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Amendment in the Rules for quoting of PAN for certain transactions

Issue no: GES/21/2015

In this issue

Background
Key Changes
Comments
Do you know about Dbriefs?
Contacts

Background

As per the existing provisions under the Income Tax Act, 1961 ('the Act') quoting of Permanent Account Number ('PAN') is mandatory in all documents relating to transactions as may be prescribed by the Central Board of Direct Taxes ('CBDT')¹. In case PAN is not available then the person entering into such transactions is required to file a declaration in the prescribed form².

The scope of existing Rules³ have been widened to collect information on all transactions above a certain threshold, with an objective to curb the circulation of black money and widen the tax base. Further, the threshold for certain types of transactions have been increased with the stated intention of striking a balance between compliance burden relating to legitimate transactions and the need to capture information relating to transactions of higher value.

Key Changes

Based on the recommendation of Special Investigation Team on Black Money, Finance Minister in his Budget speech of 2015, indicated that quoting of PAN will be made mandatory for all sales and purchases of goods and services where payment exceeds Rs.1 lakh.

However, in light of representations received on the additional compliance burden that would be caused by this change, a Press Release⁴ dated December 15, 2015 has been issued, wherein the above proposal has been implemented with a higher limit as well as monetary limits for certain other transactions have been enhanced. The changes to the Rules will take effect from January 1, 2016 (notification is awaited). Some of the key changes to the Rules⁵ are as below:

- Quoting of PAN will be required for transactions of an amount exceeding INR 2 lakhs irrespective of the mode of payment;
- Opening of no-frills bank account such as a Jan Dhan Account will not require PAN; and
- Monetary limits for certain transactions requiring quoting of PAN amended (refer table below for details):

¹Section 139A(5) of the IT Act read with Rule 114B

²The prescribed forms are:

- Form 60 - Form of declaration to be filed by a person who does not have a PAN and who enters into any transaction specified in Rule 114B
- Form 61 - Form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B

³Rule 114B

⁴Changes are as per Press Release of Press Information Bureau, Government of India (Ministry of Finance) dated December 15, 2015. Notification of amendment in Rule 114B is awaited.

⁵Rule 114B

S.No.	Nature of Transaction	Existing requirement	New requirement
1.	Immovable property	Sale/ purchase valued at INR 5 lakhs or more	<ul style="list-style-type: none"> i. Sale/ purchase exceeding INR 10 lakhs; ii. Properties valued by Stamp Valuation Authority at amount exceeding INR 10 lakhs
2	Motor vehicle (other than two wheeler)	All sales/ purchases	No change
3.	Time deposit	Time deposit exceeding INR 50,000 with a banking company	<ul style="list-style-type: none"> i. In addition to banking company deposits exceeding INR 50,000 with Co-op banks, Post Office, Nidhi, NBFC companies will also need PAN; ii. Deposits aggregating to more than INR 5 lakhs during the year will also need PAN
4.	Deposit with Post Office Savings Bank	Exceeding INR 50,000	Discontinued
6.	Opening an account (other than time deposit) with a banking company	All new accounts.	<ul style="list-style-type: none"> i. Basic Savings Bank Deposit Account excluded (no PAN requirement for opening these accounts); ii. Co-operative banks to comply
7.	Installation of telephone/ cellphone connections	All instances	Discontinued

8.	Hotel/ restaurant bill(s)	Exceeding INR 25,000 at any one time (by any mode of payment)	Cash payment exceeding INR 50,000
9.	Cash purchase of bank drafts/ pay orders/ banker's cheques	Amount aggregating to INR 50,000 or more during any one day	Amount exceeding INR 50,000 on any one day
10.	Cash deposit with banking company	Cash aggregating to INR 50,000 or more during any one day	Cash deposit exceeding INR 50,000 in a day
11.	Foreign travel	Cash payment in connection with foreign travel of an amount exceeding INR 25,000 at any one time (including fare, payment to travel agent, purchase of forex)	Cash payment in connection with foreign travel or purchase of foreign currency of an amount exceeding INR 50,000 at any one time (including fare, payment to travel agent)
12.	Credit card	Application to banking company/ any other company/ institution for credit card	No change. Co-operative banks to also comply.
13.	Mutual fund units	Payment of INR 50,000 or more for purchase	Payment exceeding INR 50,000 for purchase.
14.	Shares of company	Payment of INR 50,000 or more to a company for acquiring its shares	i. Opening a demat account; ii. Purchase or sale of shares of an unlisted company for an amount exceeding INR1 lakh per transaction.
15.	Debentures/ bonds	Payment of INR 50,000 or more to a company/ institution for acquiring its debentures/ bonds	Payment exceeding INR 50,000

16.	RBI bonds	Payment of INR 50,000 or more to RBI for acquiring its bonds	Payment exceeding INR 50,000
17.	Life insurance premium	Payment of INR 50,000 or more in a year as premium to an insurer	Payment exceeding INR 50,000 in a year
18.	Purchase of jewellery/ bullion	Payment of INR 5 lakhs or more at any one time or against a bill	Deleted and merged with next item in this table
19.	Purchases or sales of goods or services	No requirement	Purchase/ sale of any goods or services exceeding INR 2 lakhs per transaction.
20.	Cash cards/ prepaid instruments issued under Payment & Settlement Act	No requirement	Cash payment aggregating to more than INR 50,000 in a year

Comments

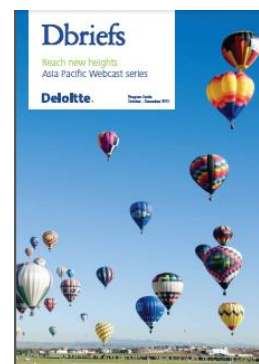
The Rules regarding quoting of PAN for specified transactions were framed with a view to widen tax net with the supplementary agenda of curbing black money and advocating cashless economy. While the incentive to use cash for many such transactions may be lesser due to the PAN reporting requirement, the extent to which the requirement of quoting PAN will help in achieving the above intentions remains to be seen.

Source: Press Information Bureau (PIB) - Ministry of Finance dated December 15, 2015

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Contacts

Ahmedabad

Heritage, 3rd Floor,
Near Gujarat Vidyapith,
Off Ashram Road,
Ahmedabad – 380 014.
Tel: + 91 (079) 2758 2542
Fax: + 91 (079) 2758 2551

Coimbatore

Shanmugha Manram
41, Race Course,
Coimbatore
Tamil Nadu - 641018
Tel: + 91 (0422) 439 2801
Fax: +91 (0422) 222 3615

Kolkata

Bengal Intelligent Park Building Alpha,
1st floor, Block EP and GP Sector V,
Salt Lake Electronics Complex,
Kolkata - 700 091.
Tel : + 91 (033) 6612 1000
Fax : + 91 (033) 6612 1001

Bangalore

Deloitte Centre, Anchorage II,
100/2, Richmond Road,
Bangalore 560 025.
Tel: +91 (080) 6627 6000
Fax: +91 (080) 6627 6010

Delhi/Gurgaon

Building 10,
Tower B, 7th Floor,
DLF Cyber City,
Gurgaon 122 002
Tel : +91 (0124) 679 2000
Fax : + 91 (0124) 679 2012

Mumbai

Indiabulls Finance Centre,
Tower 3, 28th Floor,
Elphinstone Mill Compound,
Senapati Bapat Marg, Elphinstone (W),
Mumbai – 400013
Tel: + 91 (022) 6185 4000
Fax: + 91 (022) 6185 4101

Chennai

No.52, Venkatanarayana Road,
7th Floor, ASV N Ramana Tower,
T-Nagar,
Chennai 600 017.
Tel: +91 (044) 6688 5000
Fax: +91 (044) 6688 5050

Hyderabad

1-8-384 and 385, 3rd Floor,
Gowra Grand S.P.Road,
Begumpet,
Secunderabad – 500 003.
Tel: +91 (040) 6603 2600
Fax: +91 (040) 6603 2714

Pune

106, B-Wing, 7th Floor,
ICC Trade Tower,
Senapati Bapat Road,
Pune – 411 016.
Tel: + 91 (020) 6624 4600
Fax: +91 (020) 6624 4605

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