

All about Permanent Account Number (PAN) and how it is structured

Permanent Account Number is basically a method of identifying a taxpayer on the computer system through a unique All-India number so that all information relating to that taxpayer, e.g. taxes paid, refunds issued, outstanding arrears, income disclosed, transactions entered etc. can be linked to him through the computer system. Processing of return of an assessee or other actions on AST software is not possible unless PAN has been allotted to him and is linked to the AO code of the Assessing Officer who is trying to process that return.

The old Series of Permanent Account Number : Earlier the assesseees of the Income-tax Department were identified by their General Index Register (GIR) Number. This was essentially a manual system. The GIR number was unique only within an Assessing Officers Ward / Circle and not through out the country. To overcome these shortcomings, Permanent Account Number (old series) was first introduced in 1972 and made statutory u/s 139A of the Act w.e.f. 1st April, 1976. Blocks of Permanent Account Numbers were allotted to each Commissioner Charge by the Board. The Commissioners made the allotment of Permanent Account Numbers to assesseees under various Assessing Officers in their charge from within the Block allotted to them. Initially the allotment was made manually. Computerised allotment was introduced through 36 computer centres covering the entire country in 1985. However, the PAN under old series failed to meet the desired objectives for following reasons:-

- No database was maintained and there was no check to avoid allotment of multiple PANs to a taxpayer;
- The data captured under the computerised system was not structured and was limited to very few parameters – Name, Address, Status and designation of A.O.;
- The allotment of PAN was not centralised – an assessee could apply for allotment of PAN in different centres and get a distinct PAN from each centre, due to which all India uniqueness could not be achieved. ;

- PAN was not permanent as jurisdiction of the assessee was part of the PAN and, therefore, was prone to changes with the change in jurisdiction;

Permanent Account Number under new series : Since a taxpayer can make payment of taxes or have monetary transaction anywhere in India, a unique all India taxpayer identification Number is essential for linking and processing transactions / documents relating to a taxpayer on computers, as also for data matching. Therefore, a new series of Permanent Account Number was devised which took care of the above limitations. Section 139A of the Act was amended w.e.f. 1.7.95 to enable allotment of PAN under new series to persons residing in areas notified by the Board. Applications for allotment of PAN under new series was made mandatory in Delhi, Mumbai and Chennai w.e.f. 1.6.96, and in rest of the country w.e.f. 11.2.98.

Objectives sought:

PAN was introduced keeping in view the following objectives:-

- i. to facilitate linking of various documents and information, including payment of taxes, assessment, tax demand, arrears etc. relating to an assessee.
- ii. to facilitate easy retrieval of information.
- iii. 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 widening of tax base and detecting and combating tax evasion through non-intrusive means.

Structure of the new series of PAN :

The Permanent Account Number under new series is based on following constant permanent parameters of a taxpayer and uses Phonetic Soundex code algorithm to ensure uniqueness :-

- i. Full name of the taxpayer;
- ii. Date of birth / Date of Incorporation;
- iii. Status;
- iv. Gender in case of individuals; and
- v. Father's name in case of individuals (including in the cases of married ladies)

These five fields are called core fields, without which PAN can not be allotted.

The PAN under the new series is allotted centrally by a customised application system (IPAN / AIS) for all-India uniqueness. The system automatically generates a 10 character PAN using the information in above five core fields. PAN has the following structure:-

Structure of PAN- AAA S A 1234 A

First Three Digit Alphabetic series running from AAA to ZZZ

Fourth Digit Status (I.e. P For Personal, C for Corporate, F for Firm, H for Hindu Undivided Family Etc.)

Fifth Digit First character of assessee's Last Name/ Surname

Next Digit Sequential Number running from 0001 to 9999

Last Digit Alphabetic Check digit

PAN STRUCTURE

The phonetic PAN (PPAN) is a new concept which helps prevent allotment of more than one PAN to assessees with same/ similar names. AIS works out the PPAN based on some important key fields of an assessee using an internal algorithm. At the time of PAN allotment, the PPAN of the assessee is compared with the PPANs of all the assessees to whom PAN has been allotted all over the nation. If a matching PPAN is detected, a warning is given to the user 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.

A unique PAN can be allotted under this system to 17 crore taxpayers under each alphabet under each status (i.e. individual, HUF, Firm, Company, Trusts, Body of Individuals, Association of Persons etc.)

Jurisdiction :

The Permanent Account Number! Card does not by itself indicate jurisdiction, as jurisdiction gets changed frequently and is not a permanent information. However, in the database each PAN is linked to a 10 digit Assessing Officer code indicating the jurisdiction of the taxpayer. This AO code defines the Chief Commissioner Region, the Commissioner's Charge, the Joint Commissioner Range, and the place and designation of

the Assessing Officer(s). Any authorised user of the Income Tax Application systems can, by making a query on any PC on the Income Tax network find out the Assessing Officer for a given PAN.

Who is required to apply for Permanent Account Number : Under Section 139A(1) of the Income-tax Act, 1961 following categories of persons are expected to apply and obtain Permanent Account Number :-

- i. Persons who are already assessed or assessable to Income-tax;
- ii. Persons who are carrying on any business or profession where total sales / turnover / gross receipts are or is likely to exceed Rs. 5,00,000/- in any previous years;
- iii. Trusts;
- iv. Any class or classes of persons by whom tax is payable under the Income-tax Act or any tax or duty is payable under any other law for the time being in force including importers and exporters whether any tax is payable by them or not.

The Assessing Officer can also allot Permanent Account Number to any other person by whom tax is payable. Any other person can also apply to the Assessing Officer for allotment of a Permanent Account Number. All assesseees who had earlier been allotted a Permanent Account Number were expected to apply for Permanent Account Number under new series, so that a structured data base COULD be set up in respect of all persons having Permanent Account Number under new series.

Coverage of PAN :

Permanent Account Number covers individuals, HUF, partnerships, firms, companies, body of individuals, trusts, and all other persons who are assessable to tax and /or come under the purview of Section 139A. PAN under the new series is allotted on the basis of Form 49A filled up by the applicants. Section 139A provides that no person can hold more than one PAN.

Allotment of PAN

Bulk allotment of PAN in batch process through IPAN : PAN can be allotted in batch mode using IPAN system centrally through Computer Centres. It can also be allotted on-line by Assessing Officers using AIS system from their computers on the network. In Batch mode, applications in Form 49A for allotment of PAN are received by the Assessing Officers. After basic verification, these are sent to the Computer Centres where data is entered on computers using the IPAN application system, and is then transferred to the National Computer Centre, Delhi through high speed dedicated leased data circuits.

The National Computer Centre checks the taxpayer database and allots a new PAN if the applicant has not been allotted such a number earlier. The PANs thus allotted are transmitted back to the concerned Computer Centre which prints the allotment letters / PAN Cards and issues the same to the taxpayers. This process is adopted for:-

- i. initial bulk allotment of PAN, and also
- ii. for stations where network is not yet operational.
- iii. PAN allotment during peak periods e.g. at time of due dates for returns.
- iv. PAN allotment when the network link between the AO's building and the Computer Centre, or between the Computer Centre and NCC is not available for any appreciable amount of time.

On-line allotment through AIS :

On-line allotment of PAN by the AOs themselves is made using the AIS application system at stations where network has become functional. Persons applying for PAN have to file applications in Form 49A with their Assessing Officer. The A.O. or his staff enters the details in Form 49A on the computer using the AIS application. As soon as data entered on the A.O.'s computer is transmitted to the National Computer Centre across high speed leased lines, PAN is allotted from NCC, and the number is transmitted back to the A.O.'s computer. The A.O. can then generate the intimation letter on his computer. Thereafter the A.O. must send the PAN application form and photograph of the taxpayer to the Computer Centre for printing and issue of the PAN card to the latter.

Core deficiency cases :

Allotment of PAN is made on the basis of certain constant parameters! details of the person which are permanent and ensure uniqueness. In case any of the five core fields are incorrectly or incompletely filled PAN can not be allotted. In such cases deficiency letters are sent to the applicants for obtaining the deficient information, and only after receipt of replies from the applicants can a PAN be allotted.

Correction / change in PAN data / address etc. : Any modification in core data relating to the name of the taxpayer, father's name, date of birth / incorporation can be made, based on documentary proof, by the Assessing Officer in case the PAN, is in AIS, In cases in IPAN database, such modification can be made by the data base administrator of the Computer Centre. The staff of the Assessing Officer can, however, modify details in other columns including address. The details of a PAN can be verified from any of the PCs on the Income-tax network.

Recording of events:

As the name indicates the number is permanent through out the life of a taxpayer. The system provides for recording of events, such as :-

- i. the death of an individual;
- ii. partition of a Hindu Undivided Family;
- iii. dissolution of a partnership firm;
- iv. Winding up, amalgamation, merger of companies etc.

PAN Cards

All individual taxpayers are issued PAN cards with their Permanent Account Number, name, father's name, date of birth, photograph and signature. All other categories of taxpayers are issued PAN Card without photograph and signature. The photograph and signature of the applicant are scanned stored in the Computer centre. PAN cards are printed and issued from the Computer Centre. Only the permanent details of the persons are printed on the PAN cards. PAN Cards for Individuals contain :-

- i. PAN (with built in status of the assessee and check alphabet)
- ii. Full name
- iii. Full name of father
- iv. Date of birth
- v. Photograph
- vi. Signature

PAN cards for persons other than individuals contain:-

- a. PAN (with built in status of the assessee and check alphabet)
- b. Full Name
- c. Date of Incorporation

In the case of bulk allotment, before a PAN card is printed by the Computer Centres, all the information which is printed on the PAN card, namely, full name, father's name, date of birth/incorporation etc., are checked with reference to the application filed in Form 49A, through a process known "PAN preview".

Address is not printed on the PAN Card as the same can change and is not permanent. Names of partners, directors, members of HUF are not printed on the PAN cards as it is not possible to print a large numbers of names on one PAN card. The partners / directors / members can, however, be issued PAN cards in their individual capacity.

Mandatory quoting of PAN

Under Section 139A (5) (a)/ (b) persons who have been allotted a PAN are required to quote the same on their returns of income, challans for payment of taxes and all correspondence with the Income-tax department.

Under Section 139A (5)(c) the Central Board of Direct Taxes has powers to notify transactions where quoting of PAN would be compulsory. Rule 1 14B specifies the transactions where quoting of PAN is mandatory by the concerned persons.