

F.No. 275/04/2024-IT(B)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, the 21st July, 2025

Subject: Partial Modification of Circular No. 3 of 2023 dated 28.03.2023 regarding consequences of PAN becoming inoperative as per Rule 114AAA of the Income-tax Rules, 1962 – reg.

The Central Board of Direct Taxes (hereinafter 'the Board') vide Circular No. 03 of 2023 dated 28th March, 2023 had specified that the consequences of PAN becoming inoperative as per Rule 114AAA of the Income-tax Rules, 1962 shall take effect from 1st July, 2023 and continue till the PAN becomes operative. Further, Circular No. 06 of 2024 dated 23.04.2024 issued by the Board, provided relief to deductors/collectors from the applicability of higher TDS/TCS rates under section 206AA/206CC of the Income-tax Act, 1961 (hereinafter 'the Act') for transactions entered into upto 31.03.2024, where the PAN becomes operative (as a result of linkage with Aadhaar) on or before 31.05.2024.

2. Several grievances have been received from the taxpayers that they are in receipt of notices intimating that they have committed default of 'short-deduction/collection' of TDS/TCS while carrying out the transactions where the PANs of the deductees/collectees were inoperative. In such cases, as the deduction/collection has not been made at a higher rate, demands have been raised by the Department against the deductors/collectors while processing of TDS/TCS statements under section 200A or under section 206CB of the Act, as the case maybe.

3. With a view to redressing the grievances faced by such deductors/collectors, the Board, in partial modification and in continuation of the Circular No. 3 of 2023, hereby specifies that there shall be no liability on the deductor/collector to deduct/collect the tax under section 206AA/206CC of the Act, as the case maybe, in the following cases:

- i. Where the amount is paid or credited from 01.04.2024 to 31.07.2025 and the PAN is made operative (as a result of linkage with Aadhaar) on or before 30.09.2025.
- ii. Where the amount is paid or credited on or after 01.08.2025 and the PAN is made operative (as a result of linkage with Aadhaar) within two months from the end of the month in which the amount is paid or credited.

4. In the above-mentioned cases, the deduction/ collection as mandated in other provisions of Chapter XVII-B or Chapter XVII-BB of the Act shall be applicable.

5. Hindi version to follow.

(Rubal Singh)

Deputy Secretary to the Government of India

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Copy to:-

1. The Chairman, CBDT & all Members, CBDT
2. All Pr. CCsIT, CCsIT/Pr. DGIT/DGsIT
3. All Joint Secretaries/CsIT, CBDT
4. Pr. Commissioner of Income-tax (Media & TP) and official Spokesperson, CBDT, New Delhi
5. CIT, (CPC-TDS)
6. ADG (PR,P&P) for necessary action
7. JCIT, Database Cell, with a request to upload the order on the website www.irsofficersonline.gov.in
8. Web Manager, O/o DGIT(Systems) with a request to upload the order on the website of www.incometaxindia.gov.in
9. The Institute of Chartered Accountants of India, IP Estate, New Delhi
10. All Chambers of Commerce
11. The Guard File

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