

2. Deadline for linking PAN-Aadhaar extended beyond March 31

Prelims Syllabus: Election & Electoral Reforms

Mains Syllabus: GS-II Structure, organization and functioning of the Executive and the Judiciary
Ministries and Departments of the Government; pressure groups and formal/informal associations
and their role in the Polity.



Why in News?

- The Finance Ministry has extended the last date to link Permanent Account Number (PAN) and Aadhaar by three months from March 31 to June 30, 2023.

What is the rationale behind linking PAN with Aadhaar?

- The Income-tax Department announced the linking of PAN with Aadhaar after it came across instances where multiple permanent account numbers (PANs) were allotted to one person, or where one PAN was allotted to more than one person.
- To have a robust way of de-duplication of the PAN database, it was made mandatory for a taxpayer who is eligible to obtain Aadhaar, to quote his Aadhaar in the application form for PAN and return of income.

Who needs to link PAN with Aadhaar?

- As per a circular issued by CBDT in March 2022, the Income-tax Act makes it mandatory for every person 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.

Who is not required to link PAN with Aadhaar?

- There are a few categories of individuals for whom this linkage is not compulsory.
 - ✓ Any person of age 80 years and above;
 - ✓ A non-resident as per the Income-tax Act;
 - ✓ A person who is not a citizen of India.

What will happen if PAN is not linked with Aadhaar?

- CBDT has said that in case a person fails to link his or her PAN with Aadhaar, the PAN will become inoperative. In such a case, the person will not be able to furnish, intimate, or quote his/ her PAN, and shall be liable to all the consequences under the Income-tax Act for such failure. Some of the major implications of non-compliance are:
 - ✓ The person shall not be able to file the income tax return using the inoperative PAN.
 - ✓ Pending returns will not be processed.
 - ✓ Pending refunds cannot be issued to inoperative PANs.
 - ✓ Pending proceedings as in the case of defective returns cannot be completed once the PAN is inoperative.
 - ✓ Tax will be required to be deducted at a higher rate if PAN becomes inoperative.
- Besides these consequences, the person may find difficulties in doing other financial transactions such as with banks, as PAN is an important KYC criterion for these transactions.

And why has SEBI made it mandatory for investors to link PAN with Aadhaar?

- Since PAN is the key identification number and part of KYC requirements for all transactions in the securities market, all SEBI-registered entities and Market Infrastructure Institutions (MIIs) are required to ensure valid KYC for all participants.
- All existing investors are required to ensure the linking of their PAN with their Aadhaar before June 30, 2023, for continual and smooth transactions in the securities market and to avoid consequences of non-compliance such accounts would be considered non-KYC compliant, and there could be restrictions on securities and other transactions until the PAN and Aadhaar are linked.

How to link PAN with Aadhaar?

- One can link PAN and Aadhaar by clicking on the Link Aadhaar option available on the official website of the Income-tax Department, www.incometax.gov.in.