PRESS RELEASE

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Audit Report on Direct Taxes "Direct Tax Vivad se Vishwas Scheme Presented

Audit Report No. 8 of 2026 on Direct Taxes "Direct Tax Vivad se Vishwas Scheme, 2020" Presented in Parliament here today. The Comptroller & Auditor General of India (C&AG) carried out a Subject Specific Compliance Audit (SSCA) on **'Direct Tax Vivad se Vishwas Scheme, 2020'**. The SSCA was carried out from July 2023 to February 2024; and further, the issues relating to Information Technology (IT) with respect to the implementation of the aforesaid Scheme were examined during March 2024 to September 2024. Audit findings were discussed with the Central Board of Direct Taxes (CBDT) in September 2025.

The Direct Tax Vivad se Vishwas (DTVsV) Scheme, 2020, a resolution mechanism, was implemented with the intent to reduce pending income tax litigation, generate timely revenue for the Government, and benefit taxpayers by providing peace of mind, certainty, and savings on account of time and resources and granting them immunity from penalty prosecution. Thus, this Scheme was intended to benefit the Government as well as the taxpayer.

As of 31 January 2020, the amount of disputed direct tax arrears locked in 4.15 lakh appeal cases was ₹ 10.09 lakh crore, i.e. 88.7 *per cent* of the direct tax collection of ₹ 11.37 lakh crore during FY 2018-19. This resolution mechanism was brought by taking into consideration the pendency of litigation cases at different appellate fora, *viz.* Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal, High Court or Supreme Court as on the 31st day of January 2020, irrespective of whether the demand in such cases was pending or had been paid.

Audit covered a total of 5,212 cases relating to different categories *viz.* cases where Form-5 (Order for full and final settlement of disputes) was issued, Form-4 (Intimation of payment made and proof of withdrawal) was awaited, Assessees application was rejected by the Designated Authority (DA), cases, where the assessees have made payment (vide Form-4) in excess/short in respect of disputed tax/TDS/TCS/Penalty/Interest as against the payable computed by the Designated Authority (DA) in Form-3; cases which were pending in the Hon'ble Supreme Court and where disputed tax/TDS/TCS/ Penalty/Interest was one crore and above; and high-value cases where disputed amount payable was more than ₹ 10 crore, pertaining to 174 DA.

Summary of audit findings is given below:

- Audit noticed in 63 *per cent* of audited sample cases in 24 States that Form-3 was issued after the prescribed time limit of 15 days, and the delays ranged up to 868 days. The delayed issuance of Form-3 by the DA might result in delayed demand collection by the Department, which might not be in conformity with the intended objective of the DTVsV Scheme.

- Out of the total 4,558 cases from the audited sample, where Form-5 was issued, Audit noticed in 2,044 (45 *per cent)* cases pertaining to 149 PCsIT of 22 States, Form-5 was issued with a time gap ranging up to 954 days. We also noticed that in 21 cases, Form-5 was not issued after the assessee submitted Form-4. Delay in the issue of Form-5 by the DA results in delay in the issue of Consequential Effect Order (CEO) by the Jurisdictional Assessing Officer, which would eventually result in the delayed issue of refund to the assessee, thereby causing inconvenience to the assessee and also defeating the purpose of the scheme.
- Out of the finalised 4,558 cases, the Department did not provide the details of Consequential Effect Orders (CEOs) in 2,521 cases in 23 States. Further, out of 2,037 cases where CEOs were made available to Audit, in 1,546 cases in 23 States, the CEOs were issued with a time gap ranging up to 1,398 days. Substantial delays/non-issue of Consequential Effect Order after issue of Form-5 may result in non-updation of Assessee's tax and other related details on ITBA, which may have a consequential incorrect financial impact.
- Audit noticed in 10 cases in three States, out of the total audited 327 cases pertaining to the category of 'Rejected', the DA had rejected valid declarations filed by the assessee. Audit observed that these assessees were eligible to avail the benefit of the scheme but were denied by the DA without exercising due diligence/verifying the veracity of the facts stated by the assessees.
- Audit noticed in 11 cases in three PCsIT of Gujarat charge that due to delay in issuance of consequential effect orders (CEOs) after final settlement of disputed demand under DTVsV Scheme, refunds of other assessment years were adjusted against these disputed demands by the ITD system.
- Audit noticed in three cases in one PCIT of Gujarat charge that even after final settlement of disputed demand under DTVsV Scheme and issuance of consequential effect orders (CEOs) through ITD system, refunds of other assessment years were adjusted against these disputed demands by the ITD system. Thus, while adjusting refunds against existing demand, there was no check and validation available in the ITD system.
- Audit noticed that in 208 cases involving tax effect of ₹ 423.47 crore in 21 States, the DA had incorrectly determined the amount payable under the DTVsV Act.
- Audit noticed that in 55 cases involving tax effect of ₹ 1,168.27 crore in 13 States, the Department had not withdrawn the amount of Interest paid to the assessee under

Section 244A of the Income Tax Act while processing the case under the DTVsV Scheme, resulting in loss of revenue to the exchequer.

- With regard to the internal audit of cases of the DTVsV Scheme, the audit received responses from 91 PCsIT out of 169 audited PCsIT. Out of these 91 PCsIT, internal audit was conducted by the Department only with respect to two PCsITs in Tamil Nadu charge.
- **Out of 169 audited PCsIT, 83 PCsIT had responded to the Audit's enquiry relating to the existence of SOP for disposal of cases under DTVsV Scheme. Out of these 83 PCsIT, 63 PCsIT stated that they had SOP for disposal of cases relating to the DTVsV Scheme, whereas 20 PCsIT stated that they had not received any such SOP from the Department. Response from the remaining 86 PCsIT is still awaited. In the absence of broad circulation of guidelines/SOP, the DA did not take a uniform stand in disposing of the cases under the DTVsV Scheme 2020, which eventually resulted in the loss of revenue to the exchequer,** which the CBDT could have avoided by issuing SOP/a set of instructions/guidelines to all DAs/PCsIT for maintaining uniformity and achieving the intended objective of the scheme.
- Out of a total of 4.15 lakh cases, with revenue locked of ₹ 10.09 lakh crore, pending at different appellate fora as on 31 January 2020, applications in respect of 1.32 lakh cases (31.8 per cent) involving revenue of ₹ 0.99 lakh crore (9.8 *per cent*) were received under this Scheme for settlement.

  Under this scheme, as on 22 July 2022, 1.06 lakh cases (89.1 *per cent* of total applications received) were settled, and revenue of ₹ 71,924 crore (72.3 *per cent* of the total application amount) was collected after waiving of interest/penalty as per the provisions of the Scheme.

  In more than 13,000 cases, despite payment of the requisite amount and submission of Form-4 by the assessees, the Department was not able to settle these cases in a timely manner, which might result in inconvenience to the assessees.

Summary of Audit Recommendations is given below:

- CBDT may fix a specific timeline to issue the Form(s) and Consequential Effect Order in order to achieve the stated objectives of such a scheme in future.
- CBDT may ensure the auto-population of relevant data from the legacy data available in the ITD systems so as to reduce the scope of errors due to manual intervention, while implementing such a scheme in future.
- CBDT may consider taking appropriate measures for ensuring the correctness of the computation of the amount payable by the concerned authority to achieve the objective of such a scheme in future.
- CBDT may examine the reasons for the inconsistent approach in the applicability of provisions of the relevant Act/Rules and take appropriate remedial action to ensure

uniformity in the treatment of cases, especially in search cases, in similar circumstances across all charges of ITD.

- CBDT may ensure the correctness of the computation of tax by streamlining and strengthening controls in the Department's IT systems so as to prevent any loss of revenue while implementing such a scheme in future.

- CBDT may
  - ensure the capture/depiction of essential/vital information in the relevant form(s) in order to facilitate the AO/concerned authority for the disposal of cases in an effective and transparent manner in future.
  - identify such cases, where undue losses were already claimed and allowed to the assessee by the Department and initiate timely action to rectify these cases so as to recover the revenue for the exchequer.
- CBDT may consider issuing instructions to the Jurisdictional Assessing Officer to verify all the relevant assessment records of the assessee before determining a refund so as to avoid loss of revenue to the exchequer.
- CBDT may conduct an internal audit covering cases of a certain threshold limit of Tax effects, to be decided by the CBDT, relating to the DTVsV Scheme, so as to provide reasonable assurance about the implementation and execution of the scheme.
- CBDT may consider issuing an SOP/Instructions/guidelines so as to ensure uniformity in the application of the relevant provisions under similar circumstances before implementing such a scheme.