

E-NEWSLETTER

HOW THE TAXMAN TRACKS YOU – PART I



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Rule 114B of the Income Tax Rules, 1962 read with Section 139A(5) of the Act, was introduced with effect from 01st November, 1998, that mandated quoting of PAN on all documents mentioned while reporting certain transactions/returns or submitting certain documents to the tax authority. It has been more 2 decades now that such provisions came into force and since then the PAN related provisions have been amended from time to time to expand the scope of PAN reportable transactions. Moreover, in order to curb the circulation of black money and widen the tax base, the Government notified certain changes and rationalized the monetary limits that will require mandatory quoting of PAN, with effect from 01st January, 2016.

There are as many as 18 transactions listed in the aforesaid Rule, where quoting of PAN is mandatory. Usually it has to be quoted only when the amount of transactions exceed the prescribed threshold limit but in certain cases it might also be required irrespective of any limit. So, in this newsletter, Team NGOenabler have not only compiled the list of such transactions where quoting of PAN is mandatory but will also provide you an understanding as to how the tax personnel is able to track you, once you enter into such transaction.

UNDERSTANDING OF RELATED RULES FOR QUOTING OF PAN

Rules 114B, 114C and 114D of the Income Tax Rules, 1962

Rule 114B – Transactions in relation to which Permanent Account Number (PAN) is to be quoted in all documents for the purpose of Section 139A(5)(c). **Refer table in the next page.**

Rule 114C – Verification of such PAN in transaction specified in Rule 114B by the specified persons responsible for reporting such transactions or furnishing such information as prescribed to the income tax authority or any other authority or agency as notified.

Such persons include:

- a) a registering officer or an Inspector-General appointed under the Registration Act, 1908;
- b) a person who sells the immovable property or motor vehicle
- c) a manager or officer of a banking company or co-operative company
- d) post master
- e) stock broker, sub-broker, trustee of a trust deed and such other intermediaries registered under SEBI.
- f) Principal officer of the company or an institution
- g) Any trustee or any other person duly authorized by the trustee of a mutual fund
- h) Any officer of Reserve Bank of India (RBI)
- i) A manager or officer of an insurer

The above persons shall ensure after verification that a valid permanent account number has been correctly furnished and has also been mentioned in all the documents issued by the persons involved in such transactions or Form 60 has been duly furnished.

Rule 114D – Time and Manner in which persons referred to in Rule 114C shall furnish a statement containing particulars of Form No. 60.

LIST OF TRANSACTIONS WHERE QUOTING OF PAN

IS MANDATORY (RULE 114B)



Sl. No.	Nature of Transactions	Value of transactions or Threshold Limit
1	Sale or purchase of Motor Vehicle, which require registration by a registering authority under the Motor Vehicles Act, other than 2 wheelers	All such transactions i.e. there is no limit
2	Opening an account with Bank (other than savings bank account)	All such transactions i.e. there is no limit
3.	Application of debit or credit card	All such transactions i.e. there is no limit
4.	Opening of Demat Account	All such transactions i.e. there is no limit
5.	Payment to a Hotel or Restaurant against a bill	More than Rs. 50,000/- (if in cash)
6.	Payment in connection with foreign travel or payment for purchasing foreign currency	More than Rs. 50,000/- (if in cash)
7.	Payment to a company for purchasing debentures or bonds issued by it	Payment exceeding Rs. 50,000/-
8.	Payment to a mutual fund for purchase of its units	Payment exceeding Rs. 50,000/-
9.	Payment to RBI for acquiring bonds	Payment exceeding Rs. 50,000/-
10.	Deposit with Bank	Deposit of more than Rs. 50,000 (in cash) per day
11.	Purchase of Demand Drafts or Pay Orders or Banker's cheques	Payment in cash for an amount more than Rs. 50,000/- per day
12	Time Deposit with Bank, Post Office, Nidhi Companies or NBFCs	Amount more than Rs. 50,000/- per day or more than Rs. 5,00,000/- during a financial year.
13	Payment for prepaid instruments issued by RBI to a banking company	Payment of more than Rs. 50,000/- in a financial year
14	Payment of Life Insurance Premium	Payment exceeding Rs. 50,000/- in a financial year
15	Sale or purchase of securities (other than shares)	Amount exceeding Rs. 1,00,000/- per transaction
16	Sale or purchase of unlisted shares	Amount exceeding Rs. 1,00,000/- per transaction
17	Sale or purchase of any immovable property	Amount of more than Rs. 10,00,000/-
18	Sale or purchase of goods or services other than those specified above	Amount of more than Rs. 2,00,000 per transaction

HOW THE TAXMAN TRACKS YOU!!



As evident from the discussion on the Rules mentioned above, the specified persons listed in Rule 114C has to furnish a statement in Form 61 containing the particulars of such declaration in Form 60 in relation to the transactions specified in Rule 114B (Refer Table above). It is also mentioned that such persons ensures that a valid PAN has been furnished and quoted in all the documents or records maintained for such transactions or the details of Form 60 are linked and mentioned in any information furnished to the income tax authority or any other authority or agency under any provisions of the Act or rule prescribed therein.

This is where the tax personnel is able to track you by reaching out to you tracing the PAN from the statements so filed by the specified persons or entities with whom the transaction was entered into, getting the particulars or details of such transaction and comparing the same with the return of income filed by your organization.

So, before entering into such transactions one need to be aware that once it is done above the specified threshold limit, the income tax authorities might have already have a trace about it and if you do not give proper disclosure wherever required in your income tax return or the financials of the organization as per tax records doesn't support the volume of such transactions, you might land in trouble with the department.

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