

Linking PAN with Aadhaar is mandatory

March 10, 2023

In news– The Central Board of Direct Taxes (CBDT) has asked all taxpayers to link their permanent account number (PAN) with their Aadhaar by March 31, 2023.

Key updates-

Why it has been made mandatory?

- The Income-tax Department announced the linking of PAN with Aadhaar after it came across **instances where multiple permanent account numbers (PANs) were allotted to one person**, or where one PAN was allotted to more than one person.
- To have a robust way of de-duplication of the PAN database, **it was made mandatory for a taxpayer who is eligible to obtain Aadhaar**, to quote his Aadhaar in the application form for PAN and return of income.

Who needs to link PAN with Aadhaar?

As per a circular issued by CBDT in March 2022, the **Income-tax Act makes it mandatory for every person who has been allotted a PAN as on July 1, 2017, to intimate his/her Aadhaar number so that Aadhaar and PAN can be linked**. This is required to be done on or before March 31, 2023, **failing which the PAN shall become inoperative**.

Who is not required to link PAN with Aadhaar?

There are a few categories of individuals for whom this linkage is not compulsory.

- Any person of age 80 years and above.
- A non-resident as per the Income-tax Act.

- A person who is not a citizen of India.

Implications of not linking PAN with Aadhaar-

- CBDT has said that in case a person fails to link his or her PAN with Aadhaar, the PAN will become inoperative. In such a case, the person will not be able to furnish, intimate, or quote his/ her PAN, and shall be **liable to all the consequences under the Income-tax Act for such failure.**
- **Some of the major implications of non-compliance are:**
 - The person shall not be able to file the income tax return using the inoperative PAN.
 - Pending returns will not be processed.
 - Pending refunds cannot be issued to inoperative PANs.
 - Pending proceedings as in the case of defective returns cannot be completed once the PAN is inoperative.
 - Tax will be required to be deducted at a higher rate if PAN becomes inoperative.
- Besides these consequences, **the person may find difficulties in doing other financial transactions** such as with banks, as PAN is an important KYC criterion for these transactions.

Why has SEBI made it mandatory for investors to link PAN with Aadhaar?

- Apart from CBDT, capital markets regulator Securities and Exchange Board of India (SEBI) too on directed investors to link their PAN with their Aadhaar by the end of March 2023 to continue doing transactions in the securities market.
- Since PAN is the key identification number and part of KYC requirements for all transactions in the securities market, all SEBI-registered entities and Market Infrastructure Institutions (MIIs) are required to

ensure valid KYC for all participants.

- **All existing investors are required to ensure the linking of their PAN with their Aadhaar before March 31, 2023**, for continual and smooth transactions in the securities market and to avoid consequences of **non-compliance with the March 30, 2022, CBDT circular, as such accounts would be considered non-KYC compliant**, and there could be restrictions on securities and other transactions until the PAN and Aadhaar are linked.

Central Board of Direct Taxes(CBDT)-

- It is a statutory authority functioning under the Central Board of Revenue Act, 1963.
- The officials of the Board in their ex-officio capacity also function as a Division of the Ministry dealing with matters relating to levy and collection of direct taxes.
- The Central Board of Revenue as the apex body of the Department, charged with the administration of taxes, came into existence as a result of the Central Board of Revenue Act, 1924.
- Initially the Board was in charge of both direct and indirect taxes. However, when the administration of taxes became too unwieldy for one Board to handle, the Board was split up into two, namely the Central Board of Direct Taxes and Central Board of Excise and Customs with effect from 1.1.1964.
- This bifurcation was brought about by constitution of two Boards u/s 3 of the Central Board of Revenue Act, 1963.
- The CBDT consists of a Chairman and six Members.