

Relief to Small Taxpayers Through Alternative Dispute Resolution

To provide greater tax certainty, particularly for small and medium taxpayers, the government introduced a new scheme for dispute resolution. This scheme aims to address disputes at an early stage and offer a more streamlined and predictable process for resolving tax-related issues:

- **e-Dispute Resolution Scheme, 2022 ('e-DRS')** has been rolled out on **30.08.2024** and small and medium taxpayers may take advantage of their cases pending by filing applications in September 2024.
- **The Scheme is applicable to the "specified persons" and against "specified orders" as mentioned under section 245MA of the Income Tax Act, 1961 (the Act') and Rule 44DAD of the Income Tax Rules, 1962.**
- **The Scheme is an alternative dispute resolution mechanism whereby the taxpayer can opt to apply directly to the Dispute Resolution Committee ('DRC') and forgo the normal appeal route of the Commissioner of Income tax Appeals ('CIT(A)') or Dispute Resolution Panel ('DRP').**

CIT(A) / DRP

or

e-DRS

1. Conditions for opting e-DRS

Only specified person as defined under Section 245MA(5) read with Rule 44DAD can file an application:

- Not detained as an offender under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
- Not prosecuted under the Indian Penal Code ('IPC'), Prohibition of Benami Transactions Act, Prevention of Money Laundering Act etc;
- Not prosecuted by income tax authority for any offence punishable under the provisions of IPC;
- No proceedings against Black money (Undisclosed Foreign Income and Assets) & Imposition of Tax Act.

1.1. Specified Order relating to Assessment

- Draft assessment order as referred to in Section 144C(1) of the Act;
- An intimation under section 143(1) of the Act, where the Assessee objects to the adjustments made in the said order;
- An order of assessment or reassessment, except an order passed in pursuance of directions of the DRP;
- An order under section 154 of the Act, having the effect of enhancing the assessment or reducing the loss (Rectification of order).

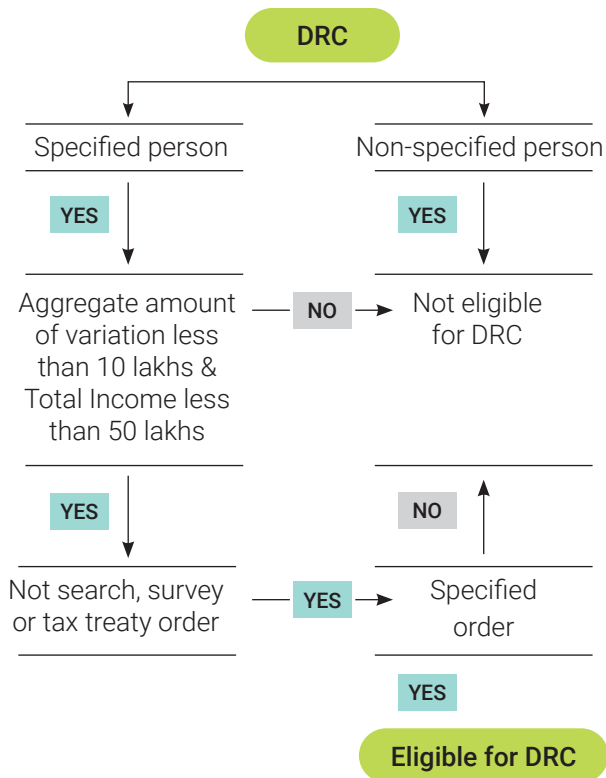
1.2. Specified Order relating to the TDS/TCS matters

- An intimation under section 200A(1) of the Act, where the deductor objects to the adjustments made in the said order;
- An intimation under section 206CB(1) of the Act, where the collector objects to the adjustments made in the said order;
- An order made under section 201 of the Act or an order made under section 206C(6A) of the Act.

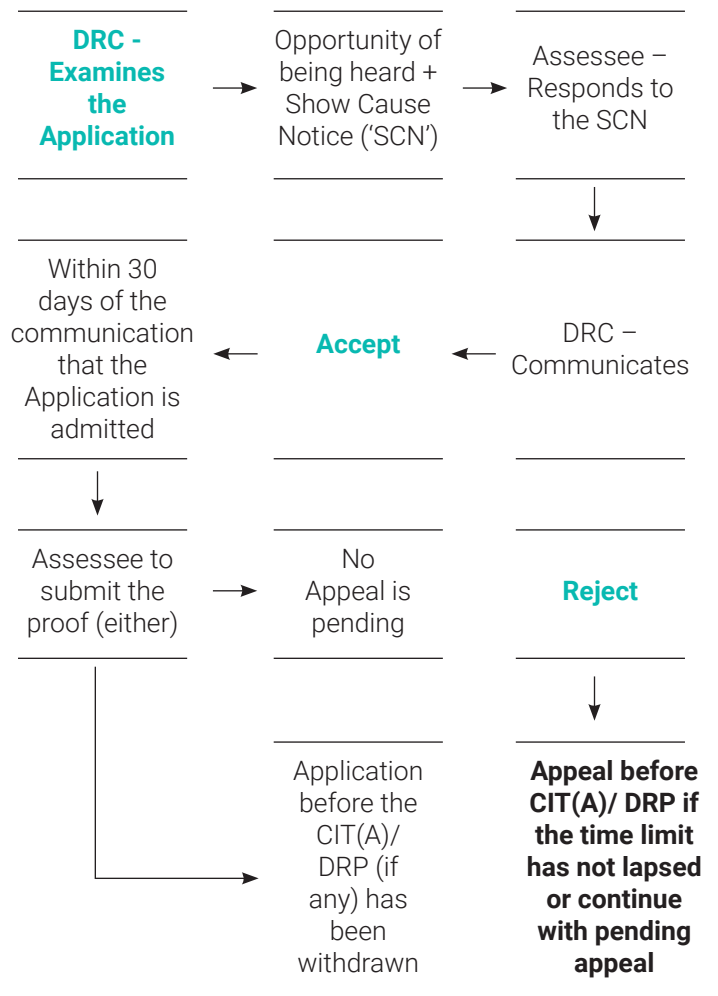
1.3. Additional conditions for initiation of the application

- The aggregate amount of variation proposed should not exceed ten lakhs;
- Total income assessed in the Return of Income ('ROI') with relation to the order passes, should not exceed fifty lakhs;
- The order is not based on search or survey initiated under section 132, 132A, 133A of the Act;
- Order is not based on information received under the agreement referred to in section 90 or 90A of the Act (Double Taxation relief).

2. Conditions stipulated under section 245MA to file an application before DRC:



3. Screening of application in Form 34BC by DRC



4. Time limit of filing the application as per the press release dated 30.08.2024

- Pending appeal filed before 31.08.2024 – before 30.09.2024.
- Specified order is issued on or before 31.08.2024 and due date for filing the appeal before CIT(A) / DRP has not elapsed – by 30.09.2024.

However, in case any application before e-DRS has been rejected, in such case, time taken by e-DRS to address the application shall be excluded from the time limit for filing of appeal before CIT(A) or DRP.

5. Salient features under e-DRS and advantage over CIT(A) / DRP route

Basis	CIT(A)	e-DRS
Enhancement of the demand amount	CIT(A) can make enhancement of demand	DRC cannot direct Assessing Officer ('AO') to make any modification to the specified order which is prejudicial to the Assessee
Duration	Not definite	Shall be completed within 6 months from end of month in which application admitted
Immunity / Reduction or Waiver	No immunity from prosecution or any reduction / waiver of penalty	Upon paying the demand, immunity from prosecution and / or reduction / waiver of penalty is possible

Conclusion

- e-DRS acts as an alternative dispute resolution mechanism to traditional forums such as CIT(A) or DRP for the small and medium taxpayers.
- This streamlined time bound process ensures that tax disputes are resolved swiftly in a fast-track mode and provide quick relief to eligible taxpayers.
- This taxpayer friendly mechanism provides for immunity from prosecution and waiver / reduction of penalty, not otherwise available under other dispute resolution alternatives, and is certainly a very welcome step.

Authorised by

Ashwath S Pai
ASA

Sagar Nagaraj
ASA

Pranav A Vora
ASA