# Indian Economy · GS - III

**Discuss the role of tax dispute settlement mechanisms such as the Direct Tax Vivad Se Vishwas Scheme in improving tax administration and ease of doing business in India.**

| EXAM YEAR | PAPER | SUBJECT |
|---|---|---|
| DAILY PRACTICE 30/10/2026 | GS - III | Indian Economy |

| MARKS | WORD LIMIT |
|---|---|
| 10 | ~150 words |

## Answer Hint

**Tax litigation; dispute resolution; revenue mobilisation; taxpayer confidence; administrative efficiency; ease of doing business; implementation challenges**

## Model Answer

### Introduction

Prolonged tax litigation increases compliance costs, creates uncertainty for businesses and burdens the judicial system. The Direct Tax Vivad Se Vishwas Scheme, 2024, seeks to address these challenges through settlement of eligible disputes.

### Significance

- **Reduction in litigation:** Encourages taxpayers to settle eligible pending disputes instead of pursuing lengthy proceedings.
- **Revenue mobilisation:** Enables the government to recover disputed tax amounts through a structured mechanism.
- **Ease of doing business:** Reduces uncertainty and allows businesses to focus on productive activities.

- **Administrative efficiency:** Helps tax authorities allocate resources to assessment, compliance and enforcement.
- **Taxpayer confidence:** Provides a defined route for resolving disputes and improving trust in tax administration.

**Challenges**

Portal failures, procedural complexity, lack of awareness and delays in processing declarations can limit effectiveness.

**Way Forward**

The government should strengthen digital infrastructure, simplify procedures, provide clear guidance and ensure time-bound processing.

**Conclusion**

Effective dispute settlement mechanisms can promote cooperative tax compliance, improve revenue administration and strengthen India's investment environment.

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