

BINOY VISWAM

A

v.

UNION OF INDIA & ORS.

(Writ Petition (Civil) No. 247 of 2017)

JUNE 09, 2017

B

[A. K. SIKRI AND ASHOK BHUSHAN, JJ.]

Income Tax Act, 1961:

s.139AA – Constitutionality of – s.139AA makes it compulsory for assesseees to give aadhaar number – Constitutional validity of s.139AA challenged on the ground that since enrolment under Aadhaar Act is voluntary, it cannot be made compulsory under the Income Tax Act – Held: The purpose for enrolment under the Aadhaar Act is to avail benefits of various welfare schemes etc. as stipulated in s.7 of the Aadhaar Act – The purpose behind Income Tax Act, on the other hand, is entirely different – For achieving the purpose such as curbing black money, money laundering and tax evasion etc., if the Parliament chooses to make the provision mandatory under the Income Tax Act, the competence of the Parliament cannot be questioned on the ground that it is impermissible only because under Aadhaar Act, the provision is directory in nature – It is the prerogative of the Parliament to make a particular provision directory in one statute and mandatory/ compulsory in other – That by itself cannot be a ground to question the competence of the legislature – After all, Aadhaar Act is not a mother Act – Two laws, i.e., Aadhaar Act, on the one hand, and law in the form of s.139AA of the Act, on the other hand, are two different stand alone provisions/laws and validity of one cannot be examined in the light of provisions of other Acts – Thus, there is no conflict between the provisions of Aadhaar Act and s.139AA of Income Tax Act in as much as when interpreted harmoniously they operate in distinct fields – Legislation – Interpretation of statutes – Harmonious construction – Aadhaar (Targeted Delivery of Financial and other Subsidies, Benefits and Services) Act.

C

D

E

F

G

s.139AA – Purpose of – Held: s.139AA is aimed at seeding Aadhaar with PAN – One of the main objectives is to de-duplicate

H

A PAN cards and to bring a situation where one person is not having more than one PAN card or a person is not able to get PAN cards in assumed/fictitious names – In such a scenario, if those persons who violate s.139AA of the Act without any consequence, the provision shall be rendered toothless – It is the prerogative of the Legislature to make penal provisions for violation of any law made by it – The

B requirement of giving Aadhaar enrolment number to the designated authority or stating this number in the income tax returns is directly connected with the issue of duplicate/fake PANs – Therefore, it cannot be denied that there has to be some provision stating the consequences for not complying with the requirements of s.139AA

C of the Act, more particularly when these requirements are found as not violative of Arts.14 and 19 – If Aadhaar number is not given, the said exercise may not be possible – Sub-section (1) of s.139AA stipulates that those who are not PAN holders, while applying for PAN, they are required to give Aadhaar number – At the same time, as far as existing PAN holders are concerned, since the impugned

D provisions are yet to be considered on the touchstone of Art.21 of the Constitution, including on the debate around Right to Privacy and human dignity, etc. as limbs of Art.21, till the said aspect of Art.21 is decided by the Constitution Bench a partial stay of the said proviso is necessary – Those who have already enrolled

E themselves under Aadhaar scheme would comply with the requirement of sub-section (2) of s.139AA of the Act – However, those assesseees who are not Aadhaar card holders and do not comply with the provision of s.139(2), their PAN cards be not treated as invalid for the time being – A person who is holder of PAN and if his PAN is invalidated, he is bound to suffer immensely in his day to

F day dealings, which situation should be avoided till the Constitution Bench authoritatively determines the argument of Art.21 of the Constitution – Since this course of action is adopted, in the interregnum, it would be permissible for the Parliament to consider as to whether there is a need to tone down the effect of the said

G proviso by limiting the consequences – However, at the same time, proviso to s.139AA(2) cannot be read retrospectively – Constitution of India – Art.21.

H

s.139AA(2) proviso – Retrospective effect – Constitutionality of – Held: If failure to intimate the Aadhaar number renders PAN

void ab initio with the deeming provision that the PAN allotted would be invalid as if the person had not applied for allotment of PAN would have rippling effect of unsettling settled rights of the parties – It has the effect of undoing all the acts done by a person on the basis of such a PAN – It may have even the effect of incurring other penal consequences under the Act for earlier period on the ground that there was no PAN registration by a particular assessee – The rights which are already accrued to a person in law cannot be taken away – Therefore, proviso to sub-section (2) has to be read down to mean that it would operate only prospective.

Aadhaar (Targeted Delivery of Financial and other Subsidies, Benefits and Services) Act, 2016:

Object of its enactment – Held: The Aadhaar Act is enacted to enable the Government to identify individuals for delivery of benefits, subsidies and services under various welfare schemes.

Whether Aadhaar card scheme whereby biometric data of an individual is collected violates Right to Privacy and, therefore, is offensive of Art.21 of the Constitution – Held: This issue is pending before the Constitution Bench and is yet to be decided – In the process, the Constitution Bench is also called upon to decide as to whether Right to Privacy is a part of Art.21 of the Constitution at all – Final decision pending. – Constitution of India – Art.21.

Need to interconnect the databases – Linking PAN with Aadhaar/biometric information to prevent use of wrong PAN for high value transactions – Multiple methods of giving proofs of identity – There is no mechanism/system at present to collect the data available with each of the independent proofs of ID – Seeding of existing PAN with Aadhaar is perceived as the best method, and the only robust method for de-duplication of PAN database.

Constitution of India:

Art.14 – Reasonable classification – Art.14 enshrines the principle of equality as a fundamental right – It gives the right to equal treatment in similar circumstances, both in privileges conferred and in the liabilities imposed – However, the guarantee against the denial of equal protection of the law does not mean that identically the same rules of law should be made applicable to all persons in

A *spite of difference in circumstances or conditions – The varying needs of different classes or sections of people require differential and separate treatment – The Legislature is required to deal with diverse problems arising out of an infinite variety of human relations – The principle of equality of law, thus, means not that the same law should apply to everyone but that a law should deal alike with all*

B *in one class; that there should be an equality of treatment under equal circumstances – Aadhaar (Targeted Delivery of Financial and other Subsidies, Benefits and Services) Act, 2016.*

C *Art.14 – Class legislation – It is permissible for the State to classify persons for legitimate purposes – The Legislature is also competent to exercise its discretion and make classification – s.139AA of Income Tax Act, 1961 has created two classes, i.e. one class of those persons who are assesseees and other class of those persons who are income tax assesseees – The impugned provision is applicable only to those who are filing income tax returns – There*

D *cannot be any dispute that there is a reasonable basis for differentiation and, therefore, equal protection clause enshrined in Art.14 is not attracted – What Art.14 prohibits is class legislation and not reasonable classification for the purpose of legislation – All income tax assesseees constitute one class and they are treated alike by the impugned provision.*

E *Art.19(1)(g) – Quoting the Aadhaar number for purposes mentioned in sub-section (1) of s.139AA of Income Tax Act, 1961 or intimating the Aadhaar number to the prescribed authority as per the requirement of sub-section (2) does not, by itself, impinge upon the right to carry on profession or trade, etc. – Therefore, it is not violative of Art.19(1)(g) of the Constitution.*

F

Art.19(1)(g) – If the PAN of a person is withdrawn or is nullified, it definitely amounts to placing restrictions on the right to do business.

G *Principle of separation of power – Each wing of the State to act within the sphere delineated for it under the Constitution – Crossing these limits would render the action of the State ultra vires the Constitution – When it comes to power of taxation, undoubtedly, power to tax is treated as sovereign power of any State – Taxation.*

H

Judicial review:

A

Power of courts to interfere with legislative action – Scope of – Held: Courts can strike down legislation either on the basis that it falls foul of federal distribution of powers or that it contravenes fundamental rights or other Constitutional rights/provisions of the Constitution of India – No doubt, since the Supreme Court and the High Courts are treated as the 'ultimate arbiter in all matters involving interpretation of the Constitution, it is the Courts which have the final say on questions relating to rights and its violation.

B

Stages of judicial review – Exercise of judicial review to be done at three stages – In the first stage, the Court would examine as to whether impugned provision in a legislation is compatible with the fundamental rights or the Constitutional provisions (substantive judicial review) or it falls foul of the federal distribution of powers (procedural judicial review) – If it is not found to be so, no further exercise is needed as challenge would fail – On the other hand, if it is found that Legislature lacks competence as the subject legislated was not within the powers assigned in the list in VII Schedule, no further enquiry is needed and such a law is to be declared as ultra vires the Constitution – However, while undertaking substantive judicial review, if it is found that the impugned provision appears to be violative of fundamental rights or other Constitutional rights, the Court reaches the second stage of review – At this second phase of enquiry, the Court is supposed to undertake the exercise as to whether the impugned provision can still be saved by reading it down so as to bring it in conformity with the Constitutional provisions – If that is not achievable then the enquiry enters the third stage – If the offending portion of the statute is severable, it is severed and the Court strikes down the impugned provision declaring the same as unconstitutional – Administrative law.

C

D

E

F

Disposing of the writ petitions, the Court**HELD: 1. Scope of Judicial Review of Legislative Act**

G

Under the Constitution, Supreme Court as well as High Courts are vested with the power of judicial review of not only administrative acts of the executive but legislative enactments passed by the legislature as well. This power is given to the High Courts under Article 226 of the Constitution and to the

H

A Supreme Court under Article 32 as well as Article 136 of the Constitution. At the same time, the parameters on which the power of judicial review of administrative act is to be undertaken are different from the parameters on which validity of legislative enactment is to be examined. No doubt, in exercise of its power of judicial review of legislative action, the Supreme Court, or for that matter, the High Courts can declare law passed by the Parliament or the State Legislature as invalid. However, the power to strike down primary legislation enacted by the Union or the State Legislatures is on limited grounds. Courts can strike down legislation either on the basis that it falls foul of federal distribution of powers or that it contravenes fundamental rights or other Constitutional rights/provisions of the Constitution of India. No doubt, since the Supreme Court and the High Courts are treated as the ‘ultimate arbiter in all matters involving interpretation of the Constitution, it is the Courts which have the final say on questions relating to rights and whether such a right is violated or not. The basis of this statement lies in Article 13(2) of the Constitution which proscribes the State from making ‘any law which takes away or abridges the right conferred by Part III’, enshrining fundamental rights. It categorically states that any law made in contravention thereof, to the extent of the contravention, be void. In the context of judicial review of legislation, Article 372 (1) gives an indication that all laws enforced prior to the commencement of the Constitution can be tested for compliance with the provisions of the Constitution by Courts. [Paras 73, 74][77-G-H; 78-A-D, G]

F *Union of India & Ors. v. Sicom Limited & Anr.* (2009) 2 SCC 121 : [2008] 17 SCR 120; *Ashok Kumar Thakur v. Union of India & Ors.* (2008) 6 SCC 1 : [2008] 4 SCR 1; *State of A.P. & Ors. v. McDowell & Co. & Ors.* (1996) 3 SCC 709 : [1996] 3 SCR 721 – relied on.

G *United States Department of Justice v. Reporters Committee for Freedom of the Press* 489 U.S. 749 (1989) – referred to.

H 1.2 A legislation cannot be declared unconstitutional on the ground that it is ‘arbitrary’ inasmuch as examining as to whether a particular Act is arbitrary or not implies a value judgment and

the courts do not examine the wisdom of legislative choices and, therefore, cannot undertake this exercise. [Para 78][84-A-B] A

Rajbala & Ors. v. State of Haryana & Ors. (2016) 2 SCC 445 : [2015] 12 SCR 1106; Jindal Stainless Ltd. & Anr. v. State of Haryana & Ors. (2016) 11 SCALE 1 – relied on. B

1.3 *A fortiori*, a law cannot be invalidated on the ground that the Legislature did not apply its mind or it was prompted by some improper motive. It is, thus, clear that in exercise of power of judicial review, Indian Courts are invested with powers to strike down primary legislation enacted by the Parliament or the State legislatures. However, while undertaking this exercise of judicial review, the same is to be done at three levels. In the first stage, the Court would examine as to whether impugned provision in a legislation is compatible with the fundamental rights or the Constitutional provisions (substantive judicial review) or it falls foul of the federal distribution of powers (procedural judicial review). If it is not found to be so, no further exercise is needed as challenge would fail. On the other hand, if it is found that Legislature lacks competence as the subject legislated was not within the powers assigned in the list in VII Schedule, no further enquiry is needed and such a law is to be declared as ultravires the Constitution. However, while undertaking substantive judicial review, if it is found that the impugned provision appears to be violative of fundamental rights or other Constitutional rights, the Court reaches the second stage of review. At this second phase of enquiry, the Court is supposed to undertake the exercise as to whether the impugned provision can still be saved by reading it down so as to bring it in conformity with the Constitutional provisions. If that is not achievable then the enquiry enters the third stage. If the offending portion of the statute is severable, it is severed and the Court strikes down the impugned provision declaring the same as unconstitutional. [Paras 79, 80][85-A-E] C D E F G

2.1 Concept of 'Limited Government' and its impact on powers of Judicial Review

Undoubtedly, the Constitution of India, as an instrument of governance of the State, delineates the functions and powers of H

A each wing of the State, namely, the Legislature, the Judiciary and the Executive. It also enshrines the principle of separation of powers which mandates that each wing of the State has to function within its own domain and no wing of the State is entitled to trample over the function assigned to the other wing of the State. This
B fundamental document of governance also contains principle of federalism wherein the Union is assigned certain powers and likewise powers of the State are also prescribed. In this context, the Union Legislature, i.e. the Parliament, as well as the State Legislatures are given specific areas in respect of which they have power to legislate. That is so stipulated in Schedule VII of
C the Constitution wherein List I enumerates the subjects over which Parliament has the dominion, List II spells out those areas where the State Legislatures have the power to make laws while List III is the Concurrent List which is accessible both to the Union as well as the State Governments. The Scheme pertaining
D to making laws by the Parliament as well as by the Legislatures of the State is primarily contained in Articles 245 to 254 of the Constitution. Therefore, it cannot be disputed that each wing of the State to act within the sphere delineated for it under the Constitution. It is correct that crossing these limits would render the action of the State *ultra vires* the Constitution. When it comes
E to power of taxation, undoubtedly, power to tax is treated as sovereign power of any State. [Para 82][85-G-H; 86-A-D]

2.2 In a democratic society governed by the Constitution, there is a strong trend towards the Constitutionalisation of democratic politics, where the actions of democratic elected
F Government are judged in the light of the Constitution. In this context, judiciary assumes the role of protector of the Constitution and democracy, being the ultimate arbiter in all matters involving the interpretation of the Constitution. When it comes to exercising the power of judicial review of a legislation, the scope of such a power has to be kept in mind and the power is to be
G exercised within the limited sphere assigned to the judiciary to undertake the judicial review. Therefore, unless the petitioner demonstrates that the Parliament, in enacting the impugned provision, has exceeded its power prescribed in the Constitution or this provision violates any of the provision, the argument

H

predicated on 'limited governance' will not succeed. [Paras 84, 85][88-G-H; 89-A-C] A

State of Madhya Pradesh & Anr. v. Thakur Bharat Singh
AIR 1967 SC 1170 : [1967] 2 SCR 454 – relied on.

3.1 The Aadhaar Act is enacted to enable the Government to identify individuals for delivery of benefits, subsidies and services under various welfare schemes. Section 7 of the Aadhaar Act states that proof of Aadhaar number is necessary for receipt of such subsidies, benefits and services. At the same time, it cannot be disputed that once a person enrojs himself and obtains Aadhaar number as mentioned in Section 3 of the Aadhaar Act, such Aadhaar number can be used for many other purposes. In fact, this Aadhaar number becomes the Unique Identity (UID) of that person. Having said that, it is clear that there is no provision in Aadhaar Act which makes enrolment compulsory. May be for the purpose of obtaining benefits, proof of Aadhaar card is necessary as per Section 7 of the Act. Proviso to Section 7 stipulates that if an Aadhaar number is not assigned to enable an individual, he shall be offered alternate and viable means of identification for delivery of the subsidy, benefit or service. According to the petitioners, this proviso, with acknowledges alternate and viable means of identification, and therefore makes Aadhaar optional and voluntary and the enrolment is not necessary even for the purpose of receiving subsidies, benefits and services under various schemes of the Government. The respondents, however, interpret the proviso differently and there plea is that the words 'if an Aadhaar number is not assigned to an individual' deal with only that situation where application for Aadhaar has been made but for certain reasons Aadhaar number has not been assigned as it may take some time to give Aadhaar card. Therefore, this proviso is only by way of an interim measure till Aadhaar number is assigned, which is otherwise compulsory for obtaining certain benefits as stated in Section 7 of the Aadhaar Act. Fact remains that as per the Government and UIDAI itself, the requirement of obtaining Aadhaar number is voluntary. It has been so claimed by UIDAI on its website. However, for the purposes of Income Tax Act, Section 139AA makes it compulsory for the assesseees to give Aadhaar number which means insofar B
C
D
E
F
G

H

A as income tax assesseees are concerned, they have to necessarily
 enroll themselves under the Aadhaar Act and obtain Aadhaar
 number which will be their identification number as that has
 become the requirement under the Income Tax Act. The
 contention that since enrollment under Aadhaar Act is voluntary,
 B it cannot be compulsory under the Income Tax Act, cannot be
 countenanced.[Paras 90, 92][90-C-G; 91-C]

Municipal Corporation of Delhi v. Shiv Shanker (1971)

1 SCC 442 : [1971] 3 SCR 607 – relied on.

3.2 A harmonious reading of the two enactments would
 C clearly suggests that whereas enrollment of Aadhaar is voluntary
 when it comes to taking benefits of various welfare schemes even
 if it is presumed that requirement of Section 7 of Aadhaar Act
 that it is necessary to provide Aadhaar number to avail the benefits
 of schemes and services, it is upto a person to avail those benefits
 or not. On the other hand, purpose behind enacting Section
 D 139AA is to check a menace of black money as well as money
 laundering and also to widen the income tax net so as to cover
 those persons who are evading the payment of tax. There are
 few cases where interim orders are passed by Court where the
 Court was of the opinion that till the matter is decided finally in
 E the context of Right to Privacy issue, the implementation of the
 said Aadhaar scheme would remain voluntary. In fact, the main
 issue as to whether Aadhaar card scheme whereby biometric data
 of an individual is collected violates Right to Privacy and,
 therefore, is offensive of Article 21 of the Constitution or not is
 yet to be decided. In the process, the Constitution Bench is also
 F called upon to decide as to whether Right to Privacy is a part of
 Article 21 of the Constitution at all. Therefore, no final decision
 has been taken.[Paras 93, 94][92-G-H; 93-C-D]

Whether Section 139AA of the Act is discriminatory and
 G offends Article 14 of the Constitution of India?

4.1 Article 14 forbids class legislation; it does not forbid
 reasonable classification of persons, objects and transactions by
 the Legislature for the purpose of achieving specific ends.
 Classification to be reasonable should fulfil the following two tests:
 H (1) It should not be arbitrary, artificial or evasive. It should be

based on an intelligible differentia, some real and substantial distinction, which distinguishes persons or things grouped together in the class from others left out of it. (2) The differentia adopted as the basis of classification must have a rational or reasonable nexus with the object sought to be achieved by the statute in question. Thus, Article 14 in its ambit and sweep involves two facets, viz., it permits reasonable classification which is founded on intelligible differentia and accommodates the practical needs of the society and the differential must have a rational relation to the objects sought to be achieved. Further, it does not allow any kind of arbitrariness and ensures fairness and equality of treatment. It is the *fonjuris* of our Constitution, the fountainhead of justice. Differential treatment does not *per se* amount to violation of Article 14 of the Constitution and it violates Article 14 only when there is no reasonable basis and there are several tests to decide whether a classification is reasonable or not and one of the tests will be as to whether it is conducive to the functioning of modern society. [Para 96][94-F-H; 95-A-C]

Sri Srinavasa Theatre & Ors. v. Government of Tamil Nadu & Ors. (1992) 2 SCC 643 : [1992] 2 SCR 164;
Chiranjit Lal Chowdhuri v. Union of India & Ors. [1950] SCR 869 – relied on.

4.2 Unearthing black money or checking money laundering is to be achieved to whatever extent possible. Various measures can be taken in this behalf. If one of the measures is introduction of Aadhaar into the tax regime, it cannot be denounced only because of the reason that the purpose would not be achieved fully. Such kind of menace, which is deep rooted, needs to be tackled by taking multiple actions and those actions may be initiated at the same time. It is the combined effect of these actions which may yield results and each individual action considered in isolation may not be sufficient. Therefore, rationality of a particular measure cannot be challenged on the ground that it has no nexus with the objective to be achieved. Of course, there is a definite objective. For this purpose alone, individual measure cannot be ridiculed. The committee headed by Chairman, CBDT on 'Measures to tackle black money in India and Abroad' has in no uncertain terms, suggested that one singular proof of

A identity of a person for entering into finance/business transactions
etc may go a long way in curbing this foul practice. That apart,
even if solitary purpose of de-duplication of PAN cards is taken
into consideration, that may be sufficient to meet the second test
of Article 14. It has come on record that 11.35 lakhs cases of
B duplicate PAN or fraudulent PAN cards have already been
detected and out of this 10.52 lakh cases pertain to individual
assesseees. This figure, by no means, can be termed as miniscule,
to harm the economy and create adverse effect on the nation. It
cannot be said that there is no nexus with the objective sought to
be achieved. [Paras 99, 100][95-G-H; 96-A-F]

C 4.3 Validity of a legislative act cannot be challenged by
creating artificial classes by those who are objecting to the said
provision and predicating the argument of discrimination on that
basis. When a law is made, all those who are covered by that law
are supposed to follow the same. No doubt, it is the right of a
D citizen to approach the Court and question the constitutional
validity of a particular law enacted by the Legislature. However,
merely because a section of persons opposes the law, would not
mean that it has become a separate class by itself. Two classes,
cannot be created on this basis, namely, one of those who want to
be covered by the scheme, and others who do not want to be
E covered thereby. If such a proposition is accepted, every
legislation would be prone to challenge on the ground of
discrimination. As far as plea of discrimination is concerned, it
has to be raised by showing that the impugned law creates two
classes without any reasonable classification and treats them
F differently. [Para 102][97-A-C]

4.4 The principle of equality does not mean that every law
must have universal application for all persons who are not by
nature, attainment or circumstances, in the same position, as the
varying needs of different classes of persons often require
G separate treatment. It is permissible for the State to classify
persons for legitimate purposes. The Legislature is also
competent to exercise its discretion and make classification. In
the present scenario the impugned legislation has created two
classes, i.e. one class of those persons who are assesseees and
other class of those persons who are income tax assesseees. It is

H

because of the reason that the impugned provision is applicable only to those who are filing income tax returns. Therefore, the only question would be as to whether this classification is reasonable or not. There cannot be any dispute that there is a reasonable basis for differentiation and, therefore, equal protection clause enshrined in Article 14 is not attracted. What Article 14 prohibits is class legislation and not reasonable classification for the purpose of legislation. All income tax assesseees constitute one class and they are treated alike by the impugned provision. [Para 103][97-D-F]

E.P. Royappa v. State of Tamil Nadu & Anr. (1974) 4 SCC 3 : [1974] 2 SCR 348 – referred to.

5.1 Whether impugned provision is violative of Article 19(1)(g)

Invocation of provisions of Article 19(1)(g) of the Constitution by the petitioners was in the context of proviso to sub-section (2) of Section 139AA of the Act which contains the consequences of the failure to intimate the Aadhaar number to such authority in such form and manner as may be prescribed. Insofar as first limb of Section 139AA of the Act is concerned, it was within the competence of the Parliament to make a provision of this nature and further that it is not offensive of Article 14 of the Constitution. This requirement, *per se*, does not find foul with Article 19(1)(g) either, inasmuch as, quoting the Aadhaar number for purposes mentioned in sub-section (1) or intimating the Aadhaar number to the prescribed authority as per the requirement of sub-section (2) does not, by itself, impinge upon the right to carry on profession or trade, etc. Therefore, it is not violative of Article 19(1)(g) of the Constitution either. [Para 106, 114][98-B-C; 102-E-F]

Modern Dental College and Research Centre & Ors. v. State of Madhya Pradesh (2016) 7 SCC 353 – referred to.

5.2 Though PAN is issued under the provisions of the Act (Section 139A), its function is not limited to giving this number in the income-tax returns or for other acts to be performed under the Act, as mentioned in sub-sections (5), (5A), (5B), 5(C), 5(D)

A and 6 of Section 139A. Rule 114B of the Rules mandates quoting
of this PAN in various other documents pertaining to different
kinds of transactions listed therein. It is for sale and purchase of
immovable property valued at Rs.5 lakhs or more; sale or purchase
of motor vehicle etc., while opening deposit account with a sum
exceeding Rs.50,000/- with a banking company; while making
deposit of more than Rs.50,000/- in any account with Post Office,
savings bank; a contract of a value exceeding Rs.1 lakh for sale
or purchase of securities as defined under the Securities Contract
(Regulation) Act, 1956; while opening an account with a banking
company; making an application for installation of a telephone
connection; making payment to hotels and restaurants when such
payment exceeds Rs.25,000/- at any one time; while purchasing
bank drafts or pay orders for an amount aggregating Rs.50,000/-
or more during any one day, when payment in cash; payment in
cash in connection with travel to any foreign country of an amount
exceeding Rs.25,000/- at any one time; while making payment of
an amount of Rs.50,000/- or more to a mutual fund for purchase
of its units or for acquiring shares or debentures/bonds in a
company or bonds issued by the Reserve Bank of India; or when
the transaction of purchase of bullion or jewellery is made by
making payment in cash to a dealer above a specified amount,
etc. This shows that for doing many activities of day to day nature,
including in the course of business, PAN is to be given. Thus, in
the absence of PAN, it will not be possible to undertake any of
the aforesaid activities though this requirement is aimed at curbing
the tax evasion. Thus, if the PAN of a person is withdrawn or is
nullified, it definitely amounts to placing restrictions on the right
to do business as a business under Article 19(1)(g) of the Act.
The question would be as to whether these restrictions are
reasonable and, therefore, meet the requirement of clause (6) of
Article 19. [Para 115][102-H; 103-A-F]

G 5.3 By making use of the technology, a method is sought to
be devised, in the form of Aadhaar, whereby identity of a person
is ascertained in a flawless manner without giving any leeway to
any individual to resort to dubious practices of showing multiple
identities or fictitious identities. That is why it is given the
nomenclature 'unique identity'. It is aimed at securing

H

advantages on different levels some of which are (i) In the first instance, as a welfare and democratic State, it becomes the duty of any responsible Government to come out with welfare schemes for the upliftment of poverty stricken and marginalised sections of the society. This is even the ethos of Indian Constitution which casts a duty on the State, in the form of 'Directive Principles of State Policy', to take adequate and effective steps for betterment of such underprivileged classes. State is bound to take adequate measures to provide education, health care, employment and even cultural opportunities and social standing to these deprived and underprivileged classes. It is not that Government has not taken steps in this direction from time to time. At the same time, however, harsh reality is that benefits of these schemes have not reached those persons for whom that are actually meant. India has achieved significant economic growth since independence. In particular, rapid economic growth has been achieved in the last 25 years, after the country adopted the policy of liberalisation and entered the era of, what is known as, globalisation. Economic growth in the last decade has been phenomenal and for many years, the Indian economy grew at highest rate in the world. At the same time, it is also a fact that in spite of significant political and economic success which has proved to be sound and sustainable, the benefits thereof have not percolated down to the poor and the poorest. In fact, such benefits are reaped primarily by rich and upper middle classes, resulting into widening the gap between the rich and the poor. Not only sustainable development is needed which takes care of integrating growth and development, thereby ensuring that the benefit of economic growth is reaped by every citizen of this country, it also becomes the duty of the Government in a welfare State to come out with various welfare schemes which not only take care of immediate needs of the deprived class but also ensure that adequate opportunities are provided to such persons to enable them to make their lives better, economically as well as socially. Various welfare schemes are, in fact, devised and floated from time to time by the Government, keeping aside substantial amount of money earmarked for spending on socially and economically backward classes. However, for various reasons including corruption, actual benefit does not reach those who are supposed

A

B

C

D

E

F

G

H

A to receive such benefits. One of the main reasons is failure to
identify these persons for lack of means by which identity could
be established of such genuine needy class. Resultantly, lots of
ghosts and duplicate beneficiaries are able to take undue and
impermissible benefits. A former Prime Minister of this country
B has gone to record to say that out of one rupee spent by the
Government for welfare of the downtrodden, only 15 paise thereof
actually reaches those persons for whom it is meant. It cannot
be doubted that with UID/Aadhaar much of the malaise in this
field can be taken care of. [Para 118][109-D-H; 110-A-B; 111-C-
F]

C 5.4 Menace of corruption and black money has reached
alarming proportion in this country. It is eating into the economic
progress which the country is otherwise achieving. Even as per
the observations of the Special Investigation Team (SIT) on black
money headed by Justice M.B. Shah, one of the reasons is that
D persons have the option to quote their PAN or UID or passport
number or driving licence or any other proof of identity while
entering into financial/business transactions. Because of this
multiple methods of giving proofs of identity, there is no
mechanism/system at present to collect the data available with
each of the independent proofs of ID. For this reason, even SIT
E suggested that these databases be interconnected. To the same
effect is the recommendation of the Committee headed by
Chairman, CBDT on measures to tackle black money in India
and abroad which also discusses the problem of money-laundering
being done to evade taxes under the garb of shell companies by
F the persons who hold multiple bogus PAN numbers under different
names or variations of their names. That can be possible if one
uniform proof of identity, namely, UID is adopted. It may go a
long way to check and minimise the said malaise. Thirdly, Aadhaar
or UID may facilitate law enforcement agencies to take care of
G problem of terrorism to some extent and may also be helpful in
checking and cracking the crimes. No doubt, it is the intention
of the Government to give fillip to Aadhaar movement and
encourage the people of this country to enroll themselves under
the Aadhaar scheme. [Para 118][111-G-H; 112-A-E]

H 5.5 Insofar as Section 139AA of the Income Tax Act, 1961

is concerned, the explanation of the respondents is that the primary purpose of introducing this provision was to take care of the problem of multiple PAN cards obtained in fictitious names. Such multiple cards in fictitious names are obtained with the motive of indulging into money laundering, tax evasion, creation and channelising of black money. It is mentioned that in a de-duplication exercises, 11.35 lakhs cases of duplicate PANs/ fraudulent PANs have been detected. Out of these, around 10.52 lakhs pertain to individual assesseees. Parliament in its wisdom thought that one PAN to one person can be ensured by adopting Aadhaar for allotment of PAN to individuals. As of today, that is the only method available i.e. by seeding of existing PAN with Aadhaar. It is perceived as the best method, and the only robust method of de-duplication of PAN database. The respondents have claimed that linking of Aadhaar with PAN is consistent with India's international obligations and goals. In this behalf, it is pointed out that India has signed the Inter-Governmental Agreement (IGA) with the USA on July 9, 2015, for Improving International Tax Compliance and implementing the Foreign Account Tax Compliance Act (FATCA). India has also signed a multilateral agreement on June 3, 2015, to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters under the Common Reporting Scheme (CRS), formally referred to as the Standard for Automatic Exchange of Financial Account Information (AEOI). As part of India's commitment under FATCA and CRS, financial sector entities capture the details about the customers using the PAN. In case the PAN or submitted details are found to be incorrect or fictitious, it will create major embarrassment for the country. Under Non-filers Monitoring System (NMS), Income Tax Department identifies non-filers with potential tax liabilities. Data analysis is carried out to identify non-filers about whom specific information was available in AIR, CIB data and TDS/TCS Returns. Email/SMS and letters are sent to the identified non-filers communicating the information summary and seeking to know the submission details of Income tax return. In a large number of cases (more than 10 lac PAN every year) it is seen that the PAN holder neither submits the response and in many cases the letters are return unserved. Field verification by fields

A

B

C

D

E

F

G

H

A formations have found that in a large number of cases, the PAN holder is untraceable. In many cases, the PAN holder mentions that the transaction does not relate to them. There is a need to strengthen PAN by linking it with Aadhaar/biometric information to prevent use of wrong PAN for high value transactions.[Paras 119, 121][112-G-H; 113-A-B; 115-E-H; 116-A-C]

B 5.6 The impugned provision is aimed at seeding Aadhaar with PAN. One of the main objectives is to de-duplicate PAN cards and to bring a situation where one person is not having more than one PAN card or a person is not able to get PAN cards in assumed/fictitious names. In such a scenario, if those persons who violate Section 139AA of the Act without any consequence, the provision shall be rendered toothless. It is the prerogative of the Legislature to make penal provisions for violation of any law made by it. In the instant case, requirement of giving Aadhaar enrolment number to the designated authority or stating this number in the income tax returns is directly connected with the issue of duplicate/fake PANs. Therefore, it cannot be denied that there has to be some provision stating the consequences for not complying with the requirements of Section 139AA of the Act, more particularly when these requirements are found as not violative of Articles 14 and 19. If Aadhaar number is not given, the said exercise may not be possible. Sub-section (1) of Section 139AA stipulates that those who are not PAN holders, while applying for PAN, they are required to give Aadhaar number. At the same time, as far as existing PAN holders are concerned, since the impugned provisions are yet to be considered on the touchstone of Article 21 of the Constitution, including on the debate around Right to Privacy and human dignity, etc. as limbs of Article 21, till the said aspect of Article 21 is decided by the Constitution Bench a partial stay of the said proviso is necessary. Those who have already enrolled themselves under Aadhaar scheme would comply with the requirement of sub-section (2) of Section 139AA of the Act. Those who still want to enrol are free to do so. However, those assesseees who are not Aadhaar card holders and do not comply with the provision of Section 139(2), their PAN cards be not treated as invalid for the time being. It is only to facilitate other transactions which are mentioned in Rule

H

114B of the Rules. This is held so because of very severe consequences that entail in not adhering to the requirement of sub-section (2) of Section 139AA of the Act. A person who is holder of PAN and if his PAN is invalidated, he is bound to suffer immensely in his day to day dealings, which situation should be avoided till the Constitution Bench authoritatively determines the argument of Article 21 of the Constitution. Since this course of action is adopted, in the interregnum, it would be permissible for the Parliament to consider as to whether there is a need to tone down the effect of the said proviso by limiting the consequences. However, at the same time, proviso to Section 139AA(2) cannot be read retrospectively. If failure to intimate the Aadhaar number renders PAN void *ab initio* with the deeming provision that the PAN allotted would be invalid as if the person had not applied for allotment of PAN would have rippling effect of unsettling settled rights of the parties. It has the effect of undoing all the acts done by a person on the basis of such a PAN. It may have even the effect of incurring other penal consequences under the Act for earlier period on the ground that there was no PAN registration by a particular assessee. The rights which are already accrued to a person in law cannot be taken away. Therefore, this provision needs to be read down by making it clear that it would operate prospectively.[Paras 122, 124, 125, 126][116-D-F; 119-B, C-H; 120-A-C]

6. The impugned provision has passed the muster of Articles 14 and 19(1)(g) of the Constitution. However, more stringent test as to whether this statutory provision violates Article 21 or not is yet to be qualified. Therefore, constitutional validity of this provision is upheld subject to the outcome of batch of petitions referred to the Constitution Bench where the said issue is to be examined. It is also necessary to highlight that a large section of citizens feel concerned about possible data leak, even when many of those support linkage of PAN with Aadhaar. This is a concern which needs to be addressed by the Government. It is important that the said apprehensions are assuaged by taking proper measures so that confidence is instilled among the public at large that there is no chance of unauthorised leakage of data whether it is done by tightening the operations of

A the contractors who are given the job of enrollment, they being private persons or by prescribing severe penalties to those who are found guilty of leaking the details, is the outlook of the Government. However, measures in this behalf are absolutely essential and it would be in the fitness of things that proper scheme in this behalf is devised at the earliest.[Para 127][120-H; 121-A-D]

C *M.P. Sharma & Ors. v. Satish Chandra & Ors.* AIR 1954 SC 300 : [1954] SCR 1077; *Kharak Singh v. State of U.P. & Ors.* AIR 1963 SC 1295 : [1964] SCR 332; *Ram Jawaya Kapoor v. State of Punjab* [1955] 2 SCR 225; *Madan Mohan Pathak v. Union of India* AIR 1978 SC 803 : [1978] 3 SCR 334; *Bakhtawar Trust v. M.D. Narayan* (2003) 5 SCC 298 : [2003] 1 Suppl. SCR 1; *R.K. Dalmia v. Justice S.R. Tendolkar* [1959] SCR 279; *National Legal Services Authority v. Union of India & Ors.* (2014) 5 SCC 438; *Sunil Batra & Anr. v. Delhi Administration & Ors.* (1978) 4 SCC 494 : [1979] 1 SCR 392; *Aruna Ramachandra Shanbaug v. Union of India & Ors.* (2011) 4 SCC 454 : [2011] 4 SCR 1057; *Nagpur Improvement Trust & Anr. v. Vithal Rao & Ors.* (1973) 1 SCC 500 : [1973] 3 SCR 39; *Subramanian Swamy v. Director, Central Bureau of Investigation & Anr.* (2014) 8 SCC 682 : [2014] 6 SCR 873; *M. Nagaraj & Ors. v. Union of India & Ors.* (2006) 8 SCC 212 : [2006] 7 Suppl. SCR 336; *Gobind v. State of Madhya Pradesh* (1975) 2 SCC 148 : [1975] 3 SCR 946; *Anuj Garg v. Hotel Association of India* (2008) 3 SCC 1 : [2007] 12 SCR 991; *Dayawati v. Inderjit* [1966] 3 SCR 275; *Sharda v. Dharmpal* (2003) 4 SCC 493 : [2003] 3 SCR 106; *K.T. Plantation Private Limited & Anr. v. State of Karnataka* [2011] 13 SCR 636 : (2011) 9 SCC 1; *State of Madhya Pradesh v. Rakesh Kohli & Anr.* (2012) 6 SCC 312 : [2012] 6 SCR 661; *Secretary to Government of Madras & Anr. v. P.R. Sriramulu & Anr.* (1996) 1 SCC 345 : [1995] 5 Suppl. SCR 551; *G.C. Kamungo v. State of Orissa* (1995) 5 SCC 96 : [1995] 1 Suppl. SCR 510; *Mohd. Hanif Quareshi & Ors. v.*

H

State of Bihar AIR 1958 SC 731 : [1959] SCR 629;
Synthetics and Chemicals Ltd. & Ors. v. State of U.P. & Ors. (1990) 1 SCC 109 : [1989] 1 Suppl. SCR 623;
Goa Foundation & Anr. v. State of Goa & Anr. (2016) 6 SCC 602 : [2016] 1 SCR 1025; *PUCL v. Union of India* (2011) 14 SCC 331; *State of Kerala & others v. President, Parents Teachers Association, SNVUP and Others* (2013) 2 SCC 705 : [2013] 4 SCR 66; *People's Union for Civil Liberties (PDS Matter) v. Union of India & Ors.* (2013) 14 SCC 368; *People's Union for Civil Liberties v. Union of India & Ors.* 2010 (5) SCC 318; *Lokniti Foundation v. Union of India & Ors.* 2017 (7) SCC 155; *R. Rajagopal & Anr. v. State of Tamil Nadu & Ors.* (1994) 6 SCC 632 : [1994] 4 Suppl. SCR 353 – referred to.

Roe v. Wade 410 U.S. 113 (1973) – referred to.

Case Law Reference

[1954] SCR 1077	referred to	Para 9	
[1964] SCR 332	referred to	Para 9	
[1955] 2 SCR 225	referred to	Para 21	
[1978] 3 SCR 334	referred to	Para 22	
[2003] 1 Suppl. SCR 1	referred to	Para 22	E
[1959] SCR 279	referred to	Para 28	
(2016) 7 SCC 353	referred to	Para 30	
[1967] 2 SCR 454	relied on	Para 35	
(2014) 5 SCC 438	referred to	Para 37	F
[1979] 1 SCR 392	referred to	Para 37	
[2011] 4 SCR 1057	referred to	Para 37	
[1973] 3 SCR 39	referred to	Para 40	
[2014] 6 SCR 873	referred to	Para 41	
[2006] 7 Suppl. SCR 336	referred to	Para 44	G
[1975] 3 SCR 946	referred to	Para 46	
[2007] 12 SCR 991	referred to	Para 46	
[1966] 3 SCR 275	referred to	Para 48	H

A	[2003] 3 SCR 106	referred to	Para 50
	[2011] 13 SCR 636	referred to	Para 52
	[2012] 6 SCR 661	referred to	Para 53
	[1995] 5 Suppl. SCR 551	referred to	Para 54
B	[1995] 1 Suppl. SCR 510	referred to	Para 54
	[1959] SCR 629	referred to	Para 54
	[1989] 1 Suppl. SCR 623	referred to	Para 55
	[2016] 1 SCR 1025	referred to	Para 56
C	(2011) 14 SCC 331	referred to	Para 61
	[2013] 4 SCR 66	referred to	Para 62
	(2013) 14 SCC 368	referred to	Para 64
	(2010) 5 SCC 318	referred to	Para 65
D	(2017) 7 SCC 155	referred to	Para 66
	[1994] 4 Suppl. SCR 353	referred to	Para 71
	[2008] 17 SCR 120	relied on	Para 74
E	[2008] 4 SCR 1	relied on	Para 76
	[1996] 3 SCR 721	relied on	Para 77
	[2015] 12 SCR 1106	relied on	Para 78
	(2016) 11 SCALE 1	relied on	Para 82
F	[1971] 3 SCR 607	relied on	Para 92
	[1992] 2 SCR 164	relied on	Para 94
	[1950] SCR 869	relied on	Para 94
	[1974] 2 SCR 348	referred to	Para 104
G	CIVIL ORIGINAL JURISDICTION: Writ Petition (C) No. 247 of 2017.		

Under Article 32 of the Constitution of India

WITH

H W. P. (C) Nos. 277 and 304 of 2017.

Atmaram N. S. Nadkarni, ASG, Salman Khurshid, Arvind P. Datar, A
 Shyam Divan, Sr. Advs, Sriram P., Vishnu Shankar M. S., Mukund P.,
 Vishnu Jain, Govind Manoharan, Ms. Sneha Ravi Iyer, Ms. Athira G.
 Nair, Ms. Sanchita, Pratap Venugopal, Ms. Surekha Raman, Udayaditya
 Banerjee, Prasanna S., Ms. Niharika , Ms. Kanika Kalaiyarasan, Ms.
 Samiksha G, Apar Gupta, M/s. K. J. John & Co., Anando Mukherjee, B
 Nipun, Saxena, Ms. Divya Anand, Kumar Shivam, Dr. Arghya Senguptā,
 Saurabh Kirpal, Zoheb Hossain, Ritesh Kumar, Abhinav Mukherji, Ms.
 Ranjeeta Rohatgi, Mrs. Anil Katiyar, Santosh Rebello, Jai Dehadrai, Ms.
 Sneha Tendulkar, Ms. Nivedita Nair, Anil Gulāti, Ms. Ritwika Sharma,
 Ms. Adeeba N., Advs. for the appearing parties.

The Judgment of the Court was delivered by C

A. K. SIKRI, J. 1. In these three writ petitions filed by the
 petitioners, who claim themselves to be public spirited persons, challenge
 is laid to the constitutional validity of Section 139AA of the Income Tax
 Act, 1961 (hereinafter referred to as the 'Act'), which provision has D
 been inserted by the amendment to the said Act vide Finance Act, 2017.
 Section 139AA of the Act reads as under:

“Quoting of Aadhaar number. – (1) Every person who is eligible
 to obtain Aadhaar number shall, on or after the 1st day of July,
 2017, quote Aadhaar number–

- E
- (i) in the application form for allotment of permanent account
 number;
 - (ii) in the return of income:

Provided that where the person does not possess the Aadhaar
 Number, the Enrolment ID of Aadhaar application form issued to F
 him at the time of enrolment shall be quoted in the application for
 permanent account number or, as the case may be, in the return
 of income furnished by him.

(2) Every person who has been allotted permanent account
 number as on the 1st day of July, 2017, and who is eligible to G
 obtain Aadhaar number, shall intimate his Aadhaar number to such
 authority in such form and manner as may be prescribed, on or
 before a date to be notified by the Central Government in the
 Official Gazette:

A Provided that in case of failure to intimate the Aadhaar number, the permanent account number allotted to the person shall be deemed to be invalid and the other provisions of this Act shall apply, as if the person had not applied for allotment of permanent account number.

B (3) The provisions of this section shall not apply to such person or class or classes of persons or any State or part of any State, as may be notified by the Central Government in this behalf, in the Official Gazette.

Explanation. – For the purposes of this section, the expressions –

C (i) “Aadhaar number”, “Enrolment” and “resident” shall have the same meanings respectively assigned to them in clauses (a), (m) and (v) of section 2 of the Aadhaar (Targeted Delivery of Financial and other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);

D (ii) “Enrolment ID” means a 28 digit Enrolment Identification Number issued to a resident at the time of enrolment.”

E 2. Even a cursory look at the aforesaid provision makes it clear that in the application forms for allotment of Permanent Account Number (for short, ‘PAN’) as well as in the income-tax returns, the assessee is obliged to quote Aadhaar number. This is necessitated on any such applications for PAN or return of income on or after July 01, 2017, which means from that date quoting of Aadhaar number for the aforesaid purposes becomes essential. Proviso to sub-section (1) gives relaxation from quoting Aadhaar number to those persons who do not possess Aadhaar number but have already applied for issuance of Aadhaar card.

F In their cases, the Enrolment ID of Aadhaar application form is to be quoted. It would mean that those who would not be possessing Aadhaar card as on July 01, 2017 may have to necessarily apply for enrolment of Aadhaar before July 01, 2017.

G 3. The effect of this provision, thus, is that every person who desires to obtain PAN card or who is an assessee has to necessarily enrol for Aadhaar. It makes obtaining of Aadhaar card compulsory for those persons who are income-tax assessees. Proviso to sub-section (2) of Section 139AA of the Act stipulates the consequences of failure

H

to intimate the Aadhaar number. In those cases, PAN allotted to such persons would become invalid not only from July 01, 2017, but from its inception as the deeming provision in this proviso mentions that PAN would be invalid as if the person had not applied for allotment of PAN, i.e. from the very beginning. Sub-section (3), however, gives discretion to the Central Government to exempt such person or class or classes of persons or any State or part of any State from the requirement of quoting Aadhaar number in the application form for PAN or in the return of income.

The challenge is to this compulsive nature of provision inasmuch as with the introduction of the aforesaid provision, no discretion is left with the income-tax assessee insofar as enrolment under the Aadhaar (Targeting Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (hereinafter referred to as the 'Aadhaar Act') is concerned. According to the petitioners, though Aadhaar Act prescribes that enrolment under the said Act is voluntary and gives choice to a person to enrol or not to enrol himself and obtain Aadhaar card, this compulsive element thrust in Section 139AA of the Act makes the said provision unconstitutional. The basis on which the petitioners so contend would be taken note of at the appropriate stage. Purpose of these introductory remarks was to highlight the issue involved in these writ petitions at the threshold.

4. Before we take note of the arguments advanced by the petitioners and the rebuttal thereof by the respondents, it would be in the fitness of things to take stock of historical facts pertaining to the Aadhaar scheme and what Aadhaar enrolment amounts to.

Aadhaar Scheme and its administrative and statutory framework

5. Respondent No.1, Union of India, through the Planning Commission, issued Notification dated January 28, 2009, constituting the Unique Identification Authority of India (for short, 'UIDAI') for the purpose of implementing of Unique Identity (UID) scheme wherein a UID database was to be collected from the residents of India. Pursuant to the said Notification, the Government of India appointed Shri Nandan Nilekhani, an entrepreneur, as the Chairman of the UIDAI on July 02, 2009. According to this scheme, every citizen of India is entitled to enrol herself/himself with it and get a unique, randomly selected 12 digit

A number. For such enrolment, every person so intending would have to provide his/her personal information along with biometric details such as fingerprints and iris scan for future identification. Accordingly, it is intended to create a centralized database under the UIDAI with all the above information. The scheme was launched in September 2010 in the rural areas of Maharashtra and thereafter extended all over India. One of the objects of the entire project was non-duplication and elimination of fake identity cards.

6. On December 03, 2010, the National Identification Authority of India Bill, 2010 was introduced in the Rajya Sabha. On December 13, 2011, the Standing Committee Report was submitted to the Parliament stating that both the Bill and project should be re-considered. The Parliamentary Standing Committee on Finance rejected the Bill of 2010 as there was opposition to the passing of the aforesaid Bill by the Parliament. Be that as it may, the said Bill of 2010 did not get through. The result was that as on that date, Aadhaar Scheme was not having any statutory backing but was launched and continued to operate in exercise of executive power of the Government. It may also be mentioned that the Government appointed private enrollers and these private collection/enrolment centres run by private parties continued to enrol the citizens under the UID scheme.

7. Writ Petition (Civil) No. 494 of 2012, under Article 32 of the Constitution of India, was preferred by Justice K.S. Puttuswamy, a former Judge of the Karnataka High Court before this Court, challenging the UID scheme stating therein that the same does not have any statutory basis and it violated the 'Right to Privacy', which is a facet of Article 21 of the Constitution. This Court decided to consider the plea raised in the said writ petition and issued notice. Vide order dated September 23, 2013, the Court also passed the following directions:

"In the meanwhile, no person should suffer for not getting the Aadhaar card in spite of the fact that some authority had issued a circular making it mandatory and when any person applies to get the Aadhaar Card voluntarily, it may be checked whether that person is entitled for it under the law and it should not be given to any illegal immigrant."

In the meanwhile, various writ petitions were filed by public spirited citizens and organisations challenging the validity of the Aadhaar scheme

and this Court has tagged all those petitions along with Writ Petition (Civil) No. 494 of 2012. A

8. In the meantime, in some proceedings before the Bombay High Court, the said High Court passed orders requiring UIDAI to provide biometric information to CBI for investigation purposes with respect to a criminal trial. This order was challenged by UIDAI by filing Special Leave Petition (Criminal) No. 2524 of 2014, in which orders dated March 24, 2014 were passed by this Court restraining the UIDAI from transferring any biometric information to any agency without the written consent of the concerned individual. The said order is in the following terms: B

“In the meanwhile, the present petitioner is restrained from transferring any biometric information of any person who has been allotted the Aadhaar number to any other agency without his consent in writing. C

More so, no person shall be deprived of any service for want of Aadhaar number in case he/she is otherwise eligible/entitled. All the authorities are directed to modify their forms/circulars/likes so as to not compulsorily require the Aadhaar number in order to meet the requirement of the interim order passed by this Court forthwith.” D

9. Thereafter, the aforesaid writ petitions and special leave petitions were taken up together. Matter was heard at length by a three Judges Bench of this Court and detailed arguments were advanced by various counsel appearing for the petitioners as well as the Attorney General for India who appeared on behalf of the Union of India. As stated above, one of the main grounds of attack on Aadhaar Card scheme was that the very collection of biometric data is violative of the ‘Right to Privacy’, which, in turn, violated not only Article 21 of the Constitution of India but other Articles embodying the fundamental rights guaranteed under Part III of the Constitution. This argument was sought to be rebutted by the respondents with the submission that in view of eight Judges’ Bench judgment of this Court in *M.P. Sharma & Ors. v. Satish Chandra & Ors.*¹ and that of six Judges’ Bench in *Kharak Singh v. State of U.P. & Ors.*², the legal position regarding the existence of fundamental Right to E F G

¹ AIR 1954 SC 300

² AIR 1963 SC 1295

A Privacy is doubtful. At the same time, it was also accepted that subsequently smaller Benches of two or three Judges of this Court had given the judgments recognising the Right to Privacy as part of Article 21 of the Constitution. On that basis, respondents submitted that the matters were required to be heard by a Larger Bench to debate important questions like:

- B
- (i) Whether there is any Right to Privacy guaranteed under the Constitution; and
 - (ii) If such a Right exists, what is the source and what are the contours of such a Right as there is no express provision in the Constitution adumbrating the Right to Privacy.
- C

D 10. Though, this suggestion of the respondents were opposed by the counsel for the petitioners, the said Bench still deemed it proper to refer the matter to the Larger Bench and the reasons for taking this course of action are mentioned in paras 12 and 13 of the order dated August 11, 2015 which reads as under:

E “12. We are of the opinion that the cases on hand raise far reaching questions of importance involving interpretation of the Constitution. What is at stake is the amplitude of the fundamental rights including that precious and inalienable right under Article 21. If the observations made in *M.P. Sharma* (supra) and *Kharak Singh* (supra) are to be read literally and accepted as the law of this country, the fundamental rights guaranteed under the Constitution of India and more particularly right to liberty under Article 21 would be denuded of vigour and vitality. At the same time, we are also of the opinion that the institutional integrity and judicial discipline require that pronouncement made by larger Benches of this Court cannot be ignored by the smaller Benches without appropriately explaining the reasons for not following the pronouncements made by such larger Benches. With due respect to all the learned Judges who rendered the subsequent judgments – where right to privacy is asserted or referred to their Lordships concern for the liberty of human beings, we are of the humble opinion that there appears to be certain amount of apparent unresolved contradiction in the law declared by this Court.

F

G

H 13. Therefore, in our opinion to give a quietus to the kind of controversy raised in this batch of cases once for all, it is better

that ratio decidendi of *M.P. Sharma* (supra) and *Kharak Singh* (supra) is scrutinized and the jurisprudential correctness of the subsequent decisions of this Court where the right to privacy is either asserted or referred be examined and authoritatively decided by a Bench of appropriate strength.

(emphasis supplied)" B

11. While referring the matter as aforesaid, by another order of the even date, the Bench expressed that it would be desirable that the matter be heard at the earliest. On the same day, yet another order was passed by the Bench in those petitions giving certain interim directions which would prevail till the matter is finally decided by the Larger Bench. We would like to reproduce this order containing the said interim arrangement in toto:

"INTERIM ORDER

After the matter was referred for decision by a larger Bench, the learned counsel for the petitioners prayed for further interim orders. The last interim order in force is the order of this Court dated 23.9.2013 which reads as follows:-

"All the matters require to be heard finally. List all matters for final hearing after the Constitution Bench is over.

In the meanwhile, no person should suffer for not getting the Aadhaar card inspite of the fact that some authority had issued a circular making it mandatory and when any person applies to get the Aadhaar card voluntarily, it may be checked whether that person is entitled for it under the law and it should not be given to any illegal immigrant."

It was submitted by Shri Shyam Divan, learned counsel for the petitioners that the petitioners having pointed out a serious breach of privacy in their submissions, preceding the reference, this Court may grant an injunction restraining the authorities from proceeding further in the matter of obtaining biometrics etc. for an Aadhaar card. Shri Shyam Divan submitted that the biometric information of an individual can be circulated to other authorities or corporate bodies which, in turn can be used by them for commercial exploitation and, therefore, must be stopped.

A The learned Attorney General pointed out, on the other hand,
that this Court has at no point of time, even while making the
interim order dated 23.9.2013 granted an injunction restraining
the Unique Identification Authority of India from going ahead and
obtaining biometric or other information from a citizen for the
purpose of a Unique Identification Number, better known as
B “Aadhaar card”. It was further submitted that the respondents
have gone ahead with the project and have issued Aadhaar cards
to about 90% of the population. Also that a large amount of money
has been spent by the Union Government on this project for issuing
Aadhaar cards and that in the circumstances, none of the well-
known considerations for grant of injunction are in favour of the
C petitioners.

 The learned Attorney General stated that the respondents do
not share any personal information of an Aadhaar card holder
through biometrics or otherwise with any other person or authority.
D This statement allays the apprehension for now, that there is a
widespread breach of privacy of those to whom an Aadhaar card
has been issued. It was further contended on behalf of the
petitioners that there still is breach of privacy. This is a matter
which need not be gone into further at this stage.

E The learned Attorney General has further submitted that the
Aadhaar card is of great benefit since it ensures an effective
implementation of several social benefit schemes of the
Government like MGNREGA, the distribution of food, ration and
kerosene through PDS system and grant of subsidies in the
distribution of LPG. It was, therefore, submitted that restraining
the respondents from issuing further Aadhaar cards or fully utilising
F the existing Aadhaar cards for the social schemes of the
Government should be allowed.

 The learned Attorney General further stated that the respondent
Union of India would ensure that Aadhaar cards would only be
issued on a consensual basis after informing the public at large
about the fact that the preparation of Aadhaar card involving the
parting of biometric information of the individual, which shall
however not be used for any purpose other than a social benefit
G schemes.

H

Having considered the matter, we are of the view that the balance of interest would be best served, till the matter is finally decided by a larger Bench if the Union of India or the UIDA proceed in the following manner:-

1. The Union of India shall give wide publicity in the electronic and print media including radio and television networks that it is not mandatory for a citizen to obtain an Aadhaar card;
2. The production of an Aadhaar card will not be condition for obtaining any benefits otherwise due to a citizen;
3. The Unique Identification Number or the Aadhaar card will not be used by the respondents for any purpose other than the PDS Scheme and in particular for the purpose of distribution of foodgrains, etc. and cooking fuel, such as kerosene. The Aadhaar card may also be used for the purpose of the LPG Distribution Scheme;
4. The information about an individual obtained by the Unique Identification Authority of India while issuing an Aadhaar card shall not be used for any other purpose, save as above, except as may be directed by a Court for the purpose of criminal investigation.

Ordered accordingly.”

12. In nutshell, the direction is that obtaining an Aadhaar Card is not mandatory and the benefits due to a citizen under any scheme are not to be denied in the absence of Aadhaar Card. Further, unique identification number or the Aadhaar Card was to be used only for the PDS Scheme and, in particular, for the purpose of distribution of food grains etc. and cooking fuels such as Kerosene and LPG Distribution Scheme, with clear mandate that it will not be used by the respondents for any other purpose. Even the information about the individual collected while issuing an Aadhaar Card was not to be used for any other purpose, except when it is directed by the Court for the purpose of criminal investigation. Thus, making of Aadhaar Card was not to be made mandatory and it was to be used only for PDS Scheme and LPG Distribution Scheme. Thereafter, certain applications for modification of the aforesaid order dated August 11, 2015 was filed before this Court by the Union of India and a five Judges Bench of this Court was pleased to pass the following order:

A “3. After hearing the learned Attorney General for India and
other learned senior counsels, we are of the view that in paragraph
3 of the Order dated August 11, 2015, if we add, apart from the
other two Schemes, namely, PDS Scheme and the LPG
B Distribution Scheme, the Schemes like The Mahatma Gandhi
National Rural Employment Guarantee Scheme 12 (MGNREGS),
National Social Assistance Programme (Old Age Pensions, Widow
Pensions, Disability Pensions) Prime Minister’s Jan Dhan Yojana
(PMJDY) and Employees’ Provident Fund Organisation (EPFO)
C for the present, it would not dilute earlier order passed by this
Court. Therefore, we now include the aforesaid Schemes apart
from the other two Schemes that this Court has permitted in its
earlier order dated August 11, 2015.

4. We impress upon the Union of India that it shall strictly follow
all the earlier orders passed by this Court commencing from
September 23, 2013.

D 5. We will also make it clear that the Aadhaar card Scheme is
purely voluntary and it cannot be made mandatory till the matter
is finally decided by this Court one way or the other.”

Thus, Aadhaar is permitted for some more schemes as well.

E 13. The petitioner herein, laying stress on the above orders, plead
that from a perusal of the various interim orders passed by this Court it
is amply clear that the Court has reiterated the position that although
there is no interim order against the collection of information from the
citizens for the purpose of enrolment for Aadhaar, the scheme is purely
voluntary and the same is not to be made mandatory by the Government.

F 14. While matters stood thus, the Government of India brought in
a legislation to govern the Aadhaar Scheme with the enactment of the
Aadhaar (Targeted Delivery of Financial and other subsidies, benefits
and services) Act, 2016 (hereinafter referred to as the ‘Aadhaar Act’).

G 15. Introduction to the said Act gives the reasons for passing that
Act and Statement of Objects and Reasons mention the objectives sought
to be achieved with the enactment of Aadhaar Act. Introduction reads
as under:

H “The Unique Identification Authority of India was established by
a resolution of the Government of India in 2009. It was meant

primarily to lay down policies and to implement the Unique Identification Scheme, by which residents of India were to be provided unique identity number. This number would serve as proof of identity and could be used for identification of beneficiaries for transfer of benefits, subsidies, services and other purposes.

Later on, it was felt that the process of enrolment, authentication, security, confidentiality and use of Aadhaar related information be made statutory so as to facilitate the use of Aadhaar number for delivery of various benefits, subsidies and services, the expenditures of which were incurred from or receipts therefrom formed part of the Consolidated Fund of India.

The Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill, 2016 *inter alia*, provides for establishment of Unique Identification Authority of India, issuance of Aadhaar number to individuals, maintenance and updating of information in the Central Identities Data Repository, issues pertaining to security, privacy and confidentiality of information as well as offences and penalties for contravention of relevant statutory provisions.”

16. In the Statement of Objects and Reasons, it is *inter alia* mentioned that though number of social benefits schemes have been floated by the Government, the failure to establish identity of an individual has proved to be a major hindrance for successful implementation of those programmes as it was becoming difficult to ensure that subsidies, benefits and services reach the unintended beneficiaries in the absence of a credible system to authenticate identity of beneficiaries. Statement of Objects and Reasons also discloses that over a period of time, the use of Aadhaar Number has been increased manifold and, therefore, it is also necessary to take measures relating to ensuring security of the information provided by the individuals while enrolling for Aadhaar Card. Having these parameters in mind, para 5 of the Statement of Objects and Reasons enumerates the objectives which Aadhaar Act seeks to achieve. It reads as under:

“5. The Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill, 2016 *inter alia*, seeks to provide for –

(a) issue of Aadhaar numbers to individuals on providing his

- A demographic and biometric information to the Unique Identification Authority of India;
- (b) requiring Aadhaar numbers for identifying an individual for delivery of benefits, subsidies, and services the expenditure is incurred from or the receipt therefrom forms part of the Consolidated Fund of India;
- B (c) authentication of the Aadhaar number of an Aadhaar number holder in relation to his demographic and biometric information;
- (d) establishment of the Unique Identification Authority of India consisting of a Chairperson, two Members and a Member-Secretary to perform functions in pursuance of the objectives above;
- C (e) maintenance and updating the information of individuals in the Central Identities Data Repository in such manner as may be specified by regulations;
- D (f) measures pertaining to security, privacy and confidentiality of information in possession or control of the Authority including information stored in the Central Identities Data Repository; and
- E (g) offences and penalties for contravention of relevant statutory provisions.”

17. Some of the provisions of this Act, which have bearing on the matter that is being dealt with herein, may be taken note of. Sections 2(a), 2(c), 2(d), 2(e), 2(g), 2(h), 2(k), 2(l), 2(m), 2(n), Section 3, Section 7, Section 28, Section 29 and Section 30 reads as under:

F “2(a) “Aadhaar number” means an identification number issued to an individual under sub-section (3) of section 3;

xxx

xxx

xxx

G 2(c) “authentication” means the process by which the Aadhaar number alongwith demographic information or biometric information of an individual is submitted to the Central Identities Data Repository for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it;

H

2(d) “authentication record” means the record of the time of authentication and identity of the requesting entity and the response provided by the Authority thereto; A

2(e) “Authority” means the Unique Identification Authority of India established under sub-section (1) of section 11;

xxx

xxx

xxx

B

2(g) “biometric information” means photograph, finger print, Iris scan, or such other biological attributes of an individual as may be specified by regulations;

2(h) “Central Identities Data Repository” means a centralised database in one or more locations containing all Aadhaar numbers issued to Aadhaar number holders along with the corresponding demographic information and biometric information of such individuals and other information related thereto; C

xxx

xxx

xxx

D

2(k) “demographic information” includes information relating to the name, date of birth, address and other relevant information of an individual, as may be specified by regulations for the purpose of issuing an Aadhaar number, but shall not include race, religion, caste, tribe, ethnicity, language, records of entitlement, income or medical history; E

2(l) “enrolling agency” means an agency appointed by the Authority or a Registrar, as the case may be, for collecting demographic and biometric information of individuals under this Act; F

2(m) “enrolment” means the process, as may be specified by regulations, to collect demographic and biometric information from individuals by the enrolling agencies for the purpose of issuing Aadhaar numbers to such individuals under this Act;

2(n) “identity information” in respect of an individual, includes his Aadhaar number, his biometric information and his demographic information; G

3. **Aadhaar number.** - (1) Every resident shall be entitled to obtain an Aadhaar number by submitting his demographic

H

A information and biometric information by undergoing the process of enrolment:

Provided that the Central Government may, from time to time, notify such other category of individuals who may be entitled to obtain an Aadhaar number.

B (2) The enrolling agency shall, at the time of enrolment, inform the individual undergoing enrolment of the following details in such manner as may be specified by regulations, namely:

(a) the manner in which the information shall be used;

C (b) the nature of recipients with whom the information is intended to be shared during authentication; and

(c) the existence of a right to access information, the procedure for making requests for such access, and details of the person or department in-charge to whom such requests can be made.

D (3) On receipt of the demographic information and biometric information under sub-section (1), the Authority shall, after verifying the information, in such manner as may be specified by regulations, issue an Aadhaar number to such individual.

E XXX XXX XXX

7. Proof of Aadhaar number necessary for receipt of certain subsidies, benefits and services, etc. - The Central Government or, as the case may be, the State Government may, for the purpose of establishing identity of an individual as a condition for receipt of a subsidy, benefit or service for which the expenditure is incurred from, or the receipt therefrom forms part of, the Consolidated Fund of India, require that such individual undergo authentication, or furnish proof of possession of Aadhaar number or in the case of an individual to whom no Aadhaar number has been assigned, such individual makes an application for enrolment:

G Provided that if an Aadhaar number is not assigned to an individual, the individual shall be offered alternate and viable means of identification for delivery of the subsidy, benefit or service.

XXX XXX XXX

H

28. **Security and confidentiality of information** - (1) The Authority shall ensure the security of identity information and authentication records of individuals. A

(2) Subject to the provisions of this Act, the Authority shall ensure confidentiality of identity information and authentication records of individuals. B

(3) The Authority shall take all necessary measures to ensure that the information in the possession or control of the Authority, including information stored in the Central Identities Data Repository, is secured and protected against access, use or disclosure not permitted under this Act or regulations made thereunder, and against accidental or intentional destruction, loss or damage. C

(4) Without prejudice to sub-sections (1) and (2), the Authority shall—

(a) adopt and implement appropriate technical and organisational security measures; D

(b) ensure that the agencies, consultants, advisors or other persons appointed or engaged for performing any function of the Authority under this Act, have in place appropriate technical and organisational security measures for the information; and E

(c) ensure that the agreements or arrangements entered into with such agencies, consultants, advisors or other persons, impose obligations equivalent to those imposed on the Authority under this Act, and require such agencies, consultants, advisors and other persons to act only on instructions from the Authority. F

(5) Notwithstanding anything contained in any other law for the time being in force, and save as otherwise provided in this Act, the Authority or any of its officers or other employees or any agency that maintains the Central Identities Data Repository shall not, whether during his service or thereafter, reveal any information stored in the Central Identities Data Repository or authentication record to anyone: G

A Provided that an Aadhaar number holder may request the Authority to provide access to his identity information excluding his core biometric information in such manner as may be specified by regulations.

B **29. Restriction on sharing information.**—(1) No core biometric information, collected or created under this Act, shall be—

(a) shared with anyone for any reason whatsoever; or

(b) used for any purpose other than generation of Aadhaar numbers and authentication under this Act.

C (2) The identity information, other than core biometric information, collected or created under this Act may be shared only in accordance with the provisions of this Act and in such manner as may be specified by regulations.

D (3) No identity information available with a requesting entity shall be—

(a) used for any purpose, other than that specified to the individual at the time of submitting any identity information for authentication; or

E (b) disclosed further, except with the prior consent of the individual to whom such information relates.

(4) No Aadhaar number or core biometric information collected or created under this Act in respect of an Aadhaar number holder shall be published, displayed or posted publicly, except for the purposes as may be specified by regulations.

F **30. Biometric information deemed to be sensitive personal information.**—The biometric information collected and stored in electronic form, in accordance with this Act and regulations made thereunder, shall be deemed to be “electronic record” and “sensitive personal data or information”, and the provisions contained in the Information Technology Act, 2000 (21 of 2000) and the rules made thereunder shall apply to such information, in addition to, and to the extent not in derogation of the provisions of this Act.

G Explanation.— For the purposes of this section, the expressions—

H

[A. K. SIKRI, J.]

(a) “electronic form” shall have the same meaning as assigned to it in clause (r) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000); A

(b) “electronic record” shall have the same meaning as assigned to it in clause (t) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000); B

“sensitive personal data or information” shall have the same meaning as assigned to it in clause (iii) of the Explanation to section 43A of the Information Technology Act, 2000 (21 of 2000).”

That apart, Chapter VII which comprises Sections 34 to 47, mentions various offences and prescribes penalties therefor. C

18. Even the Constitutional validity of the aforesaid Act is challenged in this Court in Writ Petition (C) No. 797 of 2016, which has also been tagged along with Writ Petition (C) No. 494 of 2012, the lead matter in the batch of matters which has been referred to the Constitution Bench. D

19. At this juncture, by Finance Act, 2017, Income Tax Act is amended with introduction of Section 139AA which provision has already been reproduced. It would be necessary to mention at this stage that since challenge to the very concept of Aadhaar i.e. unique identification number is predicated primarily on Right to Privacy, when instant writ petitions were initially listed before us, we suggested that these matters be also tagged along with Writ Petition (C) No. 494 of 2012 and other matters which have been referred to the Constitution Bench. Pertinently, in the counter affidavit filed on behalf of the Union of India also, plea has been taken that the matters be tagged along with those pending writ petitions and be decided by a larger Bench. On this suggestion, reaction of the learned counsel for the petitioners was that petitioners would not be pitching their case on the ‘Right to Privacy’ and would be questioning the validity of Section 139AA of the Act primarily on Articles 14 and 19 of the Constitution. On this basis, their submission was that this Bench should proceed to adjudicate the matter. Therefore, we make it clear at the outset that we are not touching upon the privacy issue while determining the question of validity of the impugned provision of the Act. E
F
G

A The Arguments

20. Mr. Datar, learned senior counsel who opened the attack on behalf of the petitioners, started by stating the historical fact pertaining to introduction of Aadhaar Scheme, leading to the passing of Aadhaar Act and thereafter the impugned provision and referring to the various orders passed by this Court from time to time (which have already been reproduced above). After this narration, his first submission was that this Court had, time and again, emphasised by various interim orders that obtaining an Aadhaar Card would be a voluntarily act on behalf of a citizen and it would not be made mandatory till the pendency of the petitions which stand referred to the Constitution Bench now. He further submitted that even Section 3 of the Aadhaar Act spells out that enrollment of Aadhaar is voluntarily and consensual and not compulsory or by way of executive action. He also drew our attention to the proviso to Section 7 of the Aadhaar Act as per which a person is not to be deprived of subsidies as per the various schemes of the Government as the said proviso clearly mentions that if an Aadhaar Number is not assigned to an individual, he shall be offered alternate and viable means of identification for delivery of subsidy, benefit or service. According to him, there was a total reversal of the aforesaid approach for assesseees under the Income Tax Act and those who wanted to apply for issuance of PAN Card inasmuch as not only it was made compulsory for them to get Aadhaar enrollment number, but serious consequences were also provided for not adhering to this requirement. In their cases, PAN issued to these assesseees had to become invalid, that too from the retrospective effect i.e. from the date when it is issued. Having regard to the aforesaid, the legal submission of Mr. Datar was that Section 139AA was unconstitutional and without legislative competence inasmuch as this provision was enacted contrary to the binding nature of the judgments/directions of this Court which was categorical that Aadhaar had to remain voluntary. Questioning the legislative competence of the legislature to enact this particular law, argument of Mr. Datar was that there were certain implied limitations of such a legislative competence and one of these limitations was that legislature was debarred from enacting a law contrary to the binding nature of decisions of this Court. His submission in this behalf was that though it was within the competence of the legislature to remove the basis of the Supreme Court decision, at the same time, legislature could not go against the decision which was law

H

[A. K. SIKRI, J.]

of the land under Article 141 of the Constitution. He argued that, in the instant case, legislature could not be construed as removing the basis of the various orders of this Court relating to Aadhaar Scheme itself but the impugned provision was inserted in the statute book violating the binding nature of those orders. A

21. Dilating on the aforesaid submissions, Mr. Datar argued that the earlier orders of this Court dated August 23, 2015 of the main writ petition specifically permitted Aadhaar to be used only for LPG and PDS. By an order dated October 15, 2015, at the request of the Union of India, it was permitted to be extended to three other schemes, namely, MNREGA, Jan Dhan Yojana etc. The Constitution Bench made it explicitly clear that the Aadhaar scheme could not be used for any other purpose. According to him, the Parliament did not in any manner remove the basis of these decisions. The Aadhaar scheme, as enacted under the Aadhaar Act, continued to retain its voluntary character (as demonstrated by Section 3 of that Act) that existed when Aadhaar was operating under executive instructions. Nonetheless, even if it is argued that the above orders were passed when Aadhaar was based on executive instructions, decisions of this Court continue to be binding as they are made in exercise of the judicial power. According to Mr. Datar, any judgment of a court, whether interim or final, whether rendered in the context of a legislation, delegated legislation (rules/notifications) or even executive action will continue to be binding. In view of the judgment of this Court in *Ram Jawaya Kapoor v. State of Punjab*³, which held that executive and legislative powers are co-extensive under the Constitutional scheme, unless the basis of the judgment is removed by a subsequent enactment, it cannot be argued that a decision based on executive instruction is less binding than other judgments/orders of the Supreme Court, or that the judgment/order loses force if the executive instruction is replaced by law. B C D E F

22. He also referred to the decision in the case of *Madan Mohan Pathak v. Union of India*⁴, wherein the direction of the Calcutta High Court to pay bonus to Class-III and Class-IV employees was sought to be nullified by a statutory amendment. This was held to be impermissible by the seven Judges' Bench. He also relied upon *Bakhtawar Trust v. M.D. Narayan*⁵, wherein, after citing the case-laws on this point, the G

³ (1955) 2 SCR 225

⁴ AIR 1978 SC 803

⁵ (2003) 5 SCC 298

A Court reiterated the principle as follows:

“25. The decisions referred to above, manifestly show that it is open to the legislature to alter the law retrospectively, provided the alteration is made in such a manner that it would no more be possible for the Court to arrive at the same verdict. In other words, the very premise of the earlier judgment should be uprooted, thereby resulting in a fundamental change of the circumstances upon which it was founded.

xxx

xxx

xxx

C 27. Here, the question before us is, whether the impugned Act has passed the test of constitutionality by serving to remove the very basis upon which the decision of the High Court in the writ petition was based. This question gives rise to further two questions – first, what was the basis of the earlier decision; and second, what, if any, may be said to be the removal of that basis?

D *(emphasis supplied)*”

23. Based on the above principles, Mr. Datar’s fervent plea was that:

E (i) The basis of the earlier order of the Supreme Court is that Aadhaar will be made a voluntary scheme, it is a consensual scheme, and that it is to be expressly limited to six specific purposes; and

F (ii) No attempt whatsoever has been made to remove the basis of these earlier orders. This alone renders Section 139AA unconstitutional.

G 24. Arguing that basis of the orders of this Court was not removed, plea of Mr. Datar was that the basis of the said orders was that serious constitutional concerns had been raised about the Aadhaar scheme, and that therefore, pending final decision on its validity by the Supreme Court, it ought to remain voluntary. Consequently, in order to remove the basis of these orders, the Parliament would have to pass a law overturning the voluntary character of Aadhaar itself. Notably, although Parliament did have a chance to do so, it elected not to. The Aadhaar Act came into force on March 25, 2016. This was after the order of this Court. Significantly, however, the Parliament continued to maintain Aadhaar as

H

a voluntary scheme vide Section 3 of the said Act. Mr. Datar submitted that if Parliament so desired, it could have removed the basis of this Court's order by: A

(i) Amending Section 3 so that Aadhaar is made compulsory for every resident of India; or

(ii) Introducing either a proviso or adding a sub-section in Section 3 to the following effect: B

“Notwithstanding anything contained in sub-section (1), the Central Government may notify specific purposes for which obtaining Aadhaar numbers may be made mandatory in public interest.” C

25. However, Parliament elected not to do so as there is no non-obstante clause. Instead of making enrollment for Aadhaar itself mandatory, it made Aadhaar mandatory for filing income-tax returns, even as enrollment itself remained voluntary under Section 3 of the Aadhaar Act. He, thus, submitted that far from taking away the basis of the earlier Supreme Court orders. The Aadhaar Act strengthened and endorsed those orders, while Section 139AA impermissibly attempted to overturn them without taking away their basis. Indeed, Parliament did not even so far as include a non-obstante clause in Section 139AA, which would have made it clear that Section would override contrary laws – clearly indicating once again that Section 13AA was not taking away the basis of the Court's orders. The emphasis of Mr. Datar is that unless suitable/appropriate amendments are made to the Aadhaar Act, the orders of the Court cannot be overruled by the newly inserted Section 139AA. D E

26. On the aforesaid edifice, the argument built and developed by Mr. Datar is that although the power of Parliament to pass laws with respect to List-I and List-III is plenary, it is subject to two implied limitations: F

(i) Parliament or any State legislature cannot pass any law that overrules a judgment; before any law is passed which may result in nullifying a decision, it is mandatory to remove the basis of the decision. Once the basis on which the earlier decision/order/judgment is delivered is removed, Parliament can then pass a law prospectively or retrospectively and with G

A or without a validation clause.

(ii) Implied limitation not to pass contrary laws: The doctrine of harmonious construction applies when there is an accidental collision or conflict between two enactments and the Supreme Court has repeatedly read down one provision to give effect to other. Thus, both the provisions have to be given effect to. But if the collision or conflict is such that one provision cannot co-exist with another, then the latter provision must be struck down. In the present case, obtaining an Aadhaar number continues to be voluntary and explicitly declared to be so. Once the Aadhaar Card is voluntary, it cannot be made mandatory by the impugned Section 139AA of the Act. As long as the Aadhaar enactment holds the field, there is an implied limitation on the power of Parliament not to pass a contrary law.

27. He also advanced two examples of such an implied limitation:

(i) If Parliament, by a statute, makes medical service in rural areas an attractive option for doctors with incentives like preference for post-graduate admissions, higher pay/allowances, or even lower tax, such a scheme is voluntary and only those doctors who want those benefits may opt for it. While such a statute exists, it will not be permissible for Parliament to simultaneously amend the Medical Council Act, 1956 and state that absence of rural service will be a ground to invalidate the doctor's certificate of practice. Thus, what is statutorily voluntary under one Parliamentary Act cannot be made statutorily compulsory under another Parliamentary Act at the same time.

(ii) Second example given by Mr. Datar was that making Aadhaar compulsory only for individuals with severe consequences of cancellation of PAN cards and a deeming provision that they had never applied for PAN is discriminatory when such a provision is not made mandatory for other assesseees.

28. Mr. Datar's next plea of violation of Article 14 was based by him on the application of the twin-test of classification viz. there should be a reasonable classification and that this classification should have rational nexus with the objective sought to be achieved as held in *R.K. Dalmia v. Justice S.R. Tendolkar*⁶. Mr. Datar conceded that first test

⁶ (1959) SCR 279

was met as individual assesseees form a separate class and, to this extent, there is a rational differentiation between individuals and other categories of assesseees. The main brunt of his argument was on the second limb of the twin-test of classification which according to him is not satisfied because there is no rational nexus with the object sought to be achieved.

29. Third argument of Mr. Datar was that the affected persons by Section 139AA are individuals who are professionals like lawyers, doctors, architects etc. and lakhs of businessmen having small or micro enterprises. By imposing a draconian penalty of cancelling their PAN cards and deeming that they had never applied for them, there is a direct infringement to Article 19(1)(g). The consequences of not having a PAN card results in a virtual “civil death” and it will be impossible to carry out any business or professional activity under Rule 114B of the Income Tax Rules, 1962 (hereinafter referred to as the ‘Rules’), it will not be possible to operate bank accounts with transactions above Rs.50,000/-, use credit/debit cards, purchase motor-vehicles, purchase property etc.

30. Elaborating this point, it was submitted by him that once it is shown that the right under Article 19(1)(g) has been infringed, the burden shifts to the State to show that the restriction is reasonable, and in the interests of the public, under Article 19(6) of the Constitution. He referred to *Modern Dental College and Research Centre & Ors. v. State of Madhya Pradesh*⁷, wherein this Court held that the correct test to apply in the context of Article 19(6) was the test of proportionality:

“... a limitation of a constitutional right will be constitutionally permissible if : (i) it is designated for a proper purpose; (ii) the measures undertaken to effectuate such a limitation are rationally connected to the fulfilment of that purpose; (iii) the measures undertaken are necessary in that there are no alternative measures that may similarly achieve that same purpose with a lesser degree of limitation; and finally (iv) there needs to be a proper relation (‘proportionality strict sensu’ or ‘balancing’) between the importance of achieving the proper purpose and the social importance of preventing the limitation on the constitutional right.”

31. Mr. Datar also submitted that even if the State succeeds in showing a proper purpose and a rational connection with the purpose,

⁷ (2016) 7 SCC 353

A thereby meeting the test of Article 14, the impugned law clearly fails on
 clauses (iii) (narrow tailoring) and (iv) (balancing) of the proportionality
 test of the above decision. He submitted that the State has failed entirely
 to show that the cancellation of PAN Cards as a consequence of not
 enrolling for Aadhaar with its accompanying draconian consequences
 B for the economic life of an individual is narrowly tailored to achieving its
 goal of tax compliance. It is also submitted that in accordance with the
 arguments advanced above, the State's own data shows that the problem
 of duplicate PANs was minuscule, and the gap between the tax payer
 base and the PAN Card holding population can be explained by plausible
 factors other than duplicates and forgeries. He questioned the wisdom
 C of legislature in compelling 99.6% of the taxpaying citizenry to enroll for
 Aadhaar (with the further prospect of seeding) in order to weed out the
 0.4% of duplicate PAN Cards, as it fails the proportionality test entirely.

32. On the principle of proportionality, he submitted that this principle
 was applied in the *R.K. Dalmia*⁸ case as per the following passage:

D "11 ...

(d) that the Legislature is free to recognize degrees of harm and
 may confine its restrictions to those cases where the need is deemed
 to be the clearest;

E (e) that in order to sustain the presumption of constitutionality the
 court may take into consideration matters of common knowledge,
 matters of common report, the history of the times and may assume
 every state of facts which can be conceived existing at the time
 of legislation;..."

F 33. Basic premise of the submissions of Mr. Shyam Divan, learned
 senior advocate, was also the same as projected by Mr. Datar. He
 insisted that Section 139AA of the Act, which had made Aadhaar
 mandatory for income-tax assesseees, is unconstitutional. However, in
 his endeavour to plead that the provision be declared unconstitutional, he
 approached the subject from an altogether different premise, giving
 G another perception to the whole issue. His basic submission was that
 every individual or citizen in this country had complete control over his/
 her body and State cannot insist any person from giving his/her finger
 tips or iris of eyes, as a condition precedent to enjoy certain rights. He
pointed out that all the petitioners in his writ petition were holding PAN

H ⁸Footnote 6 above

Cards and were income-tax assesseees but had not enrolled under Aadhaar Scheme. They were the consentions persons in the society and did not want to give away their finger tips or iris, being consentions objectors, that too, to private persons who were engaged as contractors/private enrollers by the Government for undertaking the job of enrolment under the Aadhaar. It was submitted that the data given to such persons were not safe and there was huge possibility that the same may be leaked. Further, requirement of giving Aadhaar number for every transaction amounted to surveillance by the State and the entire profile of such persons would be available to the State. He also pointed out that with today's technology, there was every possibility of copying the fingerprint and even the iris images. Various cases of fake Aadhaar Card had come to light and even as per the Government's statement, 3.48 lakh bogus Aadhaar Cards were cancelled. There were instances of Aadhaar leak as well. Even hacking was possible. He conceded that these were the issues within the realm of 'Right to Privacy' which were to be decided by the Constitution Bench. However, according to him, various orders passed by this Court in those petitions clearly reflect that the Court had given the directions that Aadhaar Scheme had to be voluntarily; there would not be any illegal implants; and no one would suffer any consequences if he does not enroll himself under the Aadhaar Scheme. He also submitted that even the Aadhaar Act was voluntary in nature which creates rights for citizens and not obligations. According to him, Aadhaar Act envisages free consent for getting certain benefits under social welfare schemes of the Government. On the other hand, Section 139AA of the Act is compulsory and coercive. Pointing out that if Aadhaar number is not mentioned in the income-tax returns, the effect provided under Section 139AA of the Act is that the PAN Card held by such a person would itself become invalid and inoperative which will lead to various adverse consequences inasmuch as for many other purposes as well, PAN Card is used. He referred to Sections 206AA, 196J, 271F and 272B of the Act and Rule 114B of the Rules to demonstrate this. He also referred to the provisions of Identification of Prisoners Act, 1920 which require a prisoner to give his fingerprints for record and submitted that making Aadhaar compulsory amounted to treating every person at par with a prisoner.

34. On the aforesaid premise, Mr. Divan articulated his legal submissions as under:

A (i) Section 139AA of the Act is contrary to the concept of ‘limited Government’.

(ii) The impugned provision coerces the individuals to part with their private information which was a part of human dignity and, thus, the said provision was violative of Article 21 of the Constitution as it offended human dignity.

B

(iii) The impugned provision creates the involvement which can be used for surveillance.

(iv) This provision converts right under Aadhaar Act to duty under the Income Tax Act.

C 35. Elaborating on the argument predicated on the concept of ‘Limited Government’, Mr. Divan submitted that the Constitution of India was the basic law or grundnorm which ensures democratic governance in this country. Though a sovereign country, its governance is controlled by the provisions of the Constitution which sets parameters within which

D three wings of the State, namely, Legislature, Executive and Judiciary has to function. Thus, no wing of the State can breach the limitations provided in the Constitution which employs an array of checks and balances to ensure open, accountable government where each wing of the State performs its actions for the benefit of the people and within its

E sphere of responsibility. The checks and balances are many and amongst them are the respective roles assigned by the Constitution to the legislature, the executive and the judiciary. Under India’s federal structure, with a distribution of legislative authority between the Union government and the States, the fields of legislation and corresponding executive authority are also distributed between the Union and the States. Provisions in the

F Constitution such as the fundamental rights chapter (Part III) and the chapter relating to inter-state trade (Part XIII) also circumscribe the authority of the State. These limitations on the power of the State support the notion of ‘limited government’. In this sense, the expression ‘limited government’ would mean that each wing of the State is restricted by

G provisions of the Constitution and other laws and is required to operate within its legitimate sphere. Exceeding these limits would render the action of the State *ultra vires* the Constitution or a particular law.

H He further argued that the concept of ‘limited government’ may also be understood in a much broader and different sense. This notion of a limited government is qua the citizenry as a whole. There are

certain things that the State simply cannot do, because the action fundamentally alters the relationship between the citizens and the State. The wholesale collection of biometric data including finger prints and storing it at a central depository per se puts the State in an extremely dominant position in relation to the individual citizen. Biometric data belongs to the concerned individual and the State cannot collect or retain it to be used against the individual or to his or her prejudice in the future. Further the State cannot put itself in a position where it can track an individual and engage in surveillance. The State cannot deprive or withhold the enjoyment of rights and entitlements by an individual or makes such entitlements conditional on a citizen parting with her biometrics. Mr. Divan referred to the judgment of this Court in *State of Madhya Pradesh & Anr. v. Thakur Bharat Singh*⁹ where the concept of limited government is highlighted in the following manner:

“5. ...All executive action which operates to the prejudice of any person must have the authority of law to support it, and the terms of Article 358 do not detract from that rule. Article 358 expressly authorises the State to take legislative or executive action provided such action was competent for the State to make or take, but for the provisions contained in Part III of the Constitution. Article 358 does not purport to invest the State with arbitrary authority to take action to the prejudice of citizens and others: it merely provides that so long as the proclamation of emergency subsists laws may be enacted, and exclusive action may be taken in pursuance of lawful authority, which if the provisions of Article 19 were operative would have been invalid. Our federal structure is founded on certain fundamental principles: (1) the sovereignty of the people with limited Government authority i.e. the Government must be conducted in accordance with the will of the majority of the people. The people govern themselves through their representatives, whereas the official agencies of the executive Government possess only such powers as have been conferred upon them by the people; (2) There is a distribution of powers between the three organs of the State — legislative, executive and judicial — each organ having some check direct or indirect on the other; and (3) the rule of law which includes judicial review of arbitrary executive action. As pointed out by Dicey in his *Introduction to*

⁹ AIR 1967 SC 1170 : (1967) 2 SCR 454

A *the study of the Law of the Constitution*, 10th Edn., at p. 202,
the expression “rule of law” has three meanings, or may be regarded
from three different points of view. “It means, in the first place,
the absolute supremacy or predominance of regular law as opposed
to the influence of arbitrary power, and excludes the existence of
B arbitrariness, of prerogative, or even of wide discretionary authority
on the part of the Government”. At p. 188 Dicey points out:

C “In almost every continental community the executive
exercises far wider discretionary authority in the matter of
arrest, of temporary imprisonment, of expulsion from its
territory, and the like, than is either legally claimed or in fact
exerted by the Government in England: and a study of European
politics now and again reminds English readers that wherever
there is discretion there is room for arbitrariness, and that in a
republic no less than under a monarchy discretionary authority
on the part of the Government must mean insecurity for legal
D freedom on the part of its subjects.”

We have adopted under our Constitution not the continental system
but the British system under which the rule of law prevails. Every
Act done by the Government or by its officers must, if it is to
operate to the prejudice of any person must, be supported by some
E legislative authority.”

36. Relying on the aforesaid observations, Mr. Divan submitted
that the recognition of the distinction between an individual or person
and the State is the single most important factor that distinguishes a
totalitarian State from one that respects individuals and recognizes their
F special identity and entitlement to dignity. The Indian Constitution does
not establish a totalitarian State but creates a State that is respectful of
individual liberty and constitutionally guaranteed freedoms. The
Constitution of India is not a charter of servitude.

37. Proceeding further, another submission of Mr. Divan, as noted
above, was that Section 139AA which coerces the individuals to part
with their personal information was unconstitutional. He submitted that
a citizen is entitled to enjoy all these rights including social and civil
rights such as the right to receive an education, a scholarship, medical
assistance, pensions and benefits under government schemes without
having to part with his or her personal biometrics. An individual’s
H

biometrics such as finger prints and iris scan are the property and entitlement of that individual and the State cannot coerce an individual or direct him or her to part with biometrics as a condition for the exercise of rights or the enjoyment of entitlements. Every citizen has a basic right to informational self-determination and the state cannot exercise dominion over a citizen's proprietary information either in individual cases or collectively so as to place itself in a position where it can aggregate information and create detailed profiles of individuals or facilitate this process. The Constitution of India is not a charter for a Police State which permits the State to maintain cradle to grave records of the citizenry. No democratic country in the world has devised a system similar to Aadhaar which operates like an electronic leash to tether every citizen from cradle to grave. There can be no question of free consent in situations where an individual is being coerced to part with its biometric information (a) to be eligible for welfare schemes of the State; and/or (b) under the threat of penal consequences. In other words, the State cannot compel a person to part with biometrics as a condition precedent for discharge of the State's constitutional and statutory obligations. In support of his submission that there cannot be coercive measures on the part of the Government to part with such information and it has to be voluntary and based on informed consent, Mr. Divan referred to the following judgments:

(i) *National Legal Services Authority v. Union of India & Ors.*¹⁰

"75. Article 21, as already indicated, guarantees the protection of "personal autonomy" of an individual. In *Anuj Garg v. Hotel Assn. of India* [(2008) 3 SCC 1] (SCC p. 15, paras 34-35), this Court held that personal autonomy includes both the negative right of not to be subject to interference by others and the positive right of individuals to make decisions about their life, to express themselves and to choose which activities to take part in. Self-determination of gender is an integral part of personal autonomy and self-expression and falls within the realm of personal liberty guaranteed under Article 21 of the Constitution of India."

(ii) *Sunil Batra & Anr. v. Delhi Administration & Ors.*¹¹

¹⁰ (2014) 5 SCC 438

¹¹ (1978) 4 SCC 494

A “55. And what is “life” in Article 21? In *Kharak Singh case* [AIR 1963 SC 1295 : (1964) 1 SCR 332, 357] Subba Rao, J. quoted Field, J. in *Munn v. Illinois* [94 US 113 (1877)] to emphasise the quality of life covered by Article 21:

B “Something more than mere animal existence. The inhibition against its deprivation extends to all those limbs and faculties by which life is enjoyed. The provision equally prohibits the mutilation of the body by the amputation of an arm or leg, or the putting out of an eye or the destruction of any other organ of the body through which the soul communicates with the outer world.”

C A dynamic meaning must attach to life and liberty.”

(iii) *Aruna Ramachandra Shanbaug v. Union of India & Ors.*¹²

D “25. Mr T.R. Andhyarujina, learned Senior Counsel whom we had appointed as amicus curiae, in his erudite submissions explained to us the law on the point. He submitted that in general in common law it is the right of every individual to have the control of his own person free from all restraints or interferences of others. Every human being of adult years and sound mind has a right to determine what shall be done with his own body.

E In the case of medical treatment, for example, a surgeon who performs an operation without the patient’s consent commits assault or battery. It follows as a corollary that the patient possesses the right not to consent i.e. to refuse treatment. (In the United States this right is reinforced by a constitutional right of privacy). This is known as the principle of self-determination or informed consent. Mr Andhyarujina submitted that the principle of self-determination applies when a patient of sound mind requires that life support should be discontinued. The same principle applies where a patient’s consent has been expressed at an earlier date before he became unconscious or otherwise incapable of communicating it as by a “living will”

F or by giving written authority to doctors in anticipation of his incompetent situation.

G

XXX

XXX

XXX

¹² (2011) 4 SCC 454

93. Rehnquist, C.J. noted that in law even touching of one person by another without consent and without legal justification was a battery, and hence illegal. The notion of bodily integrity has been embodied in the requirement that informed consent is generally required for medical treatment. As observed by Cardozo, J. while on the Court of Appeals of New York:

“Every human being of adult years and sound mind has a right to determine what shall be done with his own body, and a surgeon who performs an operation without his patient’s consent commits an assault, for which he is liable in damages.”

“Vide *Schloendorff v. Society of New York Hospital* [211 NY 125 : 105 NE 92 (1914)] , NY at pp. 129-30, NE at p. 93. Thus the informed consent doctrine has become firmly entrenched in American Tort Law. The logical corollary of the doctrine of informed consent is that the patient generally possesses the right not to consent, that is, to refuse treatment.”

38. He, thus, submitted that the right to life covers and extends to a person’s right to protect his or her body and identity from harm. The right to life extends to allowing a person to preserve and protect his or her finger prints and iris scan. The strongest and most secure manner of a person protecting this facet of his or her bodily integrity and identity is to retain and not part with finger prints/iris scan. He argued that the right to life under Article 21 permits every person to live life to the fullest and to enjoy freedoms guaranteed as fundamental rights, constitutional rights, statutory rights and common law rights. He also argued that the constitutional validity of a statutory provision must be judged by assessing the effect the impugned provision has on fundamental rights. The effect of the impugned provision is to coerce persons into parting with their finger prints and iris scan and lodging these personal and intimate aspects of an individual’s identity with the State as part of a programme that is in the petitioner’s view wholly illegitimate and the validity of which is pending before the Constitution Bench.

39. Expressing his grave fear and misuse of personal information parted with by the citizenry in the form of biometrics i.e. finger prints and iris scan, Mr. Divan made a passionate plea that requirement of enrollment for Aadhaar is designed to facilitate and encourage private

A sector operators to create applications that depend upon the Aadhaar data base for the purposes of authentication/verification. This would mean that non-governmental, private sector entities such as banks, employers, any point of payment, taxi services, airlines, colleges, schools, movie theatres, clubs, service providers, travel companies, etc. will all utilise the Aadhaar data base and may also insist upon an Aadhaar number or Aadhaar authentication. This would mean that at every stage in an individual's daily activity his or her presence could be traced to a location in real time. One of the purposes of Aadhaar as projected by the respondents is that it will be a single point verification for KYC (Know Your Customer). This is permissible and indeed contemplated by the impugned Act. Given the very poor quality of scrutiny of documents by private enrollers and enrollment agencies (without any governmental supervision) means that the more rigorous KYC process at present being employed by banks and other financial institutions will yield to a system which depends on a much weaker data base. This would eventually imperil the integrity of the financial system and also threaten the economic sovereignty of the nation. According to him, Aadhaar Act does not serve as an identity as incorrectly projected by the respondents but serves as a method of identification. Every citizen-state and citizen-service provider interaction requiring identification is sought to be captured and retained by the government at a central base and a whole ecology developed that would require reference to this central data base on multiple occasions in course of the day. He argued that this exercise of enrollment impermissibly creates the foundation for real time, continuous and pervasive identification of citizens in breach of the freedoms guaranteed under the Constitution.

F 40. Another submission of Mr. Divan was that object behind Section 139AA of the Act was clearly discriminatory inasmuch as it creates two classes: one class of those persons who volunteer to enrol themselves under Aadhaar Scheme and provide the particulars in their income-tax returns and second category of those who refuse to do so. This provision by laying down adverse consequences for those who do not enrol becomes discriminatory *qua* that class and, therefore, is violative of Article 14 of the Constitution. Another limb of his submission was that it also creates an artificial class of those who object to such a provision of enrollment under Aadhaar. According to him, this would be violative of equality clause enshrined in Article 14 of the Constitution and in support

H

of this submission, he relied upon the judgment of this Court in *Nagpur Improvement Trust & Anr. v. Vithal Rao & Ors.*¹³. Paras 21, 22 and 26 reads as under:

“21. The first point which was raised was: whether it is the State which is the acquiring authority or it is the Improvement Trust which is the acquiring authority, under the Improvement Act. It seems to us that it is quite clear, especially in view of Section 17-A as inserted by para 6 of the Schedule, that the acquisition will be by the Government and it is only on payment of the cost of acquisition to the Government that the lands vest in the Trust. It is true that the acquisition is for the Trust and may be at its instance, but nevertheless the acquisition is by the Government.

22. If this is so, then it is quite clear that the Government can acquire for a housing accommodation scheme either under the Land Acquisition Act or under the Improvement Act. If this is so, it enables the State Government to discriminate between one owner equally situated from another owner.

XXX

XXX

XXX

26. It is now well-settled that the State can make a reasonable classification for the purpose of legislation. It is equally well-settled that the classification in order to be reasonable must satisfy two tests: (i) the classification must be founded on intelligible differentia and (ii) the differentia must have a rational relation with the object sought to be achieved by the legislation in question. In this connection it must be borne in mind that the object itself should be lawful. The object itself cannot be discriminatory, for otherwise, for instance, if the object is to discriminate against one section of the minority the discrimination cannot be justified on the ground that there is a reasonable classification because it has rational relation to the object sought to be achieved.

41. He also relied upon the judgment in the case of *Subramanian Swamy v. Director, Central Bureau of Investigation & Anr.*¹⁴. Paras 58 and 59 reads as under:

“58. The Constitution permits the State to determine, by the process of classification, what should be regarded as a class for purposes

¹³ (1973) 1 SCC 500.

¹⁴ (2014) 8 SCC 682

A of legislation and in relation to law enacted on a particular subject. There is bound to be some degree of inequality when there is segregation of one class from the other. However, such segregation must be rational and not artificial or evasive. In other words, the classification must not only be based on some qualities or characteristics, which are to be found in all persons grouped together and not in others who are left out but those qualities or characteristics must have a reasonable relation to the object of the legislation. Differentia which is the basis of classification must be sound and must have reasonable relation to the object of the legislation. If the object itself is discriminatory, then explanation that classification is reasonable having rational relation to the object sought to be achieved is immaterial.

59. It seems to us that classification which is made in Section 6-A on the basis of status in government service is not permissible under Article 14 as it defeats the purpose of finding prima facie truth into the allegations of graft, which amount to an offence under the PC Act, 1988. Can there be sound differentiation between corrupt public servants based on their status? Surely not, because irrespective of their status or position, corrupt public servants are corrupters of public power. The corrupt public servants, whether high or low, are birds of the same feather and must be confronted with the process of investigation and inquiry equally. Based on the position or status in service, no distinction can be made between public servants against whom there are allegations amounting to an offence under the PC Act, 1988.”

42. In fine, submission of Mr. Divan was that save and except by “reading down”, section 139AA is unworkable. This is because Aadhaar by its very design and by its statute is “voluntary” and creates a right in favour of a resident without imposing any duty. There is no compulsion under the Aadhaar Act to enroll or obtain a number. If a person chooses not to enroll, at the highest, in terms of the Aadhaar Act, he or she may be denied access to certain benefits and services funded through the Consolidated Fund of India. When the Aadhaar enrollment procedure is supposedly based on informed free consent and is voluntary a person cannot be compelled by another law to waive free consent so as to alter the voluntary nature of enrollment that is engrafted in the parent statute. The right of a resident under the parent Act cannot be converted into a

H

duty so long as the provisions of the Aadhaar Act cannot be converted into a duty so long as the provisions of the Aadhaar Act remain as they are. Argument was that Section 139AA be read down to hold that it is only voluntary provision by taking out the sting of mandatoriness contained therein and there is no compulsion on any person to give Aadhaar number. A

43. We may mention at this stage itself that on conclusion of his arguments, Mr. Divan was put a specific query that most of the arguments presented by him endeavoured to project aesthetics of law and jurisprudence which had the shades of 'Right to Privacy' jurisprudence which could not be gone into by this Bench as this very aspect was already referred to the Constitution Bench. Mr. Divan was candid in accepting this fact and his submission was that in these circumstances, the option for this Bench was to stay the operation of proviso to sub-section (2) of Section 139AA of the Act till the decision is rendered by the Constitution Bench. B
C

44. Mr. Salman Khurshid, learned senior counsel who appeared in Writ Petition (Civil) No. 247 of 2017, while adopting the arguments of Mr. Datar and Mr. Divan, made an additional submission, invoking the principle of right to live with dignity which, according to him, was somewhat different from the Right to Privacy. He submitted that although dignity inevitably includes privacy, the former has several other dimensions which need to be explored as well. In his submissions, the test to identify whether certain data collected about individuals is intrusive or merely expansive is to consider whether it causes embarrassment, indignity or invasion of privacy. Thus, the concept of dignity is quite distinct from that of privacy. Privacy is a conditional concept. One has it only to the extent that one's circumstances allow for it, as a matter of fact and law. While it is widely accepted that a situation may occur where a person may not have any Right to Privacy whatsoever, dignity is an inherent possession of every person, regardless of circumstance. In that sense, Dignity is an inherent dimension of equality, the basis of John Rawls 'Theory of Justice'. The Social Contract theory propounded by Rousseau remains the ground on which John Rawls developed the model of the Original Position in which the contours of the compact are conceived. Anything that reduces the personality of the participant, such as diluting the human element and substituting it with a number or biometric data, virtually destroys the model. Dignity is an immutable value, held in equal measure at all times by all people, a quality privacy does not share. D
E
F
G

H

A No court has ever held that a person can be stripped entirely of hir/her dignity. The concept of dignity is deeper than that of privacy and its boundaries do not depend upon the circumstance of any individual and thus the State cannot legitimately fully infringe upon it. He pointed out that in *M. Nagaraj & Ors. v. Union of India & Ors.*¹⁵, this Court has, thus, elucidated the concept of Right to Dignity in the following manner:

B

“20. ... This Court has in numerous cases deduced fundamental features which are not specifically mentioned in Part III on the principle that certain unarticulated rights are implicit in the enumerated guarantees.

C

xxx

xxx

xxx

D

26. It is the duty of the State not only to protect the human dignity but to facilitate it by taking positive steps in that direction. No exact definition of human dignity exists. It refers to the intrinsic value of every human being, which is to be respected. It cannot be taken away. It cannot give (*sic* be given). It simply is. Every human being has dignity by virtue of his existence. The constitutional courts in Germany, therefore, see human dignity as a fundamental principle within the system of the basic rights. This is how the doctrine of basic structure stands evolved under the German Constitution and by interpretation given to the concept by the constitutional courts.”

E

F

45. After explaining the aforesaid distinction between the two concepts, Mr. Khurshid argued that the impugned provision in the Income Tax Act was violative of right to live with dignity guaranteed under Article 21 of the Constitution. He submitted that Right to Life and Liberty mentioned in Article 21 of the Constitution encompasses within its right to live with dignity as has been held in catena of cases by this Court. He explained in detail as to how the concept of dignity was dealt with by different jurists from time to time including Kant who identified dignity with autonomy and Dworkin who exemplified the doctrine of dignity on the conception of living well, which itself is based on two principles of dignity, namely, self respect and authenticity. In this sense, he submitted that living with dignity involves giving importance to living our life well and acting independently from the personal sense of character and commitment to standards and ideals we stand for. The mandatory

G

H

¹⁵ (2006) 8 SCC 212

requirement of Aadhaar card makes an unwarranted intrusion in the importance we give to our bodily integrity in living our life well and compels human beings to express themselves the way the State wants. He also submitted that the features relevant for upholding the dignity of a human being will be severely compromised with when the data are cross-referenced with data relating to other spheres of life and are disclosed to third parties through different data collected for varied reasons. This would take place without the knowledge and consent of the poor assesseees who are apparently required to mandatorily obtain the Aadhaar card only for the purposes of payment of taxes.

46. Mr. Khurshid also raised doubts and fears about the unauthorised disclosure of the information given by these persons who enroll themselves under Aadhaar and submitted that in the absence of proper mechanism in place to check unauthorised disclosure, the impugned provision of making Aadhaar card for filing tax returns cannot be said to be consistent with the democratic ideals. Mr. Khurshid also submitted that there was no compelling state interests in having such a provision introducing compulsive element and depriving from erstwhile voluntary nature of Aadhaar scheme. According to him, the 'proportionality of means' concept is an essential one since integrating data beyond what is really necessary for the stated purpose is clearly unconstitutional. He submitted that in light of the decision in the case of *Gobind v. State of Madhya Pradesh*¹⁶, which has been the position of this Court since the past forty-two years and has been cited with approval often, it is humbly submitted that the State has the onerous burden of justifying the impugned mandatory provision. The 'compelling state interest' justification is only one aspect of the broader 'strict scrutiny' test, which was applied by this Court in *Anuj Garg v. Hotel Association of India*¹⁷. The other essential facet is to demonstrate 'narrow tailoring', i.e., that the State must demonstrate that even if a compelling interest exists, it has adopted a method that will infringe in the narrowest possible manner upon individual rights. He submitted that neither is there any compelling State interest warranting such a harsh mandatory provision, nor has it been narrowly tailored to meet the object, if any.

47. In this hue, he also submitted that Section 139AA of the Act violates the Rule of Law. Elaborating his argument, he submitted that a legal system which in general observes the rule of law treats its people

¹⁶ (1975) 2 SCC 148

¹⁷ (2008) 3 SCC 1

- A as persons, in the sense that it attempts to guide their behaviour through affecting the circumstances of their action. It, thus, presupposes that they are rational autonomous creatures and attempts to affect their actions and habits by affecting their deliberations. It satisfies men's craving for reasonable certainty of form as well as substance, and for dignity of process as well as dignity of result. On the other hand, when the rule of law is violated, it may be either in the form of leading to uncertainty or it may lead to frustrated and disappointed expectations. It leads to the first when the law does not enable people to foresee future developments or to form definite expectations. It leads to frustrated expectations when the appearance of stability and certainty which encourages people to rely and plan on the basis of the existing law is shattered by retroactive law-making or by preventing proper law-enforcement, etc. The evils of frustrated expectations are greater. Quite apart from the concrete harm they cause they also offend dignity in expressing disrespect for people's autonomy. The law in such cases encourages autonomous action only in order to frustrate its purpose. When such frustration is the result of human action or the result of the activities of social institutions then it expresses disrespect. Often it is analogous to entrapment: one is encouraged innocently to rely on the law and then that assurance is withdrawn and one's very reliance is turned into a cause of harm to one. Just as in the instant case, the impugned provision came into force when the order of the Court that Aadhaar card is not mandatory, still continues to operate.

48. In the alternative, another submission of Mr. Khurshid was that Section 139AA was retrospective in nature as per proviso to subsection (2) thereof. As per the said proviso, on failure to give Aadhaar number, the consequence was not only to render the PAN Card invalid prospectively but from the initial date of issuance of PAN Card in view of the expression 'as if the person had not applied for Permanent Account Number' which would mean that PAN Card would be invalidated by rendering the same *void ab initio* i.e. from retrospective effect. Such a retrospective effect, according to him, was violative of Article 20(1) of the Constitution. Further, retrospective operation is not permissible without separate objects for such operations as held in *Dayawati v. Inderjit*¹⁸. In conclusion, learned senior counsel submitted that the law regarding mandatory requirement of Aadhaar card is a hasty piece of legislation

¹⁸ (1966) 3 SCR 275

without much thought going into it. It is submitted that the Aadhaar card cannot be made mandatory for filing tax returns with such far-reaching consequences for non-compliance, unless and until suitable measures are put in place to ensure that the dignity of the assessee is not compromised with. The generalisation, centralisation and disclosure of biometric information, however, accidental it might be, has to be effectively controlled and mechanisms have to be put in place to inquire and penalise those found guilty of disclosing such information. The need to do so is extremely crucial in view of the fact that biometric systems may be bypassed, hacked, or even fail. Unless the same is done, the identity of the citizens will be reduced to a collection of instrumentalised markers. Further, the organisations and authorities allowed to conduct it should be strictly defined. There has to be a strict control over any systematic use of common identifiers. No such re-grouping of data can be allowed as could lead to the use of biometrics for exclusion of vulnerable groups. Brown considers surveillance as both a discursive and a material practice that reifies bodies around divisive lines. Surveillance of certain communities has been both social as well as political norm. He further submitted that this Court cannot lose sight of the fact that the data collected under the impugned provision may be used to carry out discriminatory research and sort subjects into groups for specific reasons. The fact that the impugned provision creates an apprehension in the minds of the people, legitimate and reasonable enough with no preventive mechanism in place, is in itself a violation of the right to life and personal liberty as enshrined under the Constitution.

49. Mr. Anando Mukherjee, learned counsel, appeared in Writ Petition (Civil) No. 304 of 2017, while reiterating the submissions of earlier counsel, argued that Section 139AA was confused, self-destructive and self-defeating provision for the reason that on the one hand, it had an effect of making enrollment into Aadhaar mandatory, but, on the other hand, by virtue of the explanation contained in the provision itself, it is kept voluntary and as a matter of right for the same set of individuals and for the purposes of Section 139AA. He also submitted that there was a conflict between Section 139AA of the Act and Section 29 of Aadhaar Act inasmuch as Section 29 puts a blanket embargo on using the core biometric information, collected or created under the Aadhaar Act for any purpose other than generation of Aadhaar numbers and authentication under the Aadhaar Act. Mr. Mukherjee went to the extent

- A of describing the impugned provision as colourable exercise of power primarily on the ground that when Aadhaar Act is voluntary in nature, there was no question of making this very provision mandatory by virtue of Section 139AA of the Act.

- B 50. Appearing for Union of India, Mr. Mukul Rohatgi, learned Attorney General for India; put stiff resistance to the submissions advanced on behalf of the petitioners. In a bid to torpedo and pulverise the arguments as set forth on the side of the petitioners, the learned Attorney pyramided his arguments in the following style:

- C In the first, Mr. Rohatgi made few preliminary remarks. First such submission was that many contentions advanced by the counsel for the petitioners touch upon the question of Right to Privacy which had already been referred to the Constitution Bench and, therefore, those aspects were not required to be dealt with. In this behalf, he specifically referred to the following observations of this Court in its order dated August 11, 2015, which were made by the three Judge Bench in Writ
D Petition (Civil) No. 494 of 2012:

- E “At the same time, we are also of the opinion that the institutional integrity and judicial discipline require that pronouncement made by larger Benches of this Court cannot be ignored by the smaller Benches without appropriately explaining the reasons for not following the pronouncements made by such larger Benches. With due respect to all the learned Judges who rendered the subsequent judgments – where right to privacy is asserted or referred to their Lordships concern for the liberty of human beings, we are of the humble opinion that there appears to be certain amount of apparent
F unresolved contradiction in the law declared by this Court.”

- G Notwithstanding these preliminary remarks, he rebutted the said argument based on Article 21, including Right to Privacy, by raising a plea that Right to Privacy/Personal Autonomy/Bodily Integrity is not absolute. He referred to the judgment of the United States Supreme Court in *Roe v. Wade*¹⁹ wherein it was held:

- H “The privacy right involved, therefore, cannot be said to be absolute. In fact, it is not clear to us that the claim asserted by some amici that one has an unlimited right to do with one’s body as one pleases bears a close relationship to the right of privacy

¹⁹410 U.S. 113 (1973)

[A. K. SIKRI, J.]

previously articulated in the Court's decisions. The Court has refused to recognise an unlimited right of this kind in the past." A

He also relied upon the judgment of this Court in *Sharda v. Dharmpal*²⁰ where the Court held that a matrimonial court has the power to order a person to undergo medical test. Passing of such an order by the court would not be in violation of the right to personal liberty under Article 21 of the Indian Constitution. B

51. His second preliminary submission was that insofar as challenge to the validity of Section 139AA on other grounds is concerned, it is to be kept in mind that the constitutional validity of a statute could be challenged only on two grounds, i.e. the Legislature enacting the law was not competent to enact that particular law or such a law is violative of any of the provisions of the Constitution. In support, he referred to the various judgments of this Court. C

52. He, thus, submitted that no third ground was available to any of the petitioners to challenge the constitutional validity of a legislative enactment. According to him, the principle proportionality should not be read into Article 14 of the Constitution, while taking support from the judgment in *K.T. Plantation Private Limited & Anr. v. State of Karnataka*²¹, wherein it is held that plea of unreasonableness, arbitrariness, proportionality, etc. always raises an element of subjectivity on which a court cannot strike down a statute or a statutory provision. D E

53. Third introductory submission of the learned Attorney General was that the scope of judicial review in a fiscal statute was very limited and Section 139AA of the Act, being a part of fiscal statute, following parameters laid down in *State of Madhya Pradesh v. Rakesh Kohli & Anr.*²² had to be kept in mind: F

"32. While dealing with constitutional validity of a taxation law enacted by Parliament or State Legislature, the court must have regard to the following principles:

(i) there is always presumption in favour of constitutionality of a law made by Parliament or a State Legislature, G

(ii) no enactment can be struck down by just saying that it is

²⁰ (2003) 4 SCC 493

²¹ (2011) 4 SCC 414

²² (2012) 6 SCC 312

A arbitrary or unreasonable or irrational but some constitutional infirmity has to be found,

(iii) the court is not concerned with the wisdom or unwisdom, the justice or injustice of the law as Parliament and State Legislatures are supposed to be alive to the needs of the people whom they represent and they are the best judge of the community by whose suffrage they come into existence,

B

(iv) hardship is not relevant in pronouncing on the constitutional validity of a fiscal statute or economic law, and

C (v) in the field of taxation, the legislature enjoys greater latitude for classification...”.

54. In this hue, he also argued that the State enjoys the widest latitude where measure of economic regulations are concerned {See – *Secretary to Government of Madras & Anr. v. P.R. Sriramulu & Anr.*²³, paragraph 15) and that *mala fides* cannot be attributed to the Parliament, as held in *G.C. Kanungo v. State of Orissa*²⁴, (paragraph 11). Also, the courts approached the issue with the presumption of constitutionality in mind and that Legislature intends and correctly appreciates the need of its own people, as held in *Mohd. Hanif Quareshi & Ors. v. State of Bihar*²⁵ (paragraph 15).

E 55. On merits, the argument of Mr. Rohatgi was that once the aforesaid basic parameters are kept in mind, the impugned provision passes the muster of constitutionality. Adverting to the issue of legislative competence, he referred to Article 246 and 248 of the Constitution as well as Entry 82 and Entry 97 of List-I of Schedule-VII of the Constitution which empowers the Parliament to legislate on the subject pertaining to income-tax. Therefore, it could not be said that the impugned provision made was beyond the competence of the Parliament. He also submitted that in any case residuary power lies with the Parliament and this power to legislate is plenary, as held in *Synthetics and Chemicals Ltd. & Ors. v. State of U.P. & Ors.*²⁶

G “56. On behalf of the State both Mr. Trivedi and Mr. Yogeshwar Prasad contended that regulatory power of the State was there

²³ (1996) 1 SCC 345

²⁴ (1995) 5 SCC 96

²⁵ AIR 1958 SC 731

H ²⁶ (1990) 1 SCC 109

[A. K. SIKRI, J.]

and in order to regulate it was possible to impose certain A
 disincentives in the form of fees or levies. Imposition of these
 imposts as part of regulatory process is permissible, it was
 submitted. Our attention was drawn to the various decisions where
 by virtue of “police power” in respect of alcohol the State has
 imposed such impositions. Though one would not be justified in B
 adverting to any police power, it is possible to conceive sovereign
 power and on that sovereign power to have the power of regulation
 to impose such conditions so as to ensure that the regulations are
 obeyed and complied with. We would not like, however, to embark
 upon any theory of police power because the Indian Constitution
 does not recognise police power as such. But we must recognise C
 the exercise of sovereign power which gives the States sufficient
 authority to enact any law subject to the limitations of the
 Constitution to discharge its functions. Hence, the Indian
 Constitution as a sovereign State has power to legislate on all
 branches except to the limitation as to the division of powers D
 between the Centre and the States and also subject to the
 fundamental rights guaranteed under the Constitution. The Indian
 State, between the Centre and the States, has sovereign power.
 The sovereign power is plenary and inherent in every sovereign
 State to do all things which promote the health, peace, morals,
 education and good order of the people. Sovereignty is difficult E
 to define. This power of sovereignty is, however, subject to
 constitutional limitations. This power, according to some
 constitutional authorities, is to the public what necessity is to the
 individual. Right to tax or levy imposts must be in accordance
 with the provisions of the Constitution.” F

56. Rebutting the argument of Mr. Datar that by making the
 impugned provision mandatory the Legislature had acted contrary to the
 judgments of this Court, Mr. Rohatgi argued that this argument was
 devoid of any merit on various counts: First, there was no judgment of
 this Court and the orders referred were only interim orders. Secondly,
 in any case, those orders were passed at a time when Aadhaar was G
 being implemented as a scheme in administrative/executive domain and
 the Court was considering the validity of Aadhaar scheme in that hue/
 background. Those orders have not been passed in the context of
 examining the validity of any legislative measure. Thirdly, no final view

H

A is taken in the form of any judgment that Aadhaar is unconstitutional and, therefore, there is no basis in existence which was required to be removed. Fourthly, the Parliament was competent to pass the law and provide statutory framework to give legislative backing to Aadhaar in the absence of any such law which existed at that time. He, thus, submitted that there was no question of curing the alleged basis of judgment/interim orders by legislation. He specifically relied upon the following passage from the judgment in the case of *Goa Foundation & Anr. v. State of Goa & Anr.*²⁷:

C “24. The principles on which first question would require to be answered are not in doubt. The power to invalidate a legislative or executive act lies with the Court. A judicial pronouncement, either declaratory or conferring rights on the citizens cannot be set at naught by a subsequent legislative act for that would amount to an encroachment on the judicial powers. However, the legislature would be competent to pass an amending or a validating act, if deemed fit, with retrospective effect removing the basis of the decision of the Court. Even in such a situation the courts may not approve a retrospective deprivation of accrued rights arising from a judgment by means of a subsequent legislation (*Madan Mohan Pathak v. Union of India*). However, where the Court’s judgment is purely declaratory, the courts will lean in support of the legislative power to remove the basis of a court judgment even retrospectively, paving the way for a restoration of the status quo ante. Though the consequence may appear to be an exercise to overcome the judicial pronouncement it is so only at first blush; a closer scrutiny would confer legitimacy on such an exercise as the same is a normal adjunct of the legislative power. The whole exercise is one of viewing the different spheres of jurisdiction exercised by the two bodies i.e. the judiciary and the legislature. The balancing act, delicate as it is, to the constitutional scheme is guided by the well-defined values which have found succinct manifestation in the views of this Court in *Bakhtawar Trust*.”

G 57. Mr. Rohatgi thereafter read extensively from the counter affidavit filed on behalf of the Union of India detailing the rational and objective behind introduction of Section 139AA of the Act. He submitted that the provision aims to achieve, *inter alia*, the following objectives:

H ²⁷ (2016) 6 SCC 602

[A. K. SIKRI, J.]

- (i) This provision was introduced to tackle the problem of multiple PAN cards to same individuals and PAN cards in the name of fictitious individuals are common medium of money laundering, tax evasion, creation and channelling of black money. PAN numbers in name of firm or fictitious persons as directors or shareholders are used to create layers of shell companies through which the aforesaid activities are done. A de-duplication exercise was done in the year 2006 and a large number of PAN numbers were found to be duplicate. The problem of some persons fraudulently obtaining multiple PANs and using them for making illegal transactions still exists. Over all 11.35 lakh cases of duplicate PAN/fraudulent PAN have been detected and accordingly such PANs have been deleted/deactivated. Out of this, around 10.52 lakh cases pertain to individual assesseees. Total number of Aadhaar for individuals exceeds 113 crores whereas total number of PAN for individuals is around 29 crore. Therefore, whereas the Aadhaar Act applies to the entire population, the Income Tax Act applies to a much smaller sub-set of the population, i.e. the tax payers. In order to ensure *One Pan to One Person*, Aadhaar can be the sole criterion for allotment of PAN to individuals only after all existing PAN are seeded with Aadhaar and quoting of Aadhaar is mandated for new PAN applications.

Counter affidavit filed by the Union of India also gives the following instances of misuse of PAN:

- (a) In NSDL scam of 2006, about one lakh bogus bank and demat accounts were opened through use of PANs. The real PAN owners were not aware of these accounts.
- (b) As Banks progressively started insisting on PANs for opening of bank accounts, unscrupulous operators managed multiple PANs for providing entries and operating undisclosed accounts for making financial transactions.
- (c) Entry operators manage a large number of shell companies using duplicate PANs or PANs issued in the name of dummy directors and name lenders. As the persons involved as bogus directors are usually the same set of persons, linkage with Aadhaar would prevent such misuse. Further, it will also be

A expedient for the Enforcement agencies to identify and red flag such misuses in future.

(d) Cases have also been found where multiple PANs are acquired by a single entity by dubious means and used for raising loans from different banks. In one such case at Ludhiana, multiple PANs were found acquired by a person in his individual name as well as in the name of his firms by dubious means. During investigation, he admitted to have acquired multiple PANs for raising multiple loans from banks and to avoid adverse CIBIL information. Prosecution has been launched by the Income Tax Department in this case u/s 277A, 278, 278B of the Act in addition

B

C

(ii) To tackle the problem of black money, Mr. Rohatgi pointed out that the Second Report of the Special Investigation Team (SIT) on black money, headed by Justice M.B. Shah (Retd.), after observing the menace of corruption and black money, recommended as follows:

D

“At present, for entering into financial/business transactions, persons have option to quote their PAN or UID or passport number or driving license or any other proof of identity. However, there is no mechanism/system at present to connect the data available with each of these independent proofs of ID. It is suggested that these databases be interconnected. This would assist in identifying multiple transactions by one person with different IDs.”

E

The SIT in its Third Report has recommended the establishment of a Central KYC Registry. The rationale for the SIT recommendations was to prove a verifiable and authenticable identity for all individuals and Aadhaar provides a mechanism to serve that purpose in a federated architecture without aggregating all the information at one place.

F

G

The Committee headed by the Chairman, CBDT on ‘Measures to tackle black money in India and abroad’ reveals that various authorities are dealing with the menace of money laundering being done to evade taxes under the garb of shell companies by the persons who hold multiple bogus PAN numbers under different names or variations of their names, providing accommodation

H

entries to various companies and persons to evade taxes and introduce undisclosed and unaccounted income of those persons into their companies as share applications or loans and advances or booking fake expenses. These are tax frauds and devices which are causing loss to the revenue to the tune of thousands of crores.

(iii) Another objective is to curb the menace of shell companies.

It is submitted in this regard that PAN is a basis of all the requirements in the process of incorporation of a company. Even an artificial juridical person like a company is granted PAN. It is required as an ID proof for incorporation of a company, applying for DIN, digital signature etc. PAN is also required for opening a bank account in the name of a company or individuals. Basic documents required for obtaining a PAN are ID proof and address proof. It has been observed that these documents which are a basis of issuance of PAN could easily be forged and, therefore, PAN cards issued on the basis of such forged documents cannot be genuine and it can be used for various financial frauds/crime. Aadhaar will ensure that there is no duplication of identity as biometric will not allow that. If at the time of opening of bank accounts itself, the more robust identity proof like Aadhaar had been used in place of PAN, the menace of mushrooming of non-descript/shell/jamakharchi/bogus companies would have been prevented. There is involvement of natural person in the complex web of shell companies only at the initial stage when the shareholders subscribe to the share capital of the shell company. After that many layers are created because there is company to company transaction and much more complex structure of shell company compromising the financial integration of nation is formed which makes it almost impossible to identify the real beneficiary (natural person) involved in these shell companies. These shell companies have been used for purpose of money laundering at a large scale. The fake PAN cards have facilitated the enormous growth of shell companies which were being used for layering of funds and illegal transfer of such funds to some other companies/persons or parked abroad in the guise of remittances against import. The share capital of these shell

A

B

C

D

E

F

G

H

A companies are subscribed by fake shareholders through numerous bank accounts opened with the use of fake PAN cards at the initial stage.

(iv) According to the respondents, this provision will help in widening of tax base. It was pointed out that more than 113 crore people have registered themselves under Aadhaar. Adults coverage of Aadhaar is more than 99%. Aadhaar being a unique identification, the problem of bogus or duplicate PANs can be dealt with in a more systematic and foolproof manner.

B According to the respondent, in fact, it has already shown results as Aadhaar has led to weeding out duplicate and fakes in many welfare programmes such as PDS, MNREGS, LPG Pahal, Old Age pension, scholarships etc. during the last two years and it has led to savings of approximately Rs.49,000 crores to the exchequer.

C 58. Mr. Rohatgi also referred to that portions of the counter affidavit which narrates the following benefits Aadhaar seeding in PAN database:

D (a) **Permanent Account Number (PAN)** – PAN is a ten-digit alpha-numeric number allotted by the Income Tax Department to any ‘person’ who applies for it or to whom the department allots the number without an application. One PAN for one person is the guiding principle for allotment of PAN. PAN acts as the identifier of taxable entity and aggregator of all financial transactions undertaken by the taxable entity i.e. ‘person’.

E (b) **Legal provisions relating to PAN** – PAN is the key or identifier of all computerized records relating to the taxpayer. The requirement for obtaining of PAN is mandated through Section 139A of the Act. The procedure for application for PAN is prescribed in Rule 114 of the Rules. The forms prescribed for PAN application are 49A and 49AA for Indian and Foreign Citizens/Entities. Quoting of PAN has been mandated for certain transactions above specified threshold value in Rule 114B of the Rules.

G (c) **Uniqueness of PAN** – For achieving the objective of one PAN to one assessee, it is required to maintain uniqueness of

H

PAN. The uniqueness of PAN is achieved by conducting a de-duplication check on all already existing allotted PAN against the data furnished by new applicant. Under the existing system of PAN only demographic data is captured. De-duplication process is carried out using a Phonetic Algorithm whereby a Phonetic PAN (PPAN) is created in respect of each applicant using the data of applicant's name, father's name, date of birth, gender and status. By comparison of newly generated PPAN with existing set of PPANs of all assessee duplicate check is carried out and it is ensured that same person does not acquire multiple PANs or one PAN is not allotted to multiple persons. Due to prevalence of common names and large number of PAN holders, the demographic way of de-duplication is not foolproof. Many instances are found where multiple PANs have been allotted to one person or one PAN has been allotted to multiple persons despite the application of above-mentioned de-duplication process. While allotment of multiple PAN to one person has the risk of diversion of income of person into several PANs resulting in evasion of tax, the allotment of same PAN to multiple persons results in wrong aggregation and assessment of incomes of several persons as one taxable entity represented by single PAN.

(d) Presently verification of original documents in only 0.2% cases (200 out of 1,00,000 PAN applications) is done on a random basis which is quite less. In the case of Aadhaar, 100% verification is possible due to availability of on-line Aadhaar authentication service provided by the UIDAI. Aadhaar seeding in PAN database will make PAN allotment process more robust.

(e) Seeding of Aadhaar number into PAN database will allow a robust way of de-duplication as Aadhaar number is de-duplicated using biometric attributes of fingerprints and iris images. The instance of a duplicate Aadhaar is almost non-existent. Further seeking of Aadhaar will allow the Income Tax Department to weed out any undetected duplicate PANs. It will also facilitate resolution of cases of one PAN allotted to multiple persons.

59. After stating the aforesaid purpose, rational and benefits, the

A learned Attorney General submitted that the main provision is not violative of any constitutional rights of the petitioners. According to him, the provision was not discriminatory at all inasmuch as it was passed on reasonable classification, the two classes being tax payers and non tax payers. He also submitted that it was totally misconceived that this provision had no rational nexus with the objective sought to be achieved in view of the various objectives and benefits which were sought to be achieved by seeding Aadhaar with PAN. Mr. Rohatgi also referred to various orders and judgments of this Court whereunder use of Aadhaar was endorsed, encouraged or even directed. Following instances are cited:

C 60. The importance and utility of Aadhaar for delivery of public services like PDS, curbing bogus admissions in schools and verification of mobile number subscribers has not only been upheld but endorsed and recommended by this Court.

D 61. This Court in the case of *PUCL v. Union of India*²⁸ has approved the recommendations of the High Powered Committee headed by Justice D.P. Wadhwa, which recommended linking of Aadhaar with PDS and encouraged State Governments to adopt the same.

E 62. This Court in *State of Kerala & others vs. President, Parents Teachers Association, SNVUP and Others*²⁹ has directed use of Aadhaar for checking bogus admissions in schools with the following observations:

F “18. We are, however, inclined to give a direction to the Education Department, State of Kerala to forthwith give effect to a circular dated 12.10.2011 to issue UID Card to all the school children and follow the guidelines and directions contained in their circular. Needless to say, the Government can always adopt, in future, better scientific methods to curb such types of bogus admissions in various aided schools.”

G 63. While monitoring the PILs relating to night shelters for the homeless and the right to food through the public distribution system, this Court has lauded and complimented the efforts of the State Governments for *inter alia* carrying out bio-metric identification of the head of family of each household to eliminate fictitious, bogus and ineligible BPL/AAY household cards.

²⁸ (2011) 14 SCC 331

H ²⁹ (2013) 2 SCC 705

64. A two Judge Bench of this court in *People's Union for Civil Liberties (PDS Matter) v. Union of India & Ors.*³⁰ has held that computerisation is going to help the public distribution system in the country in a big way and encouraged and endorsed the digitisation of database including bio-metric identification of the beneficiaries. In fact, this Court had requested Mr. Nandan Nilekani to suggest ways in which the computerisation process of PDS can be expedited.

65. In the case of *People's Union for Civil Liberties v. Union of India & Ors.*³¹, this Court has also endorsed bio-metric identification of homeless persons so that the benefits like supply of food and kerosene oil available to persons who are below poverty line can be extended to the correct beneficiaries.

66. In the case of *Lokniti Foundation v. Union of India & Ors.*³², this Court has disposed of the writ petition while approving the Aadhaar based verification of existing and new mobile number subscribers and upon being satisfied that an effective process has been evolved to ensure identity verification.

67. Mr. Sengupta, learned counsel arguing on behalf of UIDAI, made additional submissions specifically answering the doctrine of proportionality argument advanced by Mr. Datar as well as on the aspect of informational self-determination. His submissions in this behalf were that proportionality should not be read into Article 14 of the Constitution and in any case no proportionality or other Article 14 violation had been made out in the instant case. He also argued that there is no absolute right to informational self-determination; to the extent such right may exist it is part of the Right to Privacy whose very existence contours is before the Constitution Bench of this Court.

68. Adverting to the doctrine of proportionality, he referred to the judgments of this Court in *Modern Dental College and Research Centre*³³ wherein this doctrine is explained and applied and submitted that the doctrine is applied only in the context of Article 19(1)(g) and not Article 14 of the Constitution. He pointed out that proportionality is not

³⁰ (2013) 14 SCC 368

³¹ (2010) 5 SCC 318

³² Writ Petition (C) No. 607 of 2016 decided on February 06, 2017

³³ Footnote 7 above

- A the governing law even in the United Kingdom for claims analogous to Article 14 of the Constitution. His passionate submission was that proportionality supplanting traditional review in European Court of Human Rights cases and not remaining applicable in traditional judicial review claims has caused immense confusion in British public law. Narrating the structure of Article 19, submission of Mr. Sengupta was that freedoms which were enlisted under Article 19(1) were not the absolute freedoms and they were subject to reasonable restrictions, as provided under sub-article (2) to (6) of Article 19 itself. It is because of this reason, while examining as to whether a particular measure violated any of the freedoms or was a reasonable restriction, balancing exercise was to be done by the courts and this balancing exercise brings the element of proportionality. However, this was not envisaged in Article 14 at all.

69. Coming to the impugned provision and referring to the penal consequences provided in proviso to Section 139AA(2), he argued that the test of whether penalty is proportionate is not the same as the doctrine of proportionality. Proportionate penalty is an incident of arbitrariness whereas there cannot be any arbitrariness *qua* a statute. He also submitted that on facts penalty provided in the impugned provision is deemed to be the same as that for not filing income tax return with valid PAN. He also argued that there was no violation of Article 14 inasmuch as classification had a reasonable nexus with the object enshrined in the impugned provision. It was open to the Legislature to determine decrease of harm and act accordingly and the Legislature does not have to tackle problem 100% for it to have a rational nexus. Since individual assesseees are prone to the problem and financial frauds using fake PAN, whether individually or in the guise of legal persons, Aadhaar aims at tackling problem which exhibited a rational nexus with the object. According to Mr. Sengupta, there was no discriminatory object inasmuch as the object is to weed out duplicate PANs that allow financial and tax fraud. Therefore, the provision is not discriminatory in nature.

70. Dealing with the argument of right to informational self-determination, the learned counsel submitted that as a matter of current practice in India, no absolute right to determine what information about oneself one wants to disclose; several pieces of personal information are required by law. The perils of comparative law in merely transplanting from German law; the need to develop an Indian understanding of privacy and self-determination in the Indian context. Even in German law, the

judgment quoted by the petitioner does not demonstrate an untrammelled Right to Privacy or information self-determination. The world over, information over oneself is the most critical element of privacy; the contours of which are to be determined by a Constitution Bench.

A Caveat

71. Before we enter into the discussion and weigh the merits of arguments addressed on both sides, one aspect needs to be made absolutely clear, though it has been hinted earlier as well. Conscious of the fact that challenge to Aadhaar scheme/legislation on the ground that it was violative of Article 21 of the Constitution is pending before the Constitution Bench and, therefore, this Bench could not have decided that issue, counsel for the petitioners had submitted that they would not be pressing the issue of Right to Privacy. Notwithstanding the same, it was argued by Mr. Divan, though in the process Mr. Divan emphasised that he was touching upon other facets of Article 21. Likewise, Mr. Salman Khurshid while arguing that the impugned provision was violative of Article 21, based his submission on Right to Human Dignity as a facet of Article 21. He also emphasised that the concept of human dignity was different from Right to Privacy. We have taken note of these arguments above. However, we feel all these aspects argued by the petitioners overlap with privacy issues as different aspects of Article 21 of the Constitution. Right to Let Alone has the shades of Right to Privacy and it is so held by the Court in *R. Rajagopal & Anr. v. State of Tamil Nadu & Ors.*³⁴:

“26. We may now summarise the broad principles flowing from the above discussion:

(1) The right to privacy is implicit in the right to life and liberty guaranteed to the citizens of this country by Article 21. It is a “right to be let alone”. A citizen has a right to safeguard the privacy of his own, his family, marriage, procreation, motherhood, child-bearing and education among other matters. None can publish anything concerning the above matters without his consent — whether truthful or otherwise and whether laudatory or critical. If he does so, he would be violating the right to privacy of the person concerned and would be liable in an action for damages. Position may, however, be different, if a person voluntarily thrusts himself

³⁴ (1994) 6 SCC 632

A into controversy or voluntarily invites or raises a controversy.

(2) The rule aforesaid is subject to the exception, that any publication concerning the aforesaid aspects becomes unobjectionable if such publication is based upon public records including court records. This is for the reason that once a matter becomes a matter of public record, the right to privacy no longer subsists and it becomes a legitimate subject for comment by press and media among others. We are, however, of the opinion that in the interests of decency [Article 19(2)] an exception must be carved out to this rule, viz., a female who is the victim of a sexual assault, kidnap, abduction or a like offence should not further be subjected to the indignity of her name and the incident being publicised in press/media.

(3) There is yet another exception to the rule in (1) above — indeed, this is not an exception but an inherent rule. In the case of public officials, it is obvious, right to privacy, or for that matter, the remedy of action for damages is simply not available with respect to their acts and conduct relevant to the discharge of their official duties. This is so even where the publication is based upon facts and statements which are not true, unless the official establishes that the publication was made (by the defendant) with reckless disregard for truth. In such a case, it would be enough for the defendant (member of the press or media) to prove that he acted after a reasonable verification of the facts; it is not necessary for him to prove that what he has written is true. Of course, where the publication is proved to be false *and* actuated by malice or personal animosity, the defendant would have no defence and would be liable for damages. It is equally obvious that in matters not relevant to the discharge of his duties, the public official enjoys the same protection as any other citizen, as explained in (1) and (2) above. It needs no reiteration that judiciary, which is protected by the power to punish for contempt of court and Parliament and legislatures protected as their privileges are by Articles 105 and 104 respectively of the Constitution of India, represent exceptions to this rule.

(4) So far as the Government, local authority and other organs and institutions exercising governmental power are concerned, they cannot maintain a suit for damages for defaming them.

(5) Rules 3 and 4 do not, however, mean that Official Secrets Act, 1923, or any similar enactment or provision having the force of law does not bind the press or media. A

(6) There is no law empowering the State or its officials to prohibit, or to impose a prior restraint upon the press/media.”

So is the Right to Informational Self Determination, as specifically spelled out by US Supreme Court in *United States Department of Justice v. Reporters Committee for Freedom of the Press*³⁵. Because of the aforesaid reasons and keeping in mind the principle of judicial discipline, we have made conscious choice not to deal with these aspects and it would be for the parties to raise these issues before the Constitution Bench. Accordingly, other arguments based on Articles 14 and 19 of the Constitution as well as competence of the legislature to enact such law are being examined. B C

72. We have deeply deliberated on the arguments advanced by various counsel appearing for different petitioners as well as counter submissions made by counsel appearing on behalf of the State. Undoubtedly, the issue that confronts us is of seminal importance. In recent times, issues about the proprietary, significance, merits and demerits have generated lots of debate among intelligentsia. The Government claims that this provision is introduced in the Statute to achieve laudable objectives and it is in public interest. It is felt that this technology can solve many development challenges. The petitioners argue that the move is impermissible as it violates their fundamental rights. It falls in the category of, what Ronald Dworkin calls, “hard cases”. Nevertheless, the duty of the court is to decide such cases as well and give better decision. While undertaking this exercise of judicial review, let us first keep in mind the width and extent of power of judicial review of a legislative action. The Court cannot question the wisdom of the Legislature in enacting a particular law. It is required to act within the domain available to it. D E F

Scope of Judicial Review of Legislative Act G

73. Under the Constitution, Supreme Court as well as High Courts are vested with the power of judicial review of not only administrative acts of the executive but legislative enactments passed by the legislature as well. This power is given to the High Courts under Article 226 of the

³⁵ 489 U.S. 749 (1989)

- A Constitution and to the Supreme Court under Article 32 as well as Article 136 of the Constitution. At the same time, the parameters on which the power of judicial review of administrative act is to be undertaken are different from the parameters on which validity of legislative enactment is to be examined. No doubt, in exercises of its power of judicial review of legislative action, the Supreme Court, or for that matter, the High
- B Courts can declare law passed by the Parliament or the State Legislature as invalid. However, the power to strike down primary legislation enacted by the Union or the State Legislatures is on limited grounds. Courts can strike down legislation either on the basis that it falls foul of federal distribution of powers or that it contravenes fundamental rights or other
- C Constitutional rights/provisions of the Constitution of India. No doubt, since the Supreme Court and the High Courts are treated as the 'ultimate arbiter in all matters involving interpretation of the Constitution, it is the Courts which have the final say on questions relating to rights and whether such a right is violated or not. The basis of the aforesaid statement lies in Article 13(2) of the Constitution which proscribes the State from making
- D 'any law which takes away or abridges the right conferred by Part III', enshrining fundamental rights. It categorically states that any law made in contravention thereof, to the extent of the contravention, be void.

E 74. We can also take note of Article 372 of the Constitution at this stage which applies to pre-constitutional laws. Article 372(1) reads as under:

"372. Continuance in force of existing laws and their adaptation.-

(1) Notwithstanding the repeal by this Constitution of the enactments referred to in article 395 but subject to the other provisions of this Constitution, all the law in force in the territory of India immediately before the commencement of this Constitution shall continue in force therein until altered or repealed or amended by a competent Legislature or other competent authority."

G In the context of judicial review of legislation, this provision gives an indication that all laws enforced prior to the commencement of the Constitution can be tested for compliance with the provisions of the Constitution by Courts. Such a power is recognised by this Court in *Union of India & Ors. v. Sicom Limited & Anr.*³⁶. In that judgment,

³⁶ (2009) 2 SCC 121

H

it was also held that since the term 'laws', as per Article 372, includes common law the power of judicial review of legislation, which is a part of common law applicable in India before the Constitution came into force, would continue to vest in the Indian courts.

75. With this, we advert to the discussion on the grounds of judicial review that are available to adjudge the validity of a piece of legislation passed by the Legislature. We have already mentioned that a particular law or a provision contained in a statute can be invalidated on two grounds, namely: (i) it is not within the competence of the Legislature which passed the law, and/or (ii) it is in contravention of any of the fundamental rights stipulated in Part III of the Constitution or any other right/ provision of the Constitution. These contours of the judicial review are spelled out in the clear terms in case of *Rakesh Kohli*³⁷, and particularly the following paragraphs:

"16. The statute enacted by Parliament or a State Legislature cannot be declared unconstitutional lightly. The court must be able to hold beyond any iota of doubt that the violation of the constitutional provisions was so glaring that the legislative provision under challenge cannot stand. Sans flagrant violation of the constitutional provisions, the law made by Parliament or a State Legislature is not declared bad.

17. This Court has repeatedly stated that legislative enactment can be struck down by court only on two grounds, namely (i) that the appropriate legislature does not have the competence to make the law, and (ii) that it does not (sic) take away or abridge any of the fundamental rights enumerated in Part III of the Constitution or any other constitutional provisions. In *McDowell and Co.* while dealing with the challenge to an enactment based on Article 14, this Court stated in para 43 of the Report as follows: (SCC pp. 737-38)

"43. ... A law made by Parliament or the legislature can be struck down by courts on two grounds and two grounds alone viz. (1) lack of legislative competence, and (2) violation of any of the fundamental rights guaranteed in Part III of the Constitution or of any other constitutional provision. There is no third ground. ... if an enactment is challenged as violative

³⁷ Footnote 20 above

A of Article 14, it can be struck down only if it is found that it is
violative of the equality clause/equal protection clause enshrined
therein. Similarly, if an enactment is challenged as violative of
any of the fundamental rights guaranteed by sub-clauses (a)
to (g) of Article 19(1), it can be struck down only if it is found
B not saved by any of the clauses (2) to (6) of Article 19 and so
on: No enactment can be struck down by just saying that it is
arbitrary or unreasonable. Some or the other constitutional
infirmity has to be found before invalidating an Act. An
enactment cannot be struck down on the ground that court
thinks it unjustified. Parliament and the legislatures, composed
C as they are of the representatives of the people, are supposed
to know and be aware of the needs of the people and what is
good and bad for them. The court cannot sit in judgment over
their wisdom.”

(emphasis supplied)

D 26. In Mohd. Hanif Quareshi, the Constitution Bench further
observed that there was always a presumption in favour of
constitutionality of an enactment and the burden is upon him, who
attacks it, to show that there has been a clear violation of the
constitutional principles. It stated in para.15 of the Report as under:
E (AIR pp. 740-41)

“”15. ... The courts, it is accepted, must presume that the
legislature understands and correctly appreciates the needs of
its own people, that its laws are directed to problems made
manifest by experience and that its discriminations are based
F on adequate grounds. It must be borne in mind that the
legislature is free to recognise degrees of harm and may confine
its restrictions to those cases where the need is deemed to be
the clearest and finally that in order to sustain the presumption
of constitutionality the court may take into consideration matters
of common knowledge, matters of common report, the history
G of the times and may assume every state of facts which can
be conceived existing at the time of legislation.”

27. The above legal position has been reiterated by a Constitution
Bench of this Court in Mahant Moti Das v. S.P. Sahi.

H

[A. K. SIKRI, J.]

28. In *Hamdard Dawakhana v. Union of India*, inter alia, while referring to the earlier two decisions, namely, *Bengal Immunity Co. Ltd.* and *Mahant Moti Das*, it was observed in para 8 of the Report as follows: (*Hamdard Dawakhana case*, AIR p. 559):

“8. Therefore, when the constitutionality of an enactment is challenged on the ground of violation of any of the articles in Part III of the Constitution, the ascertainment of its true nature and character becomes necessary i.e. its subject-matter, the area in which it is intended to operate, its purport and intent have to be determined. In order to do so it is legitimate to take into consideration all the factors such as history of the legislation, the purpose thereof, the surrounding circumstances and conditions, the mischief which it intended to suppress, the remedy for the disease which the legislature resolved to cure and the true reason for the remedy....”

In *Hamdard Dawakhana*, the Court also followed the statement of law in *Mahant Moti Das* and the two earlier decisions, namely, *Charanjit Lal Chowdhury v. Union of India* and *State of Bombay v. F.N. Balsara* and reiterated the principle that presumption was always in favour of constitutionality of an enactment.

xx

xx

xx

30. A well-known principle that in the field of taxation, the legislature enjoys a greater latitude for classification, has been noted by this Court in a long line of cases. Some of these decisions are *Steelworth Ltd. v. State of Assam*; *Gopal Narain v. State of U.P.*; *Ganga Sugar Corpn. Ltd. v. State of U.P.*; *R.K. Garg v. Union of India*; and *State of W.B. v. E.I.T.A. India Ltd.*”

76. Again in *Ashok Kumar Thakur v. Union of India & Ors.*³⁸, this Court made the following pertinent observations:

“219. A legislation passed by Parliament can be challenged only on constitutionally recognised grounds. Ordinarily, grounds of attack of a legislation is whether the legislature has legislative competence or whether the legislation is ultra vires the provisions

³⁸ (2008) 6 SCC 1

A of the Constitution. If any of the provisions of the legislation violates
 fundamental rights or any other provisions of the Constitution, it
 could certainly be a valid ground to set aside the legislation by
 invoking the power of judicial review. A legislation could also be
 challenged as unreasonable if it violates the principles of equality
 B adumbrated in our Constitution or it unreasonably restricts the
 fundamental rights under Article 19 of the Constitution. A legislation
 cannot be challenged simply on the ground of unreasonableness
 because that by itself does not constitute a ground. The validity of
 a constitutional amendment and the validity of plenary legislation
 have to be decided purely as questions of constitutional law. This
 C Court in *State of Rajasthan v. Union of India* said: (SCC p. 660,
 para 149)

“149. ... if a question brought before the court is purely a
 political question not involving determination of any legal or
 constitutional right or obligation, the court would not entertain
 D it, since the court is concerned only with adjudication of legal
 rights and liabilities.”

Therefore, the plea of the petitioner that the legislation itself was
 intended to please a section of the community as part of the vote
 catching mechanism is not a legally acceptable plea and it is only
 E to be rejected.”

77. Furthermore, it also needs to be specifically noted that this
 Court emphasised that apart from the aforesaid two grounds no third
 ground is available to invalidate any piece of legislation. In this behalf it
 would be apposite to reproduce the following observations from *State of*
 F *A.P. & Ors. v. McDowell & Co. & Ors.*³⁹, which is a judgment rendered
 by a three Judge Bench of this Court:

“43...A law made by Parliament or the legislature can be struck
 down by courts on two grounds and two grounds alone, viz., (1)
 lack of legislative competence and (2) violation of any of the
 G fundamental rights guaranteed in Part III of the Constitution or of
 any other constitutional provision. There is no third ground. We
 do not wish to enter into a discussion of the concepts of procedural
 unreasonableness and substantive unreasonableness — concepts
 inspired by the decisions of United States Supreme Court. Even

³⁹ (1996) 3 SCC 709

[A. K. SIKRI, J.]

in U.S.A., these concepts and in particular the concept of substantive due process have proved to be of unending controversy, the latest thinking tending towards a severe curtailment of this ground (substantive due process). The main criticism against the ground of substantive due process being that it seeks to set up the courts as arbiters of the wisdom of the legislature in enacting the particular piece of legislation. It is enough for us to say that by whatever name it is characterised, the ground of invalidation must fall within the four corners of the two grounds mentioned above. In other words, say, if an enactment is challenged as violative of Article 14, it can be struck down only if it is found that it is violative of the equality clause/equal protection clause enshrined therein. Similarly, if an enactment is challenged as violative of any of the fundamental rights guaranteed by clauses (a) to (g) of Article 19(1), it can be struck down only if it is found not saved by any of the clauses (2) to (6) of Article 19 and so on. No enactment can be struck down by just saying that it is arbitrary or unreasonable. Some or other constitutional infirmity has to be found before invalidating an Act. An enactment cannot be struck down on the ground that court thinks it unjustified. Parliament and the legislatures, composed as they are of the representatives of the people, are supposed to know and be aware of the needs of the people and what is good and bad for them. The court cannot sit in judgment over their wisdom. In this connection, it should be remembered that even in the case of administrative action, the scope of judicial review is limited to three grounds, viz., (i) unreasonableness, which can more appropriately be called irrationality, (ii) illegality and (iii) procedural impropriety (see *Council of Civil Service Unions v. Minister for Civil Service* [1985 AC 374 : (1984) 3 All ER 935 : (1984) 3 WLR 1174] which decision has been accepted by this Court as well). The applicability of doctrine of proportionality even in administrative law sphere is yet a debatable issue. (See the opinions of Lords Lowry and Ackner in *R. v. Secy. of State for Home Deptt., ex p Brind* [1991 AC 696 : (1991) 1 All ER 720] AC at 766-67 and 762.) It would be rather odd if an enactment were to be struck down by applying the said principle when its applicability even in administrative law sphere is not fully and finally settled..."

A 78. Another aspect in this context, which needs to be emphasized, is that a legislation cannot be declared unconstitutional on the ground that it is 'arbitrary' inasmuch as examining as to whether a particular Act is arbitrary or not implies a value judgment and the courts do not examine the wisdom of legislative choices and, therefore, cannot undertake this exercise. This was so recognised in a recent judgment of
B this Court *Rajbala & Ors. v. State of Haryana & Ors.*⁴⁰ wherein this Court held as under:

“

C 64. From the above extract from *McDowell & Co.* case it is clear that the courts in this country do not undertake the task of declaring a piece of legislation unconstitutional on the ground that the legislation is “arbitrary” since such an exercise implies a value judgment and courts do not examine the wisdom of legislative choices unless the legislation is otherwise violative of some specific provision of the Constitution. To undertake such an examination
D would amount to virtually importing the doctrine of “substantive due process” employed by the American Supreme Court at an earlier point of time while examining the constitutionality of Indian legislation. As pointed out in the above extract, even in United States the doctrine is currently of doubtful legitimacy. This Court
E long back in *A.S. Krishna v. State of Madras* declared that the doctrine of due process has no application under the Indian Constitution As pointed out by Frankfurter, J., arbitrariness became a mantra.

F 65. For the above reasons, we are of the opinion that it is not permissible for this Court to declare a statute unconstitutional on the ground that it is 'arbitrary'.”

79. Same sentiments were expressed earlier by this Court in *K. T. Plantation Private Limited & Anr.*⁴¹ in the following words:

G “205. Plea of unreasonableness, arbitrariness, proportionality, etc. always raises an element of subjectivity on which a court cannot strike down a statute or a statutory provision, especially when the right to property is no more a fundamental right. Otherwise the court will be substituting its wisdom to that of the legislature, which

⁴⁰ (2016) 2 SCC 445.

H ⁴¹ Footnote 19 above.

is impermissible in our constitutional democracy.”

A

A fortiori, a law cannot be invalidated on the ground that the Legislature did not apply its mind or it was prompted by some improper motive.

80. It is, thus, clear that in exercise of power of judicial review, Indian Courts are invested with powers to strike down primary legislation enacted by the Parliament or the State legislatures. However, while undertaking this exercise of judicial review, the same is to be done at three levels. In the first stage, the Court would examine as to whether impugned provision in a legislation is compatible with the fundamental rights or the Constitutional provisions (substantive judicial review) or it falls foul of the federal distribution of powers (procedural judicial review). If it is not found to be so, no further exercise is needed as challenge would fail. On the other hand, if it is found that Legislature lacks competence as the subject legislated was not within the powers assigned in the list in VII Schedule, no further enquiry is needed and such a law is to be declared as ultravires the Constitution. However, while undertaking substantive judicial review, if it is found that the impugned provision appears to be violative of fundamental rights or other Constitutional rights, the Court reaches the second stage of review. At this second phase of enquiry, the Court is supposed to undertake the exercise as to whether the impugned provision can still be saved by reading it down so as to bring it in conformity with the Constitutional provisions. If that is not achievable then the enquiry enters the third stage. If the offending portion of the statute is severable, it is severed and the Court strikes down the impugned provision declaring the same as unconstitutional.

B

C

D

E

81. Keeping in view the aforesaid parameters we, at this stage, we want to devote some time discussing the arguments of the petitioners based on the concept of ‘limited government’.

F

Concent of ‘Limited Government’ and its impact on powers of Judicial Review

82. There cannot be any dispute about the manner in which Mr. Shyam Divan explained the concept of ‘limited Government’ in his submissions. Undoubtedly, the Constitution of India, as an instrument of governance of the State, delineates the functions and powers of each wing of the State, namely, the Legislature, the Judiciary and the Executive. It also enshrines the principle of separation of powers which mandates

G

H

A that each wing of the State has to function within its own domain and no wing of the State is entitled to trample over the function assigned to the other wing of the State. This fundamental document of governance also contains principle of federalism wherein the Union is assigned certain powers and likewise powers of the State are also prescribed. In this

B context, the Union Legislature, i.e. the Parliament, as well as the State Legislatures are given specific areas in respect of which they have power to legislate. That is so stipulated in Schedule VII of the Constitution wherein List I enumerates the subjects over which Parliament has the dominion, List II spells out those areas where the State Legislatures have the power to make laws while List III is the Concurrent List which

C is accessible both to the Union as well as the State Governments. The Scheme pertaining to making laws by the Parliament as well as by the Legislatures of the State is primarily contained in Articles 245 to 254 of the Constitution. Therefore, it cannot be disputed that each wing of the State to act within the sphere delineated for it under the Constitution. It is correct that crossing these limits would render the action of the State

D *ultra vires* the Constitution. When it comes to power of taxation, undoubtedly, power to tax is treated as sovereign power of any State. However, there are constitutional limitations briefly described above. In a nine Judge Bench decision of this Court in *Jindal Stainless Ltd. & Anr. v. State of Haryana & Ors.*⁴² discussion on these constitutional

E limitations are as follows:

“20. Exercise of sovereign power is, however, subject to Constitutional limitations especially in a federal system like ours where the States also to the extent permissible exercise the power to make laws including laws that levy taxes, duties and fees. That the power to levy taxes is subject to constitutional limitations is no longer *res-integra*. A Constitution Bench of this Court has in *Synthetics and Chemicals Ltd. v. State of U.P.* (1990) 1 SCC 109 recognised that in India the Centre and the States both enjoy the exercise of sovereign power, to the extent the Constitution confers upon them that power. This Court declared:

“56 ... We would not like, however, to embark upon any theory of police power because the Indian Constitution does not recognise police power as such. But we must recognise the exercise of Sovereign power which gives the State sufficient

⁴² (2016) 11 Scale 1

[A. K. SIKRI, J.]

authority to enact any law subject to the limitations of the Constitution to discharge its functions. Hence, the Indian Constitution as a sovereign State has power to legislate on all branches except to the limitation as to the division of powers between the Centre and the States and also subject to the fundamental rights guaranteed under the Constitution. The Indian States, between the Centre and the States, has sovereign power. The sovereign power is plenary and inherent in every sovereign State to do all things which promote the health, peace, morals, education and good order of the people. Sovereignty is difficult to define. This power of sovereignty is, however, subject to constitutional limitations." This power, according to some constitutional authorities, is to the public what necessity is to the individual. Right to tax or levy impost must be in accordance with the provisions of the Constitution."

21. What then are the Constitutional limitations on the power of the State legislatures to levy taxes or for that matter enact legislations in the field reserved for them under the relevant entries of List II and III of the Seventh Schedule. The first and the foremost of these limitations appears in Article 13 of the Constitution of India which declares that all laws in force in the territory of India immediately before the commencement of the Constitution are void to the extent they are inconsistent with the provisions of Part III dealing with the fundamental rights guaranteed to the citizens. It forbids the States from making any law which takes away or abridges, any provision of Part III. Any law made in contravention of the said rights shall to the extent of contravention be void. There is no gain saying that the power to enact laws has been conferred upon the Parliament subject to the above Constitutional limitation. So also in terms of Article 248, the residuary power to impose a tax not otherwise mentioned in the Concurrent List or the State List has been vested in the Parliament to the exclusion of the State legislatures, and the States' power to levy taxes limited to what is specifically reserved in their favour and no more.

22. Article 249 similarly empowers the Parliament to legislate with respect to a matter in the State List for national interest provided the Council of States has declared by a resolution supported by

A not less than two-thirds of the members present and voting that it is necessary or expedient in national interest to do so. The power is available till such time any resolution remains in force in terms of Article 249(2) and the proviso thereunder.

B 23. Article 250 is yet another provision which empowers the Parliament to legislate with respect to any matter in the State List when there is a proclamation of emergency. In the event of an inconsistency between laws made by Parliament under Articles 249 and 250, and laws made by legislature of the States, the law made by Parliament shall, to the extent of the inconsistency, prevail over the law made by the State in terms of Article 251.

C 24. The power of Parliament to legislate for two or more States by consent, in regard to matters not otherwise within the power of the Parliament is regulated by Article 252, while Article 253 starting with a non-obstante clause empowers Parliament to make any law for the whole country or any part of the territory of India for implementing any treaty, agreement or convention with any other country or countries or any decision made at any international conference, association or other body.”

D 83. Mr. Divan, however, made an earnest endeavour to further broaden this concept of ‘limited Government’ by giving an altogether different slant. He submitted that there are certain things that the States simply cannot do because the action fundamentally alters the relationship between the citizens and the State. In this hue, he submitted that it was impermissible for the State to undertake the exercise of collection of bio-metric data, including fingerprints and storing at a central depository as it puts the State in an extremely dominant position in relation to the individual citizens. He also submitted that it will put the State in a position to target an individual and engage in surveillance thereby depriving or withholding the enjoyment of his rights and entitlements, which is totally impermissible in a country where governance of the State of founded on the concept of ‘limited Government’. Again, this concept of limited government is woven around Article 21 of the Constitution.

E 84. Undoubtedly, we are in the era of liberalised democracy. In a democratic society governed by the Constitution, there is a strong trend towards the Constitutionalisation of democratic politics, where the actions of democratic elected Government are judged in the light of the

H

Constitution. In this context, judiciary assumes the role of protector of the Constitution and democracy, being the ultimate arbiter in all matters involving the interpretation of the Constitution.

85. Having said so, when it comes to exercising the power of judicial review of a legislation, the scope of such a power has to be kept in mind and the power is to be exercised within the limited sphere assigned to the judiciary to undertake the judicial review. This has already been mentioned above. Therefore, unless the petitioner demonstrates that the Parliament, in enacting the impugned provision, has exceeded its power prescribed in the Constitution or this provision violates any of the provision, the argument predicated on 'limited governance' will not succeed. One of the aforesaid ingredients needs to be established by the petitioners in order to succeed.

86. Even in the case of *Thakur Bharath Singh*⁴³ relied upon by Mr. Divan, wherein executive order was passed imposing certain restrictions requiring the respondent therein to reside at a particular place as specified in the order, which was passed in exercise of powers contained under Section 3(1)(b) of the M.P. Public Security Act, 1959, the Court struck down and quashed the order only after it found that restrictions contained therein were unreasonable and violative of fundamental freedom guaranteed under Article 19(1)(d) and (e) of the Constitution of India.

87. With this, we proceed to consider the arguments on which vires of the impugned provisions are questioned:

Argument of Legislative Competence

88. It is not denied by the petitioners that having regard to the provisions of Article 246 of the Constitution and Entries 82 and 97 of List I, the Parliament has requisite competence to enact the impugned legislation. However, the submission of the petitioners was that the impugned legislative provision was made as per which enrolment under Aadhaar had become mandatory for the income tax assesseees, whereas this Court has passed various orders repeatedly emphasising that enrolment for Aadhaar card has to be voluntary. On this basis, the argument is that the Legislature lacked the authority to pass a law contrary to the judgments of this Court, without removing the basis of those judgments. It was also argued that even Aadhaar Act was voluntary in

⁴³ Footnote 9 above

A nature and the basis of the judgments of this Court could be taken away
only by making enrolment under the Aadhaar Act compulsory, which
was not done.

89. Before proceeding to discuss this argument, one aspect of the
matter needs clarification. There was a debate as to whether Aadhaar
B Act is voluntary or even that Act makes enrolment under Aadhaar
mandatory.

90. First thing that is to be kept in mind is that the Aadhaar Act is
enacted to enable the Government to identify individuals for delivery of
benefits, subsidies and services under various welfare schemes. This is
C so mentioned in Section 7 of the Aadhaar Act which states that proof of
Aadhaar number is necessary for receipt of such subsidies, benefits and
services. At the same time, it cannot be disputed that once a person
enrols himself and obtains Aadhaar number as mentioned in Section 3 of
the Aadhaar Act, such Aadhaar number can be used for many other
D purposes. In fact, this Aadhaar number becomes the Unique Identity
(UID) of that person. Having said that, it is clear that there is no provision
in Aadhaar Act which makes enrolment compulsory. May be for the
purpose of obtaining benefits, proof of Aadhaar card is necessary as per
Section 7 of the Act. Proviso to Section 7 stipulates that if an Aadhaar
number is not assigned to enable an individual, he shall be offered
E alternate and viable means of identification for delivery of the subsidy,
benefit or service. According to the petitioners, this proviso, with
acknowledges alternate and viable means of identification, and therefore
makes Aadhaar optional and voluntary and the enrolment is not necessary
even for the purpose of receiving subsidies, benefits and services under
various schemes of the Government. The respondents, however, interpret
F the proviso differently and there plea is that the words 'if an Aadhaar
number is not assigned to an individual' deal with only that situation
where application for Aadhaar has been made but for certain reasons
Aadhaar number has not been assigned as it may take some time to give
Aadhaar card. Therefore, this proviso is only by way of an interim
G measure till Aadhaar number is assigned, which is otherwise compulsory
for obtaining certain benefits as stated in Section 7 of the Aadhaar Act.
Fact remains that as per the Government and UIDAI itself, the
requirement of obtaining Aadhaar number is voluntary. It has been so
claimed by UIDAI on its website and clarification to this effect has also
H been issued by UIDAI.

91. Thus, enrolment under Aadhaar is voluntary. However, it is a moot question as to whether for obtaining benefits as prescribed under Section 7 of the Aadhaar Act, it is mandatory to give Aadhaar number or not is a debatable issue which we are not addressing as this very issue is squarely raised which is the subject matter of other writ petition filed and pending in this Court.

92. On the one hand, enrollment under Aadhaar card is voluntary, however, for the purposes of Income Tax Act, Section 139AA makes it compulsory for the assesseees to give Aadhaar number which means insofar as income tax assesseees are concerned, they have to necessarily enroll themselves under the Aadhaar Act and obtain Aadhaar number which will be their identification number as that has become the requirement under the Income Tax Act. The contention that since enrollment under Aadhaar Act is voluntary, it cannot be compulsory under the Income Tax Act, cannot be countenanced. As already mentioned above, purpose for enrollment under the Aadhaar Act is to avail benefits of various welfare schemes etc. as stipulated in Section 7 of the Aadhaar Act. Purpose behind Income Tax Act, on the other hand, is entirely different which has already been discussed in detail above. For achieving the said purpose, viz., to curb blackimongy, money laundering and tax evasion etc., if the Parliament chooses to make the provision mandatory under the Income Tax Act, the competence of the Parliament cannot be questioned on the ground that it is impermissible only because under Aadhaar Act, the provision is directory in nature. It is the prerogative of the Parliament to make a particular provision directory in one statute and mandatory/compulsory in other. That by itself cannot be a ground to question the competence of the legislature. After all, Aadhaar Act is not a mother Act. Two laws, i.e., Aadhaar Act, on the one hand, and law in the form of Section 139AA of the Income Tax Act, on the other hand, are two different stand alone provisions/laws and validity of one cannot be examined in the light of provisions of other Acts. In *Municipal Corporation of Delhi v. Shiv Shanker*⁴⁴, if the objects of two statutory provisions are different and language of each statute is restricted to its own objects or subject, then they are generally intended to run in parallel lines without meeting and there would be no real conflict though apparently it may appear to be so on the surface. We reproduce hereunder the discussion to the aforesaid aspect contained in the said judgment:

⁴⁴ (1971) 1 SCC 442

A “5. ... It is only when a consistent body of law cannot be maintained
without abrogation of the previous law that the plea of implied
B repeal should be sustained. To determine if a later statutory
provision repeals by implication an earlier one it is accordingly
C necessary to closely scrutinise and consider the true meaning and
effect both of the earlier and the later statute. Until this is done it
D cannot be satisfactorily ascertained if any fatal inconsistency exists
between them. The meaning, scope and effect of the two statutes,
E as discovered on scrutiny, determines the legislative intent as to
whether the earlier law shall cease or shall only be supplemented.
F If the objects of the two statutory provisions are different and the
language of each statute is restricted to its own objects or subject,
then they are generally intended to run in parallel lines without
meeting and there would be no real conflict though apparently it
may appear to be so on the surface. Statutes in *pari materia*
although in apparent conflict, should also, so far as reasonably
possible, be construed to be in harmony with each other and it is
only when there is an irreconcilable conflict between the new
provision and the prior statute relating to the same subject-matter,
that the former, being the later expression of the legislature, may
be held to prevail, the prior law yielding to the extent of the conflict.
The same rule of irreconcilable repugnancy controls implied repeal
of a general by a special statute. The subsequent provision treating
a phase of the same general subject-matter in a more minute way
may be intended to imply repeal *protanto* of the repugnant general
provision with which it cannot reasonably co-exist. When there is
no inconsistency between the general and the special statute the
later may well be construed as supplementary.”

G 93. In view of the above, we are not impressed by the contention
of the petitioners that the two enactments are contradictory with each
other. A harmonious reading of the two enactments would clearly
suggests that whereas enrollment of Aadhaar is voluntary when it comes
to taking benefits of various welfare schemes even if it is presumed that
H requirement of Section 7 of Aadhaar Act that it is necessary to provide
Aadhaar number to avail the benefits of schemes and services, it is upto
a person to avail those benefits or not. On the other hand, purpose
behind enacting Section 139AA is to check a menace of black money as
well as money laundering and also to widen the income tax net so as to

cover those persons who are evading the payment of tax. A

94. Main emphasis, however, is on the plea that Parliament or any State legislature cannot pass a law that overrules a judgment thereby nullifying the said decision, that too without removing the basis of the decision. This argument appears to be attractive inasmuch as few orders are passed by this Court in pending writ petitions which are to the effect that the enrollment of Aadhaar would be voluntary. However, it needs to be kept in mind that the orders have been passed in the petitions where Aadhaar scheme floated as an executive/administrative measure has been challenged. In those cases, the said orders are not passed in a case where the Court was dealing with a statute passed by the Parliament. Further, these are interim orders as the Court was of the opinion that till the matter is decided finally in the context of Right to Privacy issue, the implementation of the said Aadhaar scheme would remain voluntary. In fact, the main issue as to whether Aadhaar card scheme whereby biometric data of an individual is collected violates Right to Privacy and, therefore, is offensive of Article 21 of the Constitution or not is yet to be decided. In the process, the Constitution Bench is also called upon to decide as to whether Right to Privacy is a part of Article 21 of the Constitution at all. Therefore, no final decision has been taken. In a situation like this, it cannot be said that Parliament is precluded from or it is rendered incompetent to pass such a law. That apart, the argument of the petitioners is that the basis on which the aforesaid orders are passed has to be removed, which is not done. According to the petitioners, it could be done only by making Aadhaar Act compulsory. It is difficult to accept this contention for two reasons: first, when the orders passed by this Court which are relied upon by the petitioners were passed when Aadhaar Act was not even enacted. Secondly, as already discussed in detail above, Aadhaar Act and the law contained in Section 139AA of the Income Tax Act deal with two different situations and operate in different fields. This argument of legislature incompetence also, therefore, has fails. B
C
D
E
F

Whether Section 139AA of the Act is discriminatory and offends Article 14 of the Constitution of India? G

Article 14, which enshrines the principle of equality as a fundamental right mandates that the State shall not deny to any person equality before the law or the equal protection of the laws within the territory of India. It, thus, gives the right to equal treatment in similar H

A circumstances, both in privileges conferred and in the liabilities imposed. In *Sri Srinavasa Theatre & Ors. v. Government of Tamil Nadu & Ors.*⁴⁵, this Court explained that the two expressions ‘equality before law’ and ‘equal protection of law’ do not mean the same thing even if there may be much in common between them. “Equality before law” is

B a dynamic concept having many facets. One facet is that there shall be no privileged person or class and that one shall be above law. Another facet is “the obligation upon the State to bring about, through the machinery of law, a more equal society... For, equality before law can be predicated meaningfully only in an equal society...”. The Court further observed that Article 14 prescribes equality before law. But the fact remains that

C all persons are not equal by nature, attainment or circumstances, and, therefore, a mechanical equality before the law may result in injustice. Thus, the guarantee against the denial of equal protection of the law does not mean that identically the same rules of law should be made applicable to all persons in spite of difference in circumstances or conditions {See *Chiranjit Lal Chowdhuri v. Union of India & Ors.*⁴⁶}.

D

95. The varying needs of different classes or sections of people require differential and separate treatment. The Legislature is required to deal with diverse problems arising out of an infinite variety of human relations. It must, therefore, necessarily have the power of making laws to attain particular objects and, for that purpose, of distinguishing, selecting and classifying persons and things upon which its laws are to operate.

E The principle of equality of law, thus, means not that the same law should apply to everyone but that a law should deal alike with all in one class; that there should be an equality of treatment under equal circumstances. It means “that equals should not be treated unlike and unlikes should not

F be treated alike. Likes should be treated alike.

96. What follows is that Article 14 forbids class legislation; it does not forbid reasonable classification of persons, objects and transactions by the Legislature for the purpose of achieving specific ends. Classification to be reasonable should fulfil the following two tests:

G (1) It should not be arbitrary, artificial or evasive. It should be based on an intelligible differentia, some real and substantial distinction, which distinguishes persons or things grouped together in the class from others left out of it.

⁴⁵ (1992) 2 SCC 643

H ⁴⁶ 1950 SCR 869

- (2) The differentia adopted as the basis of classification must have a rational or reasonable nexus with the object sought to be achieved by the statute in question. A

Thus, Article 14 in its ambit and sweep involves two facets, viz., it permits reasonable classification which is founded on intelligible differentia and accommodates the practical needs of the society and the differential must have a rational relation to the objects sought to be achieved. Further, it does not allow any kind of arbitrariness and ensures fairness and equality of treatment. It is the *fonjuris* of our Constitution, the fountainhead of justice. Differential treatment does not *per se* amount to violation of Article 14 of the Constitution and it violates Article 14 only when there is no reasonable basis and there are several tests to decide whether a classification is reasonable or not and one of the tests will be as to whether it is conducive to the functioning of modern society. B C

97. Insofar as the impugned provision is concerned, Mr. Datar had conceded that first test that of reasonable classification had been satisfied as he conceded that individual assesses form a separate class and the impugned provision which targeted only individual assesses would not be discriminatory on this ground. His whole emphasis was that Section 139AA did not satisfy the second limb of the twin tests of classification as, according to him, this provision had no rational nexus with the object sought to be achieved. D E

98. In this behalf, his submission was that if the purpose of the provision was to curb circulation of black money, such an object was not achievable by seeing PAN with Aadhaar inasmuch as Aadhaar is only for individuals. His submission was that it is only the individuals who are responsible for generating black money or money laundering. This was the basis for Mr. Datar's submission. We find it somewhat difficult to accept such a submission. F

99. Unearthing black money or checking money laundering is to be achieved to whatever extent possible. Various measures can be taken in this behalf. If one of the measures is introduction of Aadhaar into the tax regime, it cannot be denounced only because of the reason that the purpose would not be achieved fully. Such kind of menace, which is deep rooted, needs to be tackled by taking multiple actions and those actions may be initiated at the same time. It is the combined effect of these actions which may yield results and each individual action G H

A considered in isolation may not be sufficient. Therefore, rationality of a particular measure cannot be challenged on the ground that it has no nexus with the objective to be achieved. Of course, there is a definite objective. For this purpose alone, individual measure cannot be ridiculed. We have already taken note of the recommendations of SIT on black money headed by Justice M.B. Shah. We have also reproduced the measures suggested by the committee headed by Chairman, CBDT on 'Measures to tackle black money in India and Abroad'. They have, in no uncertain terms, suggested that one singular proof of identity of a person for entering into finance/business transactions etc may go a long way in curbing this foul practice. That apart, even if solitary purpose of de-duplication of PAN cards is taken into consideration, that may be sufficient to meet the second test of Article 14. It has come on record that 11.35 lakhs cases of duplicate PAN or fraudulent PAN cards have already been detected and out of this 10.52 lakh cases pertain to individual assesseees. Seeding of Aadhaar with PAN has certain benefits which have already been enumerated. Furthermore, even when we address the issue of shell companies, fact remains that companies are after all floated by individuals and these individuals have to produce documents to show their identity. It was sought to be argued that persons found with duplicate/bogus PAN cards are hardly 0.4% and, therefore, there was no need to have such a provision. We cannot go by percentage figures. The absolute number of such cases is 10.52 lakh, which figure, by no means, can be termed as miniscule, to harm the economy and create adverse effect on the nation. Respondents have argued that Aadhaar will ensure that there is no duplication of identity as bio-metric will not allow that and, therefore, it may check the growth of shell companies as well.

F

100. Having regard to the aforesaid factors, it cannot be said that there is no nexus with the objective sought to be achieved.

101. Another argument predicated on Article 14 advanced by Mr. Divan was that it was discriminatory in nature as it created two classes; one class of those who volunteered to enrol themselves under Aadhaar scheme and other class of those who did not want it to be so. It was further submitted that in this manner this provision had the effect of creating an artificial class of those who object to Aadhaar scheme as self conscious persons. This is a fallacious argument.

H

102. Validity of a legislative act cannot be challenged by creating artificial classes by those who are objecting to the said provision and predicating the argument of discrimination on that basis. When a law is made, all those who are covered by that law are supposed to follow the same. No doubt, it is the right of a citizen to approach the Court and question the constitutional validity of a particular law enacted by the Legislature. However, merely because a section of persons opposes the law, would not mean that it has become a separate class by itself. Two classes, cannot be created on this basis, namely, one of those who want to be covered by the scheme, and others who do not want to be covered thereby. If such a proposition is accepted, every legislation would be prone to challenge on the ground of discrimination. As far as plea of discrimination is concerned, it has to be raised by showing that the impugned law creates two classes without any reasonable classification and treats them differently.

103. The principle of equality does not mean that every law must have universal application for all persons who are not by nature, attainment or circumstances, in the same position, as the varying needs of different classes of persons often require separate treatment. It is permissible for the State to classify persons for legitimate purposes. The Legislature is also competent to exercise its discretion and make classification. In the present scenario the impugned legislation has created two classes, i.e. one class of those persons who are assesseees and other class of those persons who are income tax assesseees. It is because of the reason that the impugned provision is applicable only to those who are filing income tax returns. Therefore, the only question would be as to whether this classification is reasonable or not. There cannot be any dispute that there is a reasonable basis for differentiation and, therefore, equal protection clause enshrined in Article 14 is not attracted. What Article 14 prohibits is class legislation and not reasonable classification for the purpose of legislation. All income tax assesseees constitute one class and they are treated alike by the impugned provision.

104. It may also be pointed out that the counsel for the respondents had argued that doctrine of proportionality cannot be read into Article 14 of the Constitution and in support reliance has been placed on the judgment of this Court in *E.P. Royappa v. State of Tamil Nadu & Anr.*⁴⁷. This aspect need not be considered in detail inasmuch as

⁴⁷ (1974) 4 SCC 3

A

B

C

D

E

F

G

H

A Mr. Datar, learned counsel appearing for the petitioner, had conceded at the Bar that he had invoked the doctrine of proportionality only in the context of Article 19(1)(g).

105. We, therefore, reject the argument founded on Article 14 of the Constitution.

B **Whether impugned provision is violative of Article 19(1)(g)**

C 106. Invocation of provisions of Article 19(1)(g) of the Constitution by the petitioners was in the context of proviso to sub-section (2) of Section 139AA of the Act which contains the consequences of the failure to intimate the Aadhaar number to such authority in such form and manner as may be prescribed and reads as under:

D “(2) Every person who has been allotted permanent account number as on the 1st day of July, 2017, and who is eligible to obtain Aadhaar number, shall intimate his Aadhaar number to such authority in such form and manner as may be prescribed, on or before a date to be notified by the Central Government in the Official Gazette:

E **Provided that in case of failure to intimate the Aadhaar number, the permanent account number allotted to the person shall be deemed to be invalid and the other provisions of this Act shall apply, as if the person had not applied for allotment of permanent account number.”**

F 107. The submission was that the aforesaid penal consequence was draconian in nature and totally disproportionate to the non-compliance of provisions contained in Section 139AA. It was pointed out that persons effected by Section 139AA are only individuals, i.e. natural persons and not legal/artificial personalities like companies, trusts, partnership firms, etc. Thus, individuals who are professionals like lawyers, doctors, architects and lakhs of businessmen having small or micro enterprises are going to suffer such a serious consequence for failure to intimate Aadhaar number to the designated authority. According to him, consequence of not having a PAN card results in a virtual ‘civil death’ as one example given was that under Rule 114B of the Rules, it will not be possible to operate bank accounts with transaction above Rs.50,000/- or to use credit/debit cards or purchase motor vehicles or property etc.

H 108. Section 139A deals with PAN. Sub-section (1) thereof

requires four classes of persons to have the PAN allotted. It reads as under: A

“139A. Permanent account number. – (1) Every person, –

(i) if his total income or the total income of any other person in respect of which he is assessable under this Act during any previous year exceeded the maximum amount which is not chargeable to income-tax; or B

(ii) carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed five lakh rupees in any previous year; or

(iii) who is required to furnish a return of income under sub-section (4A) of section 139; or C

(iv) being an employer, who is required to furnish a return of fringe benefits under section 115WD.

and who has not been allotted a permanent account number shall, within such time, as may be prescribed, apply to the Assessing Officer for the allotment of a permanent account number.” D

109. This PAN number has to be mentioned/quoted in number of eventualities specified under sub-section (5), (5A), (5B), (5C), 5(D) and sub-section (6) of Section 139A. These provisions read as under: E

“5. Every person shall –

(a) quote such number in all his returns to, or correspondence with, any income-tax authority;

(b) quote such number in all challans for the payment of any sum due under this Act; F

(c) quote such number in all documents pertaining to such transactions as may be prescribed by the Board in the interests of the revenue, and entered into by him:

Provided that the Board may prescribe different dates for different transactions or class of transactions or for different class of persons: G

Provided further that a person shall quote General Index Register Number till such time Permanent Account Number is allotted to H

A such person;

(d) intimate the Assessing Officer any change in his address or in the name and nature of his business on the basis of which the permanent account number was allotted to him.

B (5A) Every person receiving any sum or income or amount from which tax has been deducted under the provisions of Chapter XVIIIB, shall intimate his permanent account number to the person responsible for deducting such tax under that Chapter:

C Provided further that a person referred to in this sub-section, shall intimate the General Index Register Number till such time permanent account number is allotted to such person.

D (5B) Where any sum or income or amount has been paid after deducting tax under Chapter XVIIIB, every person deducting tax under that Chapter shall quote the permanent account number of the person to whom such sum or income or amount has been paid by him—

(i) in the statement furnished in accordance with the provisions of sub-section (2C) of section 192;

E (ii) in all certificates furnished in accordance with the provisions of section 203;

(iii) in all returns prepared and delivered or caused to be delivered in accordance with the provisions of section 206 to any income-tax authority;

F (iv) in all statements prepared and delivered or caused to be delivered in accordance with the provisions of sub-section (3) of section 200:

G Provided that the Central Government may, by notification in the Official Gazette, specify different dates from which the provisions of this sub-section shall apply in respect of any class or classes of persons:

H Provided further that nothing contained in sub-sections (5A) and (5B) shall apply in case of a person whose total income is not chargeable to income-tax or who is not required to obtain permanent account number under any provision of this Act if such

[A. K. SIKRI, J.]

person furnishes to the person responsible for deducting tax a declaration referred to in section 197A in the form and manner prescribed thereunder to the effect that the tax on his estimated total income of the previous year in which such income is to be included in computing his total income will be nil. A

(5C) Every buyer or licensee or lessee referred to in section 206C shall intimate his permanent account number to the person responsible for collecting tax referred to in that section. B

(5D) Every person collecting tax in accordance with the provisions of section 206C shall quote the permanent account number of every buyer or licensee or lessee referred to in that section – C

(i) in all certificates furnished in accordance with the provisions of sub-section (5) of section 206C;

(ii) in all returns prepared and delivered or caused to be delivered in accordance with the provisions of sub-section (5A) or sub-section (5B) of section 206C to an income-tax authority; D

(iii) in all statements prepared and delivered or caused to be delivered in accordance with the provisions of sub-section (3) of section 206C.

(6) Every person receiving any document relating to a transaction prescribed under clause (c) of sub-section (5) shall ensure that the Permanent Account Number or the General Index Register Number has been duly quoted in the document.” E

110. Sub-section (8) empowers the Board to make Rules, *inter alia*, prescribing the categories of transactions in relation to which PAN is to be quoted. Rule 114B of the Rules lists the nature of transaction in sub-rule (a) to (r) thereof where PAN number is to be given. F

111. According to the petitioners, it amounts to violating their fundamental right to carry on business/profession etc. as enshrined under Article 19(1)(g) of the Constitution which stands infringed and, therefore, it was for the State to show that the restriction is reasonable and in the interest of public under Article 19(6) of the Constitution. It is in this context, principle of proportionality has been invoked by the petitioners with their submission that restriction is unreasonable as it is utterly disproportionate for committing breach of Section 139AA of the Act. G

H

A 112. As noted above, Mr. Datar had relied upon the judgment of
 this Court in *Modern Dental College & Research Centre*⁴⁸ and
 submitted that while applying the test of proportionality, the respondents
 were specifically required to demonstrate that the measures undertaken
 are necessary in that there are no alternative measures that may similarly
 B achieve that same purpose with a lesser degree of limitation (narrow
 tailoring) and also that there was proper relation between the importance
 of achieving the proper purpose and the social importance of preventing
 the limitation on the constitutional right, (balancing two competing
 interests).

C 113. In order to consider the aforesaid submissions we may
 bifurcate Section 139AA in two parts, as follows:

(i) That portion of the provision which requires quoting of Aadhaar
 number (sub-section(1)) and requirement of intimating Aadhaar
 number to the prescribed authorities by those who are PAN
 holders (sub-section (2)).

D (ii) Consequences of failure to intimate Aadhaar number to the
 prescribed authority by specified date.

E 114. Insofar as first limb of Section 139AA of the Act is concerned,
 we have already held that it was within the competence of the Parliament
 to make a provision of this nature and further that it is not offensive of
 Article 14 of the Constitution. This requirement, *per se*, does not find
 foul with Article 19(1)(g) of the Constitution either, inasmuch as, quoting
 the Aadhaar number for purposes mentioned in sub-section (1) or
 intimating the Aadhaar number to the prescribed authority as per the
 requirement of sub-section (2) does not, by itself, impinge upon the right
 F to carry on profession or trade, etc. Therefore, it is not violative of
 Article 19(1)(g) of the Constitution either. In fact, that is not even the
 argument of the petitioners. Entire emphasis of the petitioners
 submissions, while addressing the arguments predicated on Article
 19(1)(g) of the Constitution, is on the consequences that ensue in terms
 G of proviso to sub-section (2) inasmuch as it is argued, as recorded above,
 that the consequences provided will have the effect of paralysing the
 right to carry on business/profession. Therefore, thrust is on the second
 part of Section 139AA of the Act, which we proceed to deal with, now.

115. At the outset, it may be mentioned that though PAN is issued

H ⁴⁸ Footnote 7 above

under the provisions of the Act (Section 139A), its function is not limited to giving this number in the income-tax returns or for other acts to be performed under the Act, as mentioned in sub-sections (5), (5A), (5B), 5(C), 5(D) and 6 of Section 139A. Rule 114B of the Rules mandates quoting of this PAN in various other documents pertaining to different kinds of transactions listed therein. It is for sale and purchase of immovable property valued at Rs.5 lakhs or more; sale or purchase of motor vehicle etc., while opening deposit account with a sum exceeding Rs.50,000/- with a banking company; while making deposit of more than Rs.50,000/- in any account with Post Office, savings bank; a contract of a value exceeding Rs.1 lakh for sale or purchase of securities as defined under the Securities Contract (Regulation) Act, 1956; while opening an account with a banking company; making an application for installation of a telephone connection; making payment to hotels and restaurants when such payment exceeds Rs.25,000/- at any one time; while purchasing bank drafts or pay orders for an amount aggregating Rs.50,000/- or more during any one day, when payment in cash; payment in cash in connection with travel to any foreign country of an amount exceeding Rs.25,000/- at any one time; while making payment of an amount of Rs.50,000/- or more to a mutual fund for purchase of its units or for acquiring shares or debentures/bonds in a company or bonds issued by the Reserve Bank of India; or when the transaction of purchase of bullion or jewellery is made by making payment in cash to a dealer above a specified amount, etc. This shows that for doing many activities of day to day nature, including in the course of business, PAN is to be given. Pithily put, in the absence of PAN, it will not be possible to undertake any of the aforesaid activities though this requirement is aimed at curbing the tax evasion. Thus, if the PAN of a person is withdrawn or is nullified, it definitely amounts to placing restrictions on the right to do business as a business under Article 19(1)(g) of the Act. The question would be as to whether these restrictions are reasonable and, therefore, meet the requirement of clause (6) of Article 19. In this context, when 'balancing' is to be done, doctrine of proportionality can be applied, which was explained in the case of *Modern Dental College & Research Centre*⁴⁹, in the following manner:

"Doctrine of proportionality explained and applied"

59. Undoubtedly, the right to establish and manage the educational

⁴⁹Footnote 7 above

A
B
C
D
E
F
G
H

A institutions is a fundamental right recognised under Article 19(1)(g) of the Act. It also cannot be denied that this right is not “absolute” and is subject to limitations i.e. “reasonable restrictions” that can be imposed by law on the exercise of the rights that are conferred under clause (1) of Article 19. Those restrictions, however, have to be reasonable. Further, such restrictions should be “in the interest of general public”, which conditions are stipulated in clause (6) of Article 19, as under:

C “19. (6) Nothing in sub-clause (g) of the said clause shall affect the operation of any existing law insofar as it imposes, or prevent the State from making any law imposing, in the interests of the general public, reasonable restrictions on the exercise of the right conferred by the said sub-clause, and, in particular, nothing in the said sub-clause shall affect the operation of any existing law insofar as it relates to, or prevent the State from making any law relating to—

D (i) the professional or technical qualifications necessary for practising any profession or carrying on any occupation, trade or business, or

E (ii) the carrying on by the State, or by a corporation owned or controlled by the State, of any trade, business, industry or service, whether to the exclusion, complete or partial, of citizens or otherwise.”

F 60. Another significant feature which can be noticed from the reading of the aforesaid clause is that the State is empowered to make any law relating to the professional or technical qualifications necessary for practising any profession or carrying on any occupation or trade or business. Thus, while examining as to whether the impugned provisions of the statute and rules amount to reasonable restrictions and are brought out in the interest of the general public, the exercise that is required to be undertaken is the balancing of fundamental right to carry on occupation on the one hand and the restrictions imposed on the other hand. This is what is known as “*doctrine of proportionality*”. Jurisprudentially, “*proportionality*” can be defined as the set of rules determining the necessary and sufficient conditions for limitation of a constitutionally protected right by a law to be constitutionally

H

permissible. According to Aharon Barak (former Chief Justice, Supreme Court of Israel), there are four sub-components of proportionality which need to be satisfied [Aharon Barak, *Proportionality: Constitutional Rights and Their Limitation*(Cambridge University Press 2012).], a limitation of a constitutional right will be constitutionally permissible if:

(i) it is designated for a proper purpose;

(ii) the measures undertaken to effectuate such a limitation are rationally connected to the fulfilment of that purpose;

(iii) the measures undertaken are necessary in that there are no alternative measures that may similarly achieve that same purpose with a lesser degree of limitation; and finally

(iv) there needs to be a proper relation (“*proportionality stricto sensu*” or “*balancing*”) between the importance of achieving the proper purpose and the social importance of preventing the limitation on the constitutional right.

61. Modern theory of constitutional rights draws a fundamental distinction between the scope of the constitutional rights, and the extent of its protection. Insofar as the scope of constitutional rights is concerned, it marks the outer boundaries of the said rights and defines its contents. The extent of its protection prescribes the limitations on the exercises of the rights within its scope. In that sense, it defines the justification for limitations that can be imposed on such a right.

62. It is now almost accepted that there are no absolute constitutional rights and all such rights are related. As per the analysis of Aharon Barak, two key elements in developing the modern constitutional theory of recognising positive constitutional rights along with its limitations are the notions of democracy and the rule of law. Thus, the requirement of proportional limitations of constitutional rights by a sub-constitutional law i.e. the statute, is derived from an interpretation of the notion of democracy itself. Insofar as the Indian Constitution is concerned, democracy is treated as the basic feature of the Constitution and is specifically accorded a constitutional status that is recognised in the Preamble of the Constitution itself. It is also unerringly accepted that this

A notion of democracy includes human rights which is the
cornerstone of Indian democracy. Once we accept the aforesaid
theory (and there cannot be any denial thereof), as a fortiori, it
has also to be accepted that democracy is based on a balance
between constitutional rights and the public interests. In fact, such
B a provision in Article 19 itself on the one hand guarantees some
certain freedoms in clause (1) of Article 19 and at the same time
empowers the State to impose reasonable restrictions on those
freedoms in public interest. This notion accepts the modern
constitutional theory that the constitutional rights are related. This
relativity means that a constitutional licence to limit those rights is
C granted where such a limitation will be justified to protect public
interest or the rights of others. This phenomenon—of both the
right and its limitation in the Constitution—exemplifies the inherent
tension between democracy’s two fundamental elements. On the
one hand is the right’s element, which constitutes a fundamental
D component of substantive democracy; on the other hand is the
people element, limiting those very rights through their
representatives. These two constitute a fundamental component
of the notion of democracy, though this time in its formal aspect.
How can this tension be resolved? The answer is that this tension
is not resolved by eliminating the “losing” facet from the
E Constitution. Rather, the tension is resolved by way of a proper
balancing of the competing principles. This is one of the expressions
of the multi-faceted nature of democracy. Indeed, the inherent
tension between democracy’s different facets is a “constructive
tension”. It enables each facet to develop while harmoniously
coexisting with the others. The best way to achieve this peaceful
F coexistence is through balancing between the competing interests.
Such balancing enables each facet to develop alongside the other
facets, not in their place. This tension between the two
fundamental aspects—rights on the one hand and its limitation on
the other hand—is to be resolved by balancing the two so that
G they harmoniously coexist with each other. This balancing is to be
done keeping in mind the relative social values of each competitive
aspects when considered in proper context.

63. In this direction, the next question that arises is as to what
criteria is to be adopted for a proper balance between the two

H

facets viz. the rights and limitations imposed upon it by a statute. Here comes the concept of “proportionality”, which is a proper criterion. To put it pithily, when a law limits a constitutional right, such a limitation is constitutional if it is proportional. The law imposing restrictions will be treated as proportional if it is meant to achieve a proper purpose, and if the measures taken to achieve such a purpose are rationally connected to the purpose, and such measures are necessary. This essence of doctrine of proportionality is beautifully captured by Dickson, C.J. of Canada in R. v. Oakes, in the following words (at p. 138):

“To establish that a limit is reasonable and demonstrably justified in a free and democratic society, two central criteria must be satisfied. First, the objective, which the measures, responsible for a limit on a Charter right or freedom are designed to serve, must be “of” sufficient importance to warrant overriding a constitutional protected right or freedom ... Second ... the party invoking Section 1 must show that the means chosen are reasonable and demonstrably justified. This involves “a form of proportionality test...” Although the nature of the proportionality test will vary depending on the circumstances, in each case courts will be required to balance the interests of society with those of individuals and groups. There are, in my view, three important components of a proportionality test. First, the measures adopted must be ... rationally connected to the objective. Second, the means ... should impair “as little as possible” the right or freedom in question ... Third, there must be a proportionality between the effects of the measures which are responsible for limiting the Charter right or freedom, and the objective which has been identified as of “sufficient importance”. The more severe the deleterious effects of a measure, the more important the objective must be if the measure is to be reasonable and demonstrably justified in a free and democratic society.”

64. The exercise which, therefore, is to be taken is to find out as to whether the limitation of constitutional rights is for a purpose that is reasonable and necessary in a democratic society and such an exercise involves the weighing up of competitive values, and ultimately an assessment based on proportionality i.e. balancing

A of different interests.

65. We may unhesitatingly remark that this doctrine of proportionality, explained hereinabove in brief, is enshrined in Article 19 itself when we read clause (1) along with clause (6) thereof. While defining as to what constitutes a reasonable restriction, this Court in a plethora of judgments has held that the expression “reasonable restriction” seeks to strike a balance between the freedom guaranteed by any of the sub-clauses of clause (1) of Article 19 and the social control permitted by any of the clauses (2) to (6). It is held that the expression “reasonable” connotes that the limitation imposed on a person in the enjoyment of the right should not be arbitrary or of an excessive nature beyond what is required in the interests of public. Further, in order to be reasonable, the restriction must have a reasonable relation to the object which the legislation seeks to achieve, and must not go in excess of that object (see *P.P. Enterprises v. Union of India* [*P.P. Enterprises v. Union of India*, (1982) 2 SCC 33]). At the same time, reasonableness of a restriction has to be determined in an objective manner and from the standpoint of the interests of the general public and not from the point of view of the persons upon whom the restrictions are imposed or upon abstract considerations (see *Mohd. Hanif Quareshi v. State of Bihar* AIR 1958 SC 731). In *M.R.F. Ltd. v. State of Kerala*, (1998) 8 SCC 227, this Court held that in examining the reasonableness of a statutory provision one has to keep in mind the following factors:

- (1) The directive principles of State policy.
- (2) Restrictions must not be arbitrary or of an excessive nature so as to go beyond the requirement of the interest of the general public.
- (3) In order to judge the reasonableness of the restrictions, no abstract or general pattern or a fixed principle can be laid down so as to be of universal application and the same will vary from case to case as also with regard to changing conditions, values of human life, social philosophy of the Constitution, prevailing conditions and the surrounding circumstances.
- (4) A just balance has to be struck between the restrictions imposed and the social control envisaged by Article 19(6).

(5) Prevailing social values as also social needs which are intended to be satisfied by the restrictions. A

(6) There must be a direct and proximate nexus or reasonable connection between the restrictions imposed and the object sought to be achieved. If there is a direct nexus between the restrictions, and the object of the Act, then a strong presumption in favour of the constitutionality of the Act will naturally arise." B

116. Keeping in view the aforesaid parameters and principles in mind, we proceed to discuss as to whether the 'restrictions' which would result in terms of proviso to sub-section (2) of Section 139AA of the Act are reasonable or not. C

117. Let us revisit the objectives of Aadhaar, and in the process, that of Section 139AA in particular.

118. By making use of the technology, a method is sought to be devised, in the form of Aadhaar, whereby identity of a person is ascertained in a flawless manner without giving any leeway to any individual to resort to dubious practices of showing multiple identities or fictitious identities. That is why it is given the nomenclature 'unique identity'. It is aimed at securing advantages on different levels some of which are described, in brief, below: D

(i) In the first instance, as a welfare and democratic State, it becomes the duty of any responsible Government to come out with welfare schemes for the upliftment of poverty stricken and marginalised sections of the society. This is even the ethos of Indian Constitution which casts a duty on the State, in the form of 'Directive Principles of State Policy', to take adequate and effective steps for betterment of such underprivileged classes. State is bound to take adequate measures to provide education, health care, employment and even cultural opportunities and social standing to these deprived and underprivileged classes. It is not that Government has not taken steps in this direction from time to time. At the same time, however, harsh reality is that benefits of these schemes have not reached those persons for whom that are actually meant. E
F
G

India has achieved significant economic growth since independence. In particular, rapid economic growth has been achieved H

A in the last 25 years, after the country adopted the policy of liberalisation and entered the era of, what is known as, globalisation. Economic growth in the last decade has been phenomenal and for many years, the Indian economy grew at highest rate in the world. At the same time, it is also a fact that in spite of significant political and economic success which has proved to be sound and sustainable, the benefits thereof have not percolated down to the poor and the poorest. In fact, such benefits are reaped primarily by rich and upper middle classes, resulting into widening the gap between the rich and the poor. Jean Dreze & Amartya Sen eithly narrate the position as under⁵⁰:

C “Since India’s recent record of fast economic growth is often celebrated, with good reason, it is extremely important to point to the fact that the societal reach of economic progress in India has been remarkably limited. It is not only that the income distribution has been getting more unequal in recent years (a characteristic that India shares with China), but also that the rapid rise in real wages in China from which the working classes have benefited greatly is not matched at all by India’s relatively stagnant real wages. No less importantly, the public revenue generated by rapid economic growth has not been used to expand the social and physical infrastructure in a determined and well-planned way (in this India is left far behind by China). There is also a continued lack of essential social services (from schooling and health care to the provision of safe water and drainage) for a huge part of the population. As we will presently discuss, while India has been overtaking other countries in the progress of its real income, it has been overtaken in terms of social indicators by many of these countries, even within the region of South Asia itself (we go into this question more fully in Chapter 3, ‘India in Comparative Perspective’).

G To point to just one contrast, even though India has significantly caught up with China in terms of GDP growth, its progress has been very much slower than China’s in indicators such as longevity, literacy, child undernourishment and maternal mortality. In South Asia itself, the much poorer economy of Bangladesh has caught up with and overtaken India in terms of many social indicators (including life expectancy, immunization of children, infant mortality,

H ⁵⁰ An Uncertain Glory : India and its Contradictions

[A. K. SIKRI, J.]

child undernourishment and girls' schooling). Even Nepal has been catching up, to the extent that it now has many social indicators similar to India's, in spite of its per capita GDP being just about one third. Whereas twenty years ago India generally had the second-best social indicators among the six South Asia countries (India, Pakistan, Bangladesh, Sri Lanka, Nepal and Bhutan), it now looks second worst (ahead only of problem-ridden Pakistan). India has been climbing up the ladder of per capita income while slipping down the slope of social indicators."

It is in this context that not only sustainable development is needed which takes care of integrating growth and development, thereby ensuring that the benefit of economic growth is reaped by every citizen of this country, it also becomes the duty of the Government in a welfare State to come out with various welfare schemes which not only take care of immediate needs of the deprived class but also ensure that adequate opportunities are provided to such persons to enable them to make their lives better, economically as well as socially. As mentioned above, various welfare schemes are, in fact, devised and floated from time to time by the Government, keeping aside substantial amount of money earmarked for spending on socially and economically backward classes. However, for various reasons including corruption, actual benefit does not reach those who are supposed to receive such benefits. One of the main reasons is failure to identify these persons for lack of means by which identity could be established of such genuine needy class. Resultantly, lots of ghosts and duplicate beneficiaries are able to take undue and impermissible benefits. A former Prime Minister of this country⁵¹ has gone to record to say that out of one rupee spent by the Government for welfare of the downtrodden, only 15 paise thereof actually reaches those persons for whom it is meant. It cannot be doubted that with UID/Aadhaar much of the malaise in this field can be taken care of.

(ii) Menace of corruption and black money has reached alarming proportion in this country. It is eating into the economic progress which the country is otherwise achieving. It is not necessary to go into the various reasons for this menace. However, it would be pertinent to comment that even as per the observations of the Special Investigation Team (SIT) on black money headed by Justice M.B. Shah, one of the reasons is that persons have the

⁵¹ Late Shri Rajiv Gandhi

A option to quote their PAN or UID or passport number or driving
licencce or any other proof of identity while entering into financial/
business transactions. Because of this multiple methods of giving
proofs of identity, there is no mechanism/system at present to
collect the data available with each of the independent proofs of
B ID. For this reason, even SIT suggested that these databases be
interconnected. To the same effect is the recommendation of the
Committee headed by Chairman, CBDT on measures to tackle
black money in India and abroad which also discusses the problem
of money-laundering being done to evade taxes under the garb of
shell companies by the persons who hold multiple bogus PAN
C numbers under different names or variations of their names. That
can be possible if one uniform proof of identity, namely, UID is
adopted. It may go a long way to check and minimise the said
malaise.

(iii) Thirdly, Aadhaar or UID, which has come to be known as
D most advanced and sophisticated infrastructure, may facilitate law
enforcement agencies to take care of problem of terrorism to
some extent and may also be helpful in checking the crime and
also help investigating agencies in cracking the crimes. No doubt,
going by aforesaid, and may be some other similarly valid
E considerations, it is the intention of the Government to give phillip
to Aadhaar movement and encourage the people of this country
to enroll themselves under the Aadhaar scheme.

119. Wether such a scheme should remain voluntary or it can be
made mandatory imposing compulsiveness on the people to be
covered by Aadhaar is a different question which shall be
F addressed at the appropriate stage. At this juncture, it is only
emphasised that malafides cannot be attributed to this scheme.
In any case, we are concerned with the vires of Section 139AA
of the Income Tax Act, 1961 which is a statutory provision. This
Court is, thus, dealing with the aspect of judicial review of
G legislation. Insofar as this provision is concerned, the explanation
of the respondents in the counter affidavit, which has already
been reproduced above, is that the primary purpose of introducing
this provision was to take care of the problem of multiple PAN
cards obtained in fictitious names. Such multiple cards in fictitious
names are obtained with the motive of indulging into money
H

[A. K. SIKRI, J.]

laundering, tax evasion, creation and channelising of black money. A
 It is mentioned that in a de-duplication exercises, 11.35 lakhs cases
 of duplicate PANs/fraudulent PANs have been detected. Out of
 these, around 10.52 lakhs pertain to individual assesseees. B
 Parliament in its wisdom thought that one PAN to one person can
 be ensured by adopting Aadhaar for allotment of PAN to
 individuals. As of today, that is the only method available i.e. by
 seeding of existing PAN with Aadhaar. It is perceived as the best
 method, and the only robust method of de-duplication of PAN
 database. It is claimed by the respondents that the instance of
 duplicate Aadhaar is almost non-existent. It is also claimed that
 seeding of PAN with Aadhaar may contribute to widening of the
 tax case as well, by checking the tax evasions and bringing in to
 tax hold those persons who are liable to pay tax but deliberately
 avoid doing so. It would be apposite to quote the following
 discussion by the Comptroller and Auditor General in its report
 for the year 2011: C

“Widening of Tax Base D

The assessee base grew over the last five years from 297.9 lakh
 taxpayers in 2005-06 to 340.9 lakh taxpayers in 2009-10 at the
 rate of 14.4 per cent.

The Department has different mechanisms available to enhance
 the assessee base which include inspection and survey, information
 sharing with other tax departments and third party information
 available in annual information returns. Automation also facilitates
 greater cross linking. Most of these mechanisms are available at
 the level of assessing officers. The Department needs to
 holistically harness these mechanisms at macro level to analyse
 the gaps in the assessee base. Permanent Account Numbers
 (PANs) issued upto March 2009 and March 2010 were 807.9
 lakh and 958 lakh respectively. The returns filled in 2008-09 and
 2009-10 were 326.5 lakh and 340.9 lakh respectively. The gap
 between PANs and the number of returns filed was 617.1 lakh in
 2009-10. The Board needs to identify the reasons for the gap and
 use this information for appropriately enhancing the assessee base.
**The gap may be due to issuance of duplicate PAN cards
 and death of some PAN card holders. The Department
 needs to put in place appropriate controls to weed out the** E
 F
 G
 H

A **duplicate PANs and also update the position in respect of deceased assessee. It is significant to note that the number of PAN card holders has increased by 117.7 per cent between 2005-06 to 2009-10 whereas the number of returns filed in the same period has increased by 14.4 per cent only.**

B *(emphasis supplied)*

C The total direct tax collection has increased by 128.8 per cent during the period 2005-06 to 2009-10. The increase in the tax collection was around nine times as compared to increase in the assessee base. It should be the constant endeavour of the Department to ensure that the entire assessee base, once correctly identified is duly meeting the entire tax liability. However, no assurance could be obtained that the tax liability on the assessee is being assessed and collected properly. This comment is corroborated in para 2.4.1 of Chapter 2 of this report where we have mentioned about our detection of under charge of tax amounting to Rs. 12,842.7 crore in 19,230 cases audited during 2008-09. However, given the fact that ours is a test audit, Department needs to take firm steps towards strengthening the controls available on the existing statutes towards deriving an assurance on the tax collections.”

E 120. Likewise, the Finance Minister in his Budget speech in February, 2013 described the extent of tax evasion and offering lesser income tax than what is actually due thereby labelling India as tax known compliance, with the following figures:

F “India’s tax to GDP ratio is very low, and the proportion of direct tax to indirect tax is not optimal from the view point of social justice. I place before you certain data to indicate that our direct tax collection is not commensurate with the income and consumption pattern of Indian economy. As against estimated 4.2 crore persons engaged in organized sector employment, the number of individuals filing return for salary income are only 1.74 crore. As against 5.6 crore informal sector individual enterprises and firms doing small business in India, the number of returns filed by this category are only 1.81 crore. Out of the 13.94 lakh companies registered in India up to 31st March, 2014, 5.97 lakh companies have filed their returns for Assessment Year 2016-17. Of the 5.97

H

lakh companies which have filed their returns for Assessment Year 2016-17 so far, as many as 2.76 lakh companies have shown losses or zero income. 2.85 lakh companies have shown profit before tax of less than Rs. 1 crore. 28,667 companies have shown profit between Rs. 1 crore to Rs. 10 crore, and only 7781 companies have profit before tax of more than Rs.10 crores. Among the 3.7 crore individuals who filed the tax returns in 2015-16, 99 lakh show income below the exemption limit of Rs. 2.5 Lakh p.a. 1.95 crore show income between Rs. 2.5 to Rs. 5 lakh, 52 lakh show income between Rs. 5 to Rs. 10 lakhs and only 24 lakh people show income above Rs. 10 lakhs. Of the 76 lakhs individual assesses who declare income above Rs. 5 lakhs, 56 lakhs are in the salaried class. The number of people showing income more than 50 lakhs in the entire country is only 1.72 lakh. We can contrast this with the fact that in the last five years, more than 1.25 crore cars have been sold, and number of Indian citizens who flew abroad, either for business or tourism, is 2 crore in the year 2015. From all these figures we can conclude that we are largely a tax non-compliant society. The predominance of the cash in the economy makes it possible for the people to evade their taxes. When too many people evade the taxes, the burden of their share falls on those who are honest and complaint.”

A

B

C

D

E

F

G

H

121. The respondents have also claimed that linking of Aadhaar with PAN is consistent with India's international obligations and goals. In this behalf, it is pointed out that India has signed the Inter-Governmental Agreement (IGA) with the USA on July 9, 2015, for Improving International Tax Compliance and implementing the Foreign Account Tax Compliance Act (FATCA). India has also signed a multilateral agreement on June 3, 2015, to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters under the Common Reporting Scheme (CRS), formally referred to as the Standard for Automatic Exchange of Financial Account Information (AEOI). As part of India's commitment under FATCA and CRS, financial sector entities capture the details about the customers using the PAN. In case the PAN or submitted details are found to be incorrect or fictitious, it will create major embarrassment for the country. Under Non-filers Monitoring System (NMS), Income Tax Department identifies non-filers with potential tax liabilities. Data analysis is carried

A out to identify non-filers about whom specific information was available
 in AIR, CIB data and TDS/TCS Returns. Email/SMS and letters are
 sent to the identified non-filers communicating the information summary
 and seeking to know the submission details of Income tax return. In a
 large number of cases (more than 10 lac PAN every year) it is seen that
 B the PAN holder neither submits the response and in many cases the
 letters are return unserved. Field verification by fields formations have
 found that in a large number of cases, the PAN holder is untraceable. In
 many cases, the PAN holder mentions that the transaction does not
 relate to them. There is a need to strengthen PAN by linking it with
 Aadhaar/biometric information to prevent use of wrong PAN for high
 C value transactions.

122. While considering the aforesaid submission of the petitioners,
 one has to keep in mind the aforesaid purpose of the impugned provision
 and what it seeks to achieve. The provision is aimed at seeding Aadhaar
 with PAN. We have already held, while considering the submission
 D based on Article 14 of the Constitution, that the provision is based on
 reasonable classification and that has nexus with the objective sought to
 be achieved. One of the main objectives is to de-duplicate PAN cards
 and to bring a situation where one person is not having more than one
 PAN card or a person is not able to get PAN cards in assumed/fictitious
 names. In such a scenario, if those persons who violate Section 139AA
 E of the Act without any consequence, the provision shall be rendered
 toothless. It is the prerogative of the Legislature to make penal provisions
 for violation of any law made by it. In the instant case, requirement of
 giving Aadhaar enrolment number to the designated authority or stating
 this number in the income tax returns is directly connected with the
 F issue of duplicate/fake PANs.

123. At this juncture, we will also like to quote the following
 passages from the nine Judge Bench judgment of this Court in *Jindal*
*Stainless Ltd.*⁵², which discussion though is in different context, will
 have some relevance to the issue at hand as well:

G “109. It was next argued on behalf of the dealers that an
 unreasonably high rate of tax could by itself constitute a restriction
 offensive to Article 301 of the Constitution. This was according
 to learned counsel for the dealers acknowledged even in the
 minority judgment delivered by Sinha, CJ in *Atiabari’s*

H ⁵² Footnote 40 above

case (supra). If that be so, the only way such a restriction could meet the constitutional requirements would be through the medium of the proviso to Article 304(b) of the Constitution. There is, in our opinion, no merit in that contention either and we say so for two precise reasons. Firstly, because taxes whether high or low do not constitute restrictions on the freedom of trade and commerce. We have held so in the previous paragraphs of the judgment based on our textual understanding of the provisions of Part XIII which is matched by the contextual interpretation. That being so the mere fact that a tax casts a heavy burden is no reason for holding that it is a restriction on the freedom of trade and commerce. Any such excessive tax burden may be open to challenge under Part III of the Constitution but the extent of burden would not by itself justify the levy being struck down as a restriction contrary to Article 301 of the Constitution.

110. Secondly because, levy of taxes is both an attribute of sovereignty and an unavoidable necessity. No responsible government can do without levying and collecting taxes for it is only through taxes that governments are run and objectives of general public good achieved. The conceptual or juristic basis underlying the need for taxation has not, therefore, been disputed by learned counsel for the dealers and, in our opinion, rightly so. That taxation is essential for fulfilling the needs of the government is even otherwise well-settled. A reference to "A Treatise on the Constitutional Limitations" (8th Edn. 1927 - Vol. II Page 986) by Thomas M Cooley brings home the point with commendable clarity. Dealing with power of taxation Cooley says:

"Taxes are defined to be burdens or charges imposed by the legislative power upon persons or property, to raise money for public purposes. The power to tax rests upon necessity, and is inherent in every sovereignty. The legislature of every free State will possess it under the general grant of legislative power, whether particularly specified in the constitution among the powers to be exercised by it or not. No constitutional government can exist without it, and no arbitrary government without regular and steady taxation could be anything but an oppressive and vexatious despotism, since the only alternative to taxation would be a forced extortion for the needs of

A government from such persons or objects as the men in power might select as victims.”

111. Reference may also be made to the following passage appearing in *McCulloch v. Maryland*, 17 US 316 (1819) where Chief Justice Marshall recognized the power of taxation and pointed out that the only security against the abuse of such power lies in the structure of the government itself. The court said:

B
C
D “43. ..It is admitted that the power of taxing the people and their property is essential to the very existence of government, and may be legitimately exercised on the objects to which it is applicable to the utmost extent to which the government may choose to carry it. The only security against the abuse of this power is found in the structure of the government itself. In imposing a tax, the legislature acts upon its constituents. This is, in general, a sufficient security against erroneous and oppressive taxation.

E 44. The people of a State, therefore, give to their government a right of taxing themselves and their property; and as the exigencies of the government cannot be limited, they prescribe no limits to the exercise of this right, resting confidently on the interest of the legislator, and on the influence of the constituents over their representative, to guard them against its abuse.”

F 112. To the same effect is the decision of this Court in *State of Madras v. N.K. Nataraja Mudaliar* (AIR 1969 SC 147) where this Court recognized that political and economic forces would operate against the levy of an unduly high rate of tax. The Court said:

G
H “16.... Again, in a democratic constitution political forces would operate against the levy of an unduly high rate of tax. The rate of tax on sales of a commodity may not ordinarily be based on arbitrary considerations, but in the light of the facility of trade in a particular commodity, the market conditions internal and external - and the likelihood of consumers not being scared away by the price which includes a high rate of tax. Attention must also be directed sub-Section (5) of Section 8 which authorizes the State Government, notwithstanding anything contained in Section 8, in the public interest to waive tax or

[A. K. SIKRI, J.]

impose tax on sales at a lower rate on inter-State trade or commerce. It is clear that the legislature has contemplated that elasticity of rates consistent with economic forces is clearly intended to be maintained.” A

124. Therefore, it cannot be denied that there has to be some provision stating the consequences for not complying with the requirements of Section 139AA of the Act, more particularly when these requirements are found as not violative of Articles 14 and 19 (of course, eschewing the discussion on Article 21 herein for the reasons already given). If Aadhar number is not given, the aforesaid exercise may not be possible. B

125. Having said so, it becomes clear from the aforesaid discussion that those who are not PAN holders, while applying for PAN, they are required to give Aadhaar number. This is the stipulation of sub-section (1) of Section 139AA, which we have already upheld. At the same time, as far as existing PAN holders are concerned, since the impugned provisions are yet to be considered on the touchstone of Article 21 of the Constitution, including on the debate around Right to Privacy and human dignity, etc. as limbs of Article 21, we are of the opinion that till the aforesaid aspect of Article 21 is decided by the Constitution Bench a partial stay of the aforesaid proviso is necessary. Those who have already enrolled themselves under Aadhaar scheme would comply with the requirement of sub-section (2) of Section 139AA of the Act. Those who still want to enrol are free to do so. However, those assesseees who are not Aadhaar card holders and do not comply with the provision of Section 139(2), their PAN cards be not treated as invalid for the time being. It is only to facilitate other transactions which are mentioned in Rule 114B of the Rules. We are adopting this course of action for more than one reason. We are saying so because of very severe consequences that entail in not adhering to the requirement of sub-section (2) of Section 139AA of the Act. A person who is holder of PAN and if his PAN is invalidated, he is bound to suffer immensely in his day to day dealings, which situation should be avoided till the Constitution Bench authoritatively determines the argument of Article 21 of the Constitution. Since we are adopting this course of action, in the interregnum, it would be permissible for the Parliament to consider as to whether there is a need to tone down the effect of the said proviso by limiting the consequences. C D E F G

126. However, at the same time, we find that proviso to Section H

A 139AA(2) cannot be read retrospectively. If failure to intimate the
Aadhaar number renders PAN void *ab initio* with the deeming provision
that the PAN allotted would be invalid as if the person had not applied
for allotment of PAN would have rippling effect of unsettling settled
rights of the parties. It has the effect of undoing all the acts done by a
person on the basis of such a PAN. It may have even the effect of
B incurring other penal consequences under the Act for earlier period on
the ground that there was no PAN registration by a particular assessee.
The rights which are already accrued to a person in law cannot be taken
away. Therefore, this provision needs to be read down by making it
clear that it would operate prospectively.

C 127. Before we part with, few comments are needed, as we feel
that these are absolutely essential:

(i) Validity of Aadhaar, whether it is under the Aadhaar scheme
or the Aadhaar Act, is already under challenge on the touchstone
of Article 21 of the Constitution. Various facets of Article 21 are
D pressed into service. First and foremost is that it violates Right to
Privacy and Right to Privacy is part of Article 21 of the
Constitution. Secondly, it is also argued that it violates human
dignity which is another aspect of Article 21 of the Constitution.
Since the said matter has already been referred to the Constitution
E Bench, we have consciously avoided discussion, though
submissions in this behalf have been taken note of. We feel that
all the aspect of Article 21 needs to be dealt with by the Constitution
Bench. That is a reason we have deliberately refrained from
entering into the said arena.

(ii) It was submitted by the counsel for the petitioners themselves
that they would be confining their challenge to the impugned
F provision on Articles 14 and 19 of the Constitution as well as
competence of the Legislature, while addressing the arguments,
other facets of Article 21 of the Constitution were also touched
upon. Since we are holding that Section 139AA of the Income
G Tax Act is not violative of Articles 14 and 19(1)(g) of the
Constitution and also that there was no impediment in the way of
Parliament to insert such a statutory provision (subject to reading
down the proviso to sub-section (2) of Section 139AA of the Act
as given above), we make it clear that the impugned provision has
H passed the muster of Articles 14 and 19(1)(g) of the Constitution.

[A. K. SIKRI, J.]

However, more stringent test as to whether this statutory provision violates Article 21 or not is yet to be qualified. Therefore, we make it clear that Constitutional validity of this provision is upheld subject to the outcome of batch of petitions referred to the Constitution Bench where the said issue is to be examined. A

(iii) It is also necessary to highlight that a large section of citizens feel concerned about possible data leak, even when many of those support linkage of PAN with Aadhaar. This is a concern which needs to be addressed by the Government. It is important that the aforesaid apprehensions are assuaged by taking proper measures so that confidence is instilled among the public at large that there is no chance of unauthorised leakage of data whether it is done by tightening the operations of the contractors who are given the job of enrollment, they being private persons or by prescribing severe penalties to those who are found guilty of leaking the details, is the outlook of the Government. However, we emphasise that measures in this behalf are absolutely essential and it would be in the fitness of things that proper scheme in this behalf is devised at the earliest. B
C
D

128. Subject to the aforesaid, these writ petitions are disposed of in the following manner:

(i) We hold that the Parliament was fully competent to enact Section 139AA of the Act and its authority to make this law was not diluted by the orders of this Court. E

(ii) We do not find any conflict between the provisions of Aadhaar Act and Section 139AA of the Income Tax Act inasmuch as when interpreted harmoniously, they operate in distinct fields. F

(iii) Section 139AA of the Act is not discriminatory nor it offends equality clause enshrined in Article 14 of the Constitution.

(iv) Section 139AA is also not violative of Article 19(1)(g) of the Constitution insofar as it mandates giving of Aadhaar enrollment number for applying PAN cards in the income tax returns or notified Aadhaar enrollment number to the designated authorities. Further, proviso to sub-section (2) thereof has to be read down to mean that it would operate only prospective. G

(v) The validity of the provision upheld in the aforesaid manner is H

- A subject to passing the muster of Article 21 of the Constitution, which is the issue before the Constitution Bench in Writ Petition (Civil) No. 494 of 2012 and other connected matters. Till then, there shall remain a partial stay on the operation of proviso to sub-section (2) of Section 139AA of the Act, as described above.
- B No costs.

Devika Gujral

Writ Petitions disposed of.