

Tax Alert | Delivering Clarity

29 October 2020

CBDT notifies, amends timelines under Direct Tax Vivad se Vishwas Act, 2020

The Central Board of Direct Taxes has issued notifications, to notify the last date to file declaration, payment of minimum amount and removal of hardships faced by the taxpayer under the Direct Tax Vivad se Vishwas Act, 2020.

Background:

- The government had enacted the 'Direct Tax Vivad se Vishwas Act, 2020' (VsV Act) on 17 March 2020¹, to reduce pending income-tax litigation, generate revenue for the government and benefit taxpayers by providing them peace of mind, certainty and savings on account of time and resources that would have been spent on the litigation process.

The VsV Act offers waiver from certain interest and penalty, to the taxpayer (as provided under the VsV Act) on payment of certain minimum amount (as provided under the VsV Act). At the time of enactment of the VsV Act, an additional amount (i.e. in addition to the minimum amount) was required to be paid if the taxpayer made the payment after 31 March 2020.

- The government on 31 March 2020, introduced the Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 (Ordinance)² which extended the timeline to pay the minimum amount from 31 March 2020 to 30 June 2020. The Hon'ble Finance Minister on 13 May 2020, as part of the first tranche of the special economic package³, announced further extension of the timeline for payment of minimum amount from 30 June 2020 to 31 December 2020.

Subsequently, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act (TAOLA)⁴ introduced the legislative amendment to extend the due date to 31 December 2020, for payment of such minimum amount. Further, the TAOLA extended the timeline for completion or compliance of action under the VsV Act (falling during the period 20 March 2020 to 30 December 2020), to 31 December 2020.

¹ Refer our previous alert

<https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/thoughtpapers/in-tax-vivad-se-vishwas-bill-2020-noexp.pdf>

²<http://egazette.nic.in/WriteReadData/2020/218979.pdf>

³ Refer our previous alert:

<https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/Global%20Business%20Tax%20Alert/in-tax-gbt-alert-government-announces-tax-reliefs-in-first-tranche-of-special-economic-comprehensive-package-of-inr-20000-billion-noexp.pdf>

⁴ Refer our previous alert:

<https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/Global%20Business%20Tax%20Alert/in-tax-gbt-alert-government-introduces-the-taxation-and-other-laws-noexp.pdf>

- Separately, as per section 5(2) of the VsV Act, the taxpayer is required to make payment of minimum amount within a period of 15 days from the receipt of certificate from the designated authority under section 5(1) of the VsV Act.

Designated authority means an officer not below the rank of Commissioner of Income-tax notified by the Principal Chief Commissioner.

- The Central Board of Direct Taxes (CBDT) has now issued the following notifications:
 - Notification⁵ dated 27 October 2020 to notify the last date for filing a declaration under the VsV Act in respect of the tax arrears and the last date for payment of minimum amount.
 - Notification⁶ dated 28 October 2020 to remove undue hardship faced by the taxpayer pursuant to section 5(2) of the VsV Act.

Highlights of the notifications:

- Taxpayers can file by 31 December 2020, a declaration in respect of tax arrears (as per the provisions of section 4 of the VsV Act) with the designated authority.
- The timeline for payment of minimum amount has been extended to 31 March 2021. An additional amount will be payable if the payment is made after 1 April 2021.
- It has been clarified that where a declarant (i.e. taxpayer) files a declaration under the VsV Act on or before 31 December 2020, the designated authority (while issuing certificate under the VsV Act) would allow the declarant to make payment of minimum amount by 31 March 2021.

Comment:

- The extension of timeline for paying minimum amount shall provide relief to the taxpayers in view of the present humanitarian and economic crisis arising due to COVID-19.
- The issue of clarification pursuant to section 5(2) of the VsV Act will remove hardship for taxpayers with respect to the timeline for making payment of minimum amount.

⁵ https://www.taxsutra.com/sites/taxsutra.com/files/webform/notification_18.pdf

⁶ https://www.taxsutra.com/sites/taxsutra.com/files/webform/Circular_18_2020.pdf



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