

PAN, PAN EVERYWHERE...

From April 1, it is mandatory to have a Pan card. **Nina Kapasi**, chartered accountant, delves into the details

The Income tax act has made PAN (Permanent Account Number) compulsory for citizens of India for financial transactions. Of course, those who do not meet eligibility criteria for a PAN, such as those whose income falls below the taxable limit, are exempt. From April 1, various tax provisions have been introduced which make furnishing of PAN obligatory in certain financial transactions or else penal consequences in the form of higher TDS follow. Though the move is laudable as it is aimed at strengthening the database of the tax information network and increasing tax compliance, it is not backed by proper awareness campaign by the government, bankers and other agencies.

The submission and verification of PAN has to be done at the time of payment or credit of sum to party account and not on the future assurances from the party that they will submit it shortly or in due course. If an employee or party receives a payment that is eligible for TDS, and assures deductor of giving the PAN in future, then in such a case, tax will be deducted at a higher rate. The PAN needs to be mentioned in all the correspondences, vouchers, invoices and salary slips exchanged between the deductor and deductee. This condition is expected to help the deductor in collecting the PAN easily.

However, it is advisable to collect photocopy of PAN with self attestation and if possible, should be verified with original PAN card.

If you are the recipient of income, please check whether your income exceeds the limit liable for TDS. This limit is different for different types of income. In case of interest on loan, it is Rs 5,000. If such interest is on FDs with a bank, it is Rs 10,000 per bank branch. In case of professional fees, it is Rs 20,000 per year. In case of contract income, the same is Rs 20,000 per contract or Rs 50,000 a year. If you are in receipt of such income in excess of the limit as specified above and if you have not quoted your PAN to the payer, tax will be deductible at 20 per cent instead of usual 10 per cent as applicable to interest income and to professional fees and 2 per cent as applicable to contract fees.



Procedure for obtaining a PAN card

- Apply in Form 49A, which is available at TIN facilitators, stationery vendors. Also, it can be downloaded from the NSDL-TIN website. Make an online application through NSDL-TIN website. Fill this form in English in capital letters. It should be legible and filled in with black ink.
 - It is mandatory for a female applicant to write her father's name and not husband's name even if she is married
 - Sign in black ink in the boxes provided in the form taking care that the signature does not go outside the box. Persons who cannot sign should affix their left thumb impression which should be attested by a magistrate, a notary public or a gazetted officer under his/her stamp and seal.
 - Individual applicants are required to paste a recent coloured 3.5 cm x 2.5 cm photograph. The signature should not be across the photograph.
- Documents required:** There are two types of documents to be attached along with the form:
1. Proof of Identity such as a passport, school leaving certificate, ration card, driving license, voter's identity card.
 2. Proof of address such as a passport, ration card, driving license, rent receipt, society bill. For non-residents, copy of passport or any other national document attested by an Indian embassy/consulate /high commission shall serve as proof of Identity. For proof of address, passport, copy of latest bank statement or any other documents attested by an Indian embassy/consulate high commission.
- Fees:** A payment of Rs. 60 in addition to service tax, as applicable to the TIN FCs, has to be made as processing fees at the time of submission of Form 49A. In case the address of communication is a foreign address, the fees shall be Rs. 717 including service tax. On submission of form and fees, one receives a 15 digit unique acknowledgement number. On the basis of this, one can track the status of the application till the PAN is allotted. One can track the application online through NSDL. —NK

One can submit form 15-H or form 15-G to payer of interest for non-deduction of tax from interest. Form 15-G can be submitted by a senior citizen and form 15-H by individuals and HUFs other than senior citizens on complying with certain conditions. However, in the absence of a PAN, these forms will no longer be valid and in such a case, tax will be deducted at 20 per cent instead of usual 10 per cent as applicable to interest payment. In the above scenario, it is advisable to submit form 15-H or 15-G with a proper PAN instead of simply stating that one is not assessed under income tax. Even in cases, where one is not eligible to furnish form 15-H or 15-G due to non-fulfillment of required conditions, it is advisable to submit a PAN to the payer so that TDS on interest is not deducted at penal rate.

Under certain circumstances on submission of an application

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by the taxpayer and on satisfaction by the Income tax officer, a certificate u/s 197 can be issued to the tax payer for a TDS at lower rate or at zero rate. Normally such a certificate is obtained by a recipient of professional fees or rent income or contract receipts, where form 15-H or 15-G are not applicable. Even in such cases, it is compulsory for the income tax officer to get a valid PAN, before issuing such certificates. These provisions are also applicable for the payments being made to non-

residents. In those cases, foreign residents should take an Indian PAN and provide it before the payment is being made to them.

The income tax department issues large advertisements in national newspapers for timely collection of taxes. However, such major changes affecting almost all small and medium investors have not been advertised adequately. This is detrimental to small investors, of which many are senior citizens, whose cash flow will be affected due to higher TDS. Think of a pensioner getting Rs 50,000 interest income to run his home, he will be liable for Rs 10,000 TDS on non-submission of a PAN, reducing his cash flow to only Rs 40,000. Even bankers have not bothered to educate their customers of these amended legal provisions either on their premises or on their websites. ■

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