

Income Tax Department of India: The Computerization Programme

An Overview by
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Permanent Account Number (PAN) - Introduction

- PAN (Permanent Account Number) issued by the Income-tax Department is a number (ten alphanumeric characters) allotted to any “person” who applies for it or to whom the department allots the number without an application.
- Every “person” can have only one PAN as per the law. Hence, this is a unique number for a person.
- This number enables the department to link all transactions of the “person” with the department. These transactions include tax payments, TDS/TCS credits, returns of income/wealth/gift/FBT, specified transactions, correspondence, and so on.
- PAN, thus, acts as an identifier for the “person” with the tax department.

Permanent Account Number (PAN) - Introduction

- PAN was introduced keeping in view the following objectives:
 - a) To facilitates linking of various documents, including payment of taxes, assessment, tax demand, tax arrears etc. relating to an assessee.
 - b) To facilitate easy retrieval of information.
 - c) To facilitate matching of information relating to investment, raising of loans and other business activities of taxpayers collected through various sources, both internal as well as external, for detecting and combating tax evasion and widening of tax base.

Permanent Account Number (PAN) - Background

- Prior to 1972, a tax-payer (assessee) of the Income-tax Deptt. was identified by a number called **General Index Register Number (GIR No.)**.
- Permanent Account Number (old series) was introduced in 1972.
 - Allotment of Permanent Account Number was made statutory u/s.139A of the Income-tax Act, 1961 w.e.f. 1st April, 1976.
 - Blocks of Permanent Account Number were allotted to each Commissioner of Income-tax Charge by the Board. The Commissioners of Income-tax made the allotment of Permanent Account Numbers to assesseees under various Assessing Officers in his charge from within the Block of PAN allotted to him.
 - This was allotted manually till 1985.
 - This series was not unique identifier in true sense. This series was abandoned in 1995.
- Allotment of current series of PAN was started in 1995 after studying the system of identification number obtaining in U.K. (National Insurance Number), USA (Social Security Number), Spain (Fiscal Identification Number), Australia (Tax File Number) etc.

Permanent Account Number (PAN) – Unique identifier

- PAN is a ten digit alpha-numeric number. The “person” can be an individual, a company, a firm or any other entity recognized under the Income-tax Act.
- The first five digits of the number are alpha, of which the fourth digit signifies the status of the “person”, e.g. “P” stands for individual. The fifth digit is the first character of the surname of the individual or the first character of the name for other persons at the time of allotment of PAN. The next four digits of PAN are numerals, and the last digit is alpha, which is a check digit.

The format of the PAN is AAASNnnnnC

AAA → Indicates a 3 letter series

S → Status of the assessee

N → First letter of the last name / surname

nnnn → A 4 digit running number within each series

C → Check digit for security and verification.

- This PAN under new series takes care of nearly 17 crore taxpayers under each alphabet under each status (i.e. individual, HUF, Firm, Company, Trusts, Body of Individuals, Association of Persons etc.)
- Once allotted, PAN of a person never changes in spite of change in name, jurisdiction, address etc.



Permanent Account Number (PAN) - Generation

- The services like receiving PAN application forms, printing PAN cards and dispatching PAN cards have been outsourced to M/s UTITSL and M/s NSDL. However, the PAN is generated by the Department.
- PAN application form is available free of cost at all the Income Tax Offices and at the collection centres of the service providers. It can also be freely downloaded from the official website of the Department.
- Completely filled PAN application forms alongwith the copy of the documents as proof of identity and residence can be submitted at any of the 3900 PAN collection centres maintained by the PAN service providers.



Permanent Account Number (PAN) - Generation

- PAN service providers verify the documents submitted, digitize the PAN application form and upload the data on the NCC (National Computer Centre).
- The data is checked for duplicate by matching the three core fields – Name, Father's name (in case of individual) and Date of Birth (individual)/Date of incorporation (organizations).
- The data is further checked for duplicity by using the software using the phonetic matching algorithm.
 - The phonetic permanent account number (PPAN) is a concept which helps prevent allotment of more than one PAN to the same person.
 - At the time of PAN allotment, the PPAN of the person is compared with the PPANs of all the persons to whom PAN has been allotted.
 - If a matching PPAN is detected, a warning is given by the system and a duplicate PPAN report is generated. In such cases, a new PAN can only be allotted if the Assessing Officer chooses to override the duplicate PPAN detection.



Permanent Account Number (PAN) - Identifier

- PAN has taken on the role of “identifier” beyond the Income-tax department.
- The Ministry of Finance has mandated PAN as the sole identifier for all transactions in the securities markets of India.
- It is also required to be quoted by holders of all demat accounts, for investing in mutual funds or for opening of bank accounts, and for a number of such activities. Thus,
- PAN has taken on the role of an “identifier” for a large section of the Indian economy



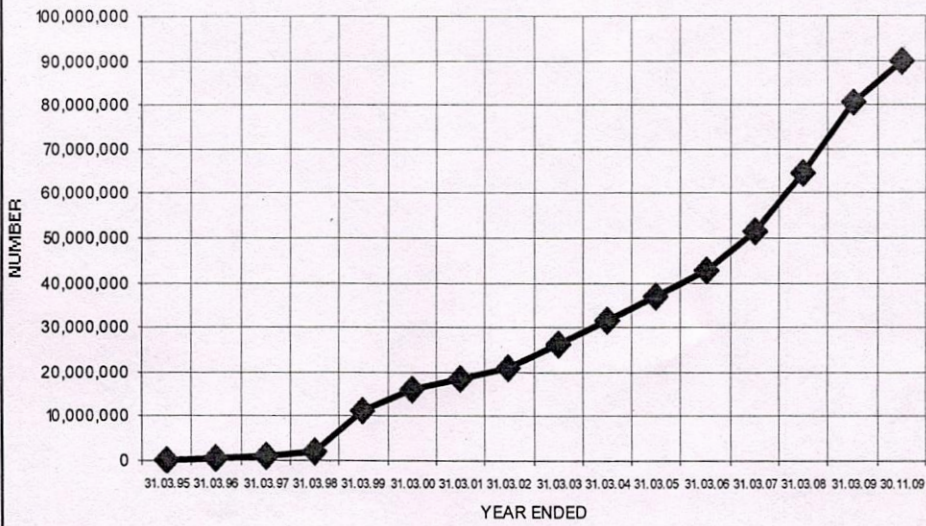
Permanent Account Number (PAN) – Legal Framework

- The legal authority for allotment and use of the new series of PAN is derived from section 139A of the Income-tax Act, 1961. This section lays down the framework for PAN, e.g, who is required to apply for PAN, who else can apply for PAN, who will allot PAN, transactions where PAN is required to be quoted, use of PAN in TDS certificates and TDS returns, that one person can have only one PAN and the manner of applying for PAN.
- The manner of applying for PAN is laid down in Rule 114 of the Income-tax Rules, 1962. This rule, amended in 2003, also specifies the copies of documents required to be submitted along with the PAN application as proof of identity and address of the PAN applicant.
- Rule 114B lists down the documents in which PAN is required to be quoted while entering into specified transactions/activities. Persons who do not have PAN are exempted from quoting PAN on furnishing a declaration in Form 60. Rule 114C lists the persons to whom section 139A does not apply. These are persons who have agricultural income by furnishing declaration in Form 61, non-residents, and Central Govt./State Govt. and Consular offices, where they are payers

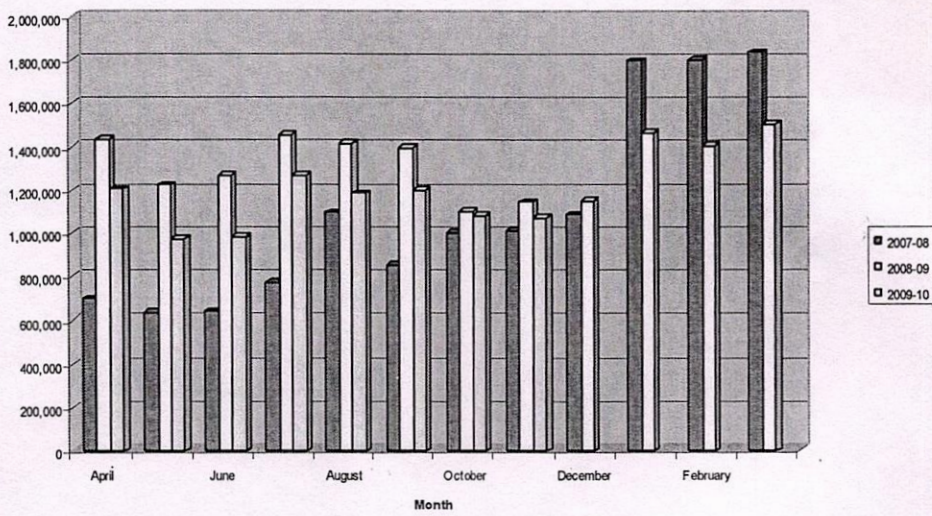
PAN- Current Status

- **3800 PAN application** collection centres maintained by the PAN service providers
- **9,259,470** PANs allotted in FY 2009-10 (till 30th November, 2009)
- Average time to issue new PAN cards- **15 calendar days**
- No. of PAN holders as on 30.11.2009 – **89.86 million**

CUMULATIVE PAN ALLOTMENT



Monthly PAN Allotment



**Thank
You**

