

Thinking big can help keep your tax controversy small.

Today's global connectivity means it is easier for companies to be faced with multi-dimensional, multi-country tax controversy. How can you manage the risk?



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India to introduce indirect tax resolution scheme aimed at clearing legacy disputes

When India introduced the Goods and Services Tax (GST) in July 2017, the new destination-based consumption tax replaced almost 18 former indirect taxes, duties and levies at the state and central level. However, many disputes pertaining to the earlier tax regime are still pending, including those related to the Central Excise and Service tax, where the total amount of taxes in all the cases remaining in dispute is more than INR3.75 trillion (approximately US\$50 billion).

To clear this substantial backlog of pending litigation, the Government is proposing to introduce a Legacy Dispute Resolution scheme. It will offer taxpayers a one-time opportunity to settle past indirect tax disputes on potentially favorable terms. Under the proposal, relief ranging from 40% to 70% of taxes due will be granted, along with a complete waiver of interest, penalties and immunity from prosecution.

Taxpayers should evaluate the likely pros and cons of the scheme and consider whether it is advantageous to use it once it comes into force.

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