

Centre planning mechanism to solve tax issues in real time: FM Sitharaman

Updated at November 23, 2020 23:23 IST

The government is thinking of creating a mechanism to prevent tax issues from ballooning into disputes and settle disagreements on a “real-time basis”.

“There should be a simultaneous tracking of disputes and if possible prevent tax matters from becoming disputes or if there are indeed disputes then settle them through a real-time kind mechanism,” Finance Minister Nirmala Sitharaman said while replying to a question on tax matters.

She was addressing National MNC’s Conference 2020, organised by the Confederation of Indian Industry (CII). Citing the two schemes on resolving tax disputes launched by the government, the finance minister said: “We have made our intent clear, that’s why we came up with two schemes — one was Sabka Vishwas (for cases pertaining to indirect taxes) and second is Vivad se Vishwas (for direct tax-related matters). But I understand that we need to have robust mechanisms, so as we go along, disputes can be resolved rather than wait for a day when we announce a scheme and say come back with pending litigation.”

The concept, if it becomes effective, will allow taxpayers an opportunity to settle issues by paying the tax due instead of going in for litigation.

This could be done through mediation, where once the tax demand is finalised, assessee can be given an option to settle the matter and in exchange they may get an incentive like immunity from penalty and a waiver of interest on tax dues, said a tax expert.

TAX MATTERS

Govt has launched two dispute resolution schemes for settling tax litigation

SABKA VISHWAS

(Legacy Dispute Resolution Scheme)

- Announced in July 2019, for cases related to indirect taxes
- 200,000 pending disputes were settled under scheme

VIVAD SE VISHWAS ACT

- Came into effect on March 17, for direct taxation cases
- Dec 31 is the deadline for making declarations
- About 483,000 cases pending before appellate authorities

Disclaimer: The content above is taken from the source mentioned

Resource: Business Standard, 23 Nov 2020

Copyright © 2019 Aparajitha Corporate Services Pvt., Ltd. All Rights Reserved.

Making Corporate India Comply

The Direct Tax Vivad se Vishwas Act, 2020, was enacted earlier this year with the government saying it aimed to reduce pending income tax litigation. The government has collected Rs .2,480 crore so far under the scheme, with over a month to go for the deadline.

A total of 45,855 individual declarations have been filed as of November 17 and declarations amounted to Rs.31,734 crore. It's estimated that nearly 500,000 such cases are pending in different forums, including commissioners of appeal, tribunals, high courts, and the Supreme Court. The Centre's rough estimate shows about Rs.10 trillion of tax revenue could be stuck in these judicial and other bodies. Apart from this, Sitharaman also talked about the alternative dispute resolution mechanism — advance pricing agreements (APAs). She said APAs were taking too long and should be expedited because it was creating a huge burden on multinationals' books. "APAs can be expedited. Otherwise it defeats the very purpose and five years is definitely not acceptable," she said. The APA scheme envisages an alternative dispute resolution on transfer pricing. The scheme helps in specifying the methods of pricing and setting prices of international transactions in advance. However, the problem for companies is that applications on APAs are pending for too long.

The finance minister assured India Inc that the momentum of economic reforms would continue to make India a hot spot of global investment. India has turned the crisis created by the pandemic into an opportunity to push economic reforms, which remained pending for decades, she said. She said not just the MNCs but industry and the economy were undergoing a reset. "We will have to make sure that policies are right to make India an attractive investment destination," she said.

The financial sector is being professionalised and the government will continue with disinvestment and privatisation, the minister added. Furthering its reforms agenda, the government is setting up dedicated special manufacturing zones for pharma, medical devices, and active pharmaceutical ingredients in six states. An effective unified single window mechanism is part of these zones. On reforms in taxation, the minister said the use of technology, such as faceless assessment, had eased tax filing and removed the scope for discretion. This will be the only way in which tax assesseees will engage with the authorities, she said.

She added this faceless concept was gradually moving towards indirect taxation also.