

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE**

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**LOK SABHA  
UNSTARRED QUESTION NO.1678  
TO BE ANSWERED ON MONDAY THE 2<sup>ND</sup> MARCH, 2020  
PHALGUNA 12, 1941 (SAKA)**

**‘VIVAD SE VISHWAS’ SCHEME**

**1678: SHRI RAJA AMARESHWARA NAIK:**

**DR. SUKANTA MAJUMDAR:**

**DR. JAYANTA KUMAR ROY:**

**SHRI BHOLA SINGH:**

**SHRI VINOD KUMAR SONKAR:**

**SHRIMATI SANGEETA KUMARI SINGH DEO:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the litigation and tax disputes in direct taxes are on the rise in the country and if so, the details thereof during the last five years;
- (b) the details of appeals pending and arrears recovered during the last five years;
- (c) whether the Government has proposed to launch ‘Vivad se Vishwas’ scheme to reduce litigation in direct taxes and if so, the details thereof;
- (d) whether the Government has proposed to introduce Taxpayers’ Charter containing taxpayers rights and if so, the details thereof; and
- (e) the steps being taken by the Government to improve the tax administration in the country?

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**ANSWER**  
**MINISTER OF STATE IN THE MINISTRY OF FINANCE**  
**(SHRI ANURAG SINGH THAKUR)**

(a) & (b) The details of pendency of Income Tax appeals at various judicial fora for last five years is as below:

F.Y.	CIT (A)	ITAT	HC	SC	Total
2014-15	2,32,126	1,03,238	34,281	5,661	<b>3,75,306</b>
2015-16	2,58,898	91,971	32,138	5,399	<b>3,88,406</b>
2016-17	2,90,227	92,386	38,481	6,357	<b>4,27,451</b>
2017-18	3,21,841	92,817	39,066	6,224	<b>4,59,948</b>
2018-19	3,41,484	92,205	38,758	6,354	<b>4,78,801</b>

*Source:*

i) The figures for pendency of appeals for CIT(A) till 2016-17 and HC and SC pendency is as per data provided by R&S Wing, CBDT. However, for FY 2017-18 and 2018-19 the figures of CIT(A) are as per ITBA data, DGIT(Systems).

ii) The figures of pendency for ITAT are based upon the flash figures of ITAT Registry, Mumbai

Hence, as shown in above table the total numbers of Income Tax appeals have risen in the last five years.

Total recovery of arrear demand during last 5 years is as below:

Sl. No. Year (March Ending)		Recovery of arrear demand (Collection)(in crores)		
		IT	CT	Total
1.	2015	7,758	28,835	<b>36,593</b>
2.	2016	8,734	22,800	<b>31,534</b>
3.	2017	9,594	29,351	<b>38,944</b>
4.	2018	8,971	35,662	<b>44,633</b>
5.	2019	8,496	32,103	<b>40,599</b>

*Source: DOMS, CBDT*

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(c) During the Union Budget, 2020 presentation, a scheme namely ‘Vivad se Vishwas’ Scheme was announced by Hon’ble Finance Minister to provide for dispute resolution in respect of pending income tax litigation. Pursuant to this Budget announcement the Direct Tax Vivad se Vishwas Bill, 2020 (the Bill) was introduced in the Lok Sabha on 05.02.2020. The objective of the Bill is to inter alia reduce pending income tax litigation, generate timely revenue for the Government and benefit taxpayers by providing them peace of mind, certainty and savings on account of time and resources that would otherwise be spent on the long-drawn and vexatious litigation process.

(d) With the objective of enhancing the efficiency of the delivery system of the Income Tax Department, Hon’ble Finance Minister in her Budget Speech-2020 proposed to amend the provisions of the Income Tax Act to mandate the Central Board of Direct Taxes (the Board) to adopt a Taxpayers’ Charter. Pursuant to this Budget announcement, vide Finance Bill-2020, a new section 119A has been proposed to be introduced in the Income-tax Act, 1961 empowering the Board to adopt and declare a Taxpayer’s Charter and issue such orders, instructions, directions or guidelines to other income-tax authorities as it may deem fit for the administration of Charter.

(e) Improvement in tax administration is a continuous process and the Government has been taking several steps to bring about such an improvement. In this regard several steps taken to improve tax administration in the country are as follows:

**1. Introduction of e-assessment scheme in the income-tax Department:**

The Hon’ble Finance Minister in a Budget Speech on 5<sup>th</sup> July, 2019 announced a new and innovative measure to improve the working of the IT Department in the form of Faceless Assessment. The new scheme called the “E-assessment Scheme, 2019” was notified on 12<sup>th</sup> September, 2019 and was launched on 3<sup>rd</sup> October, 2019. The E-assessment Scheme, 2019 outlines faceless scrutiny assessment in an electronic mode, where notices are to be issued electronically and cases are to be allocated to assessment unit in a random manner. It ensures no human interface and single point contact between the taxpayer and the department through National E-assessment Centre (NeAC), created specifically for this purpose.

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## **2. Introduction of e-appeal and e-penalty scheme in the Income-tax Department:**

In the Budget 2020, in order to ensure that reforms initiated by the income-tax department reaches next level, e-penalty scheme and e-appeal scheme have also been introduced by the Central Government in Finance Bill, 2020.

## **3. Project Insight:**

In order to strengthen the non-intrusive information driven approach for improving compliance and effective utilization of information in all areas of tax administration, a project insight is being implemented by the Income-tax Department. Under Project Insight, an integrated data warehousing and business intelligence platform is being rolled out in phased manner to enable ITD in meeting the three goals namely (i) to promote voluntary compliance and deter noncompliance; (ii) to impart confidence that all eligible persons pay appropriate tax; and (iii) to promote fair and judicious tax administration.

## **4. Centralized Processing Centre 2.0 Project:**

The Government has approved Integrated E-filing & Centralized Processing Centre (CPC) 2.0 Project of the Income Tax Department. CPC 2.0 Project envisages pre-filing of ITRs by the Income-tax Department and its acceptance by the taxpayer so as to improve accuracy of information contained in the Return and drastically reduce the existing turnaround time taken in processing of Returns and issuance of refunds. CPC 2.0 Project besides promoting the Government objective of promoting voluntary tax-compliance culture would also smoothen the process of e-filing and processing of ITRs and will also bring about a significant enhancement in services to the taxpayers.

## **5. Centralized Processing Centre (TDS) 2.0 Project:**

CPC(TDS) project has undertaken end-to-end processing of TDS statements through a rule-based technology enabled system for seamless flow of data for tax-credits. In the next phase of CPC (TDS) i.e. CPC (TDS) 2.0, focus has been made on recognizing technology led innovations with respect to emerging technologies such as Artificial Intelligence, Analytics and Blockchain to bring further improvement in service delivery.

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## **6. Prefilled ITRs:**

Pre-filled ITR forms have been launched during this Assessment Year 2019-20 covering certain categories of taxpayers.

## **7. Instant PAN allotment:**

Initiatives are being taken to launch a new system under which PAN shall be instantly allotted online on the basis of Aadhaar.

## **8. Document Identification Number(DIN):**

To maintain proper audit trail of all communication in Income-tax Department in pursuance of various e-governance initiatives taken by the Government, vide Circular No. 19/2019 dated 14-08-2019, Central Board of Direct Taxes (CBDT) had directed that no communication shall be issued by any income-tax authority relating to assessment, appeals, exemptions, enquiry, investigation, verification of information, penalty, prosecution, rectification, approval etc. to the assessee or any other person, on or after the 1<sup>st</sup> day of October, 2019 unless a computer-generated Document Identification Number (DIN) has been allotted and is duly quoted in the body of such communication subject to certain conditions/exceptions stipulated therein.

## **9. Scheme for felicitating best performing officers/officials in the Income-tax Department:**

In order to enhance morale and motivation and to promote and appreciate the outstanding work of Officers/Officials or group of Officers/Officials in the Income-tax Department, CBDT has issued instructions to felicitate the best performing 'Officers/Officials who have achieved excellence in the prime areas, namely 'investigation', 'collection', 'administration', 'audit' or 'innovation in the organizational functioning'.

## **10. Steps taken in the field of International Taxation.**

In the field of tax disputes, the Government has laid equal importance on 'dispute prevention' and 'dispute resolution' so as to improve the ease of doing business in India.

### **i) Advance Pricing Agreement (APA).**

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In this context, an important and effective dispute prevention measure has been the introduction of an Advance Pricing Agreement (APA) Programme since 2012 and its successful implementation.

The primary goal of the APA Programme is to provide certainty to taxpayers in respect of the transfer price of cross-border transactions undertaken by such taxpayers with their group entities. Rapid growth in international trade through an increasing number of Multi National Enterprises (MNEs) has given rise to numerous tax disputes on the issue of transfer pricing. An APA is a mechanism to resolve transfer pricing disputes in advance, i.e., before the cross-border related party transaction actually takes place. The transfer price of goods and services transacted between group entities is decided in advance by the tax authorities and the taxpayers, so as to prevent any dispute arising from such transfer pricing.

The APA programme in India was launched in 2012 vide the Finance Act, 2012 through the insertion of sections 92CC and 92CD in the Income-tax Act, 1961 (the “Act”) and the APA Scheme [rules 10F to 10T] was inserted in the Income-tax Rules, 1962 (the “Rules”) to operationalize the APA programme. These statutory provisions, effective from 1st July, 2012, lent the legal backing to the Central Board of Direct Taxes (the “CBDT”) to enter into APAs with taxpayers for a maximum period of 5 years in respect of international transactions between Associated Enterprises (AEs) to determine the Arm’s Length Price (ALP) or to specify the manner in which the ALP is to be determined. The rules lay down the detailed procedures for filing of pre-filing consultation application; pre-filing consultation; payments of fees; filing of APA application; processing of APA application; withdrawal of APA application; terms and conditions of APA; filing of Annual Compliance Report; Compliance Audit; revision, cancellation and renewal of APA; etc.

Legislative changes were made through the Finance (No. 2) Act, 2014 and the APA Scheme was amended to introduce Rollback of APAs. The Rollback provisions are applicable for a maximum of four years prior to the first year of the APA period. Thus, a taxpayer would be able to have certainty in matters of transfer pricing for a maximum period of 9 years by applying for an APA with Rollback provisions. Further, Finance Bill, 2020 has proposed an amendment that would broaden the scope of APAs to determine of income of Permanent Establishments (PEs) of foreign companies in advance.

An Indian taxpayer may apply for a unilateral APA or a bilateral APA or a multilateral APA. Till date, about 1,200 applications have been made by the Indian taxpayers for APAs and agreements have been entered into between the Government of India and taxpayers in more than 300 cases. India has successful bilateral APA programmes with many jurisdictions across the globe and the main partners are USA, UK, Japan, Australia, The Netherlands, Canada, Sweden, Switzerland, Denmark, Korea, Singapore, etc.

## **ii) Mutual Agreement Procedure (MAP)**

Similarly, the **Mutual Agreement Procedure (MAP)** under the Double Taxation Avoidance Agreements (DTAAs) is an effective tool of alternate dispute resolution. It is a mechanism through which an action taken by one or both of the countries that results for a taxpayer in taxation not in accordance with DTAAs, on request of the taxpayer, will be discussed by the Competent Authorities and resolved through mutual agreement to avoid double taxation. The issue of double taxation arises in instances such as Transfer Pricing adjustments, existence of Permanent Establishment, Attribution of profits to a Permanent Establishment, characterisation of income and withholding of taxes.

India is actively involved in MAP with its partner jurisdictions such as USA, UK, Japan, Australia, Canada, Singapore, Switzerland, Denmark, Korea, etc. During the period from April, 2015 till December, 2019 about 700 cases (assessment years) have been resolved under MAP through mutual discussion and negotiation with the Competent Authorities of other jurisdictions, which result in reduction of litigation in India.

The Forum on Tax Administration (“FTA”) has formed a MAP Forum, which works in accordance with a multilateral strategic plan developed by FTA to collectively improve the effectiveness of our mutual agreement procedures to meet the needs of both Governments and taxpayers. India has been an important member of the MAP forum since its inception and has played a leading role in the finalisation of the procedures for the peer review. India’s voice has been heard and its views have been accorded respect by all the member jurisdictions. India is also a part of the Steering Group of the MAP Forum.

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