

## PERMANENT ACCOUNT NUMBER

(Sec. 139A)

The Income Tax Department issues a permanent account number (PAN) to every tax-payer borne on its records. The permanent account number is meant to identify the returns, tax payment challans and the correspondence received from the assessee and link these to their assessment records to facilitate quick disposal of their refund claims or assessments.

### *Cases under which PAN is compulsory :*

- (i) His income exceeds the exemption limit.
- (ii) He is liable to pay tax on behalf of other person as a representative assessee.
- (iii) If he is carrying on a business or profession and his total sales, turnover or gross receipts are likely to exceed ₹ 5,00,000 in any financial year.
- (iiia) Charitable trust.
- (iiib) Person being a resident other than an individual, which enters into a financial transaction of an amount aggregating to ₹ 2,50,000 or more in a financial year.
- (iiic) The managing director, director, partner, trustee, author, founder, Karta, chief executive officer, principal officer or office bearer of the person mentioned in (iiib), or any person competent to act on behalf of the person mentioned in (iiib).
- (iv) If he is importer or exporter.
- (v) If he is an assessee under the Central Excise Rules, 1944.
- (vi) If he issues invoices under rule 57AE of the Central Excise Rules, 1944 and he is registered.
- (vii) If he is an assessee under the Service Tax Act.
- (viii) If he is an assessee under the Central Sales Tax Act or Value Added Tax Act of a State or Union Territory.
- (ix) If he is entitled to receive any sum or income or amount on which tax is deductible at source.

Further, the Central Government may, for collecting any information which may be useful for or relevant to the purposes of the Act, by notification specify any class or classes of persons who shall apply to the A.O. for allotment of PAN?

Such persons shall apply for allotment of PAN within such time as mentioned in that notification.

**Application for PAN.** If he has not been allotted a Permanent Account Number he must apply for it in Form No. 49A within the prescribed time. The Assessing Officer has also got power to allot to any other person a Permanent Account Number if tax is payable by such person.

**Quoting PAN.** Once a Permanent Account Number has been allotted, such number must be quoted in all Returns, correspondence with Income Tax Authorities, challans for payment and



in all documents prescribed by the Board. He must intimate the Assessing Officer about any change in the address, name or nature of business carried on by him.

### OTHER PROVISION RELATING TO PAN

(1) **Quoting PAN is compulsory in the following transactions : (Rule 114B)**

1. **Immovable property** : (i) Sale/purchase exceeding ₹ 10 lakh; (ii) Properties valued by Stamp Valuation Authority at an amount exceeding ₹ 10 lakh.
2. **Motor vehicle** (Other than two wheelers) : All sales/purchases.
3. **Time deposit** : Deposits with the bank, Co-op. bank, Post Office, Nidhi, NBFC : [(i) Exceeding ₹ 50,000 or (ii) Deposits aggregating to more than ₹ 5 lakh during the year].
4. **Sale or purchase of securities** (other than shares) : Contract for sale/purchase of a value exceeding ₹ 1 lakh per transaction.
5. **Opening an account** (other than time deposit) **with a banking company or Co-operative banks** : Basic Savings Bank Deposit Account excluded (no PAN requirement for opening these accounts);
6. **Hotell/restaurant bill(s) at any one time** : Cash payment exceeding ₹ 50,000.
7. **Cash purchase of bank drafts/pay orders/banker's cheques** : Exceeding ₹ 50,000 on any one day.
8. **Cash deposit with a banking company or co-operative bank** : Cash deposit exceeding ₹ 50,000 in a day.
9. **Foreign travel** : Cash payment in connection with foreign travel or purchase of foreign currency of an amount exceeding ₹ 50,000 at any one time (including fare, payment to a travel agent).
10. **Credit card or Debit card** : Application to banking company/any other company/institution/co-operative bank.
11. **Mutual fund units** : Payment exceeding ₹ 50,000 for purchase.
12. **Opening a Demat account.**
13. **Purchase or sale of shares of an unlisted company** : For an amount exceeding ₹ 1 lakh per transaction.
14. **Debentures/Bonds** : Payment exceeding ₹ 50,000.
15. **RBI bonds** : Payment exceeding ₹ 50,000.
16. **Life insurance premium** : Payment exceeding ₹ 50,000 in a financial year.
17. **Cash cards/prepaid instruments issued under the Payment and Settlement Act** : Cash payment aggregating to more than ₹ 50,000 in a year.
18. **Purchases or sales of goods or services other than specified in 1 to 17** : Exceeding ₹ 2 lakh per transaction.

If a minor enters into any aforesaid transaction and does not have any income chargeable to tax, he shall quote PAN of his father or mother or guardian, as the case may be, in the relevant document.

If a person does not have PAN and enters into any aforesaid transaction, he shall make a declaration in Form No. 60, giving there in the particulars of such transaction.

The provisions of this Rule shall not apply to the following class or classes of persons :

- (i) the Central Government, the State Governments;
- (ii) the consular offices.
- (2) Every person receiving any sum or income or amount from which tax has been deducted at source shall intimate his PAN to the person responsible for TDS.
- (3) Where any sum or income or amount has been paid after TDS, every person deducting tax shall quote the PAN of the person to whom such sum or income or amount has been paid by him in the following documents :
  - (i) the statement issued [u/s 192(2C)] regarding perquisites and profits in lieu of salary;
  - (ii) all certificates furnished in accordance with the provisions of Sec. 203;



- (iii) all return delivered in accordance with the provisions of Sec. 206 to any income-tax authority;
- (iv) all statements prepared and delivered [u/s 200(3)] regarding T.D.S.
- (4) Every buyer or licensee or lessee referred to in Sec. 206C will intimate his PAN to the person collecting tax at source.
- (5) Every person collecting tax at source u/s 206C shall quote PAN of every buyer or licensee or lessee referred to in Sec. 206C in the following documents :
- (i) all certificates furnished to the buyers or licensee or lessee in accordance with the provisions of Sec. 206C;
- (ii) all returns delivered in accordance with the provisions of Sec. 206C to any income-tax authority;
- (iii) all statements prepared and delivered (u/s 206C) regarding tax collection at source.

**Penalty.** If a person, without reasonable cause, fails to apply for the allotment of Permanent Account Number within the prescribed time or fails to quote it on the relevant documents, the Assessing Officer shall impose a penalty of a sum ₹ 10,000. (Sec. 272B)

### QUOTING OF AADHAAR NUMBER

(Sec. 139AA)

(1) Every person who is eligible to obtain Aadhaar number shall, on or after the 1st day of October, 2019, quote Aadhaar number : (Notification No. 31/2019, Dated 31.3.2019)

- (i) in the application form for allotment of permanent account number,  
(ii) in the return of income.

Where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number and in the return of income furnished by him.

(2) Every person who has been allotted permanent account number as on the 1st day of October, 2019, and who is eligible to obtain Aadhaar number, shall intimate his Aadhaar number to such authority in such form and manner as may be prescribed, on or before a date to be notified by the Central Government in the Official Gazette.

In case of failure to intimate the Aadhaar number, the permanent account number allotted to the person shall be deemed to be invalid and the other provisions of this Act shall apply, as if the person had not applied for allotment of the permanent account number.

(3) The provisions of this section shall not apply to such person or class or classes of persons or any State or part of any State, as may be notified by the Central Government in this behalf, in the Official Gazette.

The quoting of Aadhaar or enrolment ID shall not apply to the following individuals if they do not possess the Aadhaar or enrolment ID : (1) an individual who is residing in the States of Assam, Jammu and Kashmir and Meghalaya; (2) an individual who is a non-resident as per the Income Tax Act, 1961; (3) an individual of the age of 80 years or more at any time during the previous year; (4) an individual who is not a citizen of India. (Notification dated 11.5.2017)

### > Interest for default in furnishing return of income

(Sec. 234A)

If the assessee fails to file the return till the due date, he is liable to pay interest for the following period :

- (i) Where a belated return is furnished the period commencing on the date immediately following the due date and ending on the date of furnishing the return.
- (ii) Where no return has been furnished, the interest shall be charged from the due date to the date of completion of best judgment assessment (u/s 144).

**Rate of Interest.** Simple interest @ 1% for every month or part of a month.

If the return of income is not filed till the due date of filing the return or not filed at all but the amount payable on self-assessment has been paid before the due date of filing of return of income interest shall not be charged u/s 234A.

[Draft Circular No. 2/2015, Dated 10.2.2015]



➤ **Procedure to be followed in Calculating Interest**

(Rule 119A)

(a) Where interest is to be calculated on an annual basis, the period for which such interest is to be calculated shall be rounded off to a whole month or months and for this purpose any fraction of a month shall be ignored; and the period so rounded off shall be deemed to be the period in respect of which the interest is to be calculated;

(b) Where the interest is to be calculated for every month or part of a month comprised in a period, any fraction of a month shall be deemed to be a full month and the interest shall be so calculated;

(c) The amount of tax, penalty or other sums in respect of which such interest is to be calculated shall be rounded off to the nearest multiple of one hundred rupees and for this purpose any fraction of one hundred rupees shall be ignored.

■ **Illustration 1**

From the following information compute the interest payable by an individual u/s 234A :

the Assessment year	2019-20
Date of filing the return	20.1.2020
Return due on	31.7.2019
Tax deducted at source	₹ 5,000
Tax paid in advance	₹ 15,000
Tax paid on self-assessment at the time of filing the return	₹ 2,000
Tax payable on the basis of assessed income	₹ 25,180

**Solution**

Tax payable	₹	25,180
Less : Tax paid in advance	15,000	
Tax deducted at source	5,000	20,000
	<u>Tax Due</u>	<u>5,180</u>

Rounded off ₹ 5,100.

Interest @ 1% per month or part of a month on ₹ 5,100 shall be charged for the delay in filing the Return.

Delay in filing the return—5 months 20 days but rounded off to 6 months.

Hence, interest payable

$$\frac{5,100 \times 1 \times 6}{100} = ₹ 306$$