

PAN to be required in more transactions

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NEW DELHI: The Central Board of Direct Taxes (CBDT) has expanded the requirement of Permanent Account Number (PAN), the identification number issued by the tax authority, to more transactions as part of efforts at closer monitoring of economic activity.

As per this, cash deposits or withdrawals exceeding ₹20 lakh in one or more bank account or post office in a financial year would need to quote the PAN or Aadhaar number. The ₹20 lakh threshold is for the aggregate of all deposits or aggregate of all withdrawals in a year. This requirement also covers deposits and withdrawals from cooperative banks.

In addition, opening of a current account or cash credit account by a person with a bank or post office needs to quote PAN, according to Income-tax (Fifteenth Amendment) Rules notified on Tuesday.

The notification also says that any person who intends to make these transactions should apply for a PAN at least seven days before the date on which the transaction is intended to be made.

Already, there is a requirement for quoting PAN on bank deposits of over ₹50,000 made in one day and on a host of other transactions like payment of over ₹50,000 for purchase of mutual funds, debentures, foreign exchange and for settling hotel bills at any one time.

The annual threshold of ₹20 lakh deposit or withdrawal suggests that one cannot breach this threshold without quoting PAN by making too many smaller deposits below the daily threshold of ₹50,000 without PAN.

The expansion of the use of PAN signals the income tax department's increased monitoring of economic activity in the country. This enables the authorities to assess whether the spending pattern of individuals and entities as well as their assets match with their reported income.

Already, the tax department makes available to the taxpayer a list of transactions reported to it by third parties so that assessee do not miss out any income while filing their tax returns.

According to Mitesh Jain, partner at law firm Economic Laws Practice, the new rules will provide additional data points to the tax authorities and such transactions may be reflected in the 'Insights' portal. Project Insights is the income tax department's integrated data warehousing and business intelligence platform meant to encourage voluntary compliance and deter non-compliance.

"This notification has widened the reporting and compliance framework for taxpayers and increased the information monitoring by the tax authorities," said Jain.

The new rules also put the onus of ensuring compliance on both the persons who make deposits as well as on the recipient—banks, cooperative banks and the Post Master General.