

MP Amnesty Scheme: Settlement of arrears under indirect tax legislation

Government of Madhya Pradesh has promulgated an ordinance called the **Madhya Pradesh Karadhan Adhinyamon Ki Puranee Bakaya Rashi ka Samadhan Adhyadesh, 2020** for settling outstanding tax dues pertaining to the period prior to the introduction of the Goods and Services Tax (GST). The scheme is intended to clear backlog of arrear demands. It came into force from **26 September 2020**.

Key features

Enactments covered

The scheme applies to orders passed under following Acts:

<ul style="list-style-type: none"> The Madhya Pradesh General Sales Tax Act, 1958 The Madhya Pradesh Vat Act, 2002 The Madhya Pradesh Hotel Tatha Vas Me Vilas Vastuon Par Kar Adhinyam, 1988 	<ul style="list-style-type: none"> The Madhya Pradesh Vanijiyik Kar Adhinyam, 1994 The Central Sales Tax Act, 1956 The Madhya Pradesh Vilasita Manoranjan, Amod Evam Vigyapan Kar Adhinyam, 2011
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Eligibility

Under the scheme, an application can be made -

- in respect of **arrear tax, penalty, interest or fine in dispute**, which has been determined as payable under **any proceeding** in respect of any statutory order for which settlement is desired;
- pertaining to any order of assessment or reassessment relating to any period ending on or before **31 March 2016**; and
- which is **due for payment** as on the date of filling application.

Benefits

Arrears	Settlement of arrears	
	Tax	Interest/Penalty
Amount related to statutory certificates /declarations	Higher of : <ul style="list-style-type: none"> 100% of balance arrears of tax after adjusting certificates/ declarations in possession, or arrears already paid 	10% of interest demanded to be paid
Undisputed amount	Balance amount reduced by amount already paid	<ul style="list-style-type: none"> 10% to be paid - if payment made within 60 days* 20% to be paid - if payment made after 60 days but within 90 days* 30% to be paid - if payment made after 90 days but within 120 days*
Disputed amount	50% of tax demanded	<ul style="list-style-type: none"> 5% to be paid - if payment made within 60 days* 10% to be paid - if payment made after 60 days*

*of coming into force of this Ordinance i.e., 26 September 2020

Other key aspects

- The applicant desiring settlement of old arrears shall apply to the competent authority within 120 days from 26 September 2020, in the prescribed form along with proof of payment of requisite settlement amount.
- The applicant shall produce application regarding withdrawal of any pending relevant appeal, revision or any petition and shall produce appropriate evidence of doing so before the competent authority within seven days of receiving the settlement order.
- No amount shall be refunded from the amount deposited by the applicant as settlement amount or additional settlement amount.
- In case an application is rejected, the amount/additional amount of settlement deposited by the applicant shall be adjusted against the old arrears of the applicant and shall not be refunded.

Various timelines under the

Milestone	Timeline
Incomplete or incorrect application	Notice shall be issued within 30 days of filing of the application to rectify the same. Rectification to be made within a period of 7 days from the date of service of such notice
Settlement order	Order shall be passed within 75 days of filing the application
Application remanded for reconsideration	Order to be passed within 30 days of passing of order of appeal.
Appeal by applicant against settlement order	Within 30 days of date of service of order
Disposal of appeal	Within 60 days from date of filing appeal
Revocation of order**	Within five calendar years of passing of settlement order

** If the applicant has obtained the benefit of settlement, by suppressing any material information or particulars or by furnishing any incorrect or false information or, if any suppression of material facts, concealment of any particulars are found in any other proceedings under the relevant Acts

Our Comments

Introduction of amnesty schemes to fast-track clearance of pending litigations is a welcome move that benefits both, the taxpayers and the government. Accordingly, it is imperative for the businesses to undertake due evaluation and take maximum advantage of such one-time opportunity to settle their past disputes and reduce pending litigation.

Recently, Government of Bihar had also introduced an amnesty scheme in line with many other states.

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