

## **CORPORATE ADVISORY ALERT – CHANGES IN PAN APPLICABILITY**

### **Introduction**

The Government of India has introduced new regulation related to Permanent Account Number (PAN) in India. PAN is a unique 10-digit alphanumeric identity allotted to each taxpayer by the Income Tax Department in India. It applies to individuals and companies both. The PAN number remains unaffected by change of address throughout India. The summary of this new amendment and its action points have been explained further in this advisory.

### **Permanent Account Number of Foreign Directors in Indian Subsidiary Companies**

Section 139A of the Indian Income Tax Act specifies the list of persons who are required to obtain PAN within the prescribed time limits:

Finance Act, 2018 has recently introduced clause (v) and (vi) to sub-section (1) to Section 139(1) to include the following categories of persons who are also now required to obtain their PAN card.

- a) Every resident, other than individual, which enters into a financial transaction of an amount aggregating to INR 250.000 (EUR 3200) or more in an India financial year (April – March).
- b) Every person who is a **Managing Director, Director**, partner, trustee, author, founder, chief executive officer, principal officer or office bearer of the person referred to in above clause or any person competent to act on behalf of the person referred to in above clause.

This signifies that every person, **whether resident or non-resident** in India, who is a Director in an Indian Company (i.e. resident company) that has financial transaction of INR 250.000 (EUR 3200) or more in an Indian financial year will have to compulsory obtain PAN card.

### **Illustration**

Example: Company in Italy has set up its Private Limited subsidiary in India. The Indian Company has three directors, two of them are Italian residents and one Indian resident. The Indian Company has financial transaction in excess of EUR 3200 in a financial year. Let us also assume that the Italian directors are not working for Indian company and they are not paid any salary from the Indian company.

Then, according to the new provisions in the Act, in addition to the Indian Director, both the Italian Directors are also required to obtain Indian PAN card.

### **Penalty for failure to comply with this provision**

If any person fails to comply with the provisions of obtaining PAN card as stated above, the Assessing Officer may, under section 272B of The Indian Income Tax Act, levy penalty of **INR 10.000 (EUR 125)** for such default.

### **Documents required for PAN application**

The following documents are required to be submitted by Foreign Directors for application of PAN Card:

- Completed and signed PAN Application Form
- Apostilled copy of identity proof (like passport)
- Apostilled copy of residence proof

### **How can Octagona assist?**

Octagona can assist in complying with the above-mentioned new requirements for a fees of **INR 5.000 + GST (per application)**. The fees shall be chargeable through an invoice after completion of the task. For any doubts, please feel free to contact the following:

| Name & Designation                               | E-mail Id  | Contact Number   |
|--|--|------------------|
| Mr. Ajay Chaurasia (Chartered Accountant)        | <a href="mailto:a.chaurasia@octagona.com">a.chaurasia@octagona.com</a> | +91 11 4152 5077 |
| Mr. Upender Kumar (Assistant Manager - Accounts) | <a href="mailto:u.kumar@octagona.com">u.kumar@octagona.com</a>         |                  |
| Ms. Pooja Chaurasia (Accounts Executive)         | <a href="mailto:p.chaurasia@octagona.com">p.chaurasia@octagona.com</a> |                  |

\*\*\*\*\*