

# EY Tax Alert

**CBDT extends due date for filing declaration under VSV 2, without payment of additional amount, to 31 January 2025**

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## Executive summary

This Tax Alert summarizes Circular No. 20/2024 dated 30 December 2024 (Circular) issued by the Central Board of Direct Taxes (CBDT) providing extension in due date for filing declaration under the Direct Tax Vivad Se Vishwas Scheme, 2024 (VSV 2) from 31 December 2024 to 31 January 2025. The Circular provides that any declaration filed on or before 31 January 2025 will not require payment of additional amount under VSV 2. Consequently, declarations filed on or after 1 February 2025 till sunset date (to be notified) will require settlement under VSV 2 with payment of additional amount.



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## Background

- ▶ The Finance (No. 2) Act, 2024 enacted VSV 2<sup>1</sup> on similar lines of Direct Tax Vivad Se Vishwas Act, 2020 (VSV 1)<sup>2</sup>. VSV 2 provides an opportunity to taxpayers to settle tax disputes pending as on 22 July 2024 (i.e., specified date) at various appellate forums<sup>3</sup> in relation to tax, interest, penalty or fees payable under the Indian Tax Laws (ITL).
- ▶ Taxpayers can settle their disputes by filing a declaration in the prescribed form to the designated authority (DA). Where declaration is filed on or before 31 December 2024, settlement is possible without payment of additional amount. Where declaration is filed on or after 1 January 2025, but before the sunset date (to be notified), settlement will require payment of additional amount. Once the disputed tax is settled under VSV 2, taxpayers will enjoy complete waiver and immunity from interest, penalty and prosecution in relation to tax arrears which are the subject matter of the settlement.
- ▶ A notification<sup>4</sup> has also been issued for notifying commencement of Direct Tax Vivad se Vishwas Rules, 2024 in relation to VSV 2, with effect from 1 October 2024.
- ▶ Similar to VSV 1, VSV 2 also grants a general power to the government of India to issue directions or instructions for the purpose of VSV 2 in public interest. In deference thereto, the CBDT had earlier issued 35 FAQs vide Circular No. 12/2024 dated 15 October 2024<sup>5</sup> and further 27 FAQs under Circular No. 19/2024 dated 16 December 2024<sup>6</sup> for providing clarity on effective implementation of VSV 2.
- ▶ Pursuant to such general powers, the CBDT has now provided extension in due date for filing declaration under VSV 2 without payment of additional amount.

## Circular

- ▶ The CBDT has extended the due date for filing declaration under VSV 2, without payment of additional amount, from 31 December 2024 to 31 January 2025. Hence, taxpayers can file declaration on or before 31 January 2025 for settlement under VSV 2 without payment of additional amount.
- ▶ Consequently, any declaration filed on or after 1 February 2025 till sunset date (to be notified) will require settlement under VSV 2 with payment of additional amount.

## Comments

This is a welcome relief. There were demands from stakeholders considering that the last clarifications were issued at the fag end of the period on 16 December 2024. Also, considering the year-end holidays worldwide, the extension will provide relaxation to taxpayers for seeking benefit of VSV 2 without incurring additional cost.

The extension is for filing declaration before the DA by 31 January 2025 without payment of additional cost. Obligation for making payment of disputed tax under VSV 2 will arise after the DA determines disputed tax pursuant to declaration so filed.

The extension provided by the CBDT Circular overrides the bare text of the provision of VSV 2 and clarifications issued in earlier circulars which provides that additional payment is required for settlement if declaration is filed after 31 December 2024. To this extent, the CBDT Circular has overriding impact.

<sup>1</sup> Refer our alert titled "Key highlights of Vivad Se Vishwas Scheme, 2024" dated 24 July 2024

<sup>2</sup> Refer our tax alerts titled: (a) "Key amendments proposed in the Vivad se Vishwas Scheme 2020" dated 22 February 2020 (b) "Key highlights of amended Vivad se Vishwas Bill 2020" dated 25 February 2020 (c) "CBDT issues Frequently Asked Questions in relation to Vivad Se Vishwas Bill, 2020" dated 6 March 2020 (d) "Central Government notified rules and forms for settlement under the Direct Tax Vivad se Vishwas Act, 2020" dated 20 March 2020 (e) "CBDT issues Revised Frequently Asked Questions in relation to Vivad Se Vishwas Act, 2020" dated 22 April 2020 (f) "Clarification on date of payment for disputed tax under VSV post Notification no. 85 of 2020" dated 28 October 2020 (g) "CBDT notifies sunset date for filing declaration under Vivad Se Vishwas Act and extends due date for payment of disputed tax" dated

28 October 2020; (h) "CBDT issues second round of Frequently Asked Questions in relation to "Direct Tax - Vivad Se Vishwas Act 2020" dated 5 December 2020

<sup>3</sup> FAA, DRP, ITAT, HC and SC

<sup>4</sup> Refer our alert titled "Central Government notifies commencement date of Direct Tax Vivad Se Vishwas Scheme, 2024 (VSV 2) and rules and forms for settlement" dated 24 September 2024

<sup>5</sup> Refer our alert titled "CBDT issues Frequently Asked Questions in relation to Direct Tax Vivad Se Vishwas Scheme, 2024" dated 17 October 2024

<sup>6</sup> Refer our alert titled "CBDT issues second round of frequently asked questions in relation to Direct Tax Vivad Se Vishwas Scheme, 2024" dated 18 December 2024

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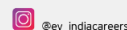
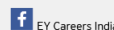
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