

# Budget 2020: Tax amnesty schemes a last-ditch attempt to improve fiscal buoyancy

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The government has taken a pragmatic approach by proactively taking several measures to reduce tax litigations across various tax jurisdictions up to the Supreme Court. In the last budget, the government introduced Sabka Vishwas Litigation Dispute Resolution Scheme, 2019 (SVLDRS) in a bid to reduce litigation in pre-GST central indirect taxes. The scheme was a huge success among assesseees.

SVLDRS resulted in the settling of over 1,89,000 cases. Assesseees who opted for the scheme enjoyed complete waiver of interest and penalty and could settle historical disputes by choosing to pay as little as 30 percent of the tax dues. The entire application and settlement process was online, with a simplified interface and provided for minimal interaction with assessing officers. Several state governments also introduced amnesty schemes granting one-time opportunities to settle state tax disputes with the respective state governments. The state amnesty schemes also received a positive response.

Currently, there are 4,83,000 direct tax cases pending in various appellate forums i.e. Commissioner (Appeals), ITAT, High Court and Supreme Court. In the maiden budget of this decade, the finance minister proposed to bring a scheme similar to the SVLDRS for reducing litigation pertaining to direct taxes as well. The scheme is aptly titled 'Vivad Se Vishwas' scheme depicting the earnest approach of the government to move from a dispute paradigm to a trust paradigm.

However, unlike SVLDRS, under the proposed scheme for direct taxes, a taxpayer would be required to pay the entire amount of the disputed taxes and will get a complete waiver of interest and penalty provided he pays by March 31, 2020. Those who avail this scheme after March 31, 2020 will have to pay 10 percent additional amount. The scheme will remain open till June 30, 2020. While the SVLDRS scheme was introduced as a one-time opportunity with no provision for extension as such, the scheme was indeed extended a few times and that encouraged more participation from assesseees. Taxpayers in whose cases direct tax appeals are pending at any level can benefit from this scheme. In a fairly balanced case, the taxpayer may attempt to expedite the hearings until the scheme is implemented.

It is interesting to note that the finance minister declared a revised estimate of fiscal deficit of 3.8 percent of the GDP in the financial year 2019-2020 and the budget estimate of 3.5 percent fiscal deficit in the financial year 2020-2021. This essentially indicates the government's objective to reduce fiscal deficit. The finance minister looks committed to attain fiscal consolidation by gradually reducing the fiscal deficit. The task will be easy in case there is an improvement in tax buoyancy. The amnesty schemes can be seen as a deliberate attempt to improve tax buoyancy and will prove beneficial not only to tax litigants but also to the government exchequer.

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