

A Study on Significance Role of Pan Card in Tracking Financial Information of Individual Tax Payers in Digital Tax System

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Abstract—This study explores the significant role of pan card in tracking financial information of individual tax payers in digital era of tax system. This study highlights the importance of pan services and how the quoting of pan helpful for tracking financial transactions of individual taxpayers. It helps to make awareness among people about main uses of pan card, highlighting its role in income tax purposes, financial transactions, business activities, and international dealings. This research suggests that pan card is a pivotal instrument in India's digital governance framework for ensure transparency in financial transactions, for efficient tax administration by promoting compliance, for preventing tax evasion, smooth communication between taxpayer and Income tax department. This paper provide valuable insight for taxpayers that pan card is no longer just a tax related necessity. It is a multi- utility identity document embedded deeply in India's evolving financial eco system.

Index Terms—PAN card, Digital tax system, Income tax Department, E-filing portal

I. INTRODUCTION

PAN is a unique 10 digit Alpha-Numeric Identifier Detail. It is issued by Income tax Department of India. Its primary purpose is to serve as a universal Identification for all financial transactions and to prevent tax evasion by linking an individual's transactions to their tax records. Every person or entity that engages in financial transactions need this Number. The process of PAN card application in both online as well as offline is simple and quick through portals like PROTEAN e-Govt Technologies.

Government of India mandated the use of PANcard for Banking Operations and high value transactions. Without a pancard participating in

Investment avenues is impossible. The world of investment and insurance is heavily regulated and the pan is a cornerstone of this regulated framework. Having a pan can ensure that the Govt can track the flow of money and curb illegal financial activities.

II. STATEMENT OF PROBLEM

In the Digital Era, PAN plays a crucial role in efficient tax administration by promoting compliance, reducing duplication and supporting electronic filing of tax returns through the Income Tax E-filing Portal. Government of India and Income Tax Department simplifies the procedures for Application of for PAN card and they use PAN card for curb Black Money because the officials can track tax details of cardholder. But sometimes there is a possibility of misuse such as unauthorized financial transactions, fraudulent activities, Identity Related Issues and Duplicate Pan Issues. It Leads to tax notices, transaction restrictions and Difficulties in Filing Returns.

III. OBJECTIVES

1. To study the objectives and importance of PAN Card
2. To Identify the persons required to obtain PAN Card
3. To Analyse the significant role of PAN Card in Digital Tax System
4. to study the limitations and problems faced by taxpayers about PAN Services

IV. LITERATURE REVIEW

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V. RESEARCH METHODOLOGY

This study relies on secondary data, which is sourced from Published journals, Newspapers, various websites, related articles and online resources. Secondary data is advantageous due to its cost-effectiveness and time saving benefits. However, it may present challenges such as potential bias or incompleteness. To mitigate these issues, data was collected from reputable and reliable sources with efforts to made cross-reference the information for accuracy. Future research will incorporate primary data collection to further strengthen the credibility and depth of the study.

VI. RESULTS OF THE STUDY

1. To study the objectives and importance of PAN Card

1. 1 Identification of Taxpayers

PAN acts as a unique Identification Number for taxpayers in India. It helps the Income tax department to identify and individuals, track financial activities and proper compliance with income tax Laws.

1.2. Filing Income tax returns

PAN is mandatory for filing income tax returns, to report deductions and communicate with IT department for tax related matters.

1.3.Tracking Financial Transactions

PAN helps the Government to monitor high value financial transactions such as investment and banking activities and property purchases.

1.4. Opening Bank Accounts

PAN is required for opening Bank Accounts, verify customer Identity , Maintain records and Comply with KYC Requirements.

1.5. Claiming Tax Refund

Taxpayers must provide PAN to receive income tax refund, it allows IT Department to accurately process refund claims.

1.6. Avoidance of Higher Tax Deduction

Providing PAN to employers, banks and other deductors ensures the tax is deducted at applicable rate as per income tax provisions.

1.7. Investment and Financial Transactions

PAN is required for various investments such as mutual fund, shares, bonds and securities.

1.8. Proof of Identity

PAN card serves as an important identity document for individuals and organizations.

1.9. Business Registration and operations

Businesses such as companies, firms, and LLPs require PAN for Registration, opening Bank Accounts, Entering Contracts and conducting commercial transactions.

1.10. Preventing Tax Evasion

Pan enables the government to link income, investments and transactions with taxpayers.

2. To Identify the persons required to obtain PAN Card

2.1 Individuals earning taxable income

Individuals who earn income above the basic exemption limit are required to obtain a Permanent Account Number

2.2. Companies

Every Company Registered under the Companies Act must obtain PAN Irrespective of whether it earns taxable income or not.

2.3. Partnership Firms

Partnership firms are required to obtain PAN because they are separate Legal entities

2.4. Limited Liability Partnerships(LLP)

LLP must obtain PAN as they are recognized as separate legal entities.

2.5. Trusts

Trusts required to furnish a return under Section 139(4A) because they got income from donations, investments or property.

2.6. Associations

Associations including societies and other organizations, need PAN for tax identification and compliance purpose.

2.7. Banks or Financial Institutions

Banks and Financial Institutions require PAN to maintain proper record of customers and comply with know your customer(KYC) requirements.

2.8. Persons involved in High Value Financial Transactions

Individuals involved in Purchase of property, investments or high value payments must provide PAN.

3. To Analyse the significant role of PAN Card in Digital Tax System

- Motor Vehicles: Buying or selling any vehicle other than two-wheelers.

- Bank Accounts: Opening a new bank or co-operative society account (excluding basic savings accounts)
- Demat Account: Opening an account with a securities depository or broker.
- Credit/Debit Cards: Applying for new card issuance with a bank or institution.
- Hotel/Restaurant Bills: Cash payments above Rs. 50,000 at one time.
- Foreign Travel/Currency: Cash payments above Rs. 50,000 for foreign trips or buying foreign money.
- Immovable Property/ Real Estate : Buying or selling land or buildings valued at Rs. 10 lakh or more.
- General Goods/Services: Any single purchase or sale transaction exceeding Rs. 2 lakh
- Jewellery : Purchasing jewelry over ₹ 2 Lakhs
- Financial Markets and Funds : Invest in Mutual fund /shares/debentures exceeding Rs.50,000

4. To study the limitations and problems faced by taxpayers about PAN Services

4.1. Not a complete Identity Proof

PAN is mainly tax identification document and does not contain complete information such as citizenship, address history, or biometric Details.

4.2. Possibility of Misuse

If PAN Details are shared carelessly, they may be misused for unauthorized financial transactions and fraudulent activities.

4.3. Limited use outside Financial activities

PAN is not to be accepted as a valid document for all purposes such as travel, voting or certain Government transactions.

4.4. Data privacy concerns

Pan is used in many financial activities, storage of PAN related information raise concerns regarding data security and privacy.

4.5. Duplicate or Incorrect PAN issues

Errors during PAN Application or Multiple PAN can lead to problems such as tax notices, transaction restrictions or difficulties in filing return.

4.6. Requirement of updating information

Changes in personal details such as name, address or contact information require pan records to be updated.

4.7. Dependency on correct Linking.

PAN needs to be properly linked with documents and financial accounts for smooth tax related services.

VII. SUGGESTIONS

1. Keeping your pan card valid and updated with current information such as address and contact details, is essential for seamless financial and legal operations.
2. Make timely processing of Income tax Return filing. It avoid the penalty for non-compliance.
3. Don't make discrepancies in PAN details. It may trigger compliance alerts or result in the freezing of bank accounts. Because Pan card is a foundational pillar of your financial Identity in India.
4. Incorrect PAN Information can lead to issues like failed income tax filings, delay in receiving refund, denial of credit or insurance services and complications in property or inheritance transactions.

VIII. FINDINGS

1. The pancard can also serve as a gateway to various online Govt Portals For instance Digilocker. Pancard evolved into pivotal instrument in India's digital governance framework.
2. In the realm of Finance, PAN is indispensable for participating in Govt backed investment schemes. It is a mandatory requirement for KYC Process when opening Bank account, Demat account, Investing in Mutual Fund, there by promoting financial inclusion and formalising the economy.
3. PAN card helps for identification of taxpayers and trending financial transactions such as purchase of property, investment and banking transactions, and other high valued financial transactions.
4. Pancard helps for proper filing of Income Tax Returns and there by taxpayer got Income tax refunds to their bank account.
5. PAN Card Prevent Tax Evasion. Pancard helps Income Tax Department to monitor financial activities of Tax payers. Thereby reduce the chance of Tax Evasion.
6. PAN card Supports digital tax Administration because PAN Plays a crucial role in online tax services such as e-filing of returns, e-verification and refund processing. It forms the foundation of India's Digital Tax ecosystem and improve administrative efficiency

Conclusion

In conclusion, the PAN card is essential for all individuals and businesses in India for various financial transactions, including income tax filing. The PAN card serves as proof of identity and helps the income tax department to easily track financial transactions for tax purposes. By having a PAN card, taxpayers can enjoy several benefits, including easy tracking, timely processing of tax returns, and avoiding penalty for non-compliance. Pan has evolved from a basic tax tracking tool into the core financial and business identity anchor of India's Economy.

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