



Introducing the Direct Tax Vivad Se Vishwas Scheme 2.0

In response to the success of the Direct Tax Vivad Se Vishwas Scheme, 2020 (VSV 1.0), the government has launched a new initiative aimed at providing a one-time settlement opportunity for pending income tax litigation. This scheme offers taxpayers the chance to resolve disputed tax arrears—including tax, interest, penalty, and fees—with complete waiver of interest and penalty, along with immunity from prosecution proceedings. Here are the key provisions of the scheme:

Key Provisions:

1. Applicability: The scheme will be applicable from October 1, 2024.

2. Eligible Cases:

- Disputes and appeals filed by taxpayers or Income Tax Authorities up to July 22, 2024, including appeals before Commissioner (Appeals), Income-tax Tribunal, High Court, or Supreme Court.
- Matters with objections filed before the Dispute Resolution Panel.
- Pending revision applications.

3. Ineligible Cases:

- Pending assessments or reassessments due to search or initiated prosecutions.
- Matters relating to foreign undisclosed income or assets, or information from foreign governments.
- Criminal proceedings initiated under specified laws before July 22, 2024.

4. Last Date: The final date to avail the scheme will be notified later.

5. Tax Payable:

- 100% to 120% of the disputed tax amount.
- 25% to 35% of the disputed interest, penalty, and fee. Refer to Table A for details.

6. Refund Policy: Payments made under the scheme are generally non-refundable, except under special circumstances.

7. Relief Provided:

- Waiver of interest and penalty on settled disputed taxes.
- Immunity from prosecution related to the settled disputes.

8. Procedure:

- File a Declaration and Undertaking.
- Obtain a certificate from the Commissioner of Income Tax within 15 days, specifying the payable amount.
- Pay the tax amount within 15 days of receiving the certificate.
- Submit payment details and proof of withdrawal.
- Obtain a final settlement order granting immunity.

9. Void Application:

- If the declaration contains false information.
- Non-compliance with scheme conditions, such as non-payment of taxes.

This scheme aims to provide a streamlined resolution process for taxpayers involved in income tax disputes, offering substantial benefits and legal protections.



Nature of Tax Arrears and Applicable Rates under the Scheme

The scheme offers varying rates of settlement depending on the date of liability discharge and the nature of the pending appeals. Below are the details:

A. Pending Matters Between 31st January 2020 and 22nd July 2024:

Nature of Dispute	If Liability is Discharged on or Before 31st December 2024	If Liability is Discharged After 1st January 2025 but Before the Last Date
1. Appeal filed by the Declarant		
- Disputed tax, interest, and penalty on disputed tax	100% of disputed tax	110% of disputed tax
- Disputed interest/penalty/fee	25% of disputed interest/penalty/fee	30% of disputed interest/penalty/fee
2. Appeal filed by the Tax Department or Favourable ITAT/HC/SC Order (not reversed)		
- Disputed tax, interest, and penalty on disputed tax	50% of disputed tax	55% of disputed tax
- Disputed interest/penalty/fee	12.5% of disputed interest/penalty/fee	15% of disputed interest/penalty/fee

B. Pending Matters Before 31st January 2020 (if proceedings are pending before the same appellate forum on or before 22nd July 2024):

Nature of Dispute	If Liability is Discharged on or Before 31st December 2024	If Liability is Discharged After 1st January 2025 but Before the Last Date
1. Appeal filed by the Declarant		
- Disputed tax, interest, and penalty on disputed tax	110% of disputed tax	120% of disputed tax
- Disputed interest/penalty/fee	30% of disputed interest/penalty/fee	35% of disputed interest/penalty/fee
2. Appeal filed by the Tax Department or Favourable ITAT/HC/SC Order (not reversed)		
- Disputed tax, interest, and penalty on disputed tax	55% of disputed tax	60% of disputed tax
- Disputed interest/penalty/fee	15% of disputed interest/penalty/fee	17.5% of disputed interest/penalty/fee



Reduction in Loss or Unabsorbed Depreciation:

Taxpayers can either:

- Pay 100% (or 50% if favourable) tax on the disputed amount and retain the full loss or unabsorbed depreciation. OR
- Carry forward the reduced loss or depreciation, with tax and interest applied when set off in future years.

It is recommended to review any pending litigations with the assistance of a tax professional to maximize the benefits under this scheme. This is an opportunity for those who missed out on the benefits of VSV 1.0.

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