

INVESTING IN INDIA? GET YOUR PAN CARD

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If you have any existing or future commercial interest in India in terms of financial investments, economic transactions, assets and properties, or any future financial transactions, it's time you work towards getting a PAN card from the Indian income tax authorities. Under a recent change to the Indian Income-tax Act, it is now mandatory for every entity (person or corporate) dealing with India on a commercial level to apply for and have a PAN number as it is required to quote this on any correspondence or for any transaction with any person, banks, tax authorities, companies etc in India.

What is PAN Number?

A PAN (Permanent Account Number) is simply put, the Indian equivalent of an American Social Security (SS) Number or a British National Insurance (NI) Number but of course with a few fundamental differences. A PAN is a unique combination of alphabets and numbers, which is allotted on application, by the Indian Income Tax Department and it is unique to every such allottee. It is a ten-digit alphanumeric number, issued by the Income Tax Department. A typical PAN is AAAAAA1234A. The first five characters are alphabets, the next four are numbers and the last is an alphabet. The fourth character depends on the type of the entity, for eg. If it is a company, it will be C or if it is a person, it will be P or F, if it is a firm. Under the Indian income tax law, the entity can be a Person or a HUF (Hindu Undivided Family), a Firm, an Association of Persons (AOP), a Trust, a Body of Individuals (BOI), a Local Authority, an Artificial Juridical Person, or a governmental body. A PAN number is issued in the form of a laminated PAN card which contains important information of the person to whom it is allotted.

What is a PAN card?

The Indian income-tax department issues a PAN to an applicant in the form of a laminated PAN card which contains vital information about the holder of the PAN. It contains all information relating to the holder such as name, father's name, date of birth, the holder's unique PAN, the holder's unique signature and photograph etc in the case of an individual. In the case of a company, it contains information such as company name, date of its incorporation, signature of the Director etc.

Who can apply for a PAN?

Anyone who has any business or financial interest in India, in the present or future, in terms of any investments, assets, companies, partnerships or properties can apply for a PAN number. Also, any person, who intends to enter into financial transaction in India, where quoting a PAN is mandatory, must obtain PAN.

Is a non-resident Indian or a foreign citizen also required to obtain a PAN?

Yes. If such a NRI or foreign citizen or a non-resident company or foreign company, who has any economic interest or financial transactions with any Indian entity, it is mandatory for such a person or entity to have a PAN. Therefore, it is not necessary to be an Indian citizen or resident to be able to obtain a PAN.

Why should one apply for a PAN?

According to the Indian income tax laws, it is now mandatory for every person or entity or juridical person having any financial interest or transactions with India to have a PAN, regardless of the nationality or residential status, if they need to file income-tax returns in India. It is mandatory to quote the PAN on every return of income and in all correspondence with any income tax authority in India. Even if the entity is a UK based company, who is engaging in any business relationship, for eg. supply of services or material to any Indian entity, the entity cannot send or remit any money to such UK based company before deducting, if applicable, the tax liable to be deducted at source from such payments until and unless the UK based company provides its PAN to its Indian counterpart. Hence, in order to avoid any delays in payments or any hiccups due to the payments being stalled, all such companies must get geared to start their process to secure a PAN. A PAN is also required for any individual who has, for instance any investments in any assets such as shares, bonds or immovable properties as when such assets yield returns in the form of interest, dividends, or rents etc., it will be mandatory to provide the PAN to the income-tax authorities and also to the companies/ tenants, to enable them to deduct the tax at source. The same rule will apply in the event of the assets being sold or transferred yielding capital gains to the owner, necessitating a PAN to include such gains in the returns of income. In all such financial transactions, it is now mandatory to quote PAN in all documents notified from time-to-time by the Central Board of Direct Taxes, governmental body authorised to issue notifications on income-tax laws in India.

Whose responsibility is it to secure the PAN?

Every such person, company or any entity receiving any document relating to economic or financial transactions, which are notified by the CBDT must ensure that PAN has been duly quoted in the document. Therefore, every such entity dealing with any Indian entity on a financial level or having any financial or economic interest in India, has a statutory responsibility to apply for and get the PAN in the form of a PAN card.

Is it mandatory to quote PAN if one has to file tax returns in India?

Yes, it is mandatory for every such taxpayer who is liable to pay tax or TDS (tax deducted at source) from any income in India to quote PAN on return of income.

How many PANs can be issued in the name of one entity?

Each entity (person, company, partnership etc) can obtain only one PAN and obtaining or possessing more than one PAN is illegal.

How much time does it take to obtain a PAN?

For any person residing or any company incorporated in the UK, it takes usually around 4-5 weeks to obtain a PAN from the time of submitting the application.

When is a PAN mandatory?

The following situations in India require every individual or entity to have a PAN:

- If the income of such a person exceeds the maximum tax free amount under the Indian income tax law.(Indian, non-resident, PIO (Person of Indian Origin), Foreign citizen who has any economic interest or financial transactions with India
- If such an individual, company or any other entity requires to open a bank account in India.
- If such an individual, company or any other entity needs to have fixed terms or time

- deposits with any bank.
- Sale or purchase or any transactions in immovable property like leasing, renting, tenancy etc.
 - Sale or purchase of motor vehicles (excluding two wheelers).
 - Sale or purchase of shares, debentures, securities etc.
 - Payments in cash above a certain limit.
 - To make deposits in cash above a certain limit in any bank.
 - Any financial or business transactions and dealings with any entity, private or governmental.

What is the validity of a PAN?

A PAN is valid for the life of the individual or entity or until the company is liquidated or dissolved.

Once issued, it cannot be changed. However, if there is change such as change in the address, name of company etc, the same must be notified to the income-tax authorities.

Is there any penalty for not having a PAN?

If a person or any taxable entity, who is under an obligation to obtain a PAN and does not have it, the Indian income-tax authority imposes a penalty of INR 10,000.

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