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**Government makes quoting of Aadhaar mandatory for PAN/return filing**

**Issue no:** GES/09/2017

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## Background

- The government has been recently taking series of measures to enforce correct and complete reporting of income by tax payers. In line with these measures, tax payers have been provided with the option to link their Aadhaar numbers with their Permanent Account Numbers ("PAN"), in the income tax e-filing portal.
- The proposed amendment to the Finance Bill 2017 (insertion of section 139AA to the Income-tax Act, 1961) mandates the quoting of Aadhaar for all new PAN applications. Aadhaar is also to be mentioned in the Return of Income ("ROI") besides obligating tax payers with PAN, to furnish their Aadhaar numbers (if applicable) to the prescribed authority.

## Highlights of the proposal

- Effective July 1, 2017 every person who is eligible<sup>1</sup> to obtain Aadhaar number, would mandatorily be required to quote the same in the application for PAN and ROI.
- In the absence of Aadhaar number one can also mention the enrolment<sup>2</sup> ID received after applying for it.
- Every person who already has a PAN as on July 1, 2017, and who is eligible to obtain the Aadhaar number, shall be required to quote the said number to the prescribed authority on or before a date to be notified by the central government.
- If a person fails to intimate the Aadhaar number, the PAN allotted to him/her shall be deemed to be invalid and he/she would be treated as not having applied for PAN.
- These conditions may not be applicable to such class or classes of persons or any state or part of any state as may be notified by the central government.

<sup>1</sup> an individual who has resided in India for a period or periods amounting in all to one hundred and eighty two days or more in the twelve months immediately preceding the date of application for enrolment;

<sup>2</sup> "Enrolment" means the process, as may be specified by regulations, to collect demographic and biometric information from individuals by the enrolling agencies for the purpose of issuing Aadhaar numbers

## Comments

As per the proposed amendment, obtaining an Aadhaar number would be a mandatory requirement for filing of ROI, from July 1, 2017. Once approved by both Houses of Parliament and after the President provides his assent, the amendment will become law. It needs to be seen whether the tax return forms for FY 2016-17, which are expected shortly, would mandate this requirement.

It also remains to be seen whether foreign nationals and Indian citizens staying overseas would be excluded from this requirement given the practical challenges that would be faced by them in obtaining Aadhaar.

### Source

Amendments to Finance Bill, 2017.

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