

Mandatory Quoting of PAN –**Government Extends Requirement to Curb Circulation of Black Money**

In its bid to trace and curb the circulation of black money, the Government of India has brought about an amendment in Rule 114B of the Income Tax Rules, extending the requirement of mandatory quoting of Permanent Account Number (PAN) in the documents relating to certain transactions.

The concept of PAN has been in existence in India for a long time now. But the reason it has assumed greater importance now is that the Government is going strong with its e-

governance initiatives and all these are dependent on the quoting of PAN. Currently, apart from the mandatory usage of PAN in tax return, challans, correspondence, etc., it is mandatory to quote PAN in all documents pertaining to several financial transactions on crossing of a certain threshold limit.

The Central Board of Direct Taxes (CBDT) has recently brought the following additional transactions within the ambit of mandatory quoting of PAN:

	Transaction	Criteria for quoting of PAN
1.	Payment of life insurance premium to an insurer	Amount of premium aggregating to Rs.50,000 or more in a year
2.	Payment to a dealer of bullion or jewellery	Payment of an amount of Rs.5,00,000 or more Or Any payment against a bill of an amount of Rs. 5,00,000 or more
3.	Application to any banking company or to any other company or institution for issue of debit card	Not dependent on any monetary limit
4.	Payment in cash in connection with travel to any foreign country towards fare, or to a travel agent or tour operator or to an authorised person or for the purchase of foreign currency	Amount exceeding Rs.25,000
Quoting of PAN will become mandatory in all documents pertaining to the above transactions with effect from 1st July 2011.		

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Intention behind Quoting of PAN:

The main intention of the tax department seems to be to identify the large spenders and to check whether they have made good their tax dues. Jewellery and Bullion purchases are one of the most common and preferred modes of parking black money. At present there is no mechanism of capturing the cash investments in jewellery and bullion as there is no requirement to disclose such transactions. Hence it becomes very difficult for the tax department to identify and trace the ultimate customer. Mandatory furnishing of PAN at the time of making payment or incurring expense is a step in the right direction for identifying such investors/spenders.

In the past, an important step towards tracing of such transactions was the introduction of the Annual Information Return (AIR) a few years back. There is a specified list of persons/entities who are required to file an AIR disclosing the full details of the investor/spender to the tax department. This report is a PAN based report. The information in this report is collected to track all the major financial transactions.

The existing requirement of reporting in the AIR is applicable only to a specified list of entities, being persons responsible for registering, or, maintaining books of accounts or other document containing a

record (e.g. recognised stock exchange, Post Master General) of any specified financial transaction (e.g. purchase or sale of property, taking or accepting any loan or deposit). For example, when a person invests more than Rs.2,00,000 with a particular mutual fund in a year, the concerned mutual fund would report that investment to the Income Tax department with full details of the investor in its AIR.

Experience shows that during a Revenue audit, the tax officers make every effort to reconcile the amounts disclosed in the AIR with a tax payer's records and verify whether the tax payer has duly accounted for the reported transactions. With the requirement of mandatory quoting of the PAN being made applicable to a new list of transactions, it is very likely that the Govt. will extend the requirement of filing of the AIR to the persons receiving the sums from the investors (e.g. jewellers, insurance companies, banks, etc), thereby enabling itself to identify the investor and question the source of investment/payment.

SKP's Comments

This is an important measure by the Government not only to track black money but to also curtail its creation in the system. The onus will be upon the persons furnishing the AIR to correctly furnish the particulars of the investors, especially their PAN. ■

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