

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

New Delhi, the ^{23rd} 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 28th 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 28th March, 2023 had specified that the consequences shall take effect from 1st 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
10. Web Manager, O/o DGIT(Systems) with a request to upload the order on the website of 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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