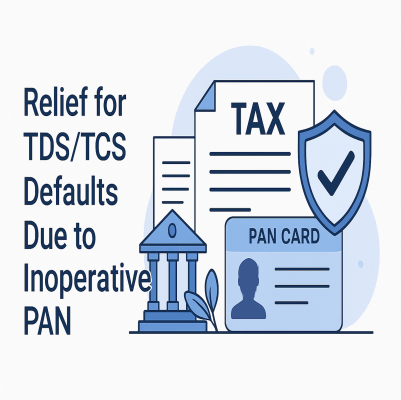

Relief for TDS/TCS Defaults Due to Inoperative PAN: CBDT Circular No. 9/2025

Description

PAN Inoperative? CBDT Gives Grace Period for TDS/TCS Relief

The Central Board of Direct Taxes (CBDT) has issued **Circular No. 9/2025 dated 21st July 2025**, providing **partial modifications** to its earlier circulars to offer **relief to deductors and collectors** facing demands due to TDS/TCS defaults caused by **inoperative PANs**. This move aims to address numerous grievances raised by taxpayers regarding **demands for short-deductions or collections**, even in cases where the PAN was later made operative.

This blog outlines the implications, relief measures, and compliance expectations stemming from the new circular.

Background

- **Circular No. 3/2023** (dated 28th March 2023) had specified that if PAN becomes **inoperative** (under Rule 114AAA of the Income-tax Rules, 1962), higher TDS/TCS rates under **Section 206AA/206CC** would apply from **July 01, 2023 onwards**, until the PAN is made operative.
- **Circular No. 6/2024** (dated 23rd April 2024) provided **temporary relief** for transactions done up to **March 31, 2024**, if the PAN was linked with Aadhaar by **May 31, 2024**.

However, many deductors/collectors have received notices for **short deduction or collection**, despite the PAN becoming operative later, leading to avoidable tax demands.

The Issue with Inoperative PAN:

As per **Circular No. 3 of 2023**, if a PAN is not linked with Aadhaar, it becomes inoperative from July 1, 2023.

Consequences include:

• No tax refunds while PAN is inoperative.
• No interest on refunds for the inoperative period.

• TDS/TCS must be deducted/collected at higher rates under sections 206AA/206CC of the Income-tax Act.

New Relief under Circular No. 9/2025

To **mitigate hardships**, CBDT has introduced **two key relaxations** for cases where PANs became operative due to Aadhaar linkage **after** the transaction dates:

No higher TDS/TCS liability will arise in the following two situations:

1. **Payments/Credits between April 1, 2024 and July 31, 2025**

   ? **Condition**: PAN must be made operative **on or before September 30, 2025**.

2. **Payments/Credits on or after August 1, 2025**

   ? **Condition**: PAN must be made operative **within 2 months** from the end of the month in which the amount was paid/credited.

In such cases, **higher TDS/TCS under Section 206AA/206CC will not apply**, and **no default will be treated** for the deductor/collector.

Summary Table:

Action Points:

• For deductors/collectors:

Review TDS/TCS statements, communicate with clients/vendors whose PAN was previously inoperative, and encourage prompt PAN–Aadhaar linkage.

• For taxpayers:

Check your PAN–Aadhaar linkage status immediately if there is any doubt.

Notes:

- These reliefs are **subject to PAN becoming operative through Aadhaar linkage**, within the stipulated deadlines.
- **Other TDS/TCS provisions (under Chapter XVII-B or XVII-BB)** must still be complied with.
- This circular is a **welcome move**, ensuring that genuine cases are not penalized due to temporary PAN inoperativeness.

Final Thoughts

This circular reinforces the government's intent to **balance compliance with taxpayer convenience**. While PAN-Aadhaar linkage remains mandatory, the latest relief provides **much-needed protection** for deductors/collectors from unjust demands, **provided they meet the revised deadlines**.

Download official circular from government by clicking here.

For assistance with PAN-Aadhaar linking or resolving TDS/TCS defaults, feel free to ask in comment section.

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