Relief to Taxpayers

What is the issue?

- The government has announced measures to provide relief to taxpayers and alleviate cash-flow problems due to COVID-19.
- As the lockdown has been extended until May 3, the cash flow problems for taxpayers are bound to increase.

What does the March 31 ordinance provide for?

- It has **extended time limits** specified in the law,
    1. For making payments under the 'Vivad se Vishwas Scheme, 2020'
    2. For making tax-saving investments, etc,
- All these should be falling within the period March 20 to June 30.
- Reduced rates of interest provided for tax payments falling due between March 20 and June 30, if the payments are made by June 30.
- The validity of **certificates for lower or nil deduction of tax** at source (expiring on March 31) has been extended to June 30.
- Orders have been issued for immediate issue of all **tax refunds** up to an amount of Rs 5 lakh.

What further measures needs to be taken?

- As the lockdown period has been extended, the cash-flow and liquidity problems for taxpayers are bound to increase.
- Therefore, the Central Board of Direct Taxes (CBDT) would do well to examine the need for additional measures like,
    1. Deferral of tax payments
    2. Suspension of tax-debt recovery measures
    3. Faster refunds and Tax residence
- These measures can be carried out through the CBDT's administrative instructions and circulars.
- They do not need any amendments to the Income-Tax Act (I-T Act).

How would deferring tax payments help?

- CBDT may authorise I-T Commissioners to grant further reduction in interest chargeable for delays in payments of advance tax due on June 15 and

September 15.
- The interest reduction can also be given to self-assessment tax in respect of income of FY20, and due to be deposited by September 30.
- The interest reduction can also be given for the taxpayer facing financial difficulty and cash flow problems arising due to COVID-19.

How would suspending tax-debt recovery measures help?

- Recovery measures like attachment of bank accounts or garnishee orders can have a crushing impact on businesses in the current scenario.
- India may suspend all coercive recovery measures on a case-to-case basis for the period up to September 30.
- It may commit to a suitable plan of payment by instalments, which may extend to the end of the current financial year.

How would faster refunds help?

- Government has already directed immediate issue of all pending tax refunds of amounts up to Rs 5 lakh.
- This is a timely measure, but the monetary limit set is conservative.
- The primary requirement now is to provide cash flow to businesses, and individuals who depend on fixed income sources like interest, rent, etc.
- These pending refunds represent the taxpayers' own money paid in the form of excess taxes.
- Therefore, CBDT should consider enhancing the monetary limit of Rs 5 lakh for expedited processing of refunds in all cases.

Why is extended stay an issue?

- There could be several cases where individuals are stranded, or find it safer to stay on in India.
- Extended periods of stay may give rise to issues of tax residence or of place of effective management.
- This will impact taxability in India of the income of such persons or of the enterprises they work for.

What assurance should be given to taxpayers?

- CBDT may issue a circular to assure the taxpayers that the place of management of a foreign company shall not be taken to be in India.
- This could be issued if the person responsible for taking the company's key decisions are unable to leave India due to Covid-19.
- The period considered for deciding whether a non-resident individual has acquired the resident status shall not include the period for which he was

forced to stay in India due to Covid-19.

Source: Financial Express

