

OPTIMETZ ADVISORY PRIVATE LIMITED

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Tax update

CBDT has issued Notification dated 30/12/2015, amending Rules 114B, 114C, 114D, 114E. Important areas of amendment affecting businessmen in normal day to day transactions are as below:

1. Quoting of PAN in documents (Rule 114B):

- (a) In case of all purchase and sale transactions where value of each transaction exceeds 2 lacs, PAN has to be quoted on the invoice.
- (b) PAN of both buyer and seller has to be recorded on the face of the invoice.
- (c) The requirement to quote PAN applies irrespective of the mode of payment. i.e. even if the consideration is received in cheque/banking channels PAN has to be recorded.
- (d) Where PAN is not available, declaration in Form 60 has to be collected. The format of Form 60 has also been amended.
- (e) The above requirements of quoting PAN apply to all - irrespective of the turnover and applicability of tax audit.

2. Verification of PAN (Rule 114C):

- (a) It is the seller's duty to ensure that the PAN of both seller and buyer is mentioned in the invoice and that the PANs mentioned are correct.
- (b) Verification of PAN can be done by collecting self attested copy of the PAN of the buyer.
- (c) Where the buyer does not furnish a PAN and instead furnishes a declaration in Form 60 the seller has to ensure that the Form has been duly furnished with complete particulars.
- (d) In case where pre-printed stationery is used for generation of invoices, it would be advisable to include the PAN of the seller as part of the pre-printed stationery. Those using software for generation of invoices should in addition to TIN/Service Tax number etc... add a field for quoting their PAN on all invoices.

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3. Furnishing of Form 60 to Income tax department (Rule 114C):

- (a) Where any buyer has instead of quoting his/her PAN has furnished a declaration in Form 60, the buyer shall submit a statement in Form 61 containing particulars of such declaration to the Income Tax department
- (b) Form No. 60 has to be retained by the seller for a period of six years from the end of the financial year in which the transaction was undertaken.
- (c) The filing of Form 61 shall be done electronically.
- (d) Those assesseees who are not required to get their accounts audited under section 44AB of the Act are exempted from filing of Form 61.
- (e) The exemption is only from filing of Form 61 and not from collecting & recording PAN of buyers or declaration in Form 60.

The above requirements in Rule 114A, 114B and 114C have come into force from 1st Jan 2016.

4. Furnishing of statement of financial transaction (Rule 114E):

- (a) Annual receipt of cash payments exceeding two lakh rupees for sale of goods or services have to be reported to the income tax department in Form 61A.
- (b) For this rule the threshold of 2 lacs is per annum and not per transaction. i.e. if the annual cash receipts exceed 2 lacs even though the individual transactions do not cross 2 lacs, the same will have to be reported in Form 61A.
- (c) If multiple accounts of the same person are maintained with the buyer or if transactions are accounted in the name of more than one person (eg: the invoices are split in the name of husband and wife) aggregate value of all transactions in such accounts will have to be considered.
- (d) This amended Rule 114E comes into force from 1st Apr 2016 and not from 1st Jan 2016
- (e) It applies only to those who are liable for audit under section 44AB of the Act.

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Summary:

Sl No	Transaction Value		Mode of payment	Tax audit applicable?	Compliance	
	Per transaction	Annual transaction			Quote PAN or collect Form 60 (w.e.f. 01.01.2016)	E-File Form 61A (w.e.f. 01.04.2016)
1	Less than 2 Lacs	Less than 2 lacs	Cash / Bank	Yes/No	No	No
2	Less than 2 Lacs	More than 2 Lacs	Bank	Yes/No	No	No
3	Less than 2 lacs	More than 2 Lacs	Cash	No	No	No
4	Less than 2 lacs	More than 2 Lacs	Cash	Yes	No	Yes
5	More than 2 Lacs	More than 2 Lacs	Cash	Yes	Yes*	Yes
6	More than 2 Lacs	More than 2 Lacs	Cash	No	Yes	No
7	More than 2 Lacs	More than 2 Lacs	Bank	Yes/No	Yes*	No

***Also E-file Form 61 if the buyer has given Form 60 instead of quoting PAN.**