Why Linking of PAN with AADHAR is necessary?

As per Section 139AA of the Income-tax Act, 1961 (‘the Act’) that every person who has been allotted a Permanent Account Number (‘PAN’) shall also be required to link the same with his Aadhaar.

If the PAN is not linked with Aadhaar by 31 March 2021, it shall become inoperative immediately. Rule 114AAA of the Income-tax Rules (‘the Rules’) provides that in case of a person whose PAN has become inoperative, it shall be deemed that he has not furnished, intimated or quoted the PAN at all, and he shall be liable for all the consequences under the Act for not furnishing, intimating or quoting the PAN. However, the person can make his PAN operative again by linking his Aadhaar and the PAN shall be operative from the date of intimation of Aadhaar.

As per the provisions of Section 206AA of the Act, where a payee fails to furnish his PAN to the deductor, tax shall be deducted at a higher rate of:
- rate specified in the relevant provision of the Act or
- at the rates in force or
- at the rate of 20%

At AEML who is required to link PAN with AADHAR?

At AEML following 3 classes of deductees are required to link their PAN with AADHAR

1) Employees
2) Consumers
3) Vendors

What are the consequences if the PAN is not linked with AADHAR?

a) Employees - whose taxable income is between Rs. 250000 - Rs. 500000 and are in the tax bracket of 5% - TDS will be deducted @ 20% instead of 5%. Employees whose taxable income does not exceed Rs. 500000/- they are entitled for Section 87A rebate and balance Tax will be recovered from their Salaries.

b) Consumers – Interest paid/credited in excess of Rs. 5000/- on Security deposit is subject to TDS @ 10% u/s. 194A. If they do not link their PAN with AADHAR TDS will be deducted @ 20%.
   Similarly, TCS will be collected at higher rate as per provisions of Section 206CC which is @ 5%.

c) Vendors – TDS is required to be deducted at higher rate where payment is made u/s. 194A to 194 Q for payment made to Vendors.

How to ascertain whether Employees/Consumers/Vendors have linked their PAN with AADHAR?
At present there is no clarity/mechanism to know whether PAN is linked with AADHAR.

We can get the declaration signed from the employees/consumers and Vendors.

Basis the declaration received from the Employees/Consumers/Vendors mapping will be done in SAP HR/ISU and FICO system will be done, respectively. Assuming that the declaration given is correct and normal TDS/TCS rate will be applicable.

**What if declaration given is found to be incorrect/false?**

**Employees** – TDS will be deducted at higher rate

**Consumers** - TDS will be deducted at higher rate and Interest if any applicable on short deduction will be recovered from the Consumer.

**Vendors** – TDS will be deducted at higher rate and Vendor will be blocked till he furnishes the proof of linkage of PAN with AADHAR

**Is higher TDS/TCS applicable to deductees other than Individual and HUF for not linking of PAN with AADHAR?**

TDS will be deducted at normal rate from payment made to deductees having 4\textsuperscript{th} alphabet of their PAN other than P or H (Individual or HUF).

**Role and Responsibility**

**Employees** – Payroll team in co-ordination with SAP HR team will make necessary provision in master data for linkage of PAN with AADHAR

**Consumers** – Commercial team in co-ordination with SAP ISU team will make necessary provision in master data for linkage of PAN with AADHAR

**Vendors/Customers**- CPG team in co-ordination with SAP FICO team will make necessary provision in master data for linkage of PAN with AADHAR