



Schemes for Reducing Tax Disputes

Why in News

Recently, the Finance Secretary has said that the **new system of faceless assessment and appeal** would help bring down tax disputes substantially.

Key Points

▪ Tax Disputes (Data):

- As per official data, the **amount involved in tax disputes was over Rs. 11 lakh crore in FY19-end, up 23% over a year-ago.**
- Since India has a very **high number of tax litigations**, the **resolution times are significantly higher**, involving time and cost (on the part of the government as well as taxpayers).

▪ Initiatives Taken to Reduce Tax Disputes:

◦ Dispute Resolution Committee:

- In **Budget 2021**, the Minister of Finance has proposed the formation of a Dispute Resolution Committee (DRC) in order to provide quicker relief to taxpayers in tax disputes.
- It will be **formed under a new section, 245MA**, of the Income Tax Act.
- The DRC will **cater to small taxpayers** having a taxable income of up to Rs. 50 lakh and a disputed income of up to Rs. 10 lakh.
- The Committee **will have the powers** to reduce, waive any penalty or give immunity from any offence punishable under the Income Tax Act.
- The **alternative mechanism through the DRC** shall help taxpayers in preventing new disputes and settling the issue at the very initial stage.
 - India has been **ranked at 88 in the World Rule of Law Index 2020** in terms of accessibility of alternative dispute resolution mechanisms.

◦ Faceless Assessment and Appeal:

- The Prime Minister in August 2020 announced three key structural tax reforms under the **'Transparent Taxation - Honouring the Honest' platform** - faceless assessment, faceless appeal and taxpayers' charter.
- The **faceless assessment system** was launched to remove the need of the physical presence of the taxpayers in front of the tax officials.
 - Since the launch of faceless random assessment, over 50,000 disputes have been settled.
- The **faceless appeals system** aims to eliminate discretionary powers of the taxman, curb corrupt practices and provide ease of compliance to taxpayers.
 - Income Tax **appeals will be finalised in a faceless manner** with the exception of appeals related to serious fraud, major tax evasion, search

- matters, international tax issues and matters pertaining to black money.
- The **tax charter** elaborated on the rights and responsibilities of the taxpayers to help them familiarise with the whole process of Income Tax collection.
 - The effort is on to establish a **National Faceless Income Tax Appellate Tribunal Centre** that will offer personal hearings through video-conferencing.
- **Vivad Se Vishwas Scheme:**
- The **scheme** provides for **settlement of disputed tax, disputed interest, disputed penalty or disputed fees** in relation to an assessment or reassessment order on payment of 100% of the disputed tax and 25% of the disputed penalty or interest or fee.
 - The **Direct Tax Vivad se Vishwas Act, 2020** was enacted in March 2020 to settle direct tax disputes locked up in various appellate forums.
 - As many as 1.25 lakh cases, a quarter of all direct disputes, have opted for Vivad se Vishwas scheme, enabling settlement of Rs. 97,000 crore in tax demands.

Source: IE

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