Circular No.: NSDL/POLICY/2022/046 March 31, 2022

Subject: Linking of PAN with Aadhaar.

Attention of Participants is invited to NSDL Circular No. NSDL/POLICY/2021/0036 dated April 07, 2021 regarding Mandatory updation of certain attributes of KYC of clients wherein at point no 2 (C) it was mentioned that "In case PAN is not seeded with AADHAAR before the date specified by the Government, it will not be considered as a valid PAN" and NSDL Circular No. NSDL/POLICY/2022/045 dated March 29, 2022 regarding Suspension of demat accounts in case of non-compliance with PAN Linking with Aadhaar – 6 KYC attributes.

In this context, Central Board of Direct Taxes (CBDT) has issued Circular No. 7 of 2022 dated March 30, 2022 regarding Clarification with respect to relaxation of provisions of rule 114AAA of Income-tax Rules, 1962 prescribing the manner of making Permanent Account Number (PAN) inoperative (copy attached). Relevant extract of the same is as given below:

"In order to have smooth application of section 234H and existing rule 114AAA, it is clarified that the impact of sub-rule (2) of rule 114AAA i.e., where a person, whose permanent account number has become inoperative under sub-rule (1), is required to furnish, intimate or quote his permanent account number under the Act, it shall be deemed that he has not furnished, intimated or quoted the permanent account number, as the case may be, in accordance with the provisions of the Act, and he shall be liable for all the consequences under the Act or not furnishing. intimating or quoting the permanent account number, shall come into effect from 1st April 2023 and the period beginning from 1st April 2022 and ending with 31st March 2023, shall be the period during which the said sub-rule shall not have its negative consequences of the nature referred to in the said sub-rule or specified in paras 4 and 4.1 above."

In view of the above, Participants are informed that the action stated in the NSDL Circular No. NSDL/POLICY/2022/045 dated March 29, 2022, shall not be applicable w. e. f. April 01, 2022, on account of non-linking of PAN with Aadhaar.
Participants are requested to take note of the above and ensure compliance.

For and on behalf of
National Securities Depository Limited
Ashish Mishra
Senior Manager

Enclosed:One

FORTHCOMING COMPLIANCE			
Particulars	**Deadline**	**Manner of sending**	**Reference**
Investor Grievance Report (Monthly)	By 10th of the following month.	Through e-PASS	Circular No. NSDL/POLICY/2015/0096 dated October 29, 2015
Charge Structure	April 30th every year	By email at dpfees@nsdl.co.in	1.Circular No. NSDL/POLICY/2006/0064 dated December 26, 2006. 2.Circular No. NSDL/POLICY/2007/0003 dated January 8, 2007

ASHISH MISHRA
Authentication
2022.03.31 14:50:37
+05'30'

Circular No. 7 of 2022

F.No. 370142/14/2022-TPL
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes
*****

New Delhi, Dated the 30th of March, 2022

Sub.: Clarification with respect to relaxation of provisions of rule 114AAA of Income-tax Rules, 1962 prescribing the manner of making Permanent Account Number (PAN) inoperative – reg.

Instances had come to the notice of the Income-tax Department that multiple permanent account numbers (PANs) have been allotted to one person or one PAN has been allotted to more than one person. In order to have a robust way of de-duplication of PAN data base, Finance Act, 2017 with effect from 1st April, 2017, inserted section 139AA in the Income-tax Act, 1961 (the Act) making it mandatory for a taxpayer who is eligible to obtain Aadhaar, to quote his Aadhaar in the application form for PAN and return of income.

2. Sub-section (2) of section 139AA of the Act makes it mandatory for every person who has been allotted a PAN as on 1st July, 2017 to intimate his Aadhaar Number so that the Aadhaar and PAN can be linked. This is required to be done on or before a notified date, failing which the PAN shall become inoperative.

3. Accordingly, in case of failure to intimate the Aadhaar Number by the last extended notified date i.e. 31.03.2022, the PAN allotted to the person shall be made inoperative in accordance with the provisions of the Act. Further, the Finance Act, 2021 inserted a new section 234H in the Act to complete the process of PAN-Aadhaar linking for identifying bogus PANs. This section provides that where a person who is required to intimate his Aadhaar under sub-section (2) of section 139AA fails to do so on or before a notified date, he shall be liable to pay a fee not exceeding a sum of one thousand rupees, as may be prescribed, at the time of making intimation under sub-section (2) of section 139AA after the said date.

4. Further, rule 114AAA of the Income-tax Rules provides that if PAN of a person has become inoperative, he will not be able to furnish, intimate or quote his PAN and shall be liable to all the consequences under the Act for such failure. This will have a number of implications such as:-

(i) The person shall not be able to file return using the inoperative PAN
(ii) Pending returns will not be processed
(iii) Pending refunds cannot be issued to inoperative PANs
(iv) Pending proceedings as in the case of defective returns cannot be completed once the PAN is inoperative
(v) Tax will be required to be deducted at a higher rate as PAN becomes inoperative

4.1 In addition to the above, the tax payer might face difficulty at various other fora like banks and other financial portals, as PAN is one of the important KYC criterion for all kinds of financial transactions.

5. Hence, in order to have smooth application of section 234H and existing rule 114AAA, it is clarified that the impact of sub-rule (2) of rule 114AAA i.e. *where a person, whose permanent account number has become inoperative under sub-rule (1), is required to furnish, intimate or quote his permanent account number under the Act, it shall be deemed that he has not furnished, intimated or quoted the permanent account number, as the case may be, in accordance with the provisions of the Act, and he shall be liable for all the consequences under the Act for not furnishing, intimating or quoting the permanent account number,* shall come into effect from 1st April, 2023 and the period beginning from 1st April, 2022 and ending with 31st March, 2023, shall be the period during which the said sub-rule shall not have its negative consequences of the nature referred to in the said sub-rule or specified in paras 4 and 4.1 above. However, the tax payer shall be liable to pay a fee in accordance with sub-rule (5A) of rule 114.

6. Hindi version to follow.

Shefali 30.05.2022

Shefali Singh
Under Secretary (TPL-IV), CBDT