

Aadhaar made mandatory for new bank accounts, transactions above Rs. 50,000

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Amendments to money laundering law rules to help fight tax evasion



New Delhi, June 16:

Stepping up its fight against tax evasion, the Centre has made it mandatory to quote the Aadhaar number for opening bank accounts and for transactions exceeding Rs. 50,000.

With the amendments to the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 notified earlier this month, banks will have to demand both Aadhaar and the Permanent Account Number (PAN) for verification of identity, starting June 1.

By the Finance Act, 2017, the Government had made it mandatory to seed PAN with Aadhaar and quote it in income-tax returns. However, the Supreme Court had held that only those individuals who possess an Aadhaar card need to link it with PAN.

The new rules mandate existing bank account-holders to provide their Aadhaar details by December 31, while new applicants will be expected to quote either the 12-digit number or offer proof that they have applied for Aadhaar enrolment.

Small accounts — those with a limit of Rs. 50,000 — can be opened without Aadhaar, but only at bank branches that are

core-banking enabled, or where it is “possible to manually monitor” such accounts. Banks are expected to ensure that foreign remittances are not credited to such accounts, and that the stipulated limits on monthly and annual transactions and balance are not breached.

According to the new rules, “The small account shall initially remain operational for 12 months, and thereafter for a further period of 12 months if the holder of such an account provides evidence before the banking company of having applied for any of the officially valid documents within 12 months.”

The small account will be monitored, and in case of suspicion of money laundering, or financing of terrorism or such other high-risk activities, the identity of the account-holder will be verified by Aadhaar, or proof of having enrolled for it.

“It is a step forward in promoting transparency and curbing benami holdings in financial institutions, including banks,” said Aseem Chawla, Partner at law firm Phoenix Legal.

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