

- (iv) Pending proceedings as in the case of defective returns cannot be completed once the PAN is inoperative
- (v) Tax will be required to be deducted at a higher rate as PAN becomes inoperative

In addition to the above, the tax payer might face difficulty at various other fora like banks and other financial portals, as PAN is one of the important KYC criterion for all kinds of financial transactions.

As per Rule 114AAA(2), where a person, whose PAN has become inoperative under Rule 114AAA(1), is required to furnish, intimate or quote his PAN, it would be deemed that he has not furnished, intimated or quoted the PAN, as the case may be, in accordance with the provisions of the Act. Consequently, he would be liable for all the consequences under the Act for not furnishing, intimating or quoting the PAN.

In order to have smooth application of section 234H and existing rule 114AAA, it is clarified that the impact of Rule 114AAA(2) would come into effect from 1st April, 2023; and the period from 1st April, 2022 to 31st March, 2023, would be the period during which Rule 114AAA(2) would not have its negative consequences.

However, the tax payer would be liable to pay a fee in accordance with section 234H read with Rule 114(5A).

Note - *The last date for intimating Aadhaar number under the Income-tax Act, 1961 for the purposes of linking Aadhaar with PAN has been extended from 30th June, 2021 to 31st March, 2022 [Section 139AA] [Refer page no. 10.26 of the June, 2021 edition of the Study Material].*