

Kerala Amnesty Scheme, 2020: Settlement of arrears under indirect tax legislation

Issued on: 15 April 2020



The government of Kerala has unveiled Amnesty Scheme, 2020 for settling outstanding tax dues pertaining to the period prior to the introduction of the Goods and Services Tax (GST) to clear the backlog of arrear demands.

Key features of the scheme

The scheme is applicable to all pending tax arrears, including cases in appeals (except arrears under Kerala General Sales Tax Act from 2005 onwards). It applies to outstanding dues under the following statutes:

- The Kerala Value Added Tax Act, 2003
- The Central Sales Tax Act, 1956
- The Kerala Tax on Luxuries Act, 1976
- The Kerala Surcharge on Taxes Act, 1957
- The Kerala Agricultural Income Tax Act, 1991
- The Kerala General Sales Tax Act, 1963

Waiver of tax is computed on the basis of amount of tax dues:

Tax demand	Waiver
Waiver of interest and penalty	100%
Outstanding dues paid in lump sum	60% of the balance tax arrear

Outstanding dues paid in instalments	50% of the balance tax arrear
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Procedure for availing the scheme

- The application to avail the scheme to be made electronically available by 31 July 2020. Last date for payment of the amount determined under the scheme shall be 31 December 2020.
- The taxpayer, who opts for the scheme, shall withdraw all the cases pending before any appellate or revisional authority, tribunal or court and a declaration in this regard to be submitted electronically
- The taxpayer shall specify whether payment under the scheme shall be made in lump sum or in instalments.
- On receipt of the willingness of the taxpayer, the assessing authority shall verify and approve the option within seven days. After getting confirmation from the assessing authority, the amount payable under the scheme can be made through e-payment.
- Payment receipt can be downloaded from the e-payment portal and it can be kept as proof of settlement of dues under the scheme.

- No manual filing of option or payment is permissible.
- In case of taxpayer whose demands are newly generated/modified after 31 July 2020, the option shall be exercised within 30 days from the date of receipt of the order and in such cases, the final payments should be completed by 31 March 2021.
- Taxpayer who have failed to settle arrears under any previous amnesty scheme can also opt for this scheme.
- Those who have compounded offences and paid tax in such proceedings, such tax will be given credit.
- No refund shall be allowed under the scheme.

Other key features

- Tax or interest paid after receipt of demand notice shall be given due credit towards tax. Any amount paid under the earlier amnesty scheme shall be given due credit. However, any amount paid towards penalty or its interest shall not be given credit.
- The taxpayer who opts for this scheme shall settle all the outstanding dues as on the date of option.

Our comments

In order to clear the backlog of disputes under erstwhile indirect tax legislation, besides Kerala, various states like Maharashtra, Gujarat, Himachal Pradesh, Karnataka, etc., have also introduced one-time settlement/tax amnesty scheme. Such schemes aim to help fast track clearance of pending litigations, thereby benefitting both, the taxpayers as well as the government.

This is a one-time opportunity for taxpayers to settle their past disputes. Accordingly, due evaluation should be made by the business concerns to make optimum use of this one-time benefit provided by the government.

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