

PAN enough for tax deduction on buying property from NRIs

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NEW DELHI: One of the key tenets of taxation is that it should be easy to comply. Government has been working towards bringing in certainty and ease of compliance in successive budgets and using the technology to help it achieve the same.

Tax withholding in case of payments to non-resident has always been a sore point for residents especially the individuals who deal with NRI's and other non-residents while purchasing a property due to uncertainty on rate of tax withholding and need for Tax Deduction and Collection Account Number (TAN) for compliance.

Under the Income-tax Act, where a person purchases immovable property for a consideration of ₹50 lakh or more from a resident seller, the buyer is required to deduct tax at source (TDS) at the rate of 1% on the consideration paid.

While businesses are required to obtain a TAN for complying with TDS return filing obligations, most individuals and Hindu Undivided Families (HUFs) who are not engaged in business do not possess a TAN.

To ease compliance for such taxpayers, the government permits them to file the TDS return in Form 26QB using their Permanent Account Number (PAN) instead of a TAN.

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However, in cases where the seller of the immovable property is a non-resident, buyers were, until now, mandatorily required to obtain a TAN in order to file the TDS return and report the tax deducted at source. This resulted in an unnecessary compliance burden, as buyers had to obtain a TAN solely for a single transaction.

To address this issue and further simplify compliance for resident individuals and HUFs, the Finance Bill, 2026 proposes to allow the use of PAN (in place of TAN) for filing the TDS return even where the property is purchased from a non-resident. This amendment is proposed to take effect from 1 October 2026.

While this issue has been solved, whether the Government will take a step further and define a fixed rate of tax withholding to make it easier for the resident individuals to comply is yet to be seen.

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NRIs CAN INVEST MORE IN DOMESTIC STOCKS

The government on Sunday proposed allowing Non-Resident Indians to invest in domestic stocks through the Portfolio Investment Scheme. Experts said the step can help increase inflows.

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