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## QUOTING OF PAN – A WAY TO MORE TRANSPARENCY

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**To curb the circulation of black money, widening tax base and to collect information of certain types of transactions from third parties in a non-intrusive manner, the Income-tax Rules requires quoting of Permanent Account Number (PAN) where the transactions exceed a specified limit and of specified nature.**

In order to curb the circulation of black money, widening tax base and to collect information of certain types of transactions from third parties in a non-intrusive manner, the Income-tax Rules requires quoting of Permanent Account Number (PAN) where the transactions exceed a specified limit and of specified nature. Persons who do not hold PAN are required to fill a form and furnish any one of the specified documents to establish their identity.

The rules pertaining to quoting of PAN while entering into various transactions are summarised below :-

### **Transactions Related to Immovable Property:**

Monetary limit for quoting of PAN before the registrar at the time of registration of sale or purchase of immovable property has been doubled to Rs.10 lakh from the existing limit of Rs.5 lakh which was prevailing before January, 2016.

### **Purchase of Motor Vehicle:**

Quoting of PAN is made mandatory for every person except for the Central Government, the State Governments and the Consular Offices, on the sale or purchase of a vehicle (other than two wheeler) which requires registration under section 2(28) of the motor vehicle Act, 1988.

### **Time deposit:**

Higher rate of interest is provided by banks as well as by NBFC companies in Time Deposits in comparison to Savings account. While opening an FD account with any bank, depositors are required to submit PAN or may fill up Form 60 available with the bank. But if, the aggregate of deposits is going beyond Rs.5 lakh then PAN is necessary and filling up of Form 60 is not enough.

### **Sale Or Purchase Of Securities:**

Contract for sale/purchase of securities of a value exceeding Rs.1 lakh required furnishing of PAN and this remained unchanged.

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### **Opening a Bank Account:**

The Reserve Bank of India (RBI) has made Aadhaar and PAN cards mandatory for opening bank accounts. However, in case the person making the application is a minor who does not have any income chargeable to tax, he is required to quote the PAN of his father, mother or guardian, as the case may be.

### **Hotel/restaurant bill(s):**

Cash payment exceeding Rs.50000 at any one time required quoting of PAN. Previously if the bill payment exceeded Rs.25000 at any time, whatever be the mode of payment, PAN quoting was compulsory.

### **Cash purchase of Bank drafts / Banker's cheques / Pay orders:**

If, aggregate amount of bank drafts/ pay orders/ banker's cheques was Rs.50000 or more purchased in cash during any one day then it was mandatory to furnish PAN.

Now after 01-01-2016 if the amount exceeds Rs.50000 during any one day quoting of PAN is compulsory.

### **Cash deposit with banking company:**

If, aggregate amount deposited in cash during any one day is Rs.50000 or more then it is mandatory to furnish PAN.

### **Foreign travel:**

Cash payment in connection with foreign travel or purchase of foreign currency of an amount exceeding Rs.50000 at any one time requires PAN. Such payment includes cash payment made towards fare, or to a travel agent or a tour operator, or for the purchase of foreign currency. However, travel to any foreign country does not include travel to the neighboring countries or to such places of pilgrimage as may be specified by the CBDT under explanation 3 to section 139(1). Before January, 2016 it was Rs.25000 only.

### **Credit card:**

Previously any person applying for Credit Card in any banking company/ any other company/institution was suppose to provide PAN, now this provision is extended to Co – operative banks also.

### **Mutual fund units:**

Previously PAN is to be furnished on an investment of Rs.50000 or more in Mutual Funds, currently we need to furnish KYC for which PAN is mandatory.

### **Shares of company:**

It was mandatory to submit PAN while acquiring shares of any company for Rs.50000 or more.

But since 1<sup>st</sup> January, 2016 furnishing of PAN is necessary while opening a demat account; or purchase or sale of shares of an unlisted company for an amount exceeding Rs.1 lakh per transaction.

### **Debentures/ bonds:**

It was mandatory to provide PAN if payment is made of for Rs.50000 or more to a company/ institution for acquiring its debentures/ bonds. Now w. e. f. 1-1-2016 investor has to furnish it if, investment is exceeding Rs.50000.

### **RBI Bonds:**

It was mandatory to provide PAN if investment in said bonds is Rs.50000 or more. Now w. e. f. 1<sup>st</sup> January, 2016 investor has to furnish it if, investment is exceeding Rs.50000.

### **Life Insurance Premium:**

It was mandatory to provide PAN if LIC Premium is up to Rs.50000 or more. Now w. e. f. 1<sup>st</sup> January, 2016 policyholder has to furnish PAN if, premium amount exceeds Rs.50000 in a financial year.

### **Purchase Of Jewellery/ Bullion:**

Previously furnishing of PAN was mandatory on Payment of Rs.5 lakh or more at any one time against a bill. It was deleted and merged with purchase/ sale of any goods or services exceeding Rs.2 lakh per transaction.

### **Purchases or Sales Of Goods or Services:**

Every person (might be trader) will have to quote PAN in case of all transactions of sale or purchase of any goods or services where amount exceeds Rs.2 lakh. For example if, iron steel dealer purchases iron in wholesale for Rs.5 lakh, then the person would have to quote its PAN.

### **Cash Cards/ Prepaid Instruments Issued Under Payment & Settlement Act:**

Since, January, 2016 provision has been made if, cash payment aggregating more than Rs.50000 in a year is made under Payment & Settlement Act then PAN is to be furnished.

The above provisions related to quoting of PAN as prepared under Rule 114B of Income Tax Rule, 1962 can be presented in tabular form, so that one may understand easily at a glance under what circumstances one has to provide PAN.

### **Changed PAN Rule is effective from 1<sup>st</sup> January, 2016**

S. No.	Nature Of Transaction	Mandatory Quoting Of Pan (Rule 114B)	
		Existing Provision	New Provision (w. e. f. January, 2016)
1.	Immovable property	Sale/ purchase valued at Rs.5 lakh or more	Sale/ purchase exceeding Rs.10 lakh; Properties valued by Stamp Valuation authority at amount exceeding Rs.10 lakh will also need PAN.
2.	Motor vehicle (other than two wheeler)	All sales/purchases	No change
3.	Time deposit	Time deposit exceeding Rs.50,000/- with a banking company	Deposits with Co-op banks, Post Office, Nidhi, NBFC companies will also need PAN; Deposits aggregating to more than Rs.5 lakh during the year will also need PAN
4.	Sale or purchase of securities	Contract for sale/purchase of a value exceeding Rs.1 lakh	No change
5.	Opening an account	All new accounts.	Basic Savings Bank Deposit

S. No.	Nature Of Transaction	Mandatory Quoting Of Pan (Rule 114B)	
		Existing Provision	New Provision (w. e. f. January, 2016)
	(other than time deposit) with a banking company.		Account excluded (no PAN requirement for opening these accounts); Co-operative banks also to comply
6.	Hotel/restaurant bill(s)	Exceeding Rs.25,000/- at any one time (by any mode of payment)	Cash payment exceeding Rs.50,000/-.
7.	Cash purchase of bank drafts/ pay orders/ banker's cheques	Amount aggregating to Rs.50,000/- or more during any one day	Exceeding Rs.50,000/- on any one day.
8.	Cash deposit with banking company	Cash aggregating to Rs.50,000/- or more during any one day	Cash deposit exceeding Rs.50,000/- in a day.
9.	Foreign travel	Cash payment in connection with foreign travel of an amount exceeding Rs.25,000/- at any one time (including fare, payment to travel agent, purchase of forex)	Cash payment in connection with foreign travel or purchase of foreign currency of an amount exceeding Rs.50,000/- at any one time (including fare, payment to travel agent)
10.	Credit card	Application to banking company/ any other company/institution for credit card	No change. Co-operative banks also to comply.
11.	Mutual funds	Payment of Rs.50,000/- or more for purchase	KYC is mandatory for investment in Mutual funds so PAN is also mandatory.
12.	Shares of company	Payment of Rs.50,000/- or more to a company for acquiring its shares	Opening a demat account; Purchase or sale of shares of an unlisted company for an amount exceeding Rs.1 lakh per transaction.
13.	Debentures/ bonds	Payment of Rs.50,000/- or more to a company/ institution for acquiring its debentures/ bonds	Payment exceeding Rs.50,000/-.
14.	RBI bonds	Payment of Rs.50,000/- or more to RBI for acquiring its bonds	Payment exceeding Rs.50,000/-.
15.	Life insurance premium	Payment up to Rs.50,000/- in a year as premium to an insurer	Payment exceeding Rs.50,000/- in a year.
16.	Purchase of jewellery/bullion	Payment of Rs.5 lakh or more at any one time or against a bill	Deleted and merged with next item in this table
17.	Purchases or sales of	No requirement	Purchase/ sale of any goods or

S. No.	Nature Of Transaction	Mandatory Quoting Of Pan (Rule 114B)	
		Existing Provision	New Provision (w. e. f. January, 2016)
	goods or services		services exceeding Rs.2 lakh per transaction.
18.	Cash cards/ prepaid instruments issued under Payment & Settlement Act	No requirement	Cash payment aggregating to more than Rs.50000 in a year.

**Penalty:**

Non compliance of above provisions will attract a penalty of Rs.10000.

**Conclusion:**

Based on the aforesaid analysis made above it can be concluded that any person entering into above mentioned transactions should invariably quote the PAN failing which that provisions will attract penalty. Moreover, availability of PAN with such transactions will create an online data base which will help the exchequer to identify the tax evaders without any effort. It will also bring transparency in the system.

**Reference:**

Income Tax Rules as amended time to time