

BUSINESS TAXATION –II

B.COM, SEM –VI (ENG)

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UNIT -1

Assessment , TDS, Advance Tax & Return of Income (Theory only)

- Meaning of Assessment, Types of Assessment
- Tax Deducted at Source (TDS)
- Advance Payment of Tax
- Return of Income, Time for filling Return, Types of Income Tax Return
- Permanent Account Number (PAN)

Meaning of Assessment, Types of Assessment

The assessing officer computes the taxable income and tax payable by the assessee on the basis of return of income earned during the previous year. This procedure is called ' assessment '. The expression ' assessment ' is used in the Income - Tax Act at different places with different connotations . It is used as meaning sometimes the ' computation of income ' , sometimes the determination of the amount of tax payable ' and sometimes , ' the whole procedure laid down in the Act for imposing liability upon the tax payer.

The assessment of tax is made by the Assessing Officer but the responsibility of furnishing a return of income is that of the assessee . A person whose taxable income exceeds the maximum exempted limit must himself furnish a return of income .

- Different types of assessment are as under :
- (a) Self - assessment which means payment of the amount of tax by the assessee himself before filing the return under Section 140A .

- (b) Regular Assessment :

- (i) Summary assessment without calling the assessee ,

- (ii) Assessment after hearing the assessee ,

- (iii) Best Judgment Assessment .

(a) Self - Assessment (Sec . 140A) : An assessee is required U / s 140A to pay the tax before filing the return and the return should be accompanied by proof of payment of such tax . The assessee will have to compute his tax liability after taking into account T.D.S. and Advance Tax . **He will have to pay interest @ 1 % for every month or part of a month on the amount of arrears of income tax .** It is simply paying tax and filing of Return by an assessee . The IT Department only gives an acknowledgement / intimation U / s 143 (1) . The assessee can file ITR as self - assessment under the different sections of 139 (Return within due date / belated return / return of loss etc.) or in response to notice U / s 142 (1) or 148 or 153A . A maximum penalty imposed for failure to pay even a part of self - assessment tax (including interest) is equal to the ' Amount of tax and interest in arrears.'

For the purpose of making assessment , the income - tax officer may serve on any person a notice under Section 142 (1) or 148 or 153A for the following purposes :

- (i) for submission of return (if not submitted earlier) , production of accounts , documents etc.

- (ii) for any inquiry by giving opportunity to assessee

- (iii) for directing assessee to get books of accounts audited

- (iv) for getting estimate by valuation officer .

(b) Regular Assessment : Assessment made under Section 143 is called regular assessment .

(1) Summary Assessment without calling the Assessee [Section 143 (1)] :

Where a return of income has been filled U / s 139 or in response to a notice served U / s 142 (1) the Assessing Officer may without requiring the presence of the assessee or the production of any evidence , make an assessment of the

total income or loss of the assessee (after making necessary adjustments to rectify arithmetical error or incorrect claim put by the assessee) .

The main features of ' Summary Assessment ' are as under :

(i) The assessment is completed on the basis of Return submitted by the assessee , subject to the following adjustments : .

- Corrections in respect of arithmetical error .
- Dissallowing apparently incorrect claims .
- In case of late filing of return of preceding previous year , any claim regarding set - off of loss will be ignored .
- Similarly expenditure indicated in the audit report but not taken into account in computing the total income in the Return will be disallowed .
- Deduction claimed U / s 10AA , 80 - IA , 80 - IB , 80 - IC , 80 - ID or 80 - IE will not be allowed if the return is furnished beyond the due date .
- Incomes appearing in Form Nos . 16 , 16A , 26AS but not included in computing total incomes in the Return will be added .

Tax and interest will be calculated on the basis of such adjusted income .

(ii) An intimation will be sent to the assessee when tax / interest is payable by him . An opportunity shall be provided to the assessee to explain and rectify the proposed adjustments to be made by the assessing officer , within 30 days of issuance of such intimation . Assessessee's response shall be considered before making such adjustments . In case of no response received from the assessee the assessing officer shall implement the adjustments .

(iii) An intimation will be sent to the assessee when tax is refundable to him .

(iv) No intimation is required to be sent after the expiry of nine months from the end of the financial year in which the return is made . The acknowledgement of return of income shall be deemed to be an intimation of completion of the assessment , where no sum is payable or refundable to the assessee and no adjustment has been made.

(2) Scrutiny Assessment or Assessment after hearing the Assessee (Section 143 (3)] : If the Assessing Officer is not satisfied with the return submitted t an assessee and wants to ensure the assessee , (i) has not understated income or (ii) has not computed excessive loss or (iii) has not under - paid taxes , he may issue a notice U / s 143 (2) to the assessee within 3 months of expiry of financial year in which the returns was furnished , requiring him to attend the office or to produce any evidence on which the assessee may rely in support of the return .

After hearing the assessee and after taking into account all relevant material , the Assessing Officer will make an assessment of the total income or loss of the assessee . He will thus determine the sum payable by him or refundable to him on the basis of such assessment . The assessee has a right of appeal against such an assessment .

(3) Best Judgement Assessment [Section 144] This assessment is also van to und called ex - parte assessment .

(i) Where any person fails to furnish his Return U / s 139 (1) ; or

(ii) Where any person fails to comply with the notice to produce audited accounts , or

(iii) Where a person fails to comply with direction to get his accounts audited ; or

(iv) Where any person having filed Return , fails to comply with the notice under Section 143 (2) fails to remain present or produce evidence and documents ; or

(v) The income - tax officer is not satisfied about the correctness or completeness of the accounts or no accounting method has been regularly used by the assessee [Section 145 (3)] .

The assessee will be sent a Show Cause Notice ' and will be given an opportunity of being heard .

Then the Income - tax Officer will , after taking into account all relevant materials , make the assessment of the total income or loss to the best of his judgement . He will accordingly determine the sum payable by the assessee or refundable to the assessee on the basis of such assessment .

But the assessee has a right to make an appeal under section 246A or 264 .

The assessee has a right of appeal to the Deputy Commissioner (Appeals) against the assessment made under this section or against the refund by the I.T.O. to reopen the assessment .

(C) Faceless Assessment [Section 144B] :

The purpose of introduction of this new scheme is to avoid personal interface between an assessee and the income tax officer . This will lead to greater transparency and accountability in the system . This will be implemented by National Faceless Centres . Its main features are :

- (1) Cases to be selected only through a system using data analytics ;
- (2) Abolition of territorial jurisdiction of income - tax authorities ;
- (3) Automated random allocation of cases ;
- (4) Central issuance of notices with Document Identification Numbers ;
- (5) No physical interface between an assessee and the income tax department ;
- (6) Team - based assessments and Team - based review ;
- (7) Draft assessment order in any city centre , review by another city centre and finalisation of the order by another city centre .

Method of Accounting [Section 145] :

(i) Income chargeable under the head profits and gains of business or profession ' or ' Income from other sources ' shall be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee . Finance Act , 2018 has substituted Section 145A and 145B with retropective effect from 1-4-2017 and has specified the method of accounting for the purpose of determining the income chargeable under the head " Profit and Gain of Business or Profession . "

(ii) The Central Government may notify for any class of assesees to follow any accounting standards (regarding income computation and disclosure) issued by the ICAI .

(iii) Where the Assessing Officer is not satisfied about the correctness or completeness of the accounts of the assessee or finds that the accounts have not been prepared as stated in (i) or (ii) , he will make an assessment as per Section 144 .

Note : Finance Act , 2018 has substituted section 145A by sections 145A and 145B with retrospective effect from 1-4-2017 . These change relate to the valuation of inventory , the valuation of purchase and sale of goods or services , unlisted securities held as inventory etc.

(4) Income Escaping Assessment [Section 147] : Where the Income - tax officer has reasons to believe that any income which was taxable for any assessment year and was not assessed , he may , subject to the provisions of Sec . 148 and 153

(a) assess or re - assess such income escaped from earlier assessment .

(b) recompute loss , depreciation or any other expense relating to that assessment year .

Time limit for notice (Section 149) :

No notice under section 148 shall be issued for the relevant assessment year

(a) if three years have elapsed from the end of the relevant assessment year , unless the case falls under clause (b) as stated below :

(b) if three years , but not more than ten years have elapsed from the end of the assessment year unless the income chargeable to tax which has escaped assessment amounts to or is likely to amount to Rs . 1,00,000 or more for that year .

Tax Deducted at Source (TDS)

It is obligatory for certain persons to deduct tax at source while making payments . The amount so deducted must be credited to the account of the Central Government . Such deductions are to be made from (i) salary (ii) interest on securities (iii) other interest (iv) winnings from lottery , cross - word puzzle etc. (v) payment to resident contractors and sub - contractors (vi) winning from horse race (vii) insurance commission (viii) sums payable to non - residents . (ix) payment's in respect of deposits under national savings

scheme etc. (x) payment on account of re - purchase of Units by mutual fund or U.T.I. etc.

(1) Salary (Section 192) : Any person responsible for paying salary is required to deduct income - tax at the time of payment (and not at the time of its accrual) of the salary . It should be deducted from the amount payable at the average rate of income - tax on the basis of the rates in force for the financial year in which the payment is made .

The following points are to be kept in view :

(a) The salary for the purpose of TDS shall be rounded off to the nearest multiple of ten rupees .

(b) The liability of the employer extends only to the amount of salary . If the employer makes a default in deduction after getting an assurance from the employee that he has made alternative arrangement for payment of the tax , employer is said to be in default and is liable to penalty .

(c) The employer can increase or reduce the amount to be deducted for the purpose of adjusting the excess or deficiency arising out of any previous deduction .

(d) The employer should also take into consideration other admissible deductions under sections 80C , 80CCC , 80CCD , 80D , 80DD , 80DDB , 80E , 80EE , 80G * , 80GG , 80GGA , 80TTA and 80U . Employer has to obtain from the employee the evidence or proof or particulars of prescribed claims in such form and manner as may be prescribed .

The employer has to deduct income - tax out of salary payment to employee as shown below :

(1) Determine his salary income ;

(2) Deduct loss under the head ' Income from house property ' as declared by the employee ;

(3) Deduct allowable deduction under sections 80C to 80U ;

(4) Determine the net taxable salary (1-2-3) ;

(5) Find out income - tax on such net taxable salary .

(6) Add surcharge at prescribed rate (if applicable) ;

(7) Add health and education cess on the total tax (including surcharge) at 4 % ;

(8) Determine tax liability of the employee (5 + 6 + 7) .

(e) When the trustees of a recognised provident fund make payment of the accumulated balance due to an employee , they are required to deduct income tax @ 10 % provided that such payment is Rs . 50,000 or more .

Similarly , where employer's contribution and interest on such contribution is paid to the employees , the tax on the amount so paid is to be deducted by the trustee , of the fund , when it becomes taxable in the hands to the employee .

(f) An employer can also deduct tax in respect of other incomes voluntarily declared by an employee .

(g) The employer is required to send monthly returns in Form No. 21 and an annual return in Form No. 24. The annual return should be sent within 30 days from 31st March in each year . The details of such TDS must be provided to the employees in Form No. 16 or 16AA .

(2) Interest on Securities (Section 193) : The person responsible for paying income (to a resident) chargeable under the head " Income from other sources " is required at the time of payment , to deduct income - tax at the rate of 10 % the amount of interest payable .

No TDS is made in respect of certain approved deposits and Government securities including listed Demat Security , Gold Bonds , National Savings Certificates etc.

Tax is not to be deducted at source if the amount of interest payable on government security does not exceed Rs . 10,000 p.a. In case of debenture interest , TDS is not required to be made if annual interest payable does not exceed Rs . 5,000 .

Note : In case of dividend , income tax shall be deducted by the company @ 10 % (provided the amount exceeds Rs . 5,000) .

(3) Other Interest Income (Section 194A) : Any person who is responsible for paying to a resident , any interest other than the ' Interest on securities ' is required to deduct income - tax there on @ 10 % , while making payment or while crediting it to payee's account . This is subject to the following conditions :

(1) This provision does not apply if the payer is an individual or an H. U. F.

(2) No deduction is to be made if the person entitled to receive such interest , furnishes to the payer , a statement in writing that his estimated total income will be less than the minimum liable to income - tax . He should also give an affidavit to that effect .

(3) If the amount of such interest from Bank , Co - operative Society . Post Office or any other person does not exceed Rs . 40,000 during the financial year , then no such tax is to be deducted at source .

(4) In case of senior citizens TDS @ 10 % is deductible only if interest on deposits with Bank / Co - operative Bank or Post Office exceeds Rs . 50,000 during the financial year .

(5) The rate of deduction of income - tax is as follows : for individuals 10 % and for domestic companies 20 % .

(6) If any person pays any sum to any resident contractor for carrying out any work , the income tax at the rate of 1 % (in case of advertising work) and 2 % (in other cases) of such sum is to be deducted at the time of payment or at the time of crediting such amount to contractor's account . No tax is to be deducted if the aggregate sum to be paid is Rs . 1,00,000 or less and single payment is Rs . 30,000 or less .

(4) **On Lottery Income (Section 194 BB)** : Tax @ 30 % is to be deducted at source if winnings from lotteries and crossword puzzles or card games and other games of any sort exceeds Rs . 10,000 (whether in cash or in kind) . Similarly , TDS is required if winnings from horse races exceeds Rs . 10,000 . secondary and higher education cess is also to be deducted at source for

(5) **On payment to non - residents** : Tax @ 10 % + education cess + for payment to non - resident Sports Association / Institutions . payment made to a non - resident foreign player , similar deduction is to be made

Advance Payment of Tax

The provisions relating to advance payment are contained in sections 208 to 219.

(1) Advance Tax is payable by any person in respect of current income of Rs . 10,000 or more .

(2) Provisions of Advance Tax shall not apply to a Resident Senior Citizen (who is of the age of 60 years or more) who has not any income chargeable to tax under the head ' Profits and Gains of Business or Profession . "

(3) Amount of advance tax shall be determined as under : Total Income - tax on estimated Current income

Less : Rebate and Relief (if any)

Add : Surcharge (if applicable)

Add : Health and Education Cess (4 %)

Less : Tax deducted at source (TDS)

Advance Tax Payable in Instalments

(4) **The advance tax** is payable by all the assesseees in four **instalments on or before 15th June , 15th September , 15th December and 15th March .**

(5) Due Dates and Quantum of Advance Tax :

Date of instalment in the relevant previous year	Tax payable by all assessee must not be less then
On or before 15 th June	Not less than 15% of advance tax payable
On or before 15 th September	Not less than 45% of advance tax payable
On or before 15 th December	Not less than 75% of advance tax payable
On ore before 15 th March	The whole amount of such advance tax, as reduced by the amount of earlier instalments paid.

(6) Any amount paid by way of Advance Tax by the end of the relevant previous year (after 15th March but on or before 31st March) shall also be treated as tax paid during the relevant previous year .

(7) If the date of payment of advance tax is a Banking Holiday , it becomes due on the next immediately following working day .

(8) Now , all assessees are required to pay advance tax on their own . An assessee who is liable to pay advance tax is allowed to revise his estimate of current income at any time after making payment of first second instalment of advance tax and accordingly will pay the next instalment .

Return of Income, Time for filling Return, Types of Income Tax Return

It is mandatory for every taxpayer to communicate the details of his income to the Incometax Department. These details are to be furnished in the prescribed form known as return of income. In this part, you can gain knowledge about the various provisions relating to return of income.

- **Person required to file the return of income**

The provisions relating to filing of return of income depend upon the status of the taxpayer. The position in this regard is given below:

- **In the case of companies:**

Every person, being a company, has to file its return of income compulsorily, irrespective of its income being profit or loss. In other words, it is

mandatory for every company to file the return of income irrespective of its income or loss.

- **In the case of partnership firms:**

Every person, being a partnership firm (including Limited Liability Partnership), has to file its return of income compulsorily, irrespective of its income being profit or loss. In other words, it is mandatory for every partnership firm to file the return of income irrespective of its income or loss.

- **In the case of an Individual/HUF/AOP/BOI/Artificial Juridical Person:**

Every individual/HUF/AOP/BOI/artificial juridical person has to file the return of income if his total income (including income of any other person in respect of which he is assessable) without giving effect to the provisions of section 10(38), 10A, 10B, 10BA 54, 54B, 54D, 54EC, 54F, 54G, 54GA, or 54GB or Chapter VIA (i.e., deduction under section 80C to 80U), exceeds the maximum amount which is not chargeable to tax i.e. exceeds the exemption limit.

- **In the case of charitable or religious trusts:**

Every person in receipt of income derived from property held under charitable or religious trusts/legal obligations or in receipt of income being voluntary contributions referred to in section 2(24)(iia), has to file the return of income if its total income without giving effect to the provisions of sections 11 and 12 exceeds the maximum amount not chargeable to income-tax.

- **In the case of political parties:**

The Chief Executive Officer of every political party has to file the return of income of the party if the total income of the party without giving effect to the provisions of section 13A exceeds the maximum amount not chargeable to income-tax.

Due date of filing of return of income

Sr. No	Status of the taxpayer	Due date
1	Any company other than a company who is required to furnish a report in Form No.	October 31 of the assessment year

	3CEB under section 92E (i.e. other than covered in 2 below)	
2	Any person (may be corporate/non-corporate) who is required to furnish a report in Form No. 3CEB under section 92E	November 30 of the assessment year
3	Any person (other than a company) whose accounts are to be audited under the Income-tax Law or under any other law	October 31 of the assessment year
4	A working partner of a firm whose accounts are required to be audited under this Act or under any other law.	October 31 of the assessment year
5	Any other assessee	July 31 of the assessment year

Types of Income Tax Return forms

Income tax returns are forms in which taxpayers file information regarding their earned income and the respective tax applicable to the Income Tax Department. With the help of an income tax form, taxpayers can easily calculate their tax liability, apply for refunds in case of tax overpayment and schedule tax payments.

There are different types of income tax return forms depending on the taxpayer's category and income type. Such forms are: ITR 1, ITR 2, ITR 3, ITR 4, ITR 5, ITR 6, and ITR 7. However, one should be cautious before choosing a tax return form to file. Therefore, to reduce the chances of mistakes, we present this piece describing the various income tax forms and who are eligible for a particular form.

The article will give you a gist about the different types of ITR forms that are available. And will help you find out which form you are eligible to file returns under as per the given criteria.

ITR 1 – Sahaj

This income tax return form for individuals whose total income in a financial year includes the following:

- Income from – salary/ pension
- Income gains from one house property (this excludes cases where loss is brought forward from the previous financial year)
- Income gains from other sources of income (gains from winning a lottery and race house is excluded)
- Income from agriculture activities does not exceed INR 5,000.

ITR 2

ITR 2 form is for individuals or Hindu Undivided Family (HUF) whose total income in a financial year from the following sources exceeds INR 50 lakhs.

- Income from – salary/ pension
- Income gains from one house property
- Income from other sources of income

An individual is eligible to file income tax returns under ITR 2 if his total income in a year under the following situations:

- If the individual is Director in a company
- If the individual has invested in unlisted equity shares in a financial year
- If the individual is a Resident Not Ordinary Resident (RNOR) or is a Non-Resident of India (NRI)
- If the individual receives income from capital gains
- If the individual holds a foreign asset or receives foreign income
- If the individual has agriculture income exceeding INR 5,000

Note: ITR 2 form does not cater to individuals whose income is generated by a business or profession.

ITR 3

ITR 3 form for filing returns is used by individuals or Hindu Undivided Family (HUF) whose source of income is generated from business or profession.

Individuals having income from the below-mentioned sources can file returns under ITR 3:

- Individuals having a business or profession
- If the individual is a director in a company
- If the individual has invested in unlisted equity shares at any point in time during the financial year
- If the individual has income from – salary/ pension/ house property/ other sources of income
- If the individual is an acting partner in a firm

ITR 4 – Sugam

Individuals, HUFs and partnerships firms (other than LLPs) and residents of India are eligible to file for returns under ITR 4 if their income includes the following:

- Business earnings as per the presumptive income scheme under – Section 44 AD/ 44 AE
- Professional earning as per the presumptive income scheme under – Section 44 ADA
- Income from salary/ pension not exceeding INR 50 lakhs
- Income from one house property not exceeding INR 50 lakhs (this also excludes cases where loss is brought forward from the previous financial year)
- Income from other sources of income not exceeding INR 50 lakhs (However, this excludes gains from winning a lottery and race house)

Note: Freelancers are also eligible to file returns under ITR 4, a presumptive scheme only if their total income in a financial year does not exceed INR 50 lakhs from the sources mentioned above.

ITR 5

ITR 5 caters to the following taxpayers:

- Firms
- Limited Liability Partnership (LLPs)
- Association of Persons (AOPs)
- Body of Individuals (BOIs)
- Artificial Juridical Person (AJP)
- Estate of deceased
- Estate of insolvent
- Business trust
- Investment fund

ITR 6

ITR 6 income tax form caters to companies that claim tax exemption under Section 11. This Section is for income earned from property held for charitable trusts and religious institutes.

Note: This ITR can be filled electronically only.

ITR 7

ITR 7 caters to individuals and companies that are required to file tax returns under the following sections:

- Section 139 (4A)
- Section 139 (4B)
- Section 139 (4C)
- Section 139 (4D)
- Section 139 (4E)
- Section 139 (4F)

Types of Returns

(1) Return of Loss [Sec . 139 (3)] : If any person has sustained a loss under the head : (i) " Profits and gains of Business or Profession ' or (ii) Under the head " Capital Gains " , or (iii) Loss from the activity of owning and maintaining race horses and intends to carry forward such a loss , he should furnish a return of loss within the time allowed as stated in point Para [3] above .

(2) Belated Return : [Sec . 139 (4)] : If any person has not furnished a Return . within the time allowed as above , he may file a Return for any previous year at the end of relevant assessment year or before the completion of assessment of his income , whichever date is earlier

Effects of Belated Return :

(i) The assessee will be liable to pay penal interest @ 1 % for every month or a part of a month on the amount of the unpaid tax under Section 234A

(ii) In case of return of loss submitted after due date , a few losses will not be allowed to be carried forward .

(iii) Similarly , deductions under Section 10A , 10B , and certain deductions U / s 80 will not be available to the assessee .

(3) Revised Return [Sec . 139 (5)] :

(1) Only return filed U / s 139 (1) / (4) can be revised .

(2) Any omission / wrong statement can be corrected : Any person who has furnished a return , discovers any omission or wrong statement therein , he may furnish a revised return .

(3) Revised return should be filed at any time before three months prior to the end of relevant assessment year or before the completion of the assessment , whichever is earlier .

(4) Defective or Incomplete Return : [Sec . 139 (9)] : The Income - tax Officer is authorised to intimate an assessee to remove any defect found in the return filed with him . The assessee has to rectify such defect within a period of 15 days from the date of intimation or within such further extended time as the I.T.O. may allow . If the assessee does not rectify the

defect within the prescribed time , the return shall be treated as an invalid return and the I.T.O. may act as if the assessee has failed to furnish the return .

As it is not possible to attach any certificate , statements , accounts etc. with new income - tax return forms . the assessee has to retain such documents for submission to the income - tax authorities whenever they want to examine them in the assesment proceeding or otherwise .

The Finance Act , 2016 has made an amendment that a return (which is otherwise valid) would not be treated defective merely because self - assessment tax and interest have not been paid on or before the date of furnishing of the return .

Permanent Account Number (PAN)

- **What is PAN Card:**

Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued in the form of a laminated tamper proof card, by the Income Tax Department of India.

The Permanent Account Number (PAN) is unique to an individual or entity and it is valid across India. Permanent Account Number once allotted to an individual or entity is unaffected by a change of name, address within or across states in India or other factors.

- **Meaning of PAN card**

A typical Permanent Account Number is would look like AFZPK7190K.. The logic behind the array of numbers and alphabets is as follows:

First three characters i.e. "AFZ" in the above PAN are alphabetic series running from AAA to ZZZ.

Fourth character i.e. "P" in the above PAN represents the status of the PAN holder.

"P" stands for Individual.

"F" stands for Firm.

"C" stands for Company.

"H" stands for HUF.

"A" stands for AOP.

"T" stands for TRUST etc.

Fifth character i.e. "K" in the above PAN represents first character of the PAN holder's last name/surname.

Next four characters i.e. "7190" in the above PAN are sequential number running from 0001 to 9999.

Last character i.e. "K" in the above PAN is an alphabetic check digit.

- **Who has to obtain PAN?**

- Every person if his total income or the total income of any other person in respect of which he is assessable during the 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 year
- Every person who intends to enter into specified financial transactions in which quoting of PAN is mandatory. XXXX [As amended by Finance Act, 2022]
- Every non-individual resident persons and persons associated with them shall apply for PAN if the financial transaction entered into by them during the financial year exceeds Rs. 2,50,000.

- **Transactions in which quoting of PAN is mandatory**

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) Deposits of cash exceeding Rs. 50,000 during any one day with a banking company or a cooperative bank.
- 10A) Deposits of cash aggregating to more than Rs. 2,50,000 during the period of 09th November 2016 to 30th December 2016 with a banking company, cooperative bank or post office.
- 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. [As amended by Finance Act, 2022]
- 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.

NOTE: 1) Minor person can quote PAN of his father or mother or guardian provided he does not have any income chargeable to income-tax.

2) Any person, who does not have PAN and enters into any of above transaction, can make a declaration in Form No.60.

3) Quoting of PAN is not required by a non-resident in a transaction referred at point No. 3 or 5 or 6 or 9 or 11 or 13 or 18.

4) Any person who has an account (other than a time deposit referred at point no. 12 and a Basic Saving Bank Deposit Account) maintained with a banking company or a co-operative bank. He will be required to furnish his PAN or Form No.60 on or before 30-06-2017 if he has not quoted his PAN or furnished Form No. 60 at the time of opening of such account or subsequently.

- **Penalty for not complying with provisions relating to PAN or Aadhar**

Section 272B provides for penalty in case of default in complying with the provisions relating to PAN, i.e., failure to obtain, quote, or authenticate PAN. The amount of penalty shall be Rs. 10000 for each default.

As the Finance (No. 2) Act, 2019 as provided for interchangeability of Aadhar with PAN, Consequential amendments have been made in the penal provisions of Section 272B so as to levy a penalty of Rs. 10,000 for each default in the following cases:

- a) If assessee fails to quote or intimate his PAN or Aadhaar or quotes or intimates invalid PAN or Aadhaar.
- b) If assessee fails to quote or authenticate his PAN or Aadhaar in specified transactions.
- c) If receiver (i.e., banks, financial institution, etc.) of documents in respect of specified transactions fails to ensure that the PAN or Aadhaar are duly quoted and authenticated.

