

Mandatory Permanent Account Number (“PAN”) for Foreign Directors

What is PAN?

Permanent Account Number (PAN) is a code that acts as an identification for individuals, families and corporates (Indian and Foreign as well), especially those who pay Income Tax.

It is a unique, 10-character alpha-numeric identifier, issued to all judicial entities identifiable under the Indian Income Tax Act, 1961. The Income Tax PAN code and its linked card are issued under Section 139A of the Income Tax Act by the Indian Income Tax Department under the supervision of the Central Board for Direct Taxes (CBDT) and it also serves as an important proof of identification.

Who should obtain a PAN card in India?

Section 139A of The Indian Income Tax Act specifies the list of persons who are required to obtain Permanent Account Number (PAN card) within the prescribed time limits.

Finance Act, 2018 has introduced clause (v) and (vi) to subsection (1) to Section 139(1) to include the following categories of persons who are also now required to obtain their PAN card.

- **Every resident**, other than individual, which enters into a financial transaction of an amount aggregating to Rs. 250,000/- or more in a financial year.
- **Every person** who is a Managing Director, **director, partner**, trustee, author, founder, karta, chief executive officer, principal officer or office bearer **of the person referred to in above clause** or any person competent to act on behalf of the person referred to in above clause.

This signifies that every person, **whether resident or non-resident** in India, who is a director in an Indian Company that has financial transaction of Rs. 250,000/- or more in a financial year will have to compulsory obtain Indian PAN card. It is irrelevant that the foreign director might not earn any income from the Indian company.

According to the new provisions in the Act, in addition to the resident director, all foreign directors are also required to obtain Indian PAN card.

Any sanctions?

Yes, if any person fails to comply with the provisions as stated above, the Assessing Officer may, under section 272B of The Indian Income Tax Act, levy penalty of a **sum of Rs. 10,000/-** for such default.

Your organisation has foreign directors who do not have a PAN card yet?

Contact us for filing the application necessary to obtain an Indian PAN card. Our one-time fee for registration for Permanent Account Number (PAN) under the Income Tax Act is EUR 200 excluding GST and disbursements/office charges.



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