



Mandatory quoting of Aadhaar number for PAN applications and filing return of income

Background

Recently, Section 139AA of the Income-tax Act, 1961 (the Act) was introduced by the Finance Act, 2017 which provides for mandatory quoting of the Aadhaar number¹/enrolment ID² for the filing of return of income and for making an application for allotment of Permanent Account Number (PAN) with effect from 1 July 2017. Existing PAN holders also have to intimate the Aadhaar number to keep their PAN active.

Key provisions of new requirement

- Every person who is eligible to obtain an Aadhaar number should quote the same in the application form for allotment of PAN and in the return of income on or after 1 July 2017.
- In case the person does not possess an Aadhaar number, the enrolment ID shall be quoted.
- Existing PAN card holder as of 1 July 2017, and who is eligible to obtain an Aadhaar number shall intimate his/her Aadhaar number to the prescribed authority on or before a date to be notified by the Central Government.
- In case of failure to intimate the Aadhaar number as aforesaid, the PAN allotted to the person shall be deemed invalid, and the other provisions of the Act shall apply as if said person has not applied for PAN.

- This requirement shall not be applicable to such person or class of persons, or any state or part of any state, as may be notified by the Central Government.

Press Release by the government

The Central Board of Direct Taxes has issued a Press Release dated 5 April 2017 clarifying that such mandatory quoting of the Aadhaar number/enrolment ID shall apply only to a person who is eligible to obtain an Aadhaar number.

As per the Aadhaar Act only a resident individual is entitled to obtain an Aadhaar number. Resident individual means 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. Accordingly, the requirement to quote the Aadhaar number shall not apply to an individual who is not a resident as per the Aadhaar Act.

Our comments

Continuing with the slew of measures taken by the government in the recent past towards curbing tax evasion and ensuring greater tax compliance, quoting of the Aadhaar number/enrolment ID for the return of income and PAN records has been made mandatory beginning 1 July 2017. Anyone who has resided in India for more than 182 days in aggregate in the past 12 months is entitled to obtain an Aadhaar number.

Expatriate employees and Indians living abroad who have a tax filing obligation in India may also have to comply with this amendment, unless otherwise notified by the government in due course.

It also remains to be seen whether further clarification will be issued on the operationalisation of this requirement with effect from 1 July 2017.

¹ 'Aadhaar number' means an identification number issued to an individual under Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (the Aadhaar Act)

² 'Enrolment ID' means a 28 digit Enrolment Identification Number issued to a resident at the time of enrolment for Aadhaar number

Ahmedabad

Commerce House V, 9th Floor,
902 & 903, Near Vodafone House,
Corporate Road,
Prahlad Nagar,
Ahmedabad – 380 051
Tel: +91 79 4040 2200
Fax: +91 79 4040 2244

Bengaluru

Maruthi Info-Tech Centre
11-12/1, Inner Ring Road
Koramangala, Bangalore 560 071
Tel: +91 80 3980 6000
Fax: +91 80 3980 6999

Chandigarh

SCO 22-23 (1st Floor)
Sector 8C, Madhya Marg
Chandigarh 160 009
Tel: +91 172 393 5777/781
Fax: +91 172 393 5780

Chennai

No.10, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034
Tel: +91 44 3914 5000
Fax: +91 44 3914 5999

Delhi

Building No.10, 8th Floor
DLF Cyber City, Phase II
Gurgaon, Haryana 122 002
Tel: +91 124 307 4000
Fax: +91 124 254 9101

Hyderabad

8-2-618/2
Reliance Humsafar, 4th Floor
Road No.11, Banjara Hills
Hyderabad 500 034
Tel: +91 40 3046 5000
Fax: +91 40 3046 5299

Kochi

Syama Business Center
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682019
Tel: +91 484 302 7000
Fax: +91 484 302 7001

Kolkata

Unit No. 603 – 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata 700 091
Tel: +91 33 44034000
Fax: +91 33 44034199

Mumbai

Lodha Excelus, Apollo Mills
N. M. Joshi Marg
Mahalaxmi, Mumbai 400 011
Tel: +91 22 3989 6000
Fax: +91 22 3983 6000

Noida

6th Floor, Tower A
Advant Navis Business Park
Plot No. 07, Sector 142
Noida Express Way
Noida 201 305
Tel: +91 0120 386 8000
Fax: +91 0120 386 8999

Pune

703, Godrej Castlemaine
Bund Garden
Pune 411 001
Tel: +91 20 3050 4000
Fax: +91 20 3050 4010

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