for traders to meet their regular cash requirements as most of the pay-

ments, including the salary outgo, are not in cash," he said.

According to experts, sectors such as tea, mining, animal husbandry, dairy, poultry, and fish farming need exemption from the ₹1 crore annual cash withdrawal limit.

Professional services firm NA Shah Associates partner Gopal Bohra said, as per the law, the Centre can notify a class of persons for whom this provision shall not be applicable. "It is expected that the central government will consider such types of business/industry which are largely employing workers whose wages are paid in cash."

Sitharaman announced the decision to levy TDS on cash withdrawal from banks in her budget speech on July 5. "In order to discourage a large amount of cash withdrawal from bank accounts, it is proposed to provide for tax deduction at source at the rate of 2% on cash withdrawal by a person in excess of ₹1 crore in a year from his bank account," she said in her budget speech.

Sitharaman also hinted at the exemption in her budget speech. "Some business models, where large cash withdrawal is a necessity, are proposed to be exempted," she said on July 5.

CBDT clarified last month that the 2% TDS will be applicable from September 1 on all such cases where a person has already exhausted the ₹1 crore limit for 2019-20.

It clarified that any cash withdrawal prior to September 1, 2019 will not be subjected to TDS since the calculation of the amount of cash withdrawal for the deduction shall be counted from April 1, 2019. "Hence, if a person has already withdrawn ₹1 crore or more in cash up to 31st August 2019 from one or more accounts maintained with a banking company or a cooperative bank or a post office, the 2% TDS shall apply on all subsequent cash withdrawals." CBDT said