



April 03, 2023

Last date for linking of PAN with Aadhaar extended to June 30, 2023

Background

The Finance Act, 2017 inserted section 139AA in the Income Tax Act, 1961 ("the Act") to make it compulsory for individuals who has been allotted a PAN as on July 1, 2017 to intimate his/her Aadhaar number so that Aadhaar and PAN can be linked, failing which PAN shall become inoperative.

A subsequent CBDT Circular no. 7/2022 extended timeline for this linking to March 31, 2023.

Now, vide a Press Release dated March 28, 2023, CBDT has further extended the timeline to intimate Aadhaar to June 30, 2023.

In this alert we have discussed consequences of non-linking of PAN with Aadhaar:

1. Inoperative PAN

From July 1, 2023, the PAN of taxpayers who have failed to intimate their Aadhaar, shall become inoperative and the consequences during the period that PAN remains inoperative will be as follows:

- a. no refund shall be made against such PAN.
- b. interest shall not be payable on such refund for the period during which PAN remains inoperative.

2. Non filing of Return of income

Taxpayers will not be allowed to furnish the return of income before linking and non-filing of return will attract a penalty up to INR 10,000 besides interest liability.

3. Higher rate of Tax Deduction at Source ("TDS")

TDS would be deducted at a higher rate of 20% or more, as prescribed, if the PAN is not furnished by the payee.

4. Higher rate of Tax Collection at Source ("TCS")

TCS would be collected at a higher rate of 5% or more, as prescribed, if the PAN is not furnished.

PAN holder can link PAN with Aadhaar on payment of late fee of INR 1,000 after June 30, 2023 within 30 days.

However, following persons are exempted from linking PAN with Aadhaar:

- Individuals residing in the states of Jammu and Kashmir, Assam and Meghalaya.
- A non-resident.
- People aged 80 years or more.
- Persons who are not citizens of India.

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