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## **2. Direct Tax Vivad Se Vishwas Bill, 2020**

**Prelims Level: Economics – Taxes and Taxation**

**Prelims Tag: Taxes and Taxation, Direct Tax Disputes, Government Intervention.**

**Mains Level: GS-III Indian Economy and Issues relating to Planning, Mobilization of Resources, Growth, Development and Employment**

**Mains Tag: Taxes and Taxation, Direct Tax Disputes, Government Intervention.**

### **Why in News?**

- The Union Cabinet has recently 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).

### **Key provisions of the Bill:**

#### **Mechanism:**

- 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.
- 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.
- Under the proposed Vivad Se Vishwas scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he 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 only till June 30, 2020. Those who avail this scheme after March 31, 2020 will have to pay some additional amount.
- The scheme also applies to all case appeals that are pending at any level.
- The recent amendment also includes certain search and seizure cases where the recovery is up to ₹5 crore.

#### **Immunity to Appellant:**

- Once a dispute is resolved, the designated authority cannot levy interest or penalty in relation to that dispute.

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- 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.

### **Significance of the Bill:**

#### **1. 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.

#### **2. 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 recent cut in the corporate tax rate.

### **Similar Schemes:**

- 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.
- {"Vivad se Vishwas Scheme" will be for the **direct tax related disputes** whereas "Sabka Vishwas" is for **Indirect Tax Related Disputes**.}