



drishti

Direct Tax Vivad Se Vishwas Bill, 2020

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Why in News

Recently, the Union Cabinet has approved an amendment to the '**Direct Tax Vivad se Vishwas Bill, 2020**' in order to widen its scope to cover litigation pending in various **Debt Recovery Tribunals (DRTs)**.

- The **amendment also** includes certain **search and seizure cases** where the recovery is up to **₹5 crore**.
- Therefore, the Bill in current form allows taxpayers to settle cases pending before the **Commissioner (Appeals), Income Tax Appellate Tribunals (ITATs), Debt Recovery Tribunals (DRTs), High Courts and the Supreme Court**.
- The **Direct Tax Vivad se Vishwas Bill, 2020** is **similar** to the '**Sabka Vishwas Scheme**', which was brought in to reduce litigation in indirect taxes in the year 2019. It resulted in settling over 1,89,000 cases.

Under the Sabka Vishwas Scheme, the government expected to raise around **₹39,500 crore**. However, after the closure of the amnesty window in January 2020 application in relation to taxes worth **₹90,000 crore** were received. This shows the success of the scheme.

Key Points

- **Objective:** The Bill provides a mechanism for resolution of pending tax disputes related to direct taxes (**Income Tax and Corporate Tax**) in **simple and speedy** manner.
- **Reduce Litigation:** According to the **Finance Ministry**, at present there are 4.83 lakh pending direct tax cases worth **Rs.9 lakh crore** in the courts. Through this scheme, the government wants to recover this **money** in a **swift and simple way**.

- **Addressing Revenue Shortfall:** The government is witnessing a **big shortfall in revenues**, especially tax revenues, hence, increasing revenues in one of the priorities of the government.
 - **Direct Tax collections** have been **lower than their budget targets** due to the overall economic slowdown and a **cut in the corporate tax rate** in September, 2019.
- **Mechanism:** In case of **payment of tax**, a taxpayer would be **required to pay only the amount of the disputed taxes** and will get **complete waiver of interest, penalty and prosecution** provided he/she pays by **March 31, 2020**.
 - But, if the tax arrears relate to disputed **interest or penalty only**, then **25%** of disputed penalty or interest will have to be paid.
 - Those who avail this scheme **after** March 31, 2020 will have to pay some **additional amount**.
 - However, the scheme will remain open till **June 30, 2020**.
- **Immunity to Appellant:** Once a **dispute is resolved**, the designated authority **cannot levy interest or penalty** in relation to that dispute.
 - Further, **no appellate forum** can make a decision in relation to the matter of dispute **once it is resolved**.
- **Revival of Disputes:** However, if an appellant provides **false information or violates the Income Tax Act, 1961**, then case of dispute can be revived.

Source: IE