CBDT Notification – Amendment to rules with respect to furnishing of documents pertaining to the transactions wherein PAN is to be quoted and furnishing of statement of financial transaction

Rule 114B of the Income-tax Rules, 1962 (the Rules) has been introduced in the Rules with effect from 1 November 1998 to provide that the PAN needs to be quoted on all documents mentioned under Section 139A(5) of the Income-tax Act, 1961 (the Act) by the person while reporting certain transactions/returns or submitting certain documents to the income-tax authority.

Rule 114E has been introduced in the Rules to provide that an annual information return (AIR) is required to be furnished under Section 285BA of the Act in the prescribed form and verified in the prescribed manner.

In order to achieve targets of curbing the circulation of black money and widening of the tax base, the Central Board of Direct Taxes (CBDT) vide Notification has further amended Rule 114B and 114E with effect from 1 January 2016 increasing certain limits and adding certain transaction within its ambit. The amendments are expected to be useful in widening the tax net by non-intrusive methods. They are also expected to help in curbing black money and move towards a cashless economy.

On 8 November 2016, the government has declared the demonetisation of INR 500 and INR 1000 banknotes, ceasing the usage of such banknotes as a form of legal tender in India from 9 November 2016. Recently, the CBDT has amended Rule 114B of the Rules with respect to 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. The amendments are summarised as follows:

- Every person shall quote his/her PAN in all documents while depositing cash exceeding INR 50,000 during any one day or aggregating to more than INR 2,50,000 during the period from 9 November 2016 to 30 December 2016 with a banking company or a co-operative bank to which the Banking Regulation Act, 1949 applies, or with a post office.

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 CBDT Notification No. 95/2015, dated 30 December 2015

4 Vide Notification No. 104/2016, dated 15 November 2016
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) INR 12,50,000 or more in one or more current account of a person or (ii) INR 2,50,000 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 General as referred under the Indian Post Office Act, 1898. The statement of financial transaction in respect of above transactions shall be furnished on or before 31 January 2017.

Our comments

Further to the government’s initiative to demonetise INR 500 and INR 1000 banknotes, CBDT has issued a notification to amend the monetary limit to furnish PAN during the period from 9 November 2016 to 30 December 2016 deposited in banks and post office. The notification also states that the furnishing of AIR on or before 31 January 2017 is mandatory in certain specified cases.

Taxpayers depositing cash in excess of the specified limits should ensure that their income tax returns will reflect adequate income corresponding to such cash deposits.

Further, failure to furnish a statement of financial transactions or reportable accounts by 31 January 2017 for the cases specified in the notification may face penalty under Section 271FA of the Act.

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5 If a person who is required to furnish a statement of financial transaction or reportable account under Section 285BA(1) of the Act, fails to furnish such statement within the time prescribed under Section 285BA(2) of the Act, the income-tax authority may direct that such person shall pay, by way of penalty, a sum of one hundred rupees for every day during which such failure continues.
The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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