

NDA Update – Relaxation from higher rate of TDS / TCS in case of Inoperative PAN

No need to deduct / collect tax at source at higher rate on transactions entered into up to 31-03-2024, in cases of inoperative PANs, if PAN is linked with Aadhar on or before 31-05-2024

Existing Provision: As per Rule 114AAA of the Income Tax Rules, TDS / TCS is deductible / collectible at higher rates in accordance with Section 206AA / Section 206CC, if the PAN of the person is not linked with Aadhar thereby making the PAN inoperative. This was made effective with effect from 01-07-2023 vide Circular No. 3 dt. 28-03-2023.

Consequences: In many cases, Tax could not be deducted / collected at source at higher rate on account of inoperative PAN. Consequently, the tax payers have received notices for short deduction / collection of tax at source and demands have been raised accordingly.

Relief now provided: To provide relief to such deductors / collectors, CBDT has issued a circular on 23-04-2024 (Circular No.6) which specifies that for transactions entered up to 31-03-2024, there shall not be any requirement to deduct or collect tax at source at higher rate, if the PAN becomes operative (as a result of linkage with Aadhar) on or before 31-05-2024. In such cases, the rates of TDS / TCS shall be existing normal rates.

Action Points to prevent deduction / collection at higher rate:

- Verify cases of inoperative PAN in the transactions made up to 31-03-2024
- To ensure that such PAN is linked with Aadhar on or before 31-05-2024

<https://incometaxindia.gov.in/communications/circular/circular-6-2024.pdf>