



CBDT notification – amendment to rules with respect PAN and reporting of cash transaction

Rule 114B of the Income-tax Rules, 1962 (the Rules) introduced with effect from 1 November 1998 provides that the Permanent Account Number (PAN) needs to be quoted on all documents mentioned under Section 139A(5)¹ of the Income-tax Act, 1961 (the Act) by the person while reporting certain transactions/returns or submitting certain documents to the tax authority. Failure to comply with PAN provisions may attract a penalty of INR10,000. If the taxpayer does not have PAN, he may furnish a declaration in Form No. 60 giving details of the transaction and other details. Further, Rule 114E has been introduced to provide that an Annual Information Return (AIR) is required to be furnished under Section 285BA² of the Act in the prescribed form and verified in the prescribed manner.

PAN related provisions have been amended from time to time to expand the scope of PAN reportable transactions, *inter alia* to cover transaction of cash deposits in bank accounts above specified limit.

On 8 November 2016, the government declared the demonetisation of INR500 and INR1000 banknotes, ceasing the usage of such banknotes as a form of legal tender in India from 9 November 2016. Subsequently, the Central Board of Direct Taxes (CBDT) vide Notification³ amended rules for the furnishing of all documents pertaining to the transactions wherein PAN is to be quoted. The CBDT has also amended Rule 114E of the Rules with respect to furnishing statements of financial transactions.

Recently, the CBDT has further amended⁴ the aforesaid Rules upgrading and linking of bank accounts with PAN/Form No. 60. The Rules also amended to provide details of bank accounts in which cash deposits were made during the demonetisation period and the same is to be available with the tax officers.

The amended rules are summarised as follows:

Furnishing of PAN/Form No. 60

A person who has an account (other than a time deposit and a basic saving bank deposit account) with a banking company or a co-operative bank⁵ and has not quoted his PAN or furnished Form No. 60, at the time of opening of such account or subsequently, he shall furnish his PAN or Form No. 60, as the case may be, to the manager or officer of a banking company or co-operative bank on or before the 28 February 2017.

¹ Every person shall –

(a) Quote PAN in all his returns to or correspondence with any income-tax authority;

(b) Quote PAN in all challans for the payment of any sum due under the Act;

(c) Quote PAN in all documents pertaining to such transactions as may be prescribed by the Board in the interests of the revenue and entered into by him;

Provided that the Board may prescribe different dates for different transactions or class of transactions or for different class of persons;

Provided further that a person shall quote General Index Register Number till such time PAN is allotted to such person

² Any person (as specified) who is responsible for registering, or maintaining books of account or other document containing a record of any specified financial transaction or any reportable account as may be prescribed, under any law for the time being in force, shall furnish a statement in respect of such specified financial transaction or such reportable account which is registered or recorded or maintained by him and information relating to which is relevant and required for the purpose of the Act, to the income-tax authority or such authority or agency as may be prescribed.

³ Notification No. 104/2016, dated 15 November 2016

⁴ Notification No. 2/2017, dated 6 January 2017

⁵ To which the Banking Regulation Act, 1949 applies

Linking of PAN/Form 60 and reporting to income-tax authority

The specified person who has received any document in which PAN is mentioned, or a declaration in Form No.60 has been furnished, shall ensure that the valid PAN or the fact of furnishing of Form No.60, is duly mentioned in the records maintained for the transactions referred to in Rule 114B. Further, the PAN or the details of Form No.60 are linked and mentioned in any information furnished to the income-tax authority or any other authority or agency under any provision of the Act or any rule prescribed therein.

Reporting of cash deposits

The CBDT Notification issued in November 2016⁶ states that a statement of financial transactions is required to be furnished by every person in respect of cash deposits during the period from 9 November 2016 to 30 December 2016 aggregating to (i) INR12,50,000 or more in one or more current account of a person or (ii) INR2,50,000 or more, in one or more accounts (other than a current account) of a person. The statement of financial transaction is required to be reported by a banking company or a co-operative bank to which the Banking Regulation Act, 1949 applies or with a Post Master General⁷. The statement of financial transaction in respect of above transactions shall be furnished on or before 31 January 2017.

Now in addition to above, statement of financial transactions is required to be furnished by every person in respect of cash deposits during the period from 1 April 2016 to 9 November 2016 by a banking company or a co-operative bank or with a Post Master General.

Statement in respect of cash deposits

The existing rules require banks and post offices to electronically report, in Form No. 61 particulars of receipt of non-PAN declarations in Form 60 for the demonetisation period, cash deposits exceeding specified threshold limits by 30 April 2017.

The current notification states that the statement in respect of cash deposits aggregating to more than INR250,000 during the period from 9 November 2016 to 30 December 2016 shall be furnished on or before 15 January 2017.

⁶ CBDT Notification No. 104/2016, dated 15 November 2016

⁷ As referred under the Indian Post Office Act, 1898

Amendment in Form 61A

Form 61A amended to include details of the following:

- The aggregate gross amount credited to the account in cash from 1 April 2016 to 8 November 2016.
- The aggregate gross amount credited to the account in cash from 9 November 2016 to 30 December 2016.

Our comments

The CBDT Notification states that the taxpayer shall furnish his PAN or Form No. 60 on or before 28 February 2017 to the bank if not furnished earlier. Bank accounts opened before 1 November 1998 are also required to provide PAN/Form 60. Banks and accountholders are bound to complete this exercise by 28 February 2017, and non-compliance thereof may attract penalty.

The amended notification also ensures that all information necessary to find cash deposits during the demonetisation period is linked through PAN and the same is received by tax authorities in time. It may be noted that non-furnishing of the said information could also lead to penal consequences.



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