

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

LOK SABHA

UNSTARRED QUESTION NO. 2582

TO BE ANSWERED ON MONDAY, MARCH 09, 2026/ PHALGUNA 18, 1947 (SAKA)

LENGTHY PROCEDURES OF RESOLVING INCOME TAX DISPUTES

2582: SHRI ANIL YESHWANT DESAI

Will the Minister of Finance be pleased to state:

- (a) whether it is a fact that there are several lengthy procedures are still involved in resolving dispute regarding income tax charged from the taxpayers, if so, the details thereof;
- (b) whether the Government is considering making any changes in its dispute resolve mechanism, if so the details thereof; and
- (c) the number of cases are involved in the court of law in respect of payment of Income Tax during last three years?

ANSWER

THE MINISTER OF STATE IN THE FINANCE

(SHRI PANKAJ CHAUDHARY)

- (a) The procedures for resolving disputes are not lengthy and have been further simplified over the years and some of the steps taken by the Income-tax Department in recent years to simplify dispute resolution are as follows:
 - i. Faceless Appeals Scheme, 2021 has been introduced to provide convenience to the taxpayers.
 - ii. Adoption of Advance Pricing Agreements (“APA”) provides for determining the Arm’s Length Price (“ALP”) in advance, in relation to an international transaction.
 - iii. MAP (Mutual Agreement Procedure) is an alternate tax dispute resolution mechanism available to the taxpayers under the DTAA’s for resolving disputes giving rise to double taxation or taxation not in accordance with DTAA’s.
 - iv. The Direct Tax Vivad se Vishwas Scheme, 2024 was introduced as a one-time dispute resolution measure aimed at settling pending income-tax litigation, facilitating timely revenue collection for the Government, and providing certainty and relief to taxpayers.
 - v. The monetary limits for filing appeals by the Department before appellate forums are revised periodically to ensure that litigation is pursued in cases involving substantial tax effect. The recent revision was done vide Circular No. 9/2024 dated 17th September, 2024.

(b) In order to improve the dispute resolution mechanism, following measures have been taken vide Finance Bill, 2026.

- i. Extending the scope of Immunity to cases in which penalty has been imposed for misreporting of income:

Section 270AA provides for immunity from penalty and prosecution for cases of under-reporting of income where assessee makes the payment of all tax and interest as per the assessment or reassessment order within the period specified in the demand notice and no appeal is filed against such assessment or reassessment order. However, such immunity was only available where the income was omitted or understated was not in the nature of misreporting of income.

Vide Finance Bill, 2026, it has been proposed to increase the scope of immunity so that taxpayers can seek immunity even when under-reporting arises due to misreporting. This broadens the scope of dispute resolution to include a wider range of assessment cases that involve errors or discrepancies in the taxpayer's submissions, not just simple under-reporting. It has been further proposed that such immunity can be provided by payment of additional income tax amounting to 100 % of the tax payable on the misreported income in lieu of the penalty.

- ii. Increase in scope of the Updated Return

Vide Finance Bill, 2026, scope of filing the updated return has been increased to allow filing of updated return in response to notice of reassessment issued under section 148 of the Act. Accordingly, where updated return is filed in response to the reassessment notice and aggregate of tax and interest alongwith additional income-tax is paid on such issue, such issue will be resolved by filing the updated return.

The amendment proposed by the Finance Bill, 2026 to extend and liberalise the scope of filing an updated return under section 139(8A) of the Income-tax Act, 1961 significantly strengthens the framework of alternate dispute resolution within the direct tax regime.

- iii. Imposition of penalty as part of Assessment Order:

Vide Finance Bill, 2026, it has been proposed to impose the penalty alongwith assessment order. The said procedure will be applicable from 1st April, 2027.

It will substantially reduce the compliance burden on the taxpayers as separate litigation of assessment and penalty will be clubbed together in a single litigation.

(c) The number of cases involved in the court of law in respect of payment of Income Tax during last three years are given below:

FY	Authority	Pendency of appeals at the end of the year
2022-23	High Court	32,521
	Supreme Court	4,330
2023-24	High Court	38,099
	Supreme Court	5,916
2024-25	High Court	34,486
	Supreme Court	6,338

Source: Research and Statistics Wing, o/o Pr. Director General of Income-tax (Admin & TPS) vide OM F.No. H-1101/1/2022-JDIT-(DRS)/214 dated 27.11.2025
