

Tax resolution

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Source: *The Hindu*

Manifest Pedagogy: The income tax and indirect tax litigation has not only overburdened the courts and various tribunals but also caused an inability to collect much-needed revenue on time. This is also a key area where India can improve in Ease of Doing Business ranking (Paying Taxes).

In news: Vivad se vishwas scheme is announced in the Budget 2020-21.

Placing it in syllabus: Taxation in India

Static dimensions:

- **Pending cases by tax department**
- Garib Kalyan Yojana

Current dimensions:

- **Sabka vishwas dispute resolution**
- Vivad se vishwas
- Expectations

Content:

Pending cases by tax department:

- The 'Vivaad se Vishwas' scheme announced in the Budget for 2020-21 is aimed at **resolving tax disputes worth ₹9.32 lakh crore in 4.8 lakh cases.**
- Over **41,000 cases** related to income tax disputes **in Madhya Pradesh and Chhattisgarh** are pending in various tribunals.

Garib Kalyan Yojana:

- The Pradhan Mantri Garib Kalyan Yojana (PMGKY) was originally launched in 2015 as a scheme built with the **objective of addressing poverty.**
- However, due to the **demonetization drive** launched by the government to curb the spread of black money, an **amendment was made to the Income Tax Bill** and the **PMGKY has been made a part of the Taxation Laws (Second Amendment) Act, 2016.**
- Income taxpayers are given the opportunity to forgo prosecution by declaring their illegal money and paying 50% penalty on their unaccounted incomes.
- **Individuals who are declaring their undisclosed income (black money), will be required to pay –**
 - Percentage of tax for undisclosed Income – 30%
 - Penalty for undisclosed income – 10%
 - Surcharge under PMGKY CESS – 33%
 - Amount to be deposited under PMGKY is 25% of undisclosed income (returned as is after a period of 4 years)
 - Interest accumulated during deposit – Nil
- People can **only declare their income which is lying in the form of bank and cash deposits** in bank accounts of Indian banks.
- If a person who has undisclosed income lying with them but **has not disclosed it under the PMGKY scheme**, they will have to bear a **fine of 77.25%** of their undisclosed income, if the same reflects in their tax returns.
- **If the income does not reflect in a person's tax returns**, not only will they undergo prosecution but will also be liable to pay a **further penalty of 10% additionally.**
- Disclosure of income under this scheme is **voluntary.**
- Whatever **funds** are **collected** under this scheme **will be used to make improvements in education, infrastructure and healthcare** that is available to the underprivileged and poorer sections of society.

Sabka vishwas dispute resolution:

- The Sabka Vishwas Scheme was a **scheme proposed in the Union Budget, 2019.**
- It was introduced to **resolve all disputes relating to the erstwhile Service Tax and Central Excise Acts**, which are now subsumed under GST, as well as 26 other **Indirect Tax** enactments.
- It came into force on 1st September, 2019 and **was operational until January 15, 2020.**
- **Benefits of this scheme included:**
 - Taxpayers were free to pay the outstanding tax amounts due and be free from any other consequences under the Law.
 - Taxpayers got substantial relief in the form of full waivers of interest, penalties and fines.
 - There was complete amnesty from prosecution proceedings.

Vivad se vishwas:

- The scheme has been proposed by Union Finance Minister Nirmala Sitharaman in Budget 2020-21 speech.
- It aims to settle and see a finalisation of 4.83 lakh **direct tax cases pending at various appellate forums** such as the Commissioner (Appeals), the Income Tax Appellate Tribunal (ITAT), high courts and the Supreme Court.
- Under the proposed scheme, **taxpayers willing to settle disputes shall be allowed a complete waiver of interest and penalty if they pay the entire amount of tax in dispute up to March 31, 2020**, after which 10 percent additional disputed tax shall have to be paid over and above the tax liability.
- In case it is just the interest and the penalty which is in dispute, the **taxpayer will have to pay 25% of the disputed amount** till March 31, and **beyond which the same**

shall be enhanced to 30 per cent.

- The **scheme cannot be availed in case** where prosecution has been instituted or where tax arrears **relate to undisclosed foreign income or assets.**
- The scheme will **remain open till 30th June, 2020.**
- The scheme will also cover cases where search and seizure have taken place where the 'recovery' is below Rs 5 crore.

Expectations:

- It helps to settle more disputes and **mop up a larger part of the tax dues** locked up in litigation.
- As it allows assesseees to opt for the scheme by paying 50% of the total tax demand in cases where the taxpayer has won the case, this would **prevent the Income Tax department from appealing against the court order that favoured the taxpayer.**
- The scheme would **boost revenue of the government**, thus helping in achieving the **target of a \$5 trillion economy** by 2024.
- It helps in **clearing up courts and tribunals of pending cases.**