



# **ADVISORY 2025 (JULY)**

## **MANDATORY PAN REQUIREMENTS FOR INVESTING COMPANIES**

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### **1. Introduction**

The Government of India has recently started asking for the Permanent Account Number (PAN) of Foreign Companies that are investing into their Indian subsidiaries. Permanent Account Number is a tax identification number allotted to every taxpayer in India whether resident individual, foreign individual, local corporate or foreign corporate. Needless to say, only those individuals/companies need to obtain a PAN that have any source of income or investment in India.

Previously, the foreign investors in Indian subsidiaries were not required to have a PAN in India. However, this has changed now. The summary of the change and its action points has been explained further as below:

### **2. Permanent Account Number of foreign companies investing in India**

Section 139A of the Indian Income Tax Act specifies the list of persons/companies who are required to obtain Permanent Account Number within the prescribed time limits. Further, Section 139A mandates that every person/company shall quote PAN in all documents pertaining to such transactions as may be prescribed by the Income Tax Department.

Rule 114B has prescribed such transactions, accordingly PAN is required in following cases:

- in case of Payment to a company or an institution for acquiring debentures or

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## **Octagona India Private Limited**

411, DLF Tower B, Jasola District, New Delhi, 110076 India **Phone** +91 11 41525077

**E-mail** india@octagona.com **CIN** U74140DL2007PTC172026

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bonds issued by it where amount exceeds INR 50.000 (Euro 525)

- in case of Sale or Purchase, by any person/company, of shares of a company not listed in a recognized stock exchange where amount exceeds INR 100.000 (Euro 1050).

Accordingly, when a foreign company invests in shares of an Indian Company and investment amount exceeds **INR 100.000 (Euro 1050)** a PAN is mandatory. In case of debentures this monetary limit is **INR 50.000 (Euro 525)**.

### **3. Practical difficulties in filing SFT (Rule 114E & Form 61A)**

As per rule 114E of the Income Tax rules, an Indian company is required to file a Statement of Financial Transaction (SFT) in Form 61A on or before 31st of May immediately following the financial year.

A new reporting portal by the Income Tax Department has been designated to ensure these filings under this provision. In case of Company, SFT filing would be applicable in case of following transactions:

- 1. A company issuing bonds or debentures.** Receipt from any person/company of an amount aggregating to INR 1 million (Euro 10525) or more in a financial year for acquiring bonds or debentures issued by the company.
- 2. A company issuing shares.** Receipt from any person/company of an amount aggregating to INR 1 million (Euro 10525) or more in a financial year for acquiring shares (including share application money) issued by the company.

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One of the primary requirements to file SFT is to mention PAN of the investor. In case there is no PAN, there will be validation error of the form & the compliance shall not be completed.

#### **4. Requirement of PAN on Exit or Transfer of Shares or Securities**

Suppose a foreign company has acquired shares of Indian Company, then on exit or transfer of shares it is required to compute Short Term or Long-Term Capital Gain. Accordingly, it will be required to pay its tax liability & file ITR in India. Hence even if Foreign Company didn't apply PAN initially, PAN will be required at later-stage.

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

If a person/company fails to comply with the provisions of section 139A (i.e does not have a PAN), the Income Tax Assessing Officer may direct that such person/company to pay, by way of penalty, a sum of INR 10000 (Euro 105).

The penalty for filing SFT Form 61A is INR 500 (Euro 5) per day of delay, in case if Form 61A is not filed later within time allowed under notice, penalty will be INR 1000/day (Euro 11). Also, inaccurate filing may attract a penalty of INR 50000 (Euro 525) here.

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## 6. How can Octagona assist?

Octagona can assist in obtaining a PAN to comply with the above requirement for a fees of **INR 20.000 + GST** (Euro 210 + GST). The fees shall be chargeable through an invoice after completion of the task. The fees does not include any apostilisation charges in the home country, courier fees or any other incidentals. For any doubts, please feel free to contact the following:

Name & Designation	E-mail Id
Mr. Ajay Chaurasia (Head – Taxation and Accounts)	<a href="mailto:a.chaurasia@octagona.com">a.chaurasia@octagona.com</a>
Mr. Upender Kumar (Senior Manager – Taxation and Accounts)	<a href="mailto:u.kumar@octagona.com">u.kumar@octagona.com</a>

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YOUR HORIZON**

 [india@octagona.com](mailto:india@octagona.com)

 [www.octagona.co](http://www.octagona.co)

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