

CBDT allows taxpayers an opportunity to file application for settlement

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The Finance Act, 2021 has amended the provisions of the Income-tax Act, 1961 (“the Act”) to *inter alia* provide that the Income-tax Settlement Commission (“ITSC”) shall cease to operate with effect from 01.02.2021. Further, it has also been provided that no application for settlement can be filed on or after 01.02.2021, which was the date on which the Finance Bill, 2021 was laid before the Lok Sabha. In order to dispose off the pending settlement applications as on 31.01.2021, the Central Government has constituted Interim Board for Settlement (hereinafter referred to as the “Interim Board”), *vide* Notification no. 91 of 2021 dated 10.08.2021. The taxpayers, in the pending cases, have the option to withdraw their applications within the specified time and intimate the Assessing Officer about such withdrawal.

It has been represented that a number of taxpayers were in advanced stages of filing their application for settlement before the ITSC as on 01.02.2021. Further, some taxpayers have approached High Courts requesting that their applications for settlement may be accepted. In some cases, the Hon’ble High Courts have given interim relief and directed acceptance of applications of settlement even after 01.02.2021. This has resulted in uncertainty and protracted litigation.

In order to provide relief to the taxpayers who were eligible to file application as on 31.01.2021, but could not file the same due to cessation of ITSC *vide* Finance Act, 2021, it has been decided that applications for settlement can be filed by the taxpayers by 30th September, 2021 before the Interim Board if the following conditions are satisfied:-

- i. The assessee was eligible to file application for settlement on 31.01.2021 for the assessment years for which the application is sought to be filed (relevant assessment years); and
- ii. all the relevant assessment proceedings of the assessee are pending as on the date of filing the application for settlement.

Such applications, subject to their validity, shall be deemed to be “pending applications” under clause (eb) of section 245A of the Act and shall be disposed of by the Interim Board as per the provisions of the Act.

It is clarified that taxpayers who have filed such applications shall not have the option to withdraw such applications as per the provisions of section 245M of the Act. Further, the taxpayers who have already filed application for settlement on or after 01.02.2021 as per the direction of the various High Courts and who are otherwise eligible to file such application, as per para 3 above, on the date of filing of the said application shall not be required to file such application again.

Legislative amendments in this regard shall be proposed in due course.

RM/KMN