UNIT 1 : Assessment Procedure & Filling of Return

Meaning of Assessment:

Every assessee, who earns income in excess of the basic exemption limit in a Financial Year (FY), must file a statement containing details of his income, deductions, and other related information. This is called the Income Tax Return. Once you as a taxpayer file the income returns, the Income Tax Department will process it. There are occasions where, based on set parameters by the Central Board of Direct Taxes (CBDT), the return of an assessee gets picked for an assessment.
The process of examination of **ITR** by the Income Tax Department is called "Assessment".

Various types of Assessment under Income Tax Act, 1961:
(Amended by Finance Act, 2016)
Every Person, who is earning, which is chargeable to tax, has to furnish his return of income to the Income Tax Department. After filling of return of income, the next step is the processing of income tax return by the Income Tax Department. The income tax department examines the return of income and specifies any correction, if any. The process of examination of the return of the Income Tax Department is called "Assessment". Assessment includes re-assessment and best judgment assessment under section 147 and 144 respectively. We will discuss each type of assessment in detail in this article.
Types of Assessment
Under Income Tax Act, 1961, there are four types of assessment as mentioned below:

1. Self assessment –u/s 140A
2. Summary assessment –u/s 143(1)
3. Scrutiny assessment –u/s 143(3)
4. Best Judgment Assessment –u/s 144
5. Protective assessment
6. Re-assessment or Income escaping assessment –u/s 147
7. Assessment in case of search –u/s153A

1. Self assessment:
Before submitting returns assessee is supposed to find whether he is liable for any tax or interest. For this purpose this section has been introduced in Income tax act.
Where any tax is payable on the basis of any return required to be furnished under section 139 or section 142 or section 148 or section 153A, after deducting:

1. Advance tax Paid, if any
2. TDS/TCS
3. Relief
4. MAT credit

Then assessee shall pay tax & interest before furnishing return and proof of such payment will be accompanied with return of income.

2. Summary assessment:

Assessment under section 143(1) is like preliminary checking of the return of income. Under this section, Income tax department sent intimation u/s 143(1) in which comparative Income Tax computation [i.e. as provided by Tax payer in Return of Income and as computed u/s 143(1)] is sent by Income Tax Department. At this stage no detailed scrutiny of the Return of Income is carried out. At this stage, the total income or loss is computed after making the following adjustment (if any), namely-

i. Any arithmetical error in the return,
ii. An incorrect claim, if such incorrect claim is apparent from any information in the return;
iii. Disallowance of loss claimed, if return of the previous year for which set off of loss is claimed was furnished beyond the due date specified under section 139(1);
iv. Disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return;
v. Disallowance of deduction claimed under section 10AA, 80-IA, 80-IAB, 80-IB, 80-IC, 80-ID, or section 80-IE, if the return is furnished beyond the due date specified under section 139(1);
vi. Addition of income appearing in form 26AS or form 16A or Form 16 which has not been included in computing the total income in the return;

Time Limit

Assessment u/s 143(1) can be made within a period of one year from the end of financial year in which the return of income is filled.

3. Scrutiny Assessment:

Scrutiny assessment refer to the examination of a return of income by giving opportunity to the assessee to substantiate the income declared and the expenses, deduction, losses, exemptions, etc. claimed in the return with the help of evidence. During the course of scrutiny, the assessing officer gets opportunity to conduct enquiry as he deemed fit from the assessee and from third parties. The exercised is aimed at ascertaining whether the income in the return is correctly shown by the assessee and whether the claims for deductions, exemptions etc. are factually and legally correct. If any omission, discrepancies, inaccuracies, etc. comes light to as a result of examination, the assessing officer makes his own assessment of the assessee's taxable income after taking into consideration all the relevant facts. These assessments are made under section 143(3) of the income tax act.

The case selected for Scrutiny Assessment can be of by two types - i.e. (1) Manual scrutiny cases and (2) Compulsory Scrutiny cases.

(1) Manual scrutiny cases

Following can be reason for manual scrutiny case:

- Not filing Income Tax Return
- Declaring lesser income compared to earlier year or Declaring more loss compared to earlier year.
- Mismatch in TDS credit between claim and 26AS.
- Non declaration of exempt income.
- Claiming large refunds in return of Income.
- Taking double benefit due to change in Job.
- High Value Transaction (as reflected in AIR).

(2) Compulsory Scrutiny cases
The following cases are compulsorily selected for scrutiny:

- Cases involving addition in the earlier assessment year in excess of Rs. 10 lakhs on a substantial and recurring question of law or fact which is confirmed in appeal or is pending before an appellate authority may come under compulsory scrutiny.
- Cases involving addition in an earlier year on the issue of transfer pricing in excess of Rs. 10 crore or more on a substantial and recurring question of law or fact which is confirmed in appeal or is pending before an appellate authority.
- Computer Added Scrutiny Selection (CASS): cases are also being selected under CASS on the basis of broad based selection filters. List of such cases shall be separately intimated in due course by DGIT (system) to the jurisdictional concerned. The cases for this purpose are mostly selected through the process of computer assisted scrutiny selection (CASS) and there is no element of subjectivity in this process.
- Cases in respect of which specific and verifiable information pointing out tax evasion is given by Government Department/ Authorities. The Assessing Officer shall record reasons and take prior approval from Pr. CCIT/CCIT/Pr. DGIT/DGIT concern before selecting such a case for scrutiny.
- Cases where order denying the approval u/s 10 (23C) of the Act or withdrawing the approval already granted has been passed by the competent authority, yet the assessee found claiming tax exemption under the aforesaid provision of the Act.

There can be two types of scrutiny assessment i.e. (1) Limited scrutiny assessment and (2) Complete Scrutiny Assessment. When case is selected for Limited scrutiny assessment, assessing officer can ask only the details regarding the reason behind the selection of any specific matter. However, in case of Complete Scrutiny Assessment, Assessing officer can ask complete details of transaction reflecting in the return of the income.

4. Best Judgment Assessment
Section 144 of Income tax act, 1961 speaks about Best Judgment Assessment. In the best judgment assessment, an assessing officer makes an assessment based on his best reasoning. Assessee should neither be dishonest in his assessment nor have a vindictive attitude.

There are two types of Best Judgment Assessment
a. Compulsory best judgment assessment: It is done when assessing officer finds that there is an act amounting to non co-operation by the assessee or where assessee is found to be a defaulter in supplying information to the department.
b. Discretionary best judgment assessment: It is done in cases where assessing officer is dissatisfied with the authenticity of the accounts given by the assessee or where no regular method of accounting has been followed by the assessee.
The process of Best Judgment Assessment is applied in conformity with the Principle of Natural justice. As per the provision of Section 144 of the Income Tax Act, 1961, the Assessing officer is supposed to make an assessment of the income of an assessee to the best of his Judgment in the following cases:

- If the person fails to make return u/s as required 139(1) and has not made a return or a revised return under sub-section (4) or (5) of that section; or

- If any person fails to comply with all the terms of a notice under section 142(1) or fails to comply with the direction requiring him to get his account audited in terms of section 142(2A); or
- If any person after having filed a return fails to comply with all the terms of a notice under section 143(2) requiring his presence or production of evidence and documents; or
- If the Assessing officer is not satisfied about the correctness or the completeness of the accounts of assessee or if no method of accounting has been regularly employed by the assessee.

In the case of best judgment assessment, an assessee has a right to file an appeal u/s 246 or to make an application for revision u/s 264 to the commissioner.

One should also keep in view the following

The best judgment assessment can only be made after giving the assessee an opportunity of being heard. Such opportunity shall be given by issue of a notice to the assessee to show cause why the assessment should not be completed to the best of his Judgment and that opportunity for hearing will not be necessary where notice u/s 142(1) already been issued.

5. Protective assessment

Though there is no provision in the income tax act authorizing the levy of income tax on a person other than whom the income tax is payable, yet it is open to the authorities to make a protective or alternative assessment if it is not ascertainable who is really liable to pay the tax among a few possible persons.

In making a protective assessment, the authorities are merely making an assessment and leaving it as a paper assessment until the matter is decided (as to whom the asset owned by) one way or another. Further more, a protective order of assessment can be passed but not a protective order of penalty must, however be noted that while protective assessment is permissible, a protective order for recovery is not permissible.

6. Re-Assessment (or) Income escaping assessment:

Re-assessment is carried out if the Assessing officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year.

Scope of assessment u/s 147

The objective of carrying out assessment u/s 147 is to bring under the tax net, any income which has escaped assessment in original assessment. Here, Original assessment means an assessment u/s 143(1) or 143(3) or 144 and 147 (as the case may be).

Procedure of assessment u/s 147

- For making assessment u/s 147, the assessing officer has to issue notice u/s 148 to the taxpayer and has to give him an opportunity of being heard.
- If the Assessing officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, then he may, subject to provisions of section 148 to 153, access to re-assess such income and also other income chargeable to tax which has escaped assessment and which comes to his notice subsequently in the course of proceeding under this section. He is also empowered to re-compute the loss or the depreciation allowance or any other allowance, as the case may be, for the assessment year concerned.

- Items which are the subject matters of any appeal, reference or revision can not be covered by the Assessing officer under section 147.

Time limit for completion of assessment under section 147

As per section 153 (2), assessment u/s 147 shall be made within 9 month from the end of the financial year in which notice u/s 148 was served.

Time limit for issuance of notice under section 148

- Notice u/s 148 can be issued within a period of 4 years from the end of the relevant assessment. If the escaped income is likely to amount Rs. 1,00,000 or more and certain other condition satisfied, then notice can be issued up to 6 years from the end of the relevant assessment year.
- In case of escaped income relates to any assets (including financial interest in any entity) located outside India, notice can be issue up to 16 years from the end of the relevant assessment year.

Notice u/s 148 can be issued by AO only after getting prior approval from the prescribed authority mentioned in section 151.

7. Assessment in case of search or requisition

Notwithstanding anything contained in section 139, section 147, section 148, section 149, section 151 and section 153, in the case of a person where a search is initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A after the 31st day of May, 2003,

The Assessing Officer shall -

(a) issue notice to such person requiring him to furnish within such period, as may be specified in the notice, the return of income in respect of each assessment year falling within six assessment years referred to in clause (b) in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and the provisions of this Act shall, so far as may be, apply accordingly as if such return were a return required to be furnished under section 139;

(b) Assess or reassess the total income of six assessment years immediately preceding the assessment year relevant to the previous year in which such search is conducted or requisition is made.

Note: Sec. 153A contemplates issue of notice for 6 years preceding the search but not for the year of search or requisition and thus no return is required to be filed for the year of search u/s 153A. Only regular return u/s139 is to be filed.

Time limit for completion of assessment u/s 153A/153C: [153B]

In case of person searched: 153A

a. 21 months from the end of the financial year in which last of the authorization for search u/s 132 or requisition u/s 132A was executed.
b. Similar time limits shall apply in respect of the year of search also.

In case of any other person: 153C

As provided in above clause (a) or clause (b) or 9 months from the end of the Financial Year in which Books of accounts or documents or assets seized/requisitioned are handed over to the AO having jurisdiction over such person; **whichever is later.**

Tax Deducted at Source: TDS

1. What is TDS?

TDS or Tax Deducted at Source is income tax reduced from the money paid at the time of making specified payments such as rent, commission, professional fees, salary, interest etc. by the persons making such payments.

Usually, the person receiving income is liable to pay income tax. But the government with the help of Tax Deducted at Source provisions makes sure that income tax is deducted in advance from the payments being made by you.

The recipient of income receives the net amount (after reducing TDS). The recipient will add the gross amount to his income and the amount of TDS is adjusted against his final tax liability. The recipient takes credit of the amount already deducted and paid on his behalf.

2. When should TDS be deducted and by whom?

Any person making specified payments mentioned under the Income Tax Act are required to deduct TDS at the time of making such specified payment. But no TDS has to deducted if the person making the payment is an individual or HUF whose books are not required to be audited.

However, in case of rent payments made by individuals and HUF exceeding Rs 50,000 per month, are required to deduct TDS @ 5% even if the individual or HUF is not liable for a tax audit. Also, such Individuals and HUF liable to deduct TDS @ 5% need not apply for TAN.

Your employer deducts TDS at the income tax slab rates applicable. Banks deduct TDS @10%. Or they may deduct @ 20% if they do not have your PAN information. For most payments rates of TDS are set in the income tax act and TDS is deducted by payer basis these specified rates.

If you submit investment proofs (for claiming deductions) to your employer and your total taxable income is below the taxable limit – you do not have to pay any tax. And therefore, no TDS should be deducted on your income. Similarly, you can submit Form 15G and Form 15H to the bank if your total income is below taxable limit so that they don’t deduct TDS on your interest income.

In case you have not been able to submit proofs to your employer or if your employer or bank has already deducted TDS and your total income is below the taxable limit) – you can file a return and claim a refund of this TDS.

3. What is the due date for depositing the TDS to the government?

The Tax Deducted at Source must be deposited to the government by 7th of the subsequent month.

For instance:

TDS deducted in the month of June must be paid to the government by 7th July. However, the TDS deducted in the month of March can be deposited till 30th April.

For TDS deducted on rent and purchase of property, the due date is 30 days from the end of the month in which TDS is deducted.

4. How to deposit TDS?

Tax Deducted at Source has to be deposited using Challan ITNS-281 on the government portal.

5. How and When to file TDS returns?

Filing Tax Deducted at Source returns is mandatory for all the persons who have deducted TDS. TDS return is to be submitted quarterly and various details need to be furnished like TAN, amount of TDS deducted, type of payment, PAN of deductee, etc. Also, different forms are prescribed for filing returns depending upon the purpose of the deduction of TDS. Various types of return forms are as follows:

Form 26QTDS on all payments except salaries

Q1 – 31st July

Q2 – 31st October

Q3 – 31st January

Q4 – 31st May

Form No	Transactions reported in the return	Due date
Form 24Q	TDS on Salary	Q1 – 31st July Q2 – 31st October Q3 – 31st January Q4 – 31st May
Form 27Q	TDS on all payments made to non-residents except salaries	Q1 – 31st July Q2 – 31st October Q3 – 31st January Q4 – 31st May
Form 26QB	TDS on sale of property	30 days from the end of the month in which TDS is deducted
Form 26QC	TDS on rent	30 days from the end of the month in which TDS is deducted

6. What is a TDS certificate?

Form 16, Form 16A, Form 16 B and Form 16 C are all TDS certificates. TDS certificates have to be issued by a person deducting TDS to the assessee from whose income TDS was deducted while making payment.

For instance, banks issue Form 16A to the depositor when TDS is deducted on interest from fixed deposits. Form 16 is issued by the employer to the employee.

Form	Certificate of	Frequency	Due date
Form 16	TDS on salary payment	Yearly	31st May
Form 16 A	TDS on non-salary payments	Quarterly	15 days from due date of filing return
Form 16 B	TDS on sale of property	Every transaction	15 days from due date of filing return
Form 16 C	TDS on rent	Every transaction	15 days from due date of filing return

7. TDS credits in Form 26AS

It is important to understand how TDS is linked to your PAN. TDS deductions are linked to PAN numbers for both the deductor and deductee. If TDS has been deducted from any of your income you must go through the Tax Credit Form 26AS. This form is a consolidated tax statement which is available to all PAN holders. Since all TDS is linked to your PAN, this form lists out the details of TDS deducted on your income by each deductor for all kinds of payments made to you – whether those are salaries or interest income – all TDS linked to your PAN is reported here. This form also has income tax directly paid by you – as advance tax or self assessment tax. Therefore, it becomes important for you to mention your PAN correctly, wherever TDS may be applicable on your income.

Advance Tax:

1) **Section 207:** Advance tax is payable on the income of the current year including on the income of capital gains and casual incomes.
2) **Section 208:** Advance tax is payable if the income tax after TDS is Rs. 10000 or more.
3) **Section 209:** From the income tax liability, TDS has to be reduced and the balance shall be payable as per instalments mentioned in section 211.
4) **Section 210:** income tax is payable by the assessee if assessing officer sends him a notice for the same. This notice can be sent latest by the last day of the February of the previous year.
5) **Section 211:** Advance tax shall be payable as per following instalments.

Due date of installment	Amount payable
Companies	
On or before 15/06/PY	15% of advance tax payable
On or before 15/09/PY	45% of advance tax payable as reduced by any amount already paid.
On or before 15/12/PY	75% of advance tax payable as reduced by any amount already paid.
On or before 15/03/PY	100% of advance tax payable as reduced by the amount already paid.
Other than Companies	
On or before 15/09/PY	30% of advance tax payable
On or before 15/12/PY	60% of advance tax payable as reduced by any amount already paid.
On or before 15/03/PY	100% of advance tax payable as reduced by the amount already paid

6) **Section 211B:** If assessee does not pay advance tax when he is liable to pay then he will be deemed to be assessee in default.
7) Consequences for non-payment of advance tax shall be
   a) Assessee is known as assessee in default.
   b) Assessee shall be liable to pay interest under section 234C and section 234B.
   c) Assessee shall be liable to pay penalty under section 140A(3) which can be maximum of 100% of such tax.
8) **Section 234A:** If the ROI is furnished after the due date or is not furnished at all then assessee has to pay interest under section 234A @ 1% pm or part of the month. Interest shall be paid for the period starting from the date next to the due date of ROI and ending on the date when ROI is filed.
9) **Section 234B:** If assessee has paid advance tax less than the 90% of the assessed tax then he shall be liable to pay interest under section 234B at rate of interest payable shall be 1% pm or part of the month. Interest shall be paid for the period starting from the 1/4/AY and ending on the date when such tax is paid.
10) **Section 234C:** If any person has not paid his advance tax on the due dates as mentioned in section 211 then such person has to pay interest under section 234C at the rate of interest shall be 1% per month or for part of the month. The period of interest shall be 3 months but for the last installment the period shall be only 1 month.

Return of income, time of filling returns and types of income tax return:

The income tax return is a statement of the incomes of an individual from different sources and the tax that is to be paid on that income. It also acts as a proof of the tax that is being paid by the Assessee. ITR has to be filed every year in the form which is applicable to the assessee. There are 7 types of **ITR forms** as of F.Y. 2019-20.

However, As per Section 139 of the Income Tax Act, the different types of Income Tax Return Filing are:

1. Normal Return u/s 139(1)

2. Belated Return u/s 139(4)
3. Revised Return u/s 139(5)
4. Loss Return u/s 139(3)
5. Defective Return u/s 139(9)

1. Normal Return: (Regular Return)

Normal return is the return which is filed by a person who is required to file the return as per the criteria. Income Tax Return Filing in the case of normal return has to be done by the following person:

- Any person whose total income exceeds the threshold limit which is Rs.2,50,000 in the FY 2019-20 for normal assesses and this limit is **Rs 3,00,000** for assesses who are more than 60 years old but less than 80 years old and Rs 5,00,000 for super senior citizens (assesses who are more than 80 years old).
- Company or a Firm.
- A person who is carrying forward any loss under a head of income.
- If a person is not required to file a return but is having any assets located outside.
- A person who is having a signing authority in any account located outside India.
- A person who is income which is derived from property held under a trust for charitable or religious purposes or a political party or a research association, trade union, a not for profit university or educational institution, a hospital, infrastructure debt fund, news agency, educational or medical institution or any other specified authority, body or trust.
- A person who is having long-term capital gains from the sale of equity shares or business trust in a company or sale of a unit of equity oriented mutual funds of more than Rs 2,50,000 in a financial year. These are exempted under Income Tax but an income tax return has to be filed.

2. Belated Return

If the assessee fails to furnish the return of income within the due date under Section 139(1) or within the time which is allowed to him through the notice under Section 142(1), then he can file a **Belated Return**.

Due date for filing Belated Return

The belated return shall be filed on or **before 31st March** of the relevant Assessment Year. It may be noted that the date of filing a belated return has been changed from F.Y. 2016-17. Earlier, the belated return was allowed to be filed before the end of F.Y. after the relevant A.Y.

Revised return of Belated Return

From F.Y. 2017-18, the Belated income tax return filing under section 139(4) which has been done by the assessee for any year can be revised as per section 139(5) for if he discovers any omission or any wrong statement therein. The revised return for belated return can be filed at any time ***before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.***

3. Revised Return

Revised return is a return which is filed u/s 139(5) as revision for the original return. It is a revision for any omission or mistake made in the filing of that original return. In order to meet the deadline, a person may forget to disclose some income or may make any other mistake like a mistake in claiming any deduction.

Returns eligible for revision:

- An **original return** filed u/s 139(1).
- The **belated return** filed u/s 139(4) can also be revised now.

Time Limit of Revised Income Tax Return filing

Revised Return of Income Tax can be filed by an assessee any time

- before the **end of the relevant assessment year**; or
- before **completion of the assessment**

whichever is **earlier**.

For example: If an assessee files the return for F.Y. 2016-17 (A.Y. 2017-18) on 8th July 2017. And later on, if he discovers some mistake, then he can file a revised return of Income Tax anytime up to 31 March 2018 or before the completion of Assessment, whichever is earlier.

4. Loss Return:

The Income tax return filed with the details of losses is the Loss Return. You may have to **file an income tax return** with details of the loss, depending upon the type of loss. Filing a return for your losses helps to carry them forward to future years, in which these can be set off against future gains when they arise.

If you have a loss from business or profession or loss under the head capital gains, you must file an income tax return as:

- If you have any income in that year, your losses will be set off with the income you have earned and you have to pay tax on the income after deducting losses from it.
- If you don’t have any income in that year, then in such a case you will be allowed to carry forward losses and adjust them against future income in your returns for coming years. Losses from house property, capital loss, and business loss are allowed to be carried forward for **8 years.**

5. Defective Return

Defective Return u/s 139(9) is the type of return for which a person receives a notice because the IT Department has found any discrepancies or mistakes or any missing information in ITR. Once you file your income tax return, the details provided by you in the ITR is cross-verified and processed by the IT dept. The dept compares the details provided by you with the information that is available to them.

Time limit

A person who has received notice under **section 139(9)** about the defective return can rectify the return within a period of **15 days** from the date of such intimation under section 139(9).

Due date for filing income tax returns:

The due date for filing income tax returns is the date by which the returns can be filed without any late fee or penalty. The taxpayers filing their return beyond such due date will have to pay interest under 234A and penalty under section 234F. It is important for all the taxpayers to remember the due date of filing income tax returns. The due date varies on the basis of taxpayers. For instance, salaried individuals are usually required to file their income tax returns by 31st of July of the assessment year. **For the FY 2019-20, the due date for all taxpayers stands extended to 30th November 2020. Here's the table of the due dates for FY 2019-20 for different categories of taxpayers:**

Category of Taxpayer	Due Date for Tax Filing – FY 2019-20
Individual	30 November 2020
Body of Individuals (BOI)	30 November 2020
Hindu Undivided Family (HUF)	30 November 2020
Association of Persons (AOP)	30 November 2020
Businesses (Requiring Audit)	30 November 2020
Businesses (Requiring TP Report)	30 November 2020

PERMANENT ACCOUNT NUMBER

Q.1 What is PAN?

Ans: PAN stands for Permanent Account Number. PAN is a ten-digit unique alphanumeric number issued by the Income Tax Department. PAN is issued in the form of a laminated plastic card (commonly known as PAN card). Given below is an illustrative PAN:
ALWPG5809L

Q.2 What is the utility of PAN?

Ans: PAN enables the department to link all transactions of the assessee with the department. These transactions include tax payments, TDS/TCS credits, returns of income, specified transactions, correspondence and so on. It facilitates easy retrieval of information of assessee and matching of various investments, borrowings and other business activities of assessee.

Q.3 What are the benefits of obtaining a Permanent Account Number [PAN] and PAN Card?

Ans: A Permanent Account Number has been made compulsory for every transaction with the Income-tax Department. It is also mandatory for numerous other financial transactions such as opening of bank accounts, in bank account, deposit of cash in bank account, opening of Demat account, transaction of immovable properties, dealing in securities, etc. A PAN card is a valuable means of photo identification accepted by all Government and non-Government institutions in the country.

Q.4 How PAN is formed and how it gets its unique identity?

Ans: PAN is a ten-digit unique alphanumeric number issued by the Income Tax Department. The formation of PAN is discussed below :

- Out of the first five characters, the first three characters represent the alphabetic series running from AAA to ZZZ. (**E.g. ALW**PG5809L).
- The fourth character of PAN represents the status of the PAN holder (E.g. ALWPG5809L).

"A" stands for Association of Persons (AoP)
"B" stands for Body of Individuals (BOI)
"C" stands for Company
"F" stands for Firm/Limited Liability Partnership
"G" stands for Government Agency
"H" stands for Hindu Undivided Family (HUF)
"J" stands for Artificial Juridical Person
"L" stands for Local Authority
"P" stands for Individual
"T" stands for Trust

- Fifth character of PAN represents the first character of the PAN holder's last name/surname in case of an individual. In case of non-individual PAN holders fifth character represents the first character of PAN holder's name (E.g. ALWPG5809L)
- Next four characters are sequential numbers running from 0001 to 9999 (E.g. ALWPG5809L).
- Last character, i.e., the tenth character is an alphabetic check digit (E.g. ALWPG5809L).
  The combination of all the above items gives the PAN its unique identity.

Q.5 Who has to obtain PAN?

Ans: PAN is to be obtained by following persons:

- Every person if his total income or the total income of any other person in respect of which he is assessable during the previous year exceeds the maximum amount which is not chargeable to tax.
- A charitable trust who is required to furnish return under Section 139(4A)
- Every person who is carrying on any business or profession whose total sale, turnover, or gross receipts are or is likely to exceed five lakh rupees in any previous year
- Every person who intends to enter into specified financial transactions in which quoting of PAN is mandatory

  Every non-individual resident persons and person associated with them if the financial transaction entered into by such non-individual resident persons during a financial year exceeds Rs. 2,50,000.

  Note: Persons associated with non-individual resident persons means the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the non-individual resident persons or any person competent to act on behalf of such persons.

  A person not covered in any of the above can voluntarily apply for PAN.

Q.6 What are the specified financial transactions in which quoting of PAN is mandatory?

Ans: As per rule 114B, following are the transactions in which quoting of PAN is mandatory by every person except the Central Government, the State Governments and the Consular Offices:

1. Sale or purchase of a motor vehicle or vehicle other than two wheeled vehicles.
2. Opening an account [other than a time-deposit referred at point No. 12 and a Basic Savings Bank Deposit Account] with a banking company or a co-operative bank
3. Making an application for issue of a credit or debit card.
4. Opening of a demat account with a depository, participant, custodian of securities or any other person with SEBI.
5. Payment in cash of an amount exceeding Rs. 50,000 to a hotel or restaurant against bill at any one time.
6. Payment in cash of an amount exceeding Rs. 50,000 in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.
7. Payment of an amount exceeding Rs. 50,000 to a Mutual Fund for purchase of its units
8. Payment of an amount exceeding Rs. 50,000 to a company or an institution for acquiring debentures or bonds issued by it.
9. Payment of an amount exceeding Rs. 50,000 to the Reserve Bank of India for acquiring bonds issued by it.
10. Deposit with a banking company or a co-operative bank:-
    i. Cash exceeding Rs. 50,000 during any one day; or
    ii. Cash deposit of aggregating to more than Rs. 2,50,000 during the period 09th November, 2016 to 30th December, 2016
11. Payment in cash for an amount exceeding Rs. 50,000 during any one day for purchase of bank drafts or pay orders or banker's cheques from a banking company or a co-operative bank.
12. A time deposit of amount exceeding Rs. 50,000 or aggregating to more than Rs. 5 lakh during a financial year with –
    i. a banking company or a co-operative bank
    ii. a Post Office;
    iii. a Nidhi referred to in section 406 of the **Companies Act, 2013** or
    iv. a non-banking financial company
13. Payment in cash or by way of a bank draft or pay order or banker's cheque of an amount aggregating to more than Rs. 50,000 in a financial year. for one or more pre-paid payment instruments, as defined in the policy guidelines for issuance and operation of pre-paid payment instruments issued by Reserve Bank of India under section 18 of the Payment and Settlement Systems Act, 2007 to a banking company or a co-operative bank or to any other company or institution.
14. Payment of an amount aggregating to more than Rs. 50,000 in a financial year as life insurance premium to an insurer
15. A contract for sale or purchase of securities (other than shares) for amount exceeding Rs. 1 lakh per transaction
16. Sale or purchase, by any person, of shares of a company not listed in a recognised stock exchange for amount exceeding Rs. 1 lakh per transaction.

17. Sale or purchase of any immovable property for an amount exceeding Rs. 10 lakh or valued by stamp valuation authority referred to in section 50C of the Act at an amount exceeding ten lakh rupees.
18. Sale or purchase of goods or services of any nature other than those specified above for an amount exceeding Rs. 2 lakh per transaction.