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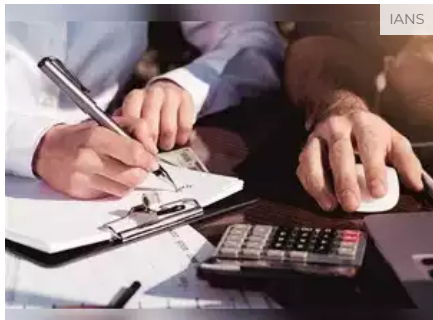
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To focus on big cases, Income Tax department to withdraw petty demands

Synopsis

The government will withdraw all outstanding income tax demands up to ₹25,000 for the period before FY10 and those up to ₹10,000 for the period between FY11 and FY14, finance minister Nirmala Sitharaman said. This move aims to reduce frivolous tax litigation and burden from the tax department. The decision will help close 11 million pending demands of income, wealth, and gift taxes, involving less than ₹3,500 crore.



SIANS

The government will withdraw all outstanding **income tax demands** up to ₹25,000 for the period before FY10 and those up to ₹10,000 for the period between FY11 and FY14, finance minister **Nirmala Sitharaman** said on Thursday.

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The aim is to reduce frivolous **tax litigation** and reduce burden from the tax department as some of the demands are 40-50 years old and largely unverified, she said.

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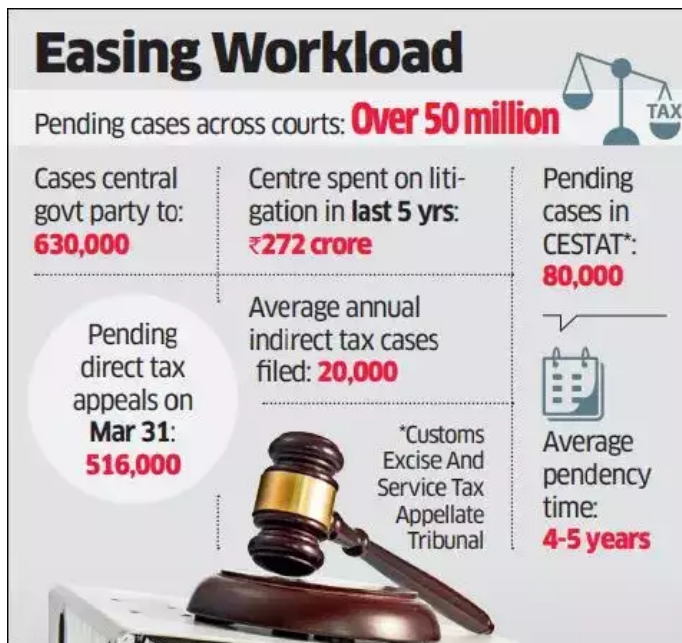
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"There are a large number of petty, non-verified, non-reconciled or disputed **direct tax demands**, many of them dating as far back as the year 1962, which continue to remain on the books, causing anxiety to honest taxpayers and hindering refunds of subsequent years," Sitharaman said, announcing the waiver.

Revenue secretary Sanjay Malhotra said the decision will help close 11 million pending demands of income, wealth and gift taxes, and the total amount involved "is less than ₹3,500 crore".

Arijit Ghosh, member, international tax at law firm Nishith Desai Associates, said the move "should help clean the government's balance sheets and allow ease of processing refunds to small taxpayers".



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However, to implement the waiver, the Centre has to come up with a circular as there is no statutory amendment made in the Income Tax Act, law experts said.

"There is no statutory amendment proposed in the Income Tax Act to implement the withdrawal of small disputed tax demands announced by the finance minister during her speech," S Vasudevan, executive partner at

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Lakshmikumaran & Sridharan Attorneys, said. "We need to wait for further announcements in the form of instructions or circular to understand the exact scope and coverage of such a scheme."

The budget has also extended the timelines for transfer pricing assessments, proceedings before dispute resolution panels and tax tribunals to March 31, 2025. "This is a pragmatic step because it is better to give adequate time to the relevant authorities to examine the pending matters in depth," said Sanjiv Malhotra, senior advisor at Shardul Amarchand Mangaldas & Co. "The current workload on tax disputes is extremely high and lack of time does impact the quality of orders being passed," he added.

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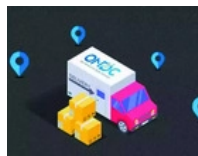
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