

Relief for TDS/TCS deductors/collectors from demand for short deduction of TDS/TCS due to inoperative PAN of deductees/collectees

Circular No. 3 of 2023 dated 28.03.2023 was issued by the CBDT details the consequences of PAN becoming inoperative had specified that the consequences shall take effect from 01.07.2023 and continue till the PAN becomes operative.

Further **Circular No. 6 of 2024 dated 23.04.2024** issued by CBDT, provided relief to deductors/collectors from the applicability of higher TDS/TCS rates u/s 206AA/206CC of the Income Tax Act, 1961 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.**

Several grievances have been received from the taxpayers by the department 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.

The CBDT with a view to redressing the grievances faced by deductors/collectors who have deducted/collected, TDS/TCS, as the case may be at normal rate but were required to deduct/collect at higher rate under section 206AA/206CC of the Income Tax Act, 1961, in partial modification and in continuation of the Circular No. 3 of 2023 and Circular No. 6 of 2024, has issued a Circular No. 9 of 2025 on 21.07.2025 that there will be **no liability** on the deductor/collector under **section 206AA/206CC** of Income tax Act in following cases:

- 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.**
- 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.**

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.

Source: CBDT vide Circular No. 9, 2025 dated July 21, 2025.

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