

# Tax Hotline

August 22, 2003

## PINE NOT FURTHER, FOR THE NATIONAL TAX TRIBUNAL IS HERE; TO SPEED UP INDIAN TAX LITIGATION AND CUT DEFICIT

It has been oft said that "Justice Delayed is Justice Denied", more so in the Indian scenario where it literally takes 'ages' to get a resolution of a dispute from the authorities.

It seems like the woes of both the taxpayers and the tax collectors would be put to rest. The Union Cabinet is scheduled to take up the proposal of the Finance Ministry on the 23rd August, 2003 to set up a National Tax Tribunal(NTT). The mandate of this tribunal would be to dispose of long pending tax disputes, realize thousands of crores of locked up revenue for the government and at the same time drastically lower the transaction costs for taxpayers locked up in lengthy litigations with the tax department.

The structure of the NTT has been announced by the Indian finance minister Jaswant Singh. It will will hear appeals on decisions of the Income Tax Appellate Tribunal (ITAT) and Custom, Excise and Service taxes Appellate Tribunal (CESTAT) and dispose of cases that could otherwise linger on for five years. The NTT is expected to be chaired by either a former chief justice of a High Court or a former judge of the Supreme Court and will have 49 members sitting on 25 benches.

The NTT is supposed to ease the pressure on the judicial system which is bogged down by as many as 28,000 appeals and if the NTT is not set up, it may take up to 5 years for the judiciary to dispose of these cases. Tax arrears for corporate and personal income tax presently amount to approximately INR 700 billion. A fifth of the amount would be the arrears in indirect taxes. It is believed that if the NTT manages to settle disputes and even half of the claims raised by the government, the realized tax revenue will considerably help in reducing the fiscal deficit. Looking at the same scenario from the other perspective, this would also accord immense relief to the taxpayers whose appeals are upheld by the tribunal.

It is understood that the government has proposed to set up 15 branches to hear appeals to decisions on direct taxes and the remaining 10 would have the responsibility for indirect taxes.

The NTT is to be set up under Article 323B of the Indian Constitution and the chairman and members of the tribunal will hold office for a period of five years. The chairman, however, cannot remain in office after attaining the age of 68 years and the members after 65 years. The NTT will also be bestowed with the power to punish for instances of contempt of court. The appeals to decisions of ITAT and CESTAT will have to be made within 60 days of the pronouncement and further appeals to the order of the NTT shall lie with the Supreme Court of India

The setting up of the NTT will surely go a long way in rendering quick and effective justice to both the taxpayer and the taxman.

Source: The Economic Times, 22nd August, 2003, p.1

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