

PUBLIC ACCOUNTS COMMITTEE
(2003-2004)

(THIRTEENTH LOK SABHA)

FIFTY-FIRST REPORT

ALLOTMENT OF PAN

MINISTRY OF FINANCE

Presented to Lok Sabha on : 08 Aug, 2003
Laid in Rajya Sabha on : 19 Aug, 2003

LOK SABHA SECRETARIAT
NEW DELHI

August 2003/ Sravana 1925(Saka)

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**PUBLIC ACCOUNTS COMMITTEE
(2003 - 2004)**

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*Shri Haribhai Chaudhary, MP resigned w.e.f. 9th May, 2003 and re-elected w.e.f. 30th July, 2003.

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INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee, do present on their behalf, this Fifty-first Report (13th Lok Sabha) on “Allotment of PAN” based on para 2.5 of the Comptroller and Auditor General Report No.12 of 2002.

2. The C&AG Report No.12 of 2002 for the year ended March,2001 Union Government (Civil) was laid on the Table of the House on 15th March, 2002.

3. The Committee (2002-2003) took oral evidence of the representatives of the Ministry of Finance at their sitting held on 23rd October, 2002. The Committee (2003-2004) considered and finalised this report at their sitting held on 29th July, 2003. Minutes of the sitting form Part-II of the Report.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Annexures to the Report.

5. The Committee would like to express their thanks to the officers of the Ministry of Finance for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
29 July, 2003
7 Sravana, 1925 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee

REPORT

The taxpayers are allowed to pay tax or have monetary transactions anywhere in India under the Income Tax Act. However, an identification number was considered essential by the Income Tax Department for linking and processing transactions of taxpayers and for data-matching on computers throughout the country. In other words, PAN (Permanent Account Number) was conceived as a unique All India Tax Payer Identification Number for computerization of Income Tax Department. Therefore, a new series of PAN was introduced by amending Section 139 A of the Income Tax Act w.e.f. 1 July, 1995*.

PAN was designed to facilitate:-

- (a) Linking of various documents and information, including payment of taxes, assessment particulars, tax demand, tax arrears etc. of an assessee on system;
- (b) Easy retrieval of information; and
- (c) Computerised matching of information relating to investment, loans and other business transactions of tax payers collected, for widening of tax base and combating tax evasion through non-intrusive means.

2. Audit Appraisal

2.1 This Report is based on paragraph 2.5 of the Report of Comptroller & Auditor General of India for the year ended March, 2001 (No.12 of 2002), Union Government (Revenue Receipts – Direct Taxes) related to “PAN Applications”*,

* Relevant provisions of Rule 139 of Income Tax Act & Rules are placed as Annexure-I

* For the text of audit paragraph 2.5, please see C&AG Report No.12 of 2002, P.19-20. (Presented to Parliament on 15th March, 2002)

the examination of the representatives of the Ministry of Finance, Department of Revenue (Central Board of Direct Taxes – CBDT) by the Committee at their sitting held on 23 October, 2002 and the examination of written replies obtained from the Department.

2.2 In order to expand the tax base and retrieve information early, the Government considered it necessary to allot the PAN at the earliest to the persons, who had applied for the same. However, an appraisal of the PAN Scheme undertaken by the Audit revealed that the allotment of PAN was not given adequate priority. The audit referred to the following status of PAN applications at the time of their review:

Applications pending on 1.4.2000	Applications received during the year	Total Applications	PAN allotted during the year	Balance
23,56,052	17,27,875	40,83,927	23,00,218	17,83,709

2.3 The Audit stated that PANs were not allotted in respect of all applications pending at the beginning of the year as out of 40.84 lakh applications, PANs were allotted in respect of 23 lakh (56.32 per cent) applications only.

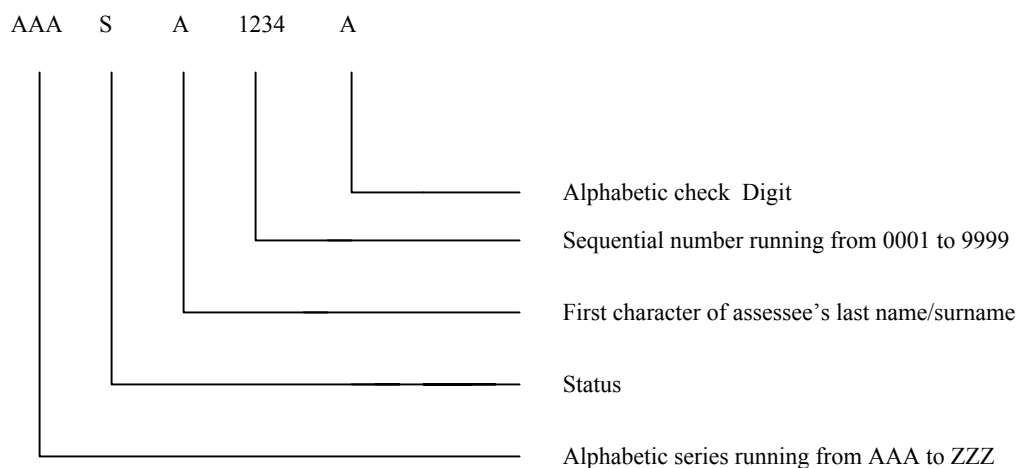
2.4 In their Action Taken Note furnished to the Committee, the Ministry however, did not agree with the facts and figures included in the audit paragraph on the grounds that the figure of pendency shown in the paragraph included 14,08,924 (as on April 1, 2000) cases with core-deficiency and duplicate PAN applications. According to the Ministry, in all such cases, PAN could not be allotted.

3. STRUCTURE OF PAN

3.1 In a written note, the Ministry of Finance informed the Public Accounts Committee that PAN was generated using five parameters identifying a specific individual viz:-

- Full name
- Date of Birth/incorporation
- Status
- Gender in case of individual
- Father's name in case of individuals (including married ladies)

3.2 These five fields, referred to as 'core fields' were considered essential without which PAN could not be allotted. The Ministry used phonetic/soundex algorithm to ensure uniqueness. PANs were allotted centrally by using customized software for all-India uniqueness that generated a 10 character number on the basis of the information of the five core-fields of the person in the following structure:



3.3 The Committee were informed by the Ministry that the phonetic PAN (PPAN) generated by the software was capable of preventing allotment of more than one PAN to applicants with same/similar sounding names. The software worked out the PPAN based on an internal algorithm. At the time of allotment of

PAN, the PPAN of the applicant was compared with the PANs of all the existing allottees in the national database. In case a matching PPAN was detected, PAN was not allotted and a warning was given to the Assessing Officer (A.O). In such cases, a new PAN was allotted only if the A.O. overrided the duplicate PPAN detection. The Committee were also informed that Section 139A of the Income Tax Act provided that no person could hold more than one PAN.

3.4 During the oral evidence when asked that the applicants were not informed about the fact that their applications would not be considered lest they mention the five core-fields, the Secretary (Revenue) informed that the Department's helplines and enquiry counters were set up precisely to educate the assesseees about being careful in filling these particulars in their application forms as well as to inform them about discrepancies/inadequacies, if any, in the application form.

3.5 Another suggestion of the Committee was that a more foolproof software could be used by the Ministry in processing PAN applications so that irrespective of matching/mismatching of five core-fields, the assessing officers were not able to provide any duplicate PAN cards.

On this issue, one of the Members of the Committee observed:-

“.....It is a common experience that those who have been indulging in large scale evasion has been using this PAN card itself through duplication and all such things. There is a large number of PAN cards of the same families, of the same individuals inspite of the five core-fields with the father's name, gender, date of birth and the name itself.....There should be more foolproof software where there is no scope left for the assessing officers so that inspite of these five core-fields mismatching or matching, the assessing officers have no opportunity at all to provide any duplicate PAN Card.....”

3.6 Some Members of the Committee suggested extension of five corefields to seven corefields to include other names/factors identifying a particular assessee, for example, father's name/wife's name/first son's name/marriage anniversary etc. as one Member observed, inter alia:-

“...If you extend five fields to seven or nine core-fields, it is never impossible for the software to go to that level and it will match the situation better and compliance will remove any such possibility of misuse.”

3.7 The Secretary, Revenue admitted that the points raised were valid and said that some additional names can be considered for including in the core-fields so that chances of misuse become zero. He assured the Committee that those would be discussed with the software consultants in order to ensure that the software does not permit duplication in the system.

4. Allotment of PAN – Procedural aspects

Persons required to apply for PAN

4.1 The Ministry informed the Committee in a written note that under Section 139 A (I) of the Act, following persons were required to apply for allotment of PAN in Form No.49 A :-

- (a) Persons, including individuals, HUF, partnership Firms, Companies and Body of individuals, who were already assessed or assessable to income tax;
- (b) Persons who are carrying on any business or profession where annual total sales/turnover/receipts were or were likely to exceed Rs.5,00,000/-;
- (c) All trusts; and
- (d) Any class or classes of persons by whom tax was payable under the Act or any tax or duty was payable under any law for the time being

in force including importers and exporters notified by the Central Government.

4.1.1 As per the Ministry, PAN was allotted mainly on the basis of applications in Form 49A in which the assessee was required to fill information on five corefields. PAN was not allotted in cases where information in respect of any of the five corefields was not provided or was found to be defective. In such cases of corefield deficiency, letters were sent to the applicants by the Ministry for the missing information and PAN was allotted, once the requisite information was received.

Procedure at stations on the network*

4.1.2 The Ministry informed that at their field stations linked on the computer network, the data was entered by the A.Os from their terminals using AIS software, which was transferred later to the National Computer Centre (NCC) through leased data circuits. In these circuits, the systems checked the database and allotted a new PAN if it found that the applicant had not been allotted a PAN earlier. The PAN allotted was then communicated to the A.O. on line, after which intimation letters were issued to the allottees. Thereafter, Forms 49A were sent by the A.O. for the lamination and dispatch of PAN cards.

Procedure at stations yet to be brought on the network

4.1.3 As per the Ministry, at the field stations yet to be brought on computer network, the procedure for allotment of PAN was as follows:-

“The A.Os sent Forms 49A to the computer centers after completing basic verification about the genuineness of the applicant from the assessment

* *Detailed work flow for allotment of PAN is placed at Annexure-I

records and ensuring about accuracy of the data. After data entry by the computer centre and its subsequent transfer to the NCC, the system checked the database and a new PAN was allotted. The PANs allotted in batch mode were then transmitted to the computer centre which printed the allotment letters/PAN cards and issued the same to the allottees.

The Ministry further informed that all PAN cards contained the PAN of individual allottee, his name, father's name, date of birth, photograph and signature. The photograph and signature of the applicant were scanned and stored in the Computer Centre. PAN cards were printed and issued from the Computer Centre. The Ministry also stated that before PAN cards were printed at the Computer Centre, the information to be printed on the card, was required to be checked with reference to Form 49 A through "PAN Review". The representative of the Ministry also assured the Committee during evidence that across-the-counter checking would be introduced in all places.

5. **MANDATORY QUOTING OF PAN**

5.1 The Ministry informed the Committee in a written note that under Section 139 A (5)(a)/(b) of the Income Tax Act, 1961, persons, who were allotted PAN, were required to quote it on their returns of income, challans for payments of taxes and correspondence with the Department. Section 139A (5)(c) and Rule 114 B also made it mandatory for every person to quote his PAN in all documents pertaining to following transactions:-

1. Sale or purchase of any immovable property valued at Rupees five lakh or more;
2. Sale or purchase of a motor vehicle, which requires registration by a registering authority;

3. A time deposit, exceeding fifty thousand rupees, with a banking company;
4. A deposit, exceeding fifty thousand rupees, in any account with a Post Office Saving Bank;
5. A contract of a value exceeding ten lakh rupees, for sale or purchase of securities;
6. Opening an account with a banking company;
7. Making an application for installation of a telephone connection;
8. Payment to hotels and restaurants of amount exceeding twenty five thousand rupees;
9. Payment in cash for purchase of bank drafts/pay orders/banker's cheques from a banking company for an amount aggregating fifty thousand rupees or more during any one day;
10. Deposit in cash aggregating fifty thousand rupees or more, with a banking company during any one day; and
11. Payment in cash in connection with travel to any foreign country of an amount exceeding twenty five thousand rupees at any one time.

5.2 During the oral evidence of the representatives of the Ministry of Finance (CBDT), the Committee observed that although the transactions for which quoting PAN had been made mandatory, were thought to be undertaken by the individuals belonging to higher income group, yet those were mostly affecting the middle income group. To cite a few examples, the Committee observed that in U.P. and several other states, the payments to farmers and school teachers were routed through Banks. In such a situation, the individual, who wish to receive payments, was bound to be inconvenienced since he was supposed to have a bank account for which quoting of PAN was made mandatory under the I.T. Act. The Committee observed that till the allotment of PAN was completed, the quoting of PAN should not have been made mandatory at least for such simple financial transactions as opening a bank account. The representative of the Ministry clarified that persons

who had applied for PAN but had not been allotted it could quote their existing General Index Number[⊗] (GIN) or in the absence of GIN, could file a declaration with the other party in the transaction.

During evidence, the Revenue Secretary further recorded **inter alia**:-

“.....the fact remains that a lot of improvement is required in the whole system of PAN. The time taken, the requirement of information for the corefield as also the harassment or the unnecessary requirement are many of the examples. You have pointed out about a worker or a farmer, who is otherwise not concerned with Income Tax but he has to get it. Now, all these points have come up. The Task Force^{*3} is already on simplification of the entire tax administration system. This is very much a key area of tax administration.We will put up these very suggestions specifically to the Task Force so that we could come up with some concrete answers and concrete measures to make the kinds of difficult situations easy”.

5.3 Subsequently to their examination of the subject, the Union Minister of Finance and Company Affairs sought to address the problem. While presenting the General Budget 2003-2004 on 28th February, 2002, he stated in Lok Sabha as follows[‡]:-

“.....In the area of tax administration, Government has initiated a whole basket of reforms, mainly on the basis of the recommendations of the Kelkar Committee. Some of the principal ones are:-

(a) Outsourcing of non-core activities of Income Tax Department, namely allotment of PAN and creation of data bank of high value transactions through tax information network.....”

6. **Delays in allotment of PAN**

6.1 The Committee were aware of the fact that one of the most common complaints, by the assesseees regarding PAN was delay in its allotment. During the oral evidence, one Member observed as follows:-

[⊗] See Rule 139(A) (5) in Annexure II

^{*3} The Task Force, headed by Dr. Vijay Kelkar, submitted its report on October 27, 2002

[‡] See Speech of Jaswant Singh, Minister of Finance and Company Affairs, February 28, 2003, P.27

“The PAN system was started way back in 1995. Seven long years should have been enough for the Department to pick up the proficiency. We fail to understand why you are lagging behind.....”

6.2 When so enquired by the Committee, the Ministry informed that the delays were mainly attributable to the following facts:

1. A large number of applications were with core-field deficiencies. Moreover, the response of applicants in removing the deficiencies was not always prompt;
2. The process of receipt of PAN applications in the Offices not on network, their verification and forwarding to Computer Centres took time;
3. Data entry, scanning of signature/photograph and transmission of data from Regional computer Centres to National Computer Centre required sufficient time;
4. Quality of network links was unsatisfactory;
5. There was sudden rush of applications during peak periods e.g. at the time of due dates for filing of returns;
6. There was shortage of manpower in the organizational units handling the job; and
7. Printing of letters/PAN cards and their dispatch also needed time.

6.3 The Chairman, CBDT further deposed during the oral evidence as follows:-

“Initially the problem arose because PAN used to be sent through post or through courier.....”

6.4 He further stated:-

“More often the applications are not submitted by the person concerned. They are submitted through their peons or other staff. Naturally it takes time, particularly in a non-network centre. There, checking the PAN takes time. If it is an existing tax-payer, then we will refer it to the assessment records and we do correct them. But in case of a person who is not an existing tax payer we have to write back to him.”

6.5 The Ministry also informed the Committee that the tax base was increasing at an average rate of over 20% per annum and that over 25 lakh new taxpayers were being added annually. As the trend was likely to continue over the next few years, a small percentage of total applications would always be under processing at any given time.

6.6 Elaborating further the point relating to core-deficiencies as one of the principal reasons for the delay, the Ministry informed the Committee in a written note that the system of allotment of unique PAN envisaged that information on core-fields had to be necessarily entered before PAN could be allotted. In cases where information in respect of any of the 5 core-fields was not given, PAN could not be allotted till the deficiency was rectified by the applicant. The Ministry further stated that on 1 April, 2000, the opening pendency was 23,56,052 which included 14,08,924 core-deficiency cases. Also, the figure of closing pendency of 17,83,709 as on 31 March, 2001 included 13,84,272 cases of core-field deficiency. If these defective applications were excluded, the actual pendency as on 31.3.2001, according to the Ministry, worked out to 3,99,437 cases. The Ministry stated that the percentage of allotment of PAN to valid applications worked out to be around 85.20 percent. The Ministry provided the following position to the Committee regarding allotment of PAN during the period 1999 - 2002:

Financial Year	Applications pending at the beginning of the year	Applications received during the year	Core-head deficiency cases including duplicate PAN	Net figure of application for allotment (Col.2+3-4)	PAN allotted during the year	Total pendency (Col.2+3-6)	Net pendency at the end of year (Col.2+3-4-6)
1.	2.	3.	4.	5.	6.	7.	8.
1999-00	5,856,456	1,566,577	1,408,924	6,014,109	5,066,981	2,356,052	947,128
2000-01	2,356,052	1,727,875	1,384,272	2,699,655	2,300,218	1,783,709	399,437
2001-02	1,783,709	2,847,610	1,302,795	3,328,524	2,678,764	1,952,555	649,760

6.7 During the discussion on the delay in allotment of PANs, the Revenue Secretary deposed as follows:-

“.....it is high time that by now it (PAN system) should have been refined adequately to see that such glitches do not take place on a day-to-day basis.....”

6.8 As the Committee desired to know the efforts of the Government to speed up the PAN allotment, the Ministry informed that the following major steps were taken by them to ensure timely issue of PAN:-

1. Work of allotment of PAN was included in the Annual Action Plan on Computerisation;
2. Instructions were issued to ensure allotment of PAN in all non-deficiency cases in 10 working days. Range Joint Commissioners and Commissioners were made responsible for ensuring prompt allotment of PAN;
3. Monthly monitoring of PAN allotment was introduced;
4. On-line allotment of PAN was taken up at 60 stations on the Network;
5. Efforts were initiated to expand the network to the remaining 418 cities to enable on-line allotment of PAN to applicants in these cities;
6. Grievance Redressal fortnights were organized in all computer centers;
7. Publicity campaign was launched to educate tax payers about filing form 49A; and
8. In core-field deficiency cases, letters were sent to applicants for removal of deficiencies.

6.9 During evidence, the Chairman, CBDT stated as follows:-

“The next point is about allotment of PAN within ten days. The instruction has gone recently because we have to clear the backlog. For that, we have set a deadline of 30th November.After that we hope to ensure that PAN is allotted within 10 days.....”

6.10 Taking cognizance of the Ministry's instructions to the CBDT to ensure allotment of PAN in all non-deficiency cases in 10 working days, the Committee later enquired to know the percentage of PANs allotted within 10 days. However, the Ministry could not furnish the information on the plea that such data co-relating the date of receipt of application in form 49A and date of allotment of PAN was not being maintained by them. When enquired further, the Ministry could not explain as to how the allotment of PAN within 10 working days was being monitored in the absence of such information.

7. **Duplicate PANs**

During the oral evidence of the Ministry, the Committee expressed concern over the allotment of duplicate PANs. Citing reasons for the filing of duplicate PAN applications, the Ministry stated that in most of the cases, duplicate PAN applications were filed where for some reasons, the applicant had not received the PAN allotted on the basis of his original application or where he had changed his residence to a different city. The Ministry also expressed agreement with the Committee's view that filing of duplicate PAN could be indicative of a deliberate attempt by the assessee to avoid tax liability. However, the Ministry argued that the PAN software had the capability to identify such duplicate PAN applications where information in respect of all core-fields i.e. Name, Father's name, date of birth, gender and status were identical to those of an existing allottee. However, the Ministry also conceded that the AO had the privilege to allot a PAN after due verification even if the core-fields of an applicant were the same as of an existing allottee or in case there was variation in the sequence of various parts of the name of the applicant or his father's name.

8. Photographs for PAN Cards

8.1 Keeping in view the emphasis on a black and white photograph of the assessee for the PAN card, the Committee desired to know the reasons for the same when the practice was almost outdated. They were of the opinion that provision should have been made beforehand to scan and use colour photographs in PAN cards. The Ministry of Finance, in a written note, informed that colour photographs required higher investment in scanning, printing and storage equipments. In addition, those required much large disk space for storage. Besides, it also added to the cost of compliance for a taxpayer for supplying colour photograph. The Ministry further informed the Committee that availability of colour photograph on a PAN card did not increase any functional utility of the card, therefore, the Department used black-and-white photograph. However, it was informed that in case an assessee submitted a colour photo, the same was accepted and printed on the PAN card as a black-and-white photo.

9. Redressal of Grievances regarding PAN

9.1 The Committee observed that allotment of duplicate PANs, non-receipt of PAN etc. were some of the commonest grievances/complaints of the assessees.

On enquiry, the Ministry stated as follows:

- | | | |
|----|---|---|
| 1. | No. of grievances, complaints relating to non-receipt of PAN, allotment of duplicate PANs, received during the last two Financial Years | F.Y. 119,626
2000-01
F.Y. 166,92
2001-02 |
| 2. | No. of grievances/complaints out of
(i) above redressed till date(as on October, 2002) | 269593 |

9.2 The Ministry further informed the Committee that following steps were taken for redressal of the grievances regarding PAN:

1. Opening of PAN helpline and enquiry counters in various Computer Centres;
2. Circulation of CDs containing PAN Directory to A.O.s for on-line query of PAN;
3. Extensive publicity through newspapers and Income Tax Bar Associations and Chambers etc. informing assesseees to approach Computer Centres in cases of any grievance relating to PAN;
4. Handling grievances coming through e-mail;
5. Immediate allotment of PAN to Export and Import cases;
6. Dispatch of PAN cards through courier services for confirmed delivery;
7. Displaying the list of core-deficiency cases on the website for 3 months (by few centers); and
8. Placing of boxes to drop PAN grievance/complaints.

9.3 On being enquired about the response of the public to PAN grievance redressal fortnights organized throughout the country from April to June, 2002, the Ministry informed as follows:

“A” – Relating to allotment of PAN		
1.	Total No. of applications received for allotment of PAN during the fortnight	345,880
2.	No. out of (1) above to whom PAN had been allotted earlier	45,504
3.	No. out of (1) above to whom PAN was allotted during the fortnight	219,835
4.	No. out of (1) to whom PAN could not be allotted during the fortnight	80,541
“B” – Relating to issue of PAN cards		
1.	No. of applications received during the grievance fortnight for issue of PAN Cards	120,475
2.	No. out of (1) above to whom PAN cards were issued	56,442
3.	No. out of (1) above to whom PAN cards could not be issued during the fortnight	64,033

10. OBSERVATIONS/RECOMMENDATIONS

10.1 The Committee note that PAN, conceived as a unique all India Taxpayer Identification Number for computerization of Income Tax Department, was introduced by amending Section 139A of the Income Tax Act w.e.f. 1.7.1995. By the year 1998, applications for allotment of PAN were made mandatory for all Tax Payers throughout the country. The Committee further note that the objectives sought to be achieved through PAN scheme included facilitating linking of various documents viz. tax assessment, tax demand, tax arrears etc., easy retrieval and matching of information relating to investment and loans as well as combating tax evasion and widening of tax base. An appraisal of the scheme by the Committee reveals that the objectives of PAN scheme could not be fully achieved as even after five years of its launching, the Department was not able to allot PANs to all identified assessees. The delay in allotment of PAN, the failure of the Government to link all major cities for sharing of data and to setup an All India databank of major financial transactions somewhat diluted the efficacy of the scheme.

10.2 The Committee note that PAN is generated using five parameters, called 'core-fields' identifying a specific individual viz. full name, date of birth/incorporation, status, gender and father's name. However, the Committee observe that a large number of applications having deficiencies were received by the Department thus slowing down the overall process of

allotment. The Committee feel that as the PAN application form was designed to specifically provide five core-fields identifying an individual assessee, the department should have put in place a system of instant checking at the receipt counters to ensure that requisite information on the five core-fields was provided in the form by the applicant. The Committee feel that the absence of such an arrangement has led to a significantly large number of core-deficiency cases. The Committee would therefore like the Ministry to urgently evolve a system where the core-deficiency cases can be instantly identified and deficiencies pointed out at the time of receipt of applications at the counter of the concerned field office.

10.3 As regards the allotment of duplicate PANs, the Committee note the Ministry's view that the software for allotment of PAN ensured that duplicate PAN was not allotted to the same applicant having the same five core field/particulars. The Committee further note that the Assessing Officer had the privilege to allot a PAN after due verification even if the corefields of an applicant were same as that of an existing allottee or in case there was any variation in the sequence of various parts of the name of applicant or his father's name. The Ministry have, however not been able to explain the type of verification being done by the A.O. before allotting a PAN. The Ministry also did not throw light on the procedure followed to ensure that where five core-fields tally with existing allottee, a duplicate PAN was not being issued to the same person. The Committee feel that if documentary proof in support of the applicant's address and occupation are insisted upon by the Department, it would prove helpful in preventing such applicants

from filing for duplicate PANs. The Committee therefore, desire that the Ministry may consider increasing the number of corefield parameters and revise the proforma for PAN application, if felt necessary after outsourcing the PAN allotment work.

10.4. The Committee observe that one of the purposes of using PAN was to identify taxpayers by a unique All India number for collating information relating to tax payments as well as for high value financial transactions. However, they note that the Ministry were yet to set up an All India data bank of high value financial transactions. On the other hand, the Committee feel that citing of PAN as mandatory for relatively simpler financial transactions for instance, opening a bank account, which was required by even the minimum-wage earning category, was proving to be an inconvenient and cumbersome procedure for the general public, particularly for non-assessees including farmers exempted from Income tax. The Committee feel that the objective of identifying tax evaders through the PAN scheme could be realized by the setting up of an All India data bank of high value financial/business transactions. Further, little purpose would actually be served by making PAN mandatory for essential financial transactions like opening a bank account. The Committee, therefore, desire that the Ministry may consider revising the list of transactions under rule 114B of the I.T. Act and focus on setting up an All India databank of high value financial/business transactions expeditiously alongwith an action plan to utilise such a data bank effectively.

10.5 The Committee find that at present, only 60 cities were having computerized network for allotment of PAN and that the proposal for expanding the Income Tax network to remaining 418 cities was yet to receive expenditure sanction from the Government. The Ministry were unable to state the average time taken in the allotment of PANs in such cities which were yet to be networked, thus causing avoidable inconvenience to the taxpayers. The Committee feel that the Ministry must have a time frame within which all cities/towns would be connected to the network and accordingly expedite necessary expenditure sanction. The processing of PAN applications also needs to be streamlined and monitored even after outsourcing to facilitate allotment of PAN in minimum possible time.

10.6 The Committee note that although PAN allotment has been made mandatory for all tax-payers throughout the country, processing of returns on networked systems was possible only in 60 out of 418 cities as only 60 cities were linked to the network. As a result, matching of PANs with the returns filed throughout the country could not be made possible till all the offices are networked. Though the system of Computerized Return Receipt Register has been conceived of in order to make available the details relating to returns filed during the current year to the CIB Wing for matching with PAN database and other financial databases, the Committee are apprehensive whether it would be possible to process returns on a networked system throughout the country in the near future. The Committee would like the Ministry to expedite its efforts to link or reconcile the total PANs allotted with the actual number of assesseees on the records

of the Department so that the scheme of PAN allotment really succeeds in attaining the intended objectives without further delay.

10.7 The Committee note that following the oral evidence of representatives of Ministry of Finance, the Union Minister of finance & Company Affairs assured the Parliament while commending the Annual Budget for the Financial Year 2003-2004 about “outsourcing of non-core activities of the Income Tax Department, namely allotment of PAN”. The Committee are optimistic that outsourcing of PAN allotment work and creation of “databank of high value transactions through tax information network” would go a long way in tax administration reforms, widen the tax base and minimize harassment to tax payers. The Committee would like to be apprised of the outcome of the decision to outsource the allotment of PAN work.

NEW DELHI;
29 July, 2003
7 Sravana, 1925 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee