

Real-time tax dispute resolution

Why in news?

Recently Finance Minister told CII audience that real-time mechanism are expected to be created to ensure tax differences don't become tax disputes.

What is the problem with existing mechanism?

- In the last five years, disputed direct tax claims have risen 2 times (from Rs 4.1 lakh crore in FY14 to Rs 8 lakh crore in FY19) while actual direct tax collections have risen 1.8 times (from Rs 6.3 lakh crore to Rs 11.4 lakh crore).
- The taxman is losing lots of cases in the tribunals and courts & a large share of the disputed tax claims are probably not genuine.
- Moreover, these disputed tax amounts are growing every year.

Why taxman appeals in most disputed cases even after losing it?

- They fear that the CAG & CBI will allege them for favouritism & investigate them.
- The government has to ensure that mediation panel has enough legal protection to do their job.
- Despite amending the **Prevention of Corruption Act** several times, it is unclear that the protection is absolute to them & it is unlikely tax officials manning the panel or even the independent experts in it would be willing to take a risk.

How this can be addressed?

- There needs to be some penalty against taxmen who make arbitrary demands.
- The tax Board needs to examine tax demands—where the tax implications are large—and to scrap them if they appear unreasonable and must issue necessary clarifications to field officials.
- Its high time that government should take a call aftermath the global arbitration panel awarded ruling in favour of Vodafone Plc.

Source: Financial Express

