

Respected Members

Greeting of the day !

**Relaxation on higher TDS demand due to Aadhar PAN not linked**

The CBDT With a view to redressing the grievances faced by deductors/collectors who have collected TDS/TCS at normal rate but was required to deduct /collect at double the rate on account of PAN of the deductee being inoperative due to non-linkage of such PAN with Aadhar from 1st April ,2023 has issued a circular no 6 on 23rd April ,2024 not to treat such TDS deductors in default ( short deduction) for the tax deducted at normal rate for transactions entered into upto 31.03.2024 if in such cases the PAN of deductee is linked to Aadhar and hence becomes operative on or before 31.05.2024. In such cases there will be no liability on the deductor/collector to deduct/collect the tax under section 206AA/206CC at double the rate because of PAN being inoperative due to non linkage of PAN with Aadhar and hence such deductors will not be required to pay the difference. Recently many notices have been issued to deductors for shortfall in tax deducted since PAN of deductee was found to be inoperative.

Accordingly, where notices have been received for short deduction because of this reason, it will be advisable to reach out to the deductee and get his PAN linked with Aadhar immediately and in any case on or before 31st May,2024.

It may be noted that this relief is for transactions up to 31st March,2024. Accordingly for transactions on or after 1st April, 2024 make sure PAN of deductee is linked to Aadhar and valid . The facility of verification of PAN being valid is available on income tax portal.

The Circular for the same is attached here with.

With Warm Regards



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**F.No. 275/4/2024-IT(B)**  
**Government of India**  
**Ministry of Finance**  
**Department of Revenue**  
**Central Board of Direct Taxes**

New Delhi, the <sup>23<sup>rd</sup></sup> April, 2024

**Sub: Partial modification of Circular No. 3 of 2023 dated 28.03.2023 regarding consequences of PAN becoming inoperative as per rule 114AAA of the Income-tax Rules, 1962- reg.**

Circular No. 3 of 2023 dated 28.03.2023 issued by the Board details the consequences of PAN becoming inoperative as under:

*“Consequent to the notification substituting rule 114 AAA of the Income-tax Rules, 1962 (the Rules) vide notification no. 15 of 2023 dated 28<sup>th</sup> March, 2023, it is hereby clarified that a person who has failed to intimate the Aadhaar number in accordance with section 139AAA of the Income-tax Act, 1961 (the Act) read with rule 114AAA shall face the following consequences as a result of his PAN becoming inoperative:*

- (i) refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made to him;*
- (ii) interest shall not be payable to him on such refund for the period, beginning with the date specified under sub-rule (4) of rule 114AAA and ending with the date on which it becomes operative;*
- (iii) where tax is deductible under Chapter XVII-B in case of such person, such tax shall be deducted at higher rate, in accordance with the provisions of section 206AA;*
- (iv) where tax is collectible at source under Chapter XVII-BB in case of such person, such tax shall be collected at higher rate, in accordance with the provisions of section 206CC.”*


2. As per sub-rule (4) of rule 114AAA of the Income-tax Rules, 1962, the above consequences shall have effect from the date specified by the Board. The Board vide Circular No. 03 of 2023 dated 28<sup>th</sup> March, 2023 had specified that the consequences shall take effect from 1<sup>st</sup> July, 2023 and continue till the PAN becomes operative.



3. Several grievances have been received from the taxpayers that they are in receipt of notices intimating that they have committed default of 'short-deduction/collection' of TDS/TCS while carrying out the transactions where the PANs of the deductees/collectees were inoperative. In such cases, as the deduction/collection has not been made at a higher rate, demands have been raised by the Department against the deductors/collectors while processing of TDS/TCS statements under section 200A or under section 206CB of the Act, as the case maybe.

4. With a view to redressing the grievances faced by such deductors/collectors, the Board, in partial modification and in continuation of the Circular No. 3 of 2023, hereby specifies that for the transactions entered into upto 31.03.2024 and in cases where the PAN becomes operative (as a result of linkage with Aadhaar) on or before 31.05.2024, there shall be no liability on the deductor/collector to deduct/collect the tax under section 206AA/206CC, as the case maybe, and the deduction/collection as mandated in other provisions of Chapter XVII-B or Chapter XVII-BB of the Act, shall be applicable.

5. Hindi version to follow.

  
23/04/2024  
(Sunil Kumar)

Under Secretary to the Government of India

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Copy to:-

1. PS to FM/OSD to FM/PS to MoS (R)/OSD to MoS(R)
2. PPS to Secretary (Revenue)
3. The Chairman, CBDT & all Members, CBDT
4. All Pr.CCsIT, CCsIT/Pr.DGIT/DGsIT
5. All Joint Secretaries/CsIT, CBDT
6. Pr. Commissioner of Income-tax (Media & TP) and official Spokesperson, CBDT, New Delhi
7. CIT, (CPC-TDS)
8. ADG (PR,P&P) for necessary action
9. JCIT, Database Cell, with a request to upload the order on the website [www.irsolicersonline.gov.in](http://www.irsolicersonline.gov.in)
10. Web Manager, O/o DGIT(Systems) with a request to upload the order on the website of [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)
11. The Institute of Chartered Accountants of India, IP Estate, New Delhi
12. All Chambers of Commerce
13. The Guard File

  
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