

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
RAJYA SABHA
UNSTARRED QUESTION No.536
(ANSERED ON 07.02.2023/18 Magha 1944 Saka)

INCOME TAX DISPUTES

536: SHRI ANIL DESAI

Will the Minister of FINANCE be pleased to state:

- (a) (a) Whether it is a fact that there are a number of Court cases launched by the Income-tax Department against the defaulters;
- (b) The in-house dispute settlement machinery available under the Income Tax Authorities;
- (c) Whether the settlement solution suggested by Income Tax authorities are satisfactory among the tax payers; and
- (d) The efforts made by Government to reduce the cases of tax dispute from the Court of law?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHOUDHARY)

- (a) In the last 5 years the Income-tax Department has launched prosecutions as under:

F.Y.	No. of cases where prosecution has been launched
2017-18	4527
2018-19	3512
2019-20	1226
2020-21	173
2021-22	195

Contd.....2/-

b) The following dispute settlement machinery is available for settlement of inhouse tax disputes:

(i) Dispute Resolution Panel (DRP)

Section 144C of the Income-tax Act, 1961 (the Act) provides for Dispute Resolution Panels. The same may be availed by foreign companies and those assesseees, subject to some monetary limits, against whom an unfavourable order has been passed by a Transfer Pricing Officer. The Assessing Officer forwards a draft assessment order to the assessee in order to invite his acceptance or objections to the same. The assessee has a choice to approach the DRP which may issue directions to the Assessing Officer who is bound by the same.

(ii) Dispute Resolution Committees (DRC)

Section 245MA of the Act provides for an alternate dispute resolution mechanism by way of Dispute Resolution Committees. A taxpayer having taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh, who fulfils the specified conditions, shall be eligible to approach the Committee in respect of a dispute arising from any variation in the specified order in his case.

(iii) CIT(Appeals)

Apart from the above, regular appellate channel is available in-house in the form of the CsIT(Appeals) who are guided by targets set via the Central Action Plan.

(c) & (d) It is the endeavour of the Income-tax Department to provide satisfactory settlement solutions to taxpayers.

The following efforts have been made by Government to reduce cases of tax disputes from the Court of law:

(i) As a step towards reducing litigation and tax disputes, CBDT has issued Circulars directing field Officers that appeals/SLP shall not be filed in cases where the tax effect does not exceed monetary limits as specified in such Circulars with certain exceptions. The prescribed monetary limits with exceptions have been revised from time to time. The extant monetary limits for filing appeals at various judicial fora are as below:

Forum	Tax Effect more than Rs.
ITAT	50 Lakhs
High Court	1 Crore
Supreme Court	2 Crore

(ii) Finance Act, 2022 has inserted a new section 158AB in Income-tax Act to avoid repetitive appeals by the Department. The section provides that, if a question of law in the case of an assessee is identical to a question of law which is pending in appeal before the jurisdictional High Court or the Supreme Court in any case, the filing of further appeal, in the case of this assessee by the department, shall be deferred till such question of law is decided by the jurisdictional High Court or the Supreme Court.

(iii) Direct Tax Vivad se Vishwas Scheme was introduced in March, 2020, for settling disputes between taxpayers and the Income-tax Department for various appeals, writs, SLPs or arbitration pending with Commissioner of Income Tax (Appeals), Income-tax Appellate Tribunal, High Court or Supreme Court with the aim to reduce litigation. The scheme has been very successful in reducing pending disputes.

(iv) In order to reduce pendency of appeals at the Commissioner level, a proposal is made through Finance Bill, 2023, to deploy about 100 Joint Commissioners for disposal of small appeals.

(v) In order to reduce tax disputes revised guidelines for compounding of offences under the Act have been issued. Some of the major changes made for the benefit of the taxpayers include:

- Making offence punishable under Section 276 of the Act as compoundable.
- The scope of eligibility for compounding of cases has been relaxed whereby case of an applicant who has been convicted with imprisonment for less than 2 years being previously non-compoundable, has now been made compoundable.
- The time limit for acceptance of compounding applications has been relaxed from the earlier limit of 24 months to 36 months now, from the date of filing of complaint.

Specific upper limits have been introduced for the compounding fee covering defaults across several provisions of the Act. Additional compounding charges in the nature of penal interest @ 2% per month up to 3 months and 3% per month beyond 3 months have been reduced to 1% and 2% respectively.
