CHAPTER 17

DISPUTE RESOLUTION



LEARNING OUTCOMES

After studying this chapter, you would be able to:

- **appreciate** the meaning of "specified order" and "specified conditions", to be satisfied for making an application before the Dispute Resolution Committee (DRC);
- **recognise** the need for DRC and its composition and terms;
- **comprehend** the procedure to be followed by the DRC;
- **comprehend** the powers of the DRC to modify variations in a specified order, reduce or waive any penalty imposed or imposable, or grant immunity from prosecution.
- **know** the time limit for filing application and time limit for passing an order by the Assessing Officer in conformity with the directions issued by the DRC.

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CHAPTER OVERVIEW

- Constitution of Dispute Resolution Committee (DRC) [Section 379(1)]
  - Constitution and Composition of DRC [Rule 196]
  - Application for resolution of dispute before the DRC [Rule 197]
    - Specified order
    - Specified conditions
    - Specified Person
  - Time limit for filing application
  - Screening of application by DRC
  - Procedure to be followed by the DRC
  - Termination of dispute resolution proceedings
- Power to modify variations, reduce or waive penalty imposed or imposable, or grant immunity from prosecution [Section 379(2)]
- Time limit for passing an order by Assessing Officer in conformity with directions issued by the DRC [Section 379(3)]



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17.1 INTRODUCTION

In order to provide a mechanism for faster resolution of tax disputes and to reduce litigation, the Income-tax Act provides for constitution of the Dispute Resolution Committee (DRC) for specified persons and specified cases. The scheme of dispute resolution aims at providing an opportunity to small and medium taxpayers to settle their disputes in a simple, efficient and time-bound manner.

The provisions relating to the Dispute Resolution Committee lay down the conditions for making an application, the procedure to be followed by the Committee, the powers of the Committee to modify variations in the specified order, reduce or waive any penalty imposed or imposable, or grant immunity from prosecution, and the time limits for disposal of the application. The objective of these provisions is to ensure certainty in tax matters, reduce hardship to taxpayers and minimise prolonged litigation.

In this chapter, the constitution, powers, procedure and other provisions relating to the Dispute Resolution Committee contained under sections 379 and 380 (read with Rules 196 to 199) are discussed in detail.

17.2 DISPUTE RESOLUTION COMMITTEE [SECTION 379]

(1) Constitution of Dispute Resolution Committee (DRC) [Section 379(1)]



The Central Government shall constitute, one or more Dispute Resolution Committees, as per the rules made under this Act, for dispute resolution in the case of such persons or class of persons, as specified by the Board, who opt for dispute resolution under this Chapter in respect of dispute arising from any variation in the specified order in his case and who fulfils the specified conditions, as may be prescribed.

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(i) Constitution and Composition of DRC [Rule 196]

Each DRC to consist of 3 members

Rule 196 provides that the Central Government shall constitute a DRC for every region of Principal Chief Commissioner of Income-tax for dispute resolution. Each DRC shall consist of 3 members, as under -

(a) two members shall be retired officers from the Indian Revenue Service (Income-tax), who have held the post of Commissioner of Income-tax or any equivalent or higher post for five years or more; and

(b) one ex-officio member, who shall be an officer not below the rank of Principal Commissioner of Income-tax or Commissioner of Income-tax as specified by the Board.

Decision by majority

The members shall be appointed by the Central Government for a period of **three years.** The decision of the DRC shall be by majority.



The Central Government may fix a sum to be paid as fee to the retired members specified in Rule 196(2)(a), on a per case basis, along with a sitting fee, so decided by the Board. The Central Government may remove any member from the DRC, by recording reasons in writing and after giving a reasonable opportunity of being heard.

(ii) Meaning of Specified Order [Section 379(4)]

Section 379(4) provide the meaning of "specified order". It means an order, including a draft order, as specified by the Board, and the following conditions must also be satisfied:

(i) the aggregate sum of variations proposed or made in such order does not exceed ₹ 10 lakhs.

(ii) such order is not based on search initiated under section 247 or requisition under section 248 in the case of assessee or any other person or survey

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under section 253 or information received under an agreement referred to in section 159(1) or (2).

(iii) where the assessee has filed a return for the tax year relevant to such order, total income as per such return does not exceed ₹ 50 lakh.

Accordingly, the CBDT has provided in rule 199(a) that a "specified order" in relation to a dispute under section 379 may be any of the following:

(i) a draft of the proposed order of assessment referred to in section 275(1), forwarded by the Assessing Officer to an eligible assessee if he proposes to make any variation which is prejudicial to the interest of the assessee; or

(ii) an intimation under section 270(1) i.e., after processing of return of income or an intimation under section 399(1) i.e., after processing of TDS/TCS statements, where the assessee or the deductor or the collector objects to the adjustments made in the said order; or

(iii) an order of assessment or reassessment, except an order passed in pursuance of directions of the Dispute Resolution Panel; or

(iv) an order made under section 287 i.e., a rectification order having the effect of enhancing the assessment or reducing the loss; or

(v) an order made under section 398 i.e., assessee in default in relation to TDS/TCS default, in respect of which the following conditions are satisfied

(A) the aggregate sum of variations proposed or made in such order **does not exceed ₹ 10 lakh** and for such purposes, the variation shall refer to the amount on which tax has not been deducted or collected;

(B) the return has been furnished by the assessee for the tax year relevant to such order and the total income as per such return **does not exceed ₹ 50 lakh**; and

(C) the order in the case of the assessee is not based on

(a) a search initiated under section 247 or requisition made under section 248 in the case of the assessee or any other person; or

(b) survey carried out under section 253; or

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(c) information received under an agreement referred to in section 159.

(iii) Application for resolution of dispute before the DRC [Rule 197]





DRC would resolve dispute in the case of a person who opts for dispute resolution in respect of dispute arising from any variation in the **specified order** in his case and **who fulfils the specified conditions.**

Such person has to make an application for resolution of dispute before the DRC in Form No. 119 accompanied by a fee of ₹ 1,000.

Specified Conditions [Rule 199(b)]

Specified conditions in relation to an applicant under section 379 means, -

(A) where he is not a person in respect of whom an order of detention has been made under the provisions of the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 and when



such order of detention, on which the provisions of section 9 or section 12A of the said Act do not apply, has been revoked on the report of the Advisory Board under section 8 of the said Act or before the receipt of the report of the Advisory Board; or

such order of detention on which the provisions of section 9 of the said Act apply, has not been revoked before the expiry of the time for, or on the basis of, the review under section 9(3), or on the report of the Advisory Board under section 8, read with section 9(2), of the said Act; or

such order of detention, on which the provisions of section 12A of the said Act apply, has not been revoked before the expiry of the time for, or on the basis of, the first review under sub-section (3) of the said section, or on the basis of the report of the Advisory Board under section 8, read with section 12A(6) of the said Act; or

such order of detention has not been set aside by a court of competent jurisdiction; or

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Note: *Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 provides for preventive detention in certain cases for the purposes of conservation and augmentation of foreign exchange and prevention of smuggling activities and for matters connected therewith. Under this Act, the Central and State Government are empowered to detain a person (including a foreigner) to prevent such a person from smuggling of goods or acting in a manner prejudicial to conservation of foreign exchange.*

(B) where he is not a person in respect of whom prosecution for any offence punishable under the provisions of the Bharatiya Nyaya Sanhita, 2023 or the Unlawful Activities (Prevention) Act, 1967 or the Narcotic Drugs and Psychotropic Substances Act, 1985 or the Prohibition of Benami Transactions Act, 1988 or the Prevention of Corruption Act, 1988 or the Prevention of Money-laundering Act, 2002 has been instituted and he has been convicted of any offence punishable under any of those Acts; or

(C) where he is not a person in respect of whom prosecution has been initiated by an income-tax authority for any offence punishable under the provisions of the Act or the Bharatiya Nyaya Sanhita, 2023 or for the purpose of enforcement of any civil liability under any law for the time being in force, or such person has been convicted of any such offence consequent upon the prosecution initiated by an income tax authority; or

PROSECUTION UNDER OTHER ACTS

(D) where he is not a person who is notified under section 3 of the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992; or

(E) where he is not a person in respect of whom proceedings under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 have been initiated for the tax year for which resolution of dispute is sought;

Meaning of Specified Person [Rule 199(c)]

Specified person for the purpose of section 379 is a person who fulfils the specified conditions.

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(iv) Filing of application and time limit[1]

The assessee who fulfils the specified conditions may, in respect of any specified order, file an application electronically for dispute resolution to the Dispute Resolution Committee designated for the region of Principal Chief Commissioner of Income-tax having jurisdiction over the assessee.



Time limit for filing application

Para 4 of e-Dispute Resolution Scheme,2022 prescribes the time limit for filing application before DRC which is given below:

Such application has to be filed –

	Case	Time limit
(i)	In cases where appeal has already been filed and is pending before the Commissioner (Appeals)	within such time from the date of constitution of the DRC as may be specified by the Board
(ii)	in any other case	within **one month from the date of receipt** of **specified order**

The application shall be submitted by email to the official email of the DRC alongwith proof of payment of tax on the returned income, if available and accompany a fee of ₹ 1,000.

(v) Screening of application by DRC[2]

(i) **Examination of application** - The DRC has to examine the application with respect to the specified conditions and criteria for specified order. Upon such examination, where the DRC considers that the application for dispute resolution should be rejected, it has to serve a notice calling upon the



[1] *As provided in e-Dispute Resolution Scheme, 2022, para 4(1)(i)-(iii)*
[2] *As provided in e-Dispute Resolution Scheme, 2022, para 4(1)(iv)-(x)*

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assessee to show cause as to why his application should not be rejected, specifying a date and time for filing a response.

(ii) **Provision of opportunity of being heard** - The assessee can request for an opportunity of being heard. If the DRC receives a request from the assessee, it has to provide him an opportunity of being heard through video telephony or video conferencing facility, to the extent technologically feasible.

(iii) **Furnishing response to show cause notice within the specified date** -The assessee has to furnish a response to the show-cause notice referred to in (i) above within the specified date and time or such extended time as may be allowed on the basis of application made in this behalf, to the DRC;

(iv) **Rejection of application by DRC** - The DRC may, after considering the response furnished by the assessee, reject the application or proceed to decide the application on merits in accordance with the procedure laid out in (V) and (VI) hereinafter. Where no such response is furnished by the assessee, the DRC may reject the application.

Note - In such a case, the assessee may file an appeal before the Joint Commissioner (Appeals) or the Commissioner (Appeals), as applicable to the underlying order. The period taken by the DRC in deciding on the admission has to be excluded from the period available to file such appeal.

(v) **Communication of decision of DRC to assessee** - The decision of the DRC that the application for dispute resolution should be allowed to be proceeded with or rejected, has to be communicated to the assessee on his registered e-mail address;

(vi) **Submission of proof of withdrawal of appeal/application before DRP** - Within 30 days of receipt of the communication that the application is admitted, the assessee is required to submit a proof of withdrawal of appeal filed under section 356 or section 357, as applicable, or withdrawal of objections filed before the Dispute Resolution Panel under section 275(2), if any, to the DRC or convey that there is no aforesaid proceeding pending in his case. If the assessee fails to do so, the DRC may reject the application.

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(vi) Procedure to be followed by the DRC[3]

(i) **Calling for records for further examination** - Upon admission of the application and subsequent to the receipt of the response of the assessee, the DRC may call for records from the income-tax authority and further examine, as it may deem fit, with respect to the issues covered in the application;



(ii) **Seeking report from Assessing Officer** - The DRC may seek a report from the Assessing Officer on the issues covered in the application or on any other issue arising during the course of proceedings;

(iii) **Calling for further information** - The DRC may before disposing of the application, call for further information from the assessee or any other person by sending an email to his registered email address;

(iv) **Submission of response within specified time** - The assessee has to electronically submit its response to the DRC, within the time specified or such time as may be extended by the DRC on the basis of an application in this behalf;

(v) **Decision of DRC** - After considering the material available on record, including any further information or evidence received from the assessee, income-tax authority or any other person, the DRC may decide —



(a) to **make modifications to the variations in specified order**, which are not prejudicial to the interest of the assessee, and decide for waiver of penalty and immunity from prosecution in accordance with the provisions of Rule 198, and pass an order of resolution, accordingly; or

(b) to **not make modifications to the variations in the specified order**. However, the DRC may decide to waive penalty and grant immunity from prosecution provisions in accordance with the provisions of Rule 198 and pass an order of resolution accordingly. Such an order

[3] *As provided in e-Dispute Resolution Scheme, 2022, para 4(1)(xi)-(xx)*

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will be treated as an order not prejudicial to the interest of the assessee; or

(c) to **not make any modification to the specified order and pass an order disposing of the application**. Such an order will be treated as an order 'not prejudicial to the interest of the assessee',

within six months from the end of the month in which application for dispute resolution is admitted by the DRC. The order of the DRC for the resolution of a dispute has to be in accordance with the provisions of the Act.

ISSUE ORDER WITHIN 6 MONTHS FROM THE END OF MONTH IN WHICH APPLICATION ADMITTED

(vi) **Serving copy of order to AO and assessee** - The DRC has to serve a copy of the order of resolution or order disposing of the application, as the case may be, upon the assessee and also the Assessing Officer for giving effect to the same, if so required;

(vii) **No appeal or reference will lie against the modified order -** Where the specified order is an order of the eligible assessee as referred to in section 275(1), the assessee will not be eligible to pursue a reference to the Dispute Resolution Panel or an appeal before the first appellate authority against the modified order.

(viii) **Serving copy of modified order to assessee** – The Assessing Officer has to serve a copy of the modified order along with notice of demand upon the assessee specifying a date for making payment of demand. No appeal or revision would lie against the modified order.

AO to serve modified order + Notice of demand to assessee

(ix) **Assessee to furnish proof of payment of demand** -The assessee has to furnish proof of payment of the said demand to the DRC and also to the Assessing Officer.

(x) **Grant of immunity from prosecution and waiver of penalty –** The DRC shall, on receipt of confirmation of payment of demand, by an order in writing, grant immunity from prosecution and waiver of penalty if applicable, in accordance with the provisions of rule 198 ***[discussed later on in this chapter].***

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(vii) Termination of dispute resolution proceedings[4]

The DRC may, at any stage of the dispute resolution proceedings, if considered necessary, for reasons to be recorded in writing and after giving an opportunity of being heard to the assessee, decide to terminate the dispute resolution proceedings if, -

(i) the assessee fails to cooperate during the course of dispute resolution proceedings; or

(ii) the assessee fails to respond to, or submit any information in response to, a notice issued to him; or

(iii) the Committee is satisfied that the assessee has concealed any particular material to the proceedings or had given false evidence.

(iv) the assessee fails to pay the demand as required in notice of demand.

Where the dispute resolution proceedings are terminated, the DRC has to intimate the income-tax authority for taking necessary action as per the provisions of the Act.

(2) Power to modify variations, reduce or waive penalty imposed or imposable, or grant immunity from prosecution [Section 379(2)]

The Dispute Resolution Committee, subject to such conditions, as may be prescribed, shall have the powers to reduce or waive any penalty imposed or imposable under the Income-tax Act, 2025 or grant immunity from prosecution for any offence punishable under the Act in case of a person whose dispute is resolved under Chapter XVIII. Accordingly, Rule 198 prescribes the following:

(i) **Conditions for grant of waiver of penalty or immunity from prosecution** - Rule 198(1) provides that the Dispute Resolution Committee shall, upon receipt of the intimation referred to in the e-Dispute Resolution Scheme, 2022, for reasons recorded in writing and subject to such conditions as it may think fit to impose, grant to the applicant reduction or waiver of penalty imposable, or immunity from prosecution, or both, in respect of the order which is the subject matter of resolution, if it is satisfied that such person has -

- **paid the tax due** on the returned income in full; and

[4] *As provided in e-Dispute Resolution Scheme, 2022, para 4(3)-(4)*

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- **co-operated** with the Dispute Resolution Committee in the proceedings before it.

(ii) **No immunity if prosecution proceedings were initiated before application** - No immunity would, however, be granted by the Dispute Resolution Committee in a case where the proceedings for the prosecution for an offence have been initiated before the date of receipt of the application.

(iii) **Withdrawal of immunity** - An immunity or reduction or waiver of penalty granted to a person will be withdrawn, if such person fails to comply with any of the conditions subject to which the immunity or reduction or waiver of penalty was granted and thereupon the provisions of the Act shall apply as if such immunity or reduction or waiver of penalty had never been granted.

(3) Time limit for passing an order by Assessing Officer in conformity with directions issued by the DRC [Section 379(3)]

Irrespective of anything contained in section 275, upon receipt of the order of the Dispute Resolution Committee under section 379, the Assessing Officer shall:

WITHIN 1 MONTH FROM THE END OF MONTH IN WHICH DRC ORDER RECEIVED

(a) in a case where the specified order is a draft of the proposed order of assessment under section 275(1), pass an order of assessment, reassessment or recomputation or

(b) in any other case, modify the order of assessment, reassessment or recomputation,

in conformity with the directions contained in the order of the DRC within a **period of one month from the end of the month** in which such order is received.

An eligible assessee (being any person in whose case variation arises as a consequence of order of Transfer Pricing Officer or any non-corporate non-resident or a foreign company) under section 275 may opt for approaching either the Dispute Resolution Panel under section 275 or the DRC under section 379. So, both the options are open to such taxpayers

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TEST YOUR KNOWLEDGE

Questions

1. *What is the need for constitution of Dispute Resolution Committee (DRC)? Can an assessee make an application before DRC against an order which is based on information received under an agreement referred to in section 159?*

2. *Can an assessee opt for dispute resolution before DRC if prosecution for any offence punishable under the provisions of the Bharatiya Nyaya Sanhita, 2023 has been instituted against him and he has been convicted in respect of the same under the said Act?*

3. *Mr. Vijay furnished his return of income for T.Y. 2026-27 declaring total income of ₹ 28,00,000. He received an assessment order under section 270(10) on 26.11.2028 enhancing the total income for the T.Y. 2026-27 by ₹ 5,00,000. He is aggrieved by the said order and is desirous of knowing whether he can file an application before the Dispute Resolution Committee (DRC). He informs you that no order of detention has been made and no prosecution proceedings have been initiated or instituted against him under any law for the time being in force. However, penalty under section 450 has been levied on him for failure to comply with the provisions of section 185.*

   Can Mr. Vijay file an application before the DRC?

   (i) If yes, what is the time limit for making an application to DRC against such order under the Income-tax Act, 2025. He is also keen to know, whether, in case he is aggrieved by the order passed by the DRC, can he file appeal against such order of DRC?

   (ii) Would your answer be different, if the assessment order is based on information received under a DTAA with Country X, being information received under an agreement referred to in section 159(1) or (2)?

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Answers

1. In order to provide early tax certainty to small and medium taxpayers, Dispute Resolution has been formulated for constitution of one or more Dispute Resolution Committee(s) (DRC).

Specified order *inter alia* does not include an order which is based on information received under an agreement referred to in section 159(1) or (2). Thus, an assessee cannot opt for dispute resolution before DRC in respect of an order which is based on information received under an agreement referred to in section 159(1) or (2).

2. Dispute Resolution Committee would resolve dispute in the case of such persons or class of persons, as may be specified by the Board, who may opt for dispute resolution under this Chapter in respect of dispute arising from any variation in the specified order in his case and who fulfils the specified conditions.

Specified conditions include the condition that the person should not be a person in respect of whom prosecution for any offence punishable under the provisions of the Bharatiya Nyaya Sanhita, 2023 has been instituted and he has been convicted of any offence punishable under the said Act.

Thus, a person in respect of whom any prosecution has been instituted and who is convicted of any offence punishable under the Bharatiya Nyaya Sanhita, 2023, cannot opt for resolution of dispute in respect of specified order before DRC.

3. Dispute Resolution Committee (DRC) would resolve dispute in the case of a person who opts for dispute resolution in respect of dispute arising from any variation in the specified order in his case and who fulfils the specified conditions. Specified order includes an assessment order passed under section 270(10), where the aggregate sum of variations made *vide* such order does not exceed ₹ 10 lakh; the total income as per such return furnished by the assessee does not exceed ₹ 50 lakhs and such order is not based on search or requisition or survey or any information received under a DTAA.

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Accordingly, in the present case, Mr. Vijay can file an application before DRC, since the assessment order received on 26.11.2028 is a specified order and he satisfies the specified conditions on account of no order of detention being made and no prosecution proceedings being initiated or instituted against him. Non-levy of penalty under income-tax law is not a specified condition, therefore, the levy of penalty under section 450 on him does not result in non-compliance with the specified condition. Mr. Vijay has to file an application for resolution of dispute in the prescribed form on or before 25.12.2028 i.e., within one month from the date of receipt of the specified order.

However, once a modified order is passed by the DRC, no appeal or revision would lie against such order.

If assessment order is based upon the information received under an DTAA entered with India, Mr. Vijay, will not be eligible to make an application before DRC, since it is not a specified order.

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