

'Tax litigation taking toll on economy'

I-T's taxing: Tax claims stuck in litigation to the quarter ended March, 2017, amounted to almost Rs. 7.58 lakh crore .

Less is more said the Economic Survey released on Monday when it comes to appeals by the income tax department for both direct and indirect tax cases.

Faced with a success rate that is less than 30%, the Survey said the tax department would gain from a reduction in appeals pursued at higher levels of the judiciary besides leading to a reduction of workload on high courts and the Supreme Court.

4.7% of GDP

In March, 2017, there were approximately 1.37 lakh direct tax cases and 1.45 lakh indirect tax cases under consideration by the Income Tax Appellate Tribunal, high courts and Supreme Court.

"Together, the claims for indirect and direct tax stuck in litigation by the quarter ending March, 2017, amounted to nearly Rs. 7.58 lakh crore, over 4.7% of GDP," the Survey said.

The tax department is the largest litigant with almost 85% of direct tax cases arising out of its appeals. But the Survey pointed out that, "the Department unambiguously loses 65% of its cases". It said the government's persistence with litigation despite high rates of failure was increasing the workload of the judiciary and adding to delays and pendency of cases.

This, it said was "taking a severe toll on the economy in terms of stalled projects, mounting legal costs, contested tax revenues, and reduced investment".

While it is difficult to estimate the costs of pendency and delay, the Survey found that more than Rs. 52,000 crore worth of government infrastructure projects have been stalled by various orders of the courts.

"The Ministries of Power, Roads and Railways have been the hardest hit," the Survey said as project costs have risen by close to 60% during the stalled period.

The Survey found that dedicated subject-matter courts could have "profound benefits" as seen in the apex court's recent experiment with constituting an exclusive bench for taxation produced impressive results.

This may be replicated for other subject matters, and emulated by other high courts, the Survey said.

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