

# Aadhaar may be must for filing tax returns

**NITIN SETHI, SAI MANISH  
& SANJEEB MUKHERJEE**  
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The government is planning to make Aadhaar number mandatory for filing of income tax (I-T) returns from the next financial year and link all bank accounts to the unique identity number by the end of this financial year.

Sources in the government said the work on both fronts was moving steadily and relevant amendments to the Income Tax Act, 1961, in this Budget are under 'active discussion' to ensure mandatory linkage of tax returns to Aadhaar numbers. At the same time, the Aadhaar-based authentication of beneficiaries is to be made mandatory for delivery of subsidised grain under the public distribution system (PDS).

The decision for both these was taken in May at a meeting held at the Prime Minister's Office (PMO). It was at this meeting that the government also decided to link

Aadhaar to delivery of big social schemes of the central government. In its May meeting, the PMO decided "Aadhaar numbers of individuals and office bearers of entities should be obtained in I-T returns, starting assessment year 2017-18. Necessary provisions may be made under the Income Tax Act/Rules."

While the linking of tax returns of individuals and corporate entities might be easier, the seeding of Aadhaar numbers to bank accounts universally lagged in recent months due to the demonetisation drive.

Around 470-million bank accounts have been seeded with numbers of 385-million unique Aadhaar identities so far. Around 20-25 million accounts are currently being seeded every day.

After the note ban drive, banks have again been instructed to follow up, based on weekly targets at the branch level, which have to be reported back to the department of financial services in the finance ministry. Turn to Page 11, 3 ▶

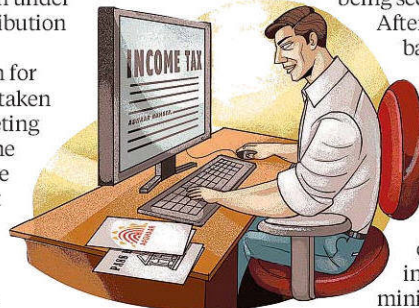


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The finance ministry has reiterated that all bank accounts should be seeded with Aadhaar numbers by March 31. Banks were instructed to set weekly targets for each branch and periodically report the progress to the DFS.

The decision to make Aadhaar essential for PDS, on the other hand, was publicly announced by Food Secretary Preeti Sudan on Thursday. "We are saying Aadhaar will be essential for availing foodgrain under PDS, but grains won't be denied to those who don't have Aadhaar and the government would find alternative ways to ensure authentication of the beneficiary," Sudan told reporters after a national-level conference on PDS reforms and cashless environment.

Food Minister Ram Vilas Paswan, who chaired the conference, said, by March 2017, seven states, including Andhra Pradesh, Gujarat, Karnataka,

Rajasthan, Tamil Nadu, Delhi and Maharashtra, have assured the Centre they would start 100 per cent cashless facility in their ration shops and not just ensure biometric authentication for PDS rations.

Sudan said more details would be cleared through a formal notification, which is expected to be issued soon.

The Unique Identification Authority of India (UIDAI) has asked the government departments to tailor-make its notifications on making Aadhaar mandatory in the light of a stay order by the Supreme Court. Wherever entities or government departments are enforcing the use of unique identity, the UIDAI has asked entities to also provide enrolment facilities for those without Aadhaar. They have also asked that departments provide the services or benefits as long as beneficiaries can provide proof of enrolment in the Aadhaar

database. This, the authorities believe, will ensure no benefits are denied for want of a unique identity number.

Several experts, however, believe that even with these carefully worded orders, the government falls foul of the Supreme Court stay order. "If the Centre tries to make Aadhaar mandatory for availing cheap foodgrain through PDS, it will be in clear violation of a September 2016 order wherein it upheld its earlier judgment that Aadhaar is not mandatory for availing any government service," said Reetika Khera, associate professor of Economics at IIT-Delhi.

The government and the authorities at the UIDAI believe the issues of infrastructure and authentication are set to come down from the current rate of eight per cent failure as a drive for updating biometric data is launched soon by the government. The

new agencies and entities coming on board the platform will also improve their efficacy as older affiliates have, the UIDAI officials claim.

Authorities at the UIDAI say they have also given guidance to all departments that alternative means of identification should be used where Aadhaar-based systems fail. This has been done in some instances such as the PDS systems of Rajasthan but leading to mixed results on how the manual overrides work. The UIDAI believes Rajasthan's delivery of subsidised grains through Aadhaar-based biometric systems has improved with time as it also guided the state on infrastructural needs for the biometric system.

"Our overall success rate for Aadhaar-enabled transactions is at 92 per cent. In states like Andhra Pradesh, the success rate is as high as 99 per cent. Some of the failure is linked to

wrong seeding of databases by various departments with the Aadhaar details of beneficiaries. For these, the beneficiaries have to approach the respective departments for correcting the records," said a senior UIDAI functionary.

He said the UIDAI did not keep records of department-wise or service-wise failure rates of Aadhaar authentication or complaints filed with various departments. But, he said the UIDAI works to provide guidance to various departments or state governments when they hear of problems.

"These errors can be also be removed by updating biometrics. Thousands of people are updating their biometric data every day. There are chances that biometrics taken in haste in the early days were faulty or half-done. We have created the system to let people update their fingerprints and will

launch a campaign for that soon. Errors in the system will gradually reduce as it is a self-cleansing system," said a senior government official with the UIDAI.

Senior government officials believe improvements have been made in the UIDAI architecture to address initial concerns that were raised in petitions before the courts and the platform would not get held up by adverse court orders in future. "People initially thought of Aadhaar as a mere identification card. But we have now moved in to a service delivery mechanism and then into the market for digital transactions. With 99.5 per cent population of the country now having an Aadhaar number, the platform is poised for a leap," said the official. He was referring to the biometric-based mobile Aadhaar app that is to be launched soon by the government.