

QUOTING OF PAN AND FURNISHING OF ANNUAL INFORMATION STATEMENTS: CBDT NOTIFICATION



Background

The CBDT, as per their powers under the Act¹, have recently issued a Notification² amending the Income-tax Rules, 1962 ('Rules'). The Notification deals with transactions requiring quoting of PAN and furnishing of annual information statements to income-tax authorities. The same is pursuant to the recommendations from the Special Investigation Team on Black Money as well as representations from the industry.

The CBDT Notification

1. Regarding quoting of PAN³

The scope of the prescribed transactions requiring quoting of PAN has been widened. The changes in the specified transactions are summarised in Table 1A. While certain transactions have been completely excluded from this requirement, the monetary ceilings of other transactions have been relaxed to reduce compliance burden.

Certain key features:

- **Customers who are not PAN holders:** In case sales are made to a customer who has not obtained or been allotted a PAN, the seller could obtain a declaration in Form 60 from such customer at the time of sale. Further, in case of minors having no taxable income, the PAN of parent can be quoted.
- **Filing of declarations received:**
 - All declarations received in Form No. 60 are required to be reported in Form No. 61 to the income-tax authorities;
 - Filing to be done online twice for every financial year, i.e. 31st October and 30th April;
 - Form No. 61 to be verified by the person authorized to sign the Return of Income;
 - Declarations in Form No. 60 to be retained for 6 years from the end of the relevant financial year.
- **Verification of PAN quoted⁴:** The Notification specifies the persons who shall ensure after verification that PAN has been correctly furnished and mentioned in the relevant document. In the absence of PAN, obtaining of Form No. 60 has to be ensured.

The above requirements are effective from 1st January 2016.

¹Section 139A(5)(c) and Section 285BA, read with Section 295 of the Income-tax Act, 1961

²Notification No. S.O. 3545(E) dated 30th December, 2015

³Amended Rules 114B, 114C and 114D of the Rules

⁴Amended Rule 114C

2. Regarding furnishing of statements⁵

Similar to (1) above, additional transactions have been prescribed for obligatory furnishing of information. Changes in the specified transactions are summarised in Table 1B. Monetary ceilings of existing transactions have also been relaxed.

Certain Key Features:

- **Manner of Reporting:** The specified transactions are to be reported party-wise in Form 61A. The reporting person is required to aggregate all accounts of the same nature maintained for every party during the financial year.
- **Manner of Filing and Due Date:**
 - Every reporting person is required to communicate specified details of Designated Director and Principal Officer to the relevant income-tax authority and obtain a Registration Number.
 - Upon registration, the Income-tax Department will also provide a 16-character Income-tax Department Reporting Entity Identification Number (ITDREIN). The ITDREIN and Registration Number are required to be quoted in the Forms 61 and 61A required to be filed.
 - The return in Form No. 61A shall be verified by the Designated Director and furnished online by the prescribed due date.

The above requirements are effective from 1st April 2016.

BDO Comments

- The above Notification is a step towards greater transparency and access of information to the Indian Government.
- The relaxation of certain thresholds for compliance and reporting is a relief in the additional compliance burden for reporting persons.
- However, while the earlier regulations largely impacted transactions pertaining to jewellery, banking, investments and asset purchases, the Notification has significantly increased the scope of these regulations, thereby covering every industry.
- Clarity is also required on aspects like coverage of 'all documents', possible risks in case sellers are unable to obtain PAN or Form No. 60 from customers, manner and extent of levy of penalties for non-compliance and interpretation issues around the scope of prescribed transactions.
- The large coverage of these compliances will make it necessary for business to make suitable changes to their systems and processes to collate and report the required information.
- Further, considering the immediate applicability of the Notification, it will be necessary for impacted businesses to identify and address practical challenges on a fast-track basis.

Table 1A

S. NO.	NATURE OF TRANSACTION	VALUE OF TRANSACTION
1	Application for issue of debit / credit cards by co-operative banks	All such transactions
2	Deposit with co-operative banks	Cash deposit exceeding INR 50,000 in one day
3	Time deposits with Nidhis and NBFCs	Aggregating to more than INR 50,000 in a financial year
4	Purchase or sale of shares of unlisted companies	Value exceeding INR 1,00,000 per transaction
5	Purchases or sales of any goods or services	Value exceeding INR 2,00,000 per transaction
6	Purchase of Cash cards/ prepaid instruments as defined in the RBI Guidelines ⁶	Aggregating to more than INR 50,000 in a financial year
7	Deposit with Post Office Savings Bank	Discontinued
8	Installation of telephone/ cellphone connections	
9	Opening of Basic Savings Bank Deposit Accounts	

⁵Amended Rule 114E of the Rules, read with Section 285BA of the Act

⁶ Policy Guidelines for Issuance and Operation of Pre-paid Payment Instruments as issued by Reserve Bank of India under Section 18 of the Payment & Settlement Systems Act, 2007 (Master Circular No. RBI/2015-2016/66)

Table1B

S. NO.	NATURE AND VALUE OF TRANSACTION	REPORTING PERSON
1	Payment in cash for purchase of bank drafts, pay orders, banker's cheque, pre-paid instruments (aggregating to INR 10 lakh) and cash deposits / withdrawals from current accounts (aggregating to INR 50 lakh)	Banking companies and co-operative banks
2	Time deposits aggregating to INR 10 lakh	Banking companies and co-operative banks, Post Master General, Nidhis and NBFCs
3	Buy back of shares (other than shares bought in open market) aggregating to INR 10 lakh	Companies listed on a recognized stock exchange
4	Sale of foreign currency through various instruments, aggregating to INR 10 lakh	Authorised persons under FEMA
5	Receipt of cash payment exceeding INR 2 lakh for sale of goods or services	Persons liable to tax audit under the Act
6	Receipts from a person towards issue of RBI Bonds aggregating to INR 5,00,000 in a year	Discontinued

HOW BDO CAN HELP

We assist Indian and Foreign companies in developing tax planning strategies in line with the business requirement and regulatory environment. BDO can help analyse the impact of the above Notification on your business and assist in implementing the enhanced compliance requirements.

If you require any further information about the material contained in the alert, please get in touch with:

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