

GMS Flash Alert

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India – Foreign Nationals, Nonresidents Exempt from Mandatory Quoting of Aadhaar Number

India's Finance Act, 2017 introduced mandatory quoting of an Aadhaar number¹/Enrolment ID² by individuals when filing their income tax returns and making applications for allotment of the Permanent Account Number (PAN) with effect from 1 July 2017. Existing PAN holders also must link their PAN with their Aadhaar number to keep it active.

WHY THIS MATTERS

Foreign nationals and nonresidents who have a tax filing obligation in India do not have to comply with this new requirement, which is effective from 1 July 2017. This is likely to ease their compliance burden in India as they could have faced practical difficulties in enrolling for an Aadhaar number under the prescribed process.

However, Indian-resident taxpayers will have an additional compliance requirement as they will have the obligation to quote their Aadhaar number/Enrolment ID when they file their income tax returns and for the allotment of a PAN effective from 1 July 2017. Existing PAN holders will need to make sure that their Aadhaar number is linked to their PAN; failing this, the PAN would become invalid.

Background

Continuing with the slew of measures taken by India's government in the recent past around curbing tax evasion and fostering greater tax compliance, the Finance Act 2017 made it mandatory to quote an Aadhaar number/Enrolment ID in

the PAN application and income tax return with effect from 1 July 2017. As noted above, existing PAN holders also have to link their PAN with their Aadhaar number to keep it active.

Only Resident Individuals

A Press Release dated 5 April 2017³ issued by India's Central Board of Direct Taxes (CBDT) clarified that mandatory quoting of an Aadhaar number/Enrolment ID shall apply only to a person who is eligible to obtain an Aadhaar number as per the Aadhaar Act.

According to the Aadhaar Act, only a resident individual is entitled to obtain an Aadhaar number. "Resident individual" means an individual who has resided in India for a period or periods amounting in all to 182 days or more in the 12 months immediately preceding the date of application for enrolment.

Linking Aadhaar Number with PAN

Recently, India's government issued a press release⁴ specifying the steps for seamless linking of an Aadhaar number with existing PAN.

Exclusions for Certain Individuals

The central government, furthermore, has issued a notification⁵ stating that the new requirement shall not apply to an individual who does not possess an Aadhaar number or the Enrolment ID and is:

- residing in the states of Assam, or Jammu and Kashmir, or Meghalaya; or
- a nonresident as per the Income-tax Act, 1961; or
- of the age of 80 years or more at any time during the relevant financial year; or
- not a citizen of India.

The notification shall be effective from 1 July 2017.

KPMG NOTE

The exclusion of foreign nationals and nonresidents under the Income-tax Act from mandatory quoting of an Aadhaar number is a welcome step for expatriate employees and Indians working/settled abroad who have a tax filing obligation in India.

It is also pertinent to note that quoting of an Aadhaar number is not required in income tax returns that are filed up to 30 June 2017 by Indian-resident taxpayers.

FOOTNOTES:

1 An Aadhaar number is a 12-digit individual identification number issued by the government of India to an individual under *Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016* (the “Aadhaar Act”). The number serves as a proof of identity and address, anywhere in India. For additional information on the website of the Unique Identification Authority of India, [click here](#).

2 Enrolment ID means a 28-digit Enrolment Identification Number issued to a resident at the time of enrolment for an Aadhaar number.

3 Press release: “Mandatory Quoting of Aadhaar for PAN Applications & Filing Return of Income,” from the Ministry of Finance, Department of Revenue - Central Board of Direct Taxes (5 April 2017) on the Income Tax Department [website](#).

4 Press release: “Income Tax Department simplifies linking PAN with Aadhaar,” from the Ministry of Finance, Department of Revenue - Central Board of Direct Taxes (11 May 2017) on the Income Tax Department [website](#).

5 Notification No. 37/2017, dated 11 May 2017 issued by the Ministry of Finance.

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