

UNION BUDGET 2021

An Overview



**BHUTA
SHAH
& CO
LLP**

CHARTERED
ACCOUNTANTS

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चतुर्थमाददानो ' पि क्षत्रियो भागमापदि ।
प्रजा रक्षन् परं शक्त्या किल्बिषात् प्राामुच्यते ॥

The ruler, during an emergency, may take even one fourth (of their income as tax) and protect his subjects with all his might. Doing so, he is freed from sin. (Manu Smriti - 118)

धर्ममाहारयेद् बलिम् ।

The ruler must take tax that is within dharma (Justice or fairness) (Manu Smriti 119)

सांवत्सरिकमाप्तैश्च राष्ट्राद् आहारयेद् बलिम् ।
स्याच्चाभ्यायपरो लोके वर्तेत पितृवन् नृपु ॥

The king should get the annual revenue collected by trustworthy officials and in matters of taxation, he should obey the sacred laws. He should behave like a father to his subjects. (Manu Smriti 80)

मधुदोहं दुहेद् राष्ट्रम् भ्रमरान् न विपातयेत् ।
वत्सापेक्षी दुहेच्चैव स्तनांश्च न विकुट्टयेत् ॥

A king should collect taxes without hurting the subjects. It is like collecting honey without destroying bees, or like, as a calf does, drawing milk from a cow without hurting her udder. (Mahabharata - Shanti Parva 12.89.4)

यथा फलेन युज्येत राजा कर्ता च कर्मणाम् ।
तथाऽवेक्ष्य नृपो राष्ट्रे कल्पयेत् सततं करान् ॥

After due investigation the King shall always levy taxes in his kingdom in such a way that he himself and the man who carries on the business shall both receive their reward. (Manu Smriti-129)



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1. Foreword

In the backdrop of the COVID-19 global pandemic and a worldwide economic recession, the FM, Nirmala Sitharaman presented her third budget on February 1, 2021 making it her shortest one at 10,500 words lasting around 110 minutes. History was created as the government chose to go digital and paperless with a tablet. The focus was to reset the economy by heavy spending on infrastructure development and record outlay up by 137% for health care.

The Government has come up with a roadmap for Atmanirbhar Bharat through six pillars in order to kick start the economy by creating demand through novel infrastructure projects announced and funded by it or by public private partnership. These pillars are health and wellbeing, physical & financial capital and infrastructure, inclusive development for aspirational India, reinvigorating human capital, innovation and R&D, minimum government and maximum governance. The Fiscal deficit has been pegged at 9.5% of GDP for the year 2021 and 6.8% for the year 2022.

For job creation and increasing consumption, maximum emphasis has been given to infrastructure projects in roads and highway sectors. The Government has decided to spend big on bridges, ports, power generations, set up institutions related to health sector such as establishment of several testing labs, institute of virology, nine Bio-Safety Level III laboratories, health emergencies centres etc which involve substantial money and manpower-essentials for any economy to move on.

7 Mega Investment Textile Parks with world class infrastructures are being set up. Further, FDI limit in Insurance sector has been increased to 74% from 49%. The Government plans to come up with an IPO in LIC by 2021-22. Disinvestment and asset monetization is on the cards for several prominent PSUs. Public Private partnership has been proposed in railways.

Scraping policy for old vehicles introduced - private above 20 years and commercial above 15 years have to mandatorily go for fitness test and scrapping. This move will reduce vehicular air pollution by 12% and improved road safety standards with almost 30% new vehicles, also generating increase in production of new vehicles, jobs and economic activities.

On the direct tax front, there is no change in the slab rate for as the earlier rates continue. However senior citizens of 75 years of age and above have been given relief by exempting them from filing IT Returns if they have income only from pension and bank interest. For settling small disputes upto INR 10 Lakhs, where returned income is upto INR 50 Lakhs, Dispute Resolution Committees are being constituted with powers to waive any penalty imposable or grant immunity from prosecution.

Further relief has come in form of reduction of the time limit to 3 years from the earlier 6 for re-opening any assessment, reduction in time limit to complete assessments, making advance tax liability on dividend income only after its declaration, increasing the tax audit limit to INR 10 crores turnover in case of 95% transactions being digital.

For affordable housing projects, welcome relief of extension of provision of deduction of 100% profits on affordable rental housing projects, increasing safe harbour limit to 20% from 10% in certain specified cases of sale consideration vs. stamp duty valuation

To penalize erring employers, the Government has introduced provision of denial of deduction from total income of an employer if there is a delay in the payment to Government a/c of employees' contributions to PF, ESIC, etc.

The Government's move to scrap the Income Tax Settlement Commission is very strange as the forum was effective in settling disputes expeditiously as well as resulting in swift mobilization of tax and interest. It will lead to extended periods of litigation, particularly in search and survey cases, as now there will no longer be any forum granting immunity from penalty and prosecution. Another dampener, particularly for M&A transactions, is the amendment that depreciation on goodwill shall henceforth not be allowed, overturning a settled decision of the Hon'ble Supreme Court.

In order to expand transparency at the level of highest fact-finding appellate authority, faceless proceedings have been extended to ITAT also which is a welcome move, albeit rushed considering that the faceless mechanism is not even 6 months old. Certain offences in Limited Liability Partnership till now criminal in nature, are rationalized and made civil offences.

In this budget, the FM has not left any stone unturned to address the grief of the people at large. With numerous new infrastructure projects coming up in various sectors, the wide scale job creation and wages are bound to repair the sluggish economy to a large extent. The stock markets have widely welcomed the budget with a record increase on budget day. In a nutshell, the FM has done a great job in the present challenging scenario of the COVID - 19 economy, which is definitely praiseworthy.

Shailesh Bhuta
Managing Partner
Bhuta Shah & Co. LLP

Mumbai, February 1, 2021

2. State of the Union - Excerpts from the Economic Survey 2021

An once-in-a-lifetime pandemic crisis, unprecedented tumult in global geopolitics, a keenly fought US Presidential elections, tepid domestic growth – all these and more were the ominous setting for the presentation of Indian Economic Survey 2021 which was tabled in the Hon'ble Parliament by the Union Finance Minister, Mrs. Nirmala Sitharaman on 29th January, 2021. To place in context, the Economic Survey comes just before the Union Budget, which this time was hoped to be 'one like never before' or 'a part of 4 to 5 mini budgets' as the Hon'ble Indian Prime Minister Shri. Narendra Modi put it ahead of the Budget Session of the Parliament.

For starters, India had been witnessing a pre-pandemic slowdown. Even before the pandemic, since FY 2018–19, India's growth was falling, 8% in 4th quarter of FY 2018 to 4.5% in 2nd quarter of FY 2020. In January 2020 itself, well before India commenced the first of the 'lockdowns' or reactions to the pandemic, the International Monetary Fund reduced India's GDP estimates for FY 2019-20 and also reduced the FY 2020-21 GDP forecast. The demonetisation of high-value currency notes and the Goods and Services tax enactment in 2017 led to severe back-to-back disruptions in the Indian economy. The sudden emergence of the Covid-19 pandemic in the 1st quarter of 2020 completely upset the Hon'ble Union Government's ambitious growth plans and well-intended beneficial schemes, which had then been strategized carefully by the Government in the Union Budget of 2020. Readers would recall our Hon'ble PM Shri. Narendra Modi's clarion call just ahead of last year's budget, to make India a USD 5 trillion economy by 2024.

Alas, the strike of the pandemic brought to the fore radical and drastic measures to safeguard precious human lives in the form of complete nationwide lockdown imposed since March 23rd, 2020. Words like 'lockdown', 'unlock', 'protective mask', 'shield', 'quarantine', 'flatten the curve' and so on entered popular lexicon for the first time. Expenditure policy in FY 2020-21 which was initially budgeted and aimed at supporting the vulnerable sections was eventually re-oriented to boost overall demand and capital spending, once the lockdown was unwound in quarters 2 and 3 thereof onwards.

World over, Covid-19 pandemic led to a sharp decline in global trade, lower commodity prices and tighter external financing conditions with implications for current account balances and currencies of different countries. As per IMF

January 2021 estimates, global economic output was estimated to fall by 3.5% in 2020 fiscal. The economic impact of closure of much of the productive activities was so severe that an Indian passenger vehicle market leader like Maruti Suzuki announced that it had not sold a single vehicle in the domestic market during April 2020. Bizarre but true. Almost all sectors of the Indian economy were deeply impacted.

It was therefore that there was a heightened expectation of the Economic Survey 2021, which as the Readers would note, is a document published by the Ministry of Finance, Government of India reviewing the developments of the Indian economy over the past FY, which summarizes the performance on the major development programs, and highlights the policy initiatives of the government and the prospects of the economy in the short-to-medium term.

Key Indicators - At a Glance

Before we delve deeper into the Survey and its contents, it would be apposite to appreciate trends in India's economic performance for the past 5 years, encapsulated by way of tabulation of key economic indicators, as below:

Parameter (at constant prices)	Unit	2016-17	2017-18	2018-19	2019-20	2020-21
GDP Growth	%	8.2	7.2	6.8	5.0	-7.7
Per Capita Income	INR Lakhs	1.049	1.153	1.265	1.342	1.270
Wholesale Inflation	%	1.7	3.0	4.3	1.7	0.39
CPI Inflation	%	4.5	3.6	3.4	4.8	4.17
Current Account Balance/GDP	%	-0.6	-1.9	-2.6	1.5	3.1
Forex Reserves	USD Billion	370.0	424.5	412.9	457.5	586.1
Average Exchange rate	INR/USD	67.1	64.5	69.9	70.4	74.81
Fiscal Deficit	% of GDP	4.35	4.48	4.65	6.42	5.93
Revenue Deficit	% of GDP	2.57	3.37	3.25	4.58	4.53

Indian Economy – Report Card FY 2020-21 - Key Pointers

- Perhaps guided by its rich, ancient and considerate civilization going back to almost 5000 years, India focused on saving lives and livelihoods by its willingness to take 'short-term pain for long-term gain', at the onset of the COVID-19 pandemic. **This year's Survey was therefore, aptly dedicated to the COVID-19 frontline health workers or 'warriors' as we know them now and had them on its cover.**
- The Economic Survey predicts V-shaped recovery, as seen in 7.5% decline in GDP in 2nd quarter and recovery across all key economic indicators vis-à-vis the 23.9% GDP contraction in 1st quarter. Rebound to be led by low base and continued normalization in economic activities as the rollout of COVID-19 vaccines gathers traction.
- India's real GDP (growth after adjusting for inflation) to record an 11.0% growth in FY 2021-22 and nominal GDP (which is current GDP without adjusting for inflation i.e. collective value of all goods and services in the economy) to grow by 15.4% – the highest since independence. Government consumption and net exports cushioned the growth from diving further down, whereas investment and private consumption pulled it down. Exports expected to decline by 5.8% and imports by 11.3% in the second half of FY 2020-21.
- The Survey further posits that India was the only country to announce structural reforms to expand supply in the medium-long term and avoid long-term damage to productive capacities. It then enumerates calibrated demand-side policies to ensure that the accelerator was slowly pushed down only when the brakes on economic activities are being removed.
- The Survey contains information about the four-pillar strategy that India adopted viz., 1) containment, 2) fiscal, 3) financial, and 4) long-term structural reforms. Calibrated fiscal and monetary support was provided, cushioning the vulnerable during the lockdown and boosting consumption and investment while unlocking a favourable monetary policy ensured abundant liquidity and immediate relief to debtors while unclogging monetary policy transmission.

- The external sector provided an effective cushion to growth with India recording a Current Account Surplus of 3.1% of GDP in the 1st half of FY 2020-21 and expected to have a Current Account Surplus of 2% of GDP in FY 2020-21, a historic high after 17 years. Strong services exports and weak demand leading to a sharper contraction in imports (merchandise imports contracted by 39.7%) than exports (merchandise exports contracted by 21.2%). Net services receipts amounting to US\$ 41.7 billion remained stable in April-September 2020 as compared with US\$ 40.5 billion in corresponding period a year ago. Resilience of the services sector was primarily driven by software services, which accounted for 49% of total services exports. Petroleum, Oil and Lubricants (POL) exports have contributed negatively to export performance during the period under review whereas non-POL exports turned positive and helped in improving export performance in 3rd quarter of FY 2020-21. Initiatives namely Production Linked Incentive (PLI) Scheme, Remission of Duties and Taxes on Exported Products (RoDTEP) and Improvement in logistics infrastructure and digital initiatives were undertaken to promote export. Sharp decline in POL imports pulled down the overall import growth. Fertilizers, vegetable oil, drugs & pharmaceuticals and computer hardware & peripherals have contributed positively to the growth of non-POL, non-Gold & non-Silver imports.
- External debt as a ratio to GDP increased to 21.6% at half-year end September 2020 from 20.6% at year end March 2020.
- Agriculture set to cushion the shock of the COVID-19 pandemic on the Indian economy in FY 2020-21 with a growth of 3.4%. Industry and services estimated to contract by 9.6% and 8.8% respectively during FY 2020-21. Agriculture remained the silver lining while contact-based services, manufacturing, construction were hit hardest, and recovering steadily.
- India remained a preferred investment destination in FY 2020-21 with FDI pouring in amidst global asset shifts towards equities and prospects of quicker recovery in emerging economies. Net FPI inflows recorded an all-time monthly high of US\$ 9.8 billion in November 2020, as investors' risk appetite returned. Forex reserves increased to a level so as to cover 18 months' worth of imports in December 2020.

- Softening of CPI inflation recently reflects easing of supply side constraints that affected food inflation.
- Monthly GST collections have crossed the INR 1 lakh crore mark consecutively for the last 4 months, reaching its highest levels in January 2021 (INR 1.20 lakh crore) ever since the introduction of GST.

Few Snippets

- A positive growth in value addition of most of the sectors in second half is an encouraging sign for the economy. This translates into a modest 0.3% growth in the second half as against a 14.9% contraction in first half of 2020-21.
- Agriculture sector growth is pegged at a steady 3.4 % in both the halves of FY 2020-21.
- Industry sector has staged a robust recovery in second half with a positive growth of 1.1% as against a sharp 20.5% drop in the first half with a sharp pick up in manufacturing sector to 0.5% in second half against a contraction of 19.4% in first half. Electricity and Construction sectors are also estimated to register V-shaped recovery with growth of 7.1% and 4.4% respectively in the second half.
- The major brunt of the pandemic has been borne by the contact-sensitive services sector, which contracted by 15.5% in first half and are estimated to contract by 1.1% in second half. Trade, Hotels, Transport & Communication, constituting one-third of overall services, contracted by 31.5% in first half and are estimated to contract by 12.0% in second half. The services sector accounts for over 54% of India's GVA and nearly four-fifths of total FDI inflow into India.

Sectoral Performance - At a Glance

(figure in percentage)

Sector	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Agriculture, forestry & fishing	0.6	6.8	5.9	2.4	4.0	3.4
Industry	9.6	7.7	6.3	4.9	0.9	-9.6
Mining & quarrying	10.1	9.8	4.9	-5.8	3.1	-12.4
Manufacturing	13.1	7.9	6.6	5.7	0.0	-9.4
Electricity, gas, water supply & other utility services	4.7	10.0	11.2	8.2	4.1	2.7
Construction	3.6	5.9	5.0	6.1	1.3	-12.6
Services	9.7	8.4	8.1	7.7	5.5	-8.8
Trade, hotels & restaurants, transport & communication	10.2	7.7	7.6	7.7	3.6	-21.4
Financing, insurance, real estate & business services	10.7	8.6	4.7	6.8	4.6	-0.8
Community, social & personal services	6.1	9.3	9.9	9.4	10.0	-3.7
GVA at basic prices	8.0	8.0	6.6	6.0	3.9	-7.2

Economic Survey 2021 – Suggestions for the Union Budget 2021

- An increase in public healthcare spending from 1% to 2.5-3% of GDP can decrease the out-of-pocket expenditure from 65% to 35% of overall healthcare spending.
- The Economic survey talks about process reforms. It notes that India over-regulates the economy resulting in regulations being ineffective even with relatively good compliance with process. Interestingly, the root cause of the problem of overregulation, it observes, is an approach that attempts to account for every possible outcome. Increase in complexity of regulations, intended to reduce discretion, results in even more non-transparent discretion. The solution is to simplify regulations and invest in greater supervision which, by definition, implies greater discretion. Discretion, however, needs to be balanced with transparency, systems of ex-ante accountability and ex-post resolution mechanisms.
- During the Global Financial Crisis, regulatory forbearance helped borrowers tide over temporary hardship. Forbearance continued long after the economic recovery, resulting in unintended consequences for the economy. Banks exploited the forbearance window for window-dressing their books and misallocated credit, thereby damaging the quality of investment in the economy. Therefore, an Asset Quality Review exercise must be conducted immediately after the forbearance is withdrawn.
- The Survey observes that India entered the top-50 innovating countries for the first time in 2020 since the inception of the Global Innovation Index in 2007, ranking first in Central and South Asia, and third amongst lower middle-income group economies. At the same time, it notes that India's Gross Domestic Expenditure on R&D ('GERD') is lowest amongst top ten economies. The Government sector contributes a disproportionately large share in total GERD at three times the average of top ten economies. The business sector's contribution to GERD, total R&D personnel and researchers is amongst the lowest when compared to top ten economies. The Survey recommends that for achieving higher improvement in innovation output, India must focus on improving its performance on institutions and business sophistication innovation inputs.

- Access to the 'bare necessities' has improved across all States in the country in 2018 as compared to 2012. A Bare Necessities Index (BNI) based on the large annual household survey data can be constructed using suitable indicators and methodology at district level for all/targeted districts to assess the progress on access to bare necessities.
- The impact of COVID-19 has also been seen on bank credit growth or the increase in loans given by banks in comparison to the previous year. As of January 1, 2021, bank credit growth stood at 6.7%. Since September 2019, bank credit growth had been in single digits. The Survey notes that indeed, this was a reason to worry. In fact, one of the reasons for this is the fact that banks continue to remain undercapitalized. The Survey feels that this might lead to banks leading to zombie companies (basically companies which are not making enough money to even be able to repay the interest on their loans). Under-capitalized banks may again resort to risk-shifting and zombie lending, thereby severely exacerbating the problem. The adverse impact could then spill over to the real economy through good borrowers and projects being denied credit. This is a reason for worry and needs to be addressed quickly.
- A regulator for the healthcare sector must be considered given the market failures stemming from information asymmetry. Mitigation of information asymmetry will help lower insurance premiums, enable the offering of better products and increase insurance penetration. Information utilities that help mitigate the information asymmetry in the healthcare sector will be useful in enhancing overall welfare. Telemedicine needs to be harnessed to the fullest by investing in internet connectivity and health infrastructure.
- Aside the Budget, the Survey devotes a full chapter on why it believes that India's sovereign credit rating does not reflect its fundamentals. It notes that never in the history of sovereign credit ratings, has the fifth largest economy been rated as the lowest-rung of investment grade at BBB-ve. The Survey suggests that India's fiscal policy must not be 'beholden to a noisy, biased measure of India's fundamentals'. India's forex reserves can still absorb an additional 2.8 standard deviation, negative event. It was therefore, imperative that sovereign credit rating methodologies be made less subjective and more transparent.

Our Suggestions – What it takes for India to ‘turn the corner’

As a Firm of Chartered Accountants, we do put out our comments and suggestions on policy measures especially relating to commerce and taxation regularly and engage in constructive discussions with the Authorities whenever opportunity manifests. Specifically, in the context of the Economic Survey, we do have a few, high-level suggestions for the Hon’ble Union Government, for kind consideration, in the post-Budget scenario.

Admittedly, there will be an inherent developed country bias to the international credit rating mechanism, also owing to the reason that the Indian Rupee is not a reserve currency like the USD or the Euro or the Japanese Yen, for that matter. At the outset, we recommend that it would be prudent to strengthen the fundamentals, including the value of the Indian Rupee, to such a point that this bias would get eliminated over a time period. Given the enormous stresses caused by the pandemic on the public exchequer, India, in all likelihood, would record a far higher fiscal deficit than mandated under the Fiscal Responsibility and Budget Management Act, 2003 (which generally pegs the fiscal deficit in the range of 3-3.5%). So, rather than accounting for the entire deficit in FY 2020-21, the inevitable fiscal deficit could be spread over a time period, so as to soften the blow to the Indian economic Balance Sheet. That way, it will also help address, in part, the lower sovereign credit rating assigned to India. This suggestion is based on a well-recognized accounting principle of amortization.

Talking of international credit ratings, they do take into cognizance the overall debt in the system – central, state, local bodies and the off-balance sheet items. So, we would urge the Government to –

- a) strengthen the banking and NBFC regulatory oversight mechanism to ensure it actually delivers and does so in quick time-bound manner;
- b) recapitalize the Banks to infuse liquidity in the system and
- c) lend greater systemic support to the IBC regulatory mechanism. It may bear vital notice that the recovery rate for the scheduled Commercial Banks through the IBC mechanism (since its inception) has been over 45%. Firstly, we recommend extension of the IBC process to individuals and the Partnership Firms. Next, we suggest that an expansion of the

Hon'ble NCLT and the Hon'ble NCLAT would fast track the turnaround time of the IBC process.

To be fair to the Government, the recent reforms in tax administration have ushered in a fresh wave of transparency and accountability and have incentivized tax compliance by enhancing honest tax-payers' experience. Yes, the gross tax revenue earned by the Government during the period April to November 2020 fell by 12.6% to INR.10.26 lakh crore, against the budgeted INR. 24.2 lakh crore. But it was on expected lines owing to subdued economic activity, which will only pick up from here and forward. An atmosphere of trust must be developed between the Tax authorities and the Taxpayers, both in letter and in spirit. To that end, the enactment of the Taxpayers' Charter into the tax statute books is a welcome step, in the right direction.

Climate change is a subject which is dear to our Hon'ble Prime Minister, with himself authoring books thereon and also being the co-architect of the International Solar Alliance. India has taken several proactive steps to mainstream the Sustainable Developmental Goals into the policies, schemes and programmes. Presently, eight National Missions under National Action Plan on Climate Change (NAPCC) are focused on the objectives of adaptation, mitigation and preparedness on climate risks. The Corporate sector shall and has an important role to play in mobilizing the enormous resources required (close to USD 100 billion by some estimates) to make it happen. The Budget does present a good opportunity to spur this participation through investment-linked incentives, which may be explored.

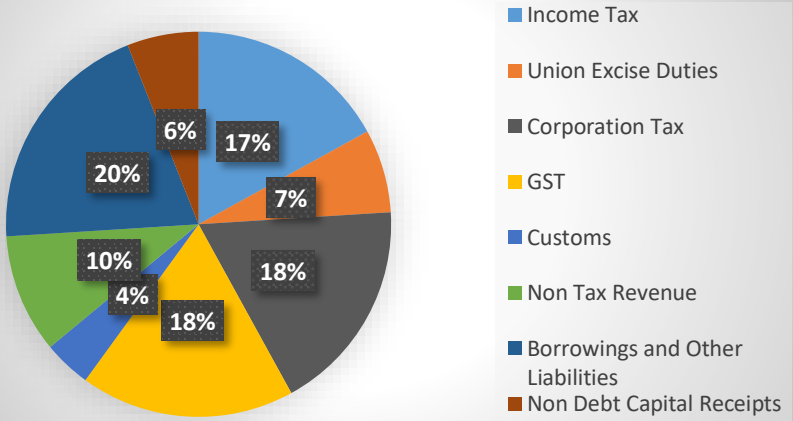
India urgently needs to be ready and be able to attract heightened global supply chain transformations and offer healthy competition to nimble-footed nations such as Vietnam and Bangladesh, who have demonstrably performed well. As these are long-term, strategic matters, an integrated focused high-level, empowered inter-ministerial Committee would merit formation to provide the required impetus to decision-making and problem-solving. For instance, India needs to augment its transportation infrastructure – ports, airports and also there is a vast scope to develop inter-state six-lanes. Another example, which the Survey also takes note, would be that the shipping turnaround times currently for Indian ports is about 2.62 days; when you compare this with some South Korean ports (Busan is 14 hours),

Shanghai is about 20 hours, the room for improvement becomes self-evident. India ranks 131 currently in Human Development Index, 63rd in Ease of Doing Business and so on and so forth – these would need focused, structural improvements.

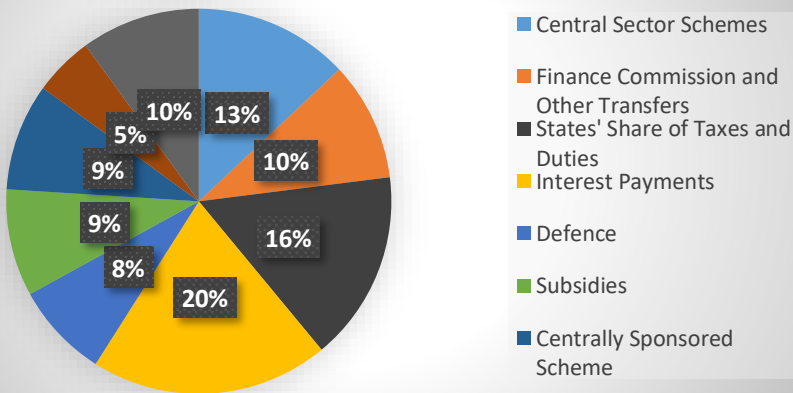
We firmly believe that India does present a significant demographic advantage, tremendous entrepreneurial spirit and coupled with a sizeable, unmissable marketplace opportunity, has the potential to expedite its leap to being the 4th largest economy (nominal GDP basis) in the world sooner rather than later.

3. Budgetary Receipts and Payments - Chart

Rupee comes from...



Rupee goes to...



4. Budget – At a Glance

4.1. Macro- Economic Proposals

- Foreign investment opened for foreign investors in the insurance sector. Foreign Direct Investment under automatic route increased from 49% to 74%.
- Consolidation of important securities laws like SEBI Act, 1992, the Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and the Government Securities Act, 2007 into one unified code.
- Proposal to take up decriminalization under various provisions of the LLP Act, 2008.
- Proposal to incentivize the incorporation of One Person Companies (“OPCs”)
 - (i) by allowing OPCs to grow without any restrictions on paid up capital and turnover,
 - (ii) allowing their conversion into any other type of company at any time,
 - (iii) reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days
 - (iv) allow Non-Resident Indians (NRIs) to incorporate OPCs in India.
- Stimulus to Infrastructure Financing by setting Development Financial Institution (‘DFI’) to act as a provider, enabler and catalyst for infrastructure financing and increased access to debt financing of InVITs and REITs by Foreign Portfolio Investors
- NCLT framework will be strengthened, e-Courts system to be implemented and alternate methods of debt resolution and special framework for MSMEs to be introduced

4.2. Direct Tax Proposal

- Senior Citizens of age 75 years and above having only Pension and Interest income shall not be required to file Income-tax Returns.
- Re-opening of Assessment has been reduced to 3 years from 6 years. Only where there is concealment of Income of Rs. 50 lakhs or more, assessment can be re-opened upto 10 years and that too with the approval of Pr. CCIT.
- Faceless Dispute Resolution Panel has been constituted for taxpayers with total income upto Rs.50 lakhs and disputed income of Rs.10 lakhs in order to reduce litigation for small tax payers.
- Proceedings before Hon'ble ITAT will now be faceless.
- Settlement Commission has been abolished from February 1, 2021, this will cause a huge challenge for search cases. Interim Board is to be constituted to deal with interim application.
- Constitution of a Board for Advance Ruling as an alternative method of providing advance ruling to taxpayers in a timely manner.
- Definition of slump sale has been widened to include transfer of undertaking by any means including slump exchange where non-cash consideration is paid.
- Goodwill of a business or profession not to be considered as a depreciable asset and therefore not eligible for depreciation overturning the Hon'ble SC ruling.
- Additional impetus and incentive to International Financial Services Centre in order to create a world class global financial hub in GIFT City.
- Tax Audit Limit to be increased to INR 10 crores from INR 5 crores for entities having less than 5% cash transactions.

- Timeline for processing of return of income reduced from 1 year to 9 months
- Due Date for filing Revised Return and Belated Return is revised from March 31 of the relevant Assessment Year to December 31 of the relevant Assessment Year or before the completion of assessment whichever is earlier;
- Reduction in the timeline for selection of scrutiny from 6 months to 3 months from the end of the FY in which the return of income is filed
- Time limit for passing an assessment order is reduced from 12 months to 9 months from the end of relevant assessment year.
- Affordable Housing – additional interest deduction (Sec 80EEA) of INR 1.5 lakhs to be extended for loans taken till March 31, 2022.
- Section 115JB to include adjustment in book profit on account of Secondary Adjustment or Advanced Pricing Agreement. Further Foreign Companies can claim benefit of concessional tax rate as per DTAA or Income Tax Rate whichever is more beneficial;
- Due date for filing declaration under the Vivad Se Vishwas scheme has been extended till February 28, 2021.
- Late deposit of Employee's contribution to various welfare funds by the Employer shall not be allowed as a deduction to the employer.
- In order to boost the demand in the real-estate sector, the safe harbour threshold has been increased from 10% to 20% (difference between stamp duty value and sale consideration) for residential unit having sale consideration not more than INR 2 Crore which is sold for first time between the period November 12, 2020 to June, 30 2021.
- Dividend payment to REIT/InvIT will be exempt from TDS

- Maturity of ULIP shall now be taxable under Income from Capital Gains where premium payable exceeds INR 2,50,000.
- Power for provisional attachment for period of six months in fake invoice cases shall be provided to the assessing officer.
- Rationalisation of provisions relating to taxation of assets or amounts received by partners from partnership firm in excess of their capital contribution.
- 'Liable to tax' has been defined as a liability to tax on that person under the law of any country and will include a case where subsequent to imposition of such tax liability an exemption has been provided.

4.3. Goods and Service Tax:

- Artificial Intelligence has been deployed to perform analytics and identify the fraudulent invoices / transactions
- Measures to remove anomalies like inverted duty structure
- Simplified return with features such as SMS based filing for nil return, pre-filled editable GST return and improved input tax credit flow to be implemented;
- Restriction on Input Tax Credit unless supplier reported in GSTR-2A/2B
- Furnishing Annual Return and Reconciliation Statement (GSTR-9 & 9C) may be done on self-certification basis by the registered person.

5. Direct Tax Rates

5.1. Income-tax Rates

5.1.1. Individuals (less than 60 years) & HUFs

The Finance Bill had introduced a new section 115BAC in Budget 2020, which allows an individual or a HUF, to opt for the new taxation regime, subject to fulfilment of certain conditions. Thus, the assessee can opt for continuing with the present regime or opt for the new regime u/s 115BAC:

Total Income	FY 2021-22 ¹	
	Old regime	New regime
0 - 2,50,000	Nil	Nil
2,50,001 - 5,00,000	5%	5%
5,00,001 - 7,50,000	20%	10%
7,50,001 - 10,00,000	20%	15%
10,00,001 - 12,50,000	30%	20%
12,50,001 - 15,00,000	30%	25%
15,00,001 and above ²	30%	30%

5.1.2. Individuals (60 years or more, but less than 80 years)

The Finance Bill had introduced a new section 115BAC in Budget 2020, which allows an individual or a HUF, to opt for the new taxation regime, subject to fulfilment of certain conditions. Thus, the assessee can opt for continuing with the present regime or opt for the new regime u/s 115BAC:

Total Income	FY 2020-21 ¹	
	Old regime	New regime
0 - 2,50,000	Nil	Nil
2,50,001 – 3,00,000	Nil	5%
3,00,001 - 5,00,000	5%	5%
5,00,001 - 7,50,000	20%	10%
7,50,001 - 10,00,000	20%	15%
10,00,001 - 12,50,000	30%	20%
12,50,001 - 15,00,000	30%	25%
15,00,001 and above ²	30%	30%

5.1.3. Individuals (80 years or more)

The Finance Bill had introduced a new section 115BAC in Budget 2020, which allows an individual or a HUF, to opt for the new taxation regime, subject to fulfilment of certain conditions. Thus, the assessee can opt for continuing with the present regime or opt for the new regime u/s 115BAC:

Total Income	FY 2021-22 ¹	
	Old regime	New regime
0 – 2,50,000	Nil	Nil
2,50,001 – 5,00,000	Nil	5%
5,00,001 - 7,50,000	20%	10%
7,50,001 - 10,00,000	20%	15%
10,00,001 - 12,50,000	30%	20%
12,50,001 - 15,00,000	30%	25%
15,00,001 and above ²	30%	30%

¹ The above tax rates are further to be increased by health and education cess at 4% on tax (including surcharge, if any).

² Surcharge in the case of every individual, HUF, AOP, BOI, AJP not having income u/s 115AD (income earned by Foreign Institutional Investors), shall be calculated as follows:

Total income including capital gains u/s 111A or 112A, if any	Surcharge	
	Capital gains covered u/s 111A or 112A	Any Other income
upto 50,00,000	Nil	Nil
50,00,001 – 1,00,00,000	10%	10%
1,00,00,001 – 2,00,00,000	15%	15%
2,00,00,001 – 5,00,00,000	15%	25%
5,00,00,001 and above	15%	37%

Surcharge in the case of Foreign Institutional Investor being individual, AOP, BOI, AJP having income u/s 115AD(1)(b) i.e. income by way of short-term or long-term capital gains arising from the transfer of securities

Total income including capital gains u/s 115AD(1)(b), if any	Surcharge	
	Capital gains covered u/s 115AD(1)(b)	Any Other income
Upto 50,00,000	Nil	Nil
50,00,001 – 1,00,00,000	10%	10%
1,00,00,001 – 2,00,00,000	15%	15%
2,00,00,001 – 5,00,00,000	15%	25%
5,00,00,001 and above	15%	37%

Note: However, marginal relief is available for such surcharge.

5.1.4. AOPs, BOIs and Artificial Juridical Persons

The Bill proposes no change in the tax rates for AOPs, BOIs and artificial juridical persons for the FY 2021-22.

Income Slabs	FY 2021-22 and onwards ¹
0 – 2,50,000	Nil
2,50,001 – 5,00,000	5%
5,00,001 - 10,00,000	20%
10,00,001 and above ²	30%

5.1.5. Co-operative Societies

The Finance Act 2020 had introduced a new section 115BAD, which allows a resident co-operative society, to opt for the new taxation regime, subject to fulfilment of certain conditions. Thus, the taxpayer can opt for continuing with the present regime or opt for the new regime u/s 115BAD. There is no change proposed in tax rates for the FY 2021-22.

The tax rates for Co-operative societies at the option of the assessee are as follows:

Income Slabs	Old Regime ³	Section 115BAD ⁴
Up to 10,000	10%	22%
10,001 - 20,000	20%	22%
20,001 and above ³	30%	22%

³The amount of income-tax computed, shall in the case of Co-operative society, having a total income exceeding INR 1 crore be increased by a surcharge calculated at the rate of 12% of such income-tax. The above tax rates are further to be increased by health and education cess of 4% on tax (including surcharge, if any). However, marginal relief is available for such surcharge.

⁴The amount of income-tax computed shall be increased by a surcharge calculated at the rate of 10% of such income-tax. The above tax rates are further to be increased by health and education cess of 4% on tax.

5.1.6. Local Authorities

The Bill proposes no change in the existing tax rate of 30% for local authorities. There is no change in the surcharge at the rate of 12% of such income tax in case of a local authority having a total income exceeding INR 1 crore. The above tax rates are further to be increased by health and education cess of 4% on tax (including surcharge, if any). However, marginal relief is available for such surcharge.

5.1.7. Partnership Firms / LLPs

The Bill proposes no change in the existing tax rate of 30% for Partnership Firms / LLPs. There is no change in the surcharge at the rate of 12% of such income tax in case of Partnership Firms / LLPs having a total income exceeding INR 1 crore. The above tax rates are further to be increased by health and education cess of 4% on tax (including surcharge, if any). However, marginal relief is available for such surcharge.

5.1.8. Companies

- **Domestic companies (other than companies opting for concessional tax regime under section 115BAA and 115BAB)**

In case of a domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the FY 2019-20 does not exceed INR 400 crore and in all other cases the rate of income-tax shall be 30% of the total income.

As such, the effective normal tax rates and MAT rates for domestic companies for FY 2021-22 are as follows:

Income Slabs	Turnover or Gross Receipts < INR 400 crore in FY 2019-20		Turnover or Gross Receipts ≥ INR 400 crore in FY 2019-20	
	Effective normal tax ⁵	Effective MAT ⁵	Effective normal tax ⁵	Effective MAT ⁵
0 - 1,00,00,000	26.00%	15.60%	31.20%	15.60%
1,00,00,001 - 10,00,00,000 ⁶	27.82%	16.69%	33.38%	16.69%
1,00,00,001 and above ⁷	29.12%	17.47%	34.94%	17.47%

⁵ The above rates are inclusive of health and education cess at the rate of 4%.

⁶ The above rates are inclusive of surcharge at the rate of 7% if the total income exceeds INR 1 crore but does not exceed INR 10 crore, subject to Marginal Relief.

⁷ The above rates are inclusive of surcharge at the rate of 12% if the total income exceeds 10 crore, subject to Marginal Relief.

➤ **Effective rates under the sections 115BAA and 115BAB.**

The effective tax rates for such companies for FY 2021-22 are as follows:

Domestic Companies opting for 115BAA on fulfillment of certain conditions ⁸	Domestic Companies opting for 115BAB on fulfillment of certain conditions ⁸
25.17%	17.16%

⁸ The above rates are inclusive of surcharge at the rate of 10% in case of such companies, irrespective of the total income of the company. In addition, the above rates are inclusive of health and education cess at the rate of 4%.

• **Foreign Companies**

The Bill proposes no change in the existing tax rates of foreign companies for FY 2021-22. As such, the effective normal tax rates and MAT rates for foreign companies for FY 2021-22 are as follows:

Income Slabs (INR)	FY 2021-22	
	Effective Normal Tax ⁹	Effective MAT ⁹
0 - 1,00,00,000	41.60 %	15.60 %
1,00,00,001 – 10,00,00,000 ¹⁰	42.43 %	15.91 %
10,00,00,001 and above ¹¹	43.68 %	16.38

⁹ The above rates are inclusive of health and education cess at the rate of 4%.

¹⁰ The above rates are inclusive of surcharge at the rate of 2% in case of a foreign company if the total income exceeds INR 1 crore but does not exceed INR 10 crore. Subject to Marginal Relief.

¹¹ The above rates are inclusive of surcharge at the rate of 5% if the total income of the foreign company exceeds INR 10 crore. Subject to Marginal Relief.

5.2. TDS Rates

Sr. No.	Nature of Payment	Section	Threshold for Deduction	Rate at which Tax is to be Deducted
1.	Salary [Note 7, 9]	192	As per slab rates prescribed for individuals (including senior and very senior citizens)	
2.	Payment of accumulated balance due to an employee	192 A	Payment in excess of INR 50,000 p.a.	10%

3.	Interest on securities	193	Any Payment	10%
4.	Dividends [Note – 12]	194	Payment in excess of INR 5,000	10%
5.	Interest other than interest on securities [Notes 8,11]	194 A	Payment in excess of INR 5,000/ 40,000/ 50,000 p.a.	10%
6.	Winnings from lottery or crossword puzzle or card game or other game [Note 9]	194 B	Payment in excess of INR 10,000	30%
7.	Winnings from horse race [Note 9]	194 BB	Payment in excess of INR 10,000	30%
8.	Payments to contractors [Note 8]	194 C	Payment in excess of INR 30,000 per contract or INR 1,00,000 p.a. in aggregate	2% (1% for individual and HUFs)
9.	Insurance commission	194 D	Payment in excess of INR 15,000	5%
10.	Non-Exempt payment under LIC net of premium paid.	194 DA	Payment in excess of INR 1,00,000	5%
11.	Payment in respect of NSS Deposits	194 EE	Payment in excess of INR 2,500	10%
12.	Commission on Sale of Lottery tickets	194 G	Payment in excess of INR 15,000	5%
13.	Commission or brokerage [Note 8]	194 H	Payment in excess of INR	5%

			15,000 p.a.	
14.	Rent towards Land / a) Building / Furniture [Note 8]	194-I	Payment in excess of INR 2,40,000 p.a.	10%
14.	Rent towards Plant, b) Machinery or Equipment [Note 8]	194-I	Payment in excess of INR 2,40,000 p.a.	2%
15.	Consideration for transfer of immovable property (other than agricultural land)	194-IA	Payment in excess of INR 50,00,000	1%
16.	Individuals or HUF (other than those covered under 44AB of the Act), responsible for paying to a resident, any income by way of rent	194-IB	Payment in excess of INR 50,000 per month or part of month	5%
17.	Any monetary consideration payable under the specified agreement u/s 45(5A)	194-IC	Any payment	10%
18.	Fees for technical a) services [Note 8]	194 J	Payment in excess of INR 30,000 p.a.	2%
18.	Fees for other b) professional services [Note 8]	194 J	Payment in excess of INR 30,000 p.a.	10%
19.	Income in respect of Units of Mutual Fund	194 K	Payment in excess of INR 5,000 p.a.	10%
20.	Payment of Compensation on acquisition of certain Immovable Property other than u/s 96 of Right to Fair	194 LA	Payment in excess of INR 2,50,000 p.a.	10%

	Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013			
21.	Income by way of interest from infrastructure debt fund payable to a non-resident, not being a company, or to a foreign company	194 LB	Any payment	5%
22. a)	Certain income from units of a specified business trust except dividend	194 LBA	Any payment	Resident - 10% Non Resident – 5% or the rates in force as the case may be
22. b)	Dividend income from units of a specified business trust	194 LBA	Any payment	Resident & Non Resident – 10%
23.	Income in respect of specified units of investment fund	194 LBB	Any payment	10%
24.	Income payable to an investor, in respect of an investment in a specified securitisation trust.	194 LC	Any payment	i) For Resident, 25%(Individual and HUF), 30% (For other) ii) For non-resident –

				rates in force
25.	Income by way of interest from Indian Company payable to non-resident, not being a company or to a foreign company by a specified company i) in respect of monies borrowed by it in foreign currency from a source outside India subject to certain conditions ii) to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the CG	194 LC	Any payment	4%
26.	Income by way of interest (as specified) on certain bonds and government securities for paying to a person being a Foreign Institutional Investor or a Qualified Foreign Investor	194 LD	Any payment	5%
27.	Payment by Individual/HUF (other than those covered under 44AB of the Act) to contractors and professionals	194 M	Payment in excess of INR 50,00,000 p.a.	5%
28.	Cash payments by banks and post office.	194 N	Cash Payment in excess of INR	2%

			1 Crore p.a.	
29.	Payment of certain sums by E-commerce Operator to E-commerce Participant	194-O	Any payment	1%
30.	Deduction of tax in case of specified senior citizen. (new section) [Note 13]	194-P		As per slab rates prescribed for specified senior citizens
31.	Purchase of goods. (new section) [Note 14]	194-Q	Payment of INR 50 Lakhs p.a. or more	0.1% of the amount exceeding INR 50 Lakhs

Notes:

1. Time of deduction of tax:

Except in case of salary and LIC payments (wherein tax is to be deducted at the time of payment), tax is to be deducted at the time of payment or credit, whichever is earlier.

2. Time of deposit of tax:

All sums deducted shall be deposited with the Government within 7 days from the end of the month in which the deduction is made. However, where the amount is credited or paid to the account of the payee in the month of March, the tax is required to be deposited with the Government on or before April 30.

3. Mode of making payment of tax:

For payment of tax, challan no. ITNS 281 is to be used. All companies and deductors, who are liable to tax audit have to make payment of tax by

electronic mode. Others can make payment of tax either physically or by electronic mode.

4. TDS Return:

Person deducting tax is required to file quarterly statements for the quarter ending on June 30, September 30, December 31 and March 31 in each financial year, in Form 26Q (Form 24Q for Salary) along with Form 27A, on or before July 31, October 31, January 31 and May 31 respectively. Form 26Q and Form 24Q are to be filed electronically while Form 27A is to be filed in physical form.

5. Certificate for tax deduction in case of non-salary payments:

TDS Certificate in Form 16A is required to be issued on quarterly basis within 15 days from the due date of furnishing TDS Return i.e. on or before August 15, November 15, February 15 and June 15.

6. Certificate for tax deduction in case of salary payments:

TDS Certificate in Form 16 is required to be issued on annual basis by May 31 of the financial year immediately following the financial year in which the income was paid and tax deducted.

7. Liability to deduct TDS:

An individual or HUF per-se is not liable to deduct tax. However, liability to deduct TDS u/s 194A, 194C, 194H, 194I and 194J, as the case may be, will arise for individuals / HUFs in the following circumstances:

- a) If total sales / turnover / gross receipts exceed INR 1 crore in case of business.
- b) If gross receipts exceed INR 50 lakhs in case of profession

This implies that businesses, which are not liable to tax audit owing to having turnover less than INR 10 crore, will also be required to deduct tax at source if turnover exceeds INR 1 crore.

The monetary threshold of turnover for deduction of tax at source u/s 194A for Co-operative Societies is separately prescribed as INR 50 crore.

8. Payments made to non- residents:

Above rates are not applicable in case of payments made to foreign companies and non-residents except in case of sections 192, 194B, 194BB, which are also applicable to non-residents.

9. Higher TDS rate for not furnishing PAN:

In case the payee is not able to furnish PAN to the payer, tax shall be deducted w.e.f. April 1, 2010 at higher of the rates specified in the relevant provision of the Income-tax Act or at the rates in force or 20%.

10. TDS on Interest u/s 194A:

It is now provided that exemption from deduction of TDS on interest other than interest on securities is *inter-alia* also provided to infrastructure debt fund so that tax is not deducted on income from zero coupon bond issued by such fund and the same shall have effect from April 1, 2021.

11. Exemption to deduct tax on payment of dividend to business trust.

Section 194 of the Act, provides that tax should be deducted on payment of dividend to residents. However, there are certain exceptions to this provision, which presently does not include business trust listed on the recognized stock exchange (namely Infrastructure Investment Trust and Real Estate Investment Trust registered under SEBI Act), and any other person as may be notified by the Central Government in the Official Gazette in this behalf.

It has now been proposed to amend said section to exclude dividend income received from such business trust by a special purpose vehicle as well. Thereby, TDS shall not be required to be deducted on such income.

The same shall be applicable retrospectively from April 1, 2020

12. Deduction in case of specified senior citizen

Specified resident senior citizen who is of the age of 75 years or more at any time during the previous year need not file the return of income, in case if the banking company has deducted tax after giving effect to the deduction under Chapter VI-A and rebate allowable u/s 87A on computed total income, provided the specified senior citizen has earned only pension income and interest income in the same bank where pension is received.

Further, to avail this benefit, the specified senior citizen shall file a declaration containing the particulars of his income to the bank in the form which is yet to be prescribed. This amendment shall be effective from April 1, 2021.

13. Payment of certain sum for purchase of goods

TDS at 0.1% is required to be deducted on purchase of goods by such buyers whose total sales, gross receipts or turnover from the business carried on by him in preceding previous year exceeds INR 10 crore and purchase of goods from resident seller in previous year exceeds INR 50 Lakhs.

Any such sum standing in the “suspense account” or by any other name in the books of account of the buyer shall be deemed to be credit of income to the account of payee and tax shall be required to be deducted on the same.

Provisions of this section is not applicable to transactions on which tax is already deducted under any of the provisions of the Act or tax is collectible u/s 206C other than 206C(1H).

Further, if the seller does not furnish his permanent account number, then section 206AA requires TDS under this section to be deducted at 5%.

14. Special provision of TDS/TCS for non-filers of income-tax return

Until now, TDS/TCS was required to be deducted at a higher rate u/s 206AA or 206CC in case if the deductee or collectee respectively did not furnish PAN. The CBDT felt the need to have similar provisions to ensure that the seller or the buyer files its return of income.

It is now proposed to extend the scope of deducting or collecting higher rate of TDS/TCS respectively for certain 'specified persons', which includes a person who has not filed its return of income for 2 AYs relevant to the 2 PYs immediately prior to the previous year in which tax is required to be deducted or collected, for which time limit u/s 139(1) of the Act has expired and has aggregate of TDS and TCS in his case INR 50,000 or more in each of the two relevant previous years.

Example:

- a) In case transaction occurs on July 15, 2021, provisions of section 206AB/206CCA shall apply in a case where a person has not filed its return of income for AY 2020-21 and AY 2019-20 and had aggregate of TDS/TCS amounting to INR 50,000 or more in each of these 2 AYs.
- b) In case transaction occurs on October 14, 2021, provisions of section 206AB/206CCA shall apply in a case where :
 - person not covered under tax audit : not filed its return of income for AY 2020-21 and AY 2021-22 and had aggregate of TDS/TCS amounting to INR 50,000 or more in each of these 2 AYs
 - person covered under tax audit : not filed its return of income for AY 2019-20 and AY 2020-21 and had aggregate of TDS/TCS amounting to INR 50,000 or more in each of these 2 AYs as return of income would have not been filed by such date.

Further, it is provided that the term 'specified person' shall not within its ambit include a non-resident who does not have a permanent establishment in India, for this purpose permanent establishment includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.

The rate at which TDS/TCS is required to be deducted/collected under the new section 206AB and 206CCA shall be the higher of the following:

- a. twice the rate specified in the relevant provisions of the Act, or
- b. twice the rate or rates in force, or
- c. at the rate of 5%.

Further, if the specified person has also not provided PAN, then TDS/TDS shall be deducted at the higher of the two rates specified u/s 206AA or 206AB and 206CC or 206CCA, respectively.

The said section 206AB shall apply only in case where TDS pertains to sections other than sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act. The said provision is applicable w.e.f. July 1, 2021.

15. Rationalisation of the provision concerning withholding on payment made to Foreign Portfolio Investors (FPI's)

Earlier, section 196D provided that on any income paid to the FIIs other than interest referred u/s 194LD, the tax shall be deducted at source at the rate of 20%.

Since the said section provides specific rate for tax deduction, benefit of DTAA could not be given. Whereas, in other TDS provisions it mandates to deduct TDS at rates in force wherein it is specifically defined to allow benefit of DTAA.

The said principle was also upheld by Hon'ble Supreme Court in case of PILCOM vs. CIT West Bengal (Civil Appeal no. 5749 of 2012) that benefit of DTAA shall only be allowed where tax is required to be deducted at rates in force whereas where specific rates are mentioned benefit of DTAA shall not be provided.

Liberalizing the provisions pertaining to withholding of TDS on such income and considering the fact that the benefit of DTAA shall be given to the FPIs, it is now proposed to provide that in case if the provisions of DTAA applies to the payee and the payee has furnished the tax residency certificate, then tax shall be deducted at the rate of 20% or rate or rates of

income-tax provided in DTAA for such income, whichever is lower. This will be a huge relief to FPIs.

The said amendment is applicable w.e.f. April 1, 2021.

16. Interest for deferment of Advance tax dividend

Section 115BBDA was abolished w.e.f April 1, 2020 accordingly entire dividend income was taxable in the hands of the shareholders without any exemption limit. Accordingly, the shareholder was required to estimate the dividend income and pay advance tax to ensure interest u/s 234C is not levied.

It is now proposed to amend section 234C to provide relaxation to taxpayers, thereby no interest u/s 234C shall be levied on the taxpayer for failure in estimation of dividend income except dividend income referred u/s 2(22)(e) of the Act. Accordingly, advance tax liability on dividend income shall arise only after the declaration / payment of dividend.

The said amendment is applicable w.e.f. April 1, 2020.

6. Direct Tax Proposals

6.1. Dispute Resolution and Assessment Provisions

6.1.1. Constitution of Dispute Resolution Committee for small and medium litigant taxpayers

- In order to provide early tax certainty to small and medium litigant taxpayers, it is proposed to constitute a Dispute Resolution Committee (DRC), for 'preventing new disputes and settling the issues at initial stage itself'. The DRC shall have the powers to reduce or waive any penalty imposable under this Act or grant immunity from prosecution for any offence under this Act in case of person whose dispute is resolved under this provision subject to such conditions as may be prescribed. The procedural contours of the DRC shall be notified in due course. A new Chapter (Chapter XIX-AA) has been introduced under which Section 245MA has been inserted, effective April 1, 2021.
- Only those disputes where the returned income is INR 50 lakhs or less (if there is a return of income) and the aggregate amount of variation proposed in specified order (which includes a draft assessment order) is INR 10 lakh or less shall be eligible to be considered by the DRC. Also, only those taxpayers can access the scheme where no detention, prosecution or conviction under various laws specified in the section are initiated / levied on the assessee or where the dispute is not based on a search u/s 132 or requisition u/s 132A or survey u/s 133 or information received under an agreement referred to in section 90 or section 90A.

6.1.2. Procedure for income escaping assessments and search assessments completely revamped

- Presently under the Act, if the Ld. AO has reason to believe that any income chargeable to tax has escaped assessment for any AY, he may assess or reassess or re-compute the total income for such year u/s 147 of the Act by issuing a notice u/s 148 of the Act. Usually, the current procedure is that once the Ld. AO has formed an opinion that there is

escapement of income, he/she would proceed to issue notice u/s 148 of the Act, requiring the taxpayer to furnish return of income. Upon receipt of the return of income, the Ld. AO would complete the reassessment proceedings. However, such reopening is subject to the time limits prescribed in section 149 of the Act.

- There were plethora of litigation involving aspects relating to the issue of notice u/s 148 especially challenging the basis of formation of opinion, as aforesaid. Further, the income-tax department feels that the information collected through various channels and means including statement of financial transactions or reportable accounts or other law enforcement agencies and much of these information were also shared with the taxpayer through the annual information system. In this view of the matter, the information prompting the Ld. AO to form an opinion about income escaping assessment is to a large extent, information-driven. Therefore, the procedure part for conducting reassessments is proposed to be thoroughly revamped, with expectations, that it would result in less litigations and would provide ease of doing business to taxpayers.
- The new, revamped procedure now consist of a two-staged process of reassessment proceedings. In the 1st stage, before the Ld. AO could issue notice u/s 148 to the taxpayer, he/she has to conduct enquiries beforehand and provide opportunity of being heard to the taxpayer, after obtaining due approval of Principal Commissioner of income-tax (if 3 years or less have elapsed from relevant AY) or Principal Chief Commissioner of income-tax (in other cases). This issue of notice, which is basically to enable the Ld. AO for forming an opinion, is a new requirement and has been inserted in section 148A of the Act. After considering the taxpayer's reply, the Ld. AO shall decide, by passing an order, whether it is a fit case for issue of notice u/s 148 and serve a copy of such order along with such notice on the taxpayer. However, this procedure of enquiry, providing opportunity and passing order, before issuing notice u/s 148 of the Act, shall not be applicable in search or requisition cases.
- It is also proposed to provide that any information received from the CAG or gathered during search, survey or requisition matter or flagged

off by any computer-based risk management strategy formulated by the CBDT shall constitute information suggesting escapement of income.

- After the stage anterior to the actual conduct of the reassessment has been completed, as discussed above, the rest of the procedural part of conducting reassessment proceeding would remain pretty much same as it is currently.
- The provisions of section 153A and section 153C of the Act are proposed to be made applicable to only search initiated u/s 132 of the Act or books of account, other documents or any assets requisitioned u/s 132A of the Act, on or before March 31, 2021.
- Assessments or reassessments or re-computation in cases where search is initiated u/s 132 or requisition is made u/s 132A, after March 31, 2021, shall be under the new procedure described above.
- Time limit for issuance of notice u/s 148 is proposed to be revised as follows:
 - a) in normal cases - up to 3 years from the end of the relevant AY.
 - b) In specific cases i.e. if the Ld. AO has in his possession evidence which reveal that the income escaping assessment is INR 50 Lakhs or more in a year - More than 3 years but less than 10 years.

6.1.3. Faceless proceedings before the Income Tax Appellate Tribunal (ITAT) enabled

In order to impart greater efficiency, transparency and accountability, new faceless assessment scheme, faceless appeal scheme and faceless penalty scheme have already been introduced. Now it is proposed to introduce faceless scheme for ITAT proceedings as well. A new section 255 of the Act has been inserted in the Act to give effect to the same. What caught our eye is the talk of 'an appellate system with dynamic jurisdiction'.

This amendment will take effect from April 1, 2021.

6.1.4. Changes in Income Tax Return Processing and Assessment Timelines

i. Reduction in the time of processing of return of income

- Presently, the return of income is processed, within 1 year from the end of financial year in which the return is made. Now, this timeline is reduced from 1 year to 9 months.

ii. Scope of CPC to process the return of income is expanded

- The existing provisions of clause (a) of sub-section (1) of section 143 of the Act also known as summary assessment provide the authority to the CPC to process the return of income and compute the total income or loss only within the ambit of adjustments specified in clauses (i) to (vi) therein. With a view to empowering the CPC to give effect to certain items which they come across during aforesaid processing, it is now proposed to allow for a) the adjustment on account of increase in income indicated in the audit report but not taken into account in computing the total income and b) to disallow the deduction claimed u/s 10AA or under any of the provisions of Chapter VI-A under the heading “C.-Deductions in respect of certain incomes”, so as to give consequential effect to amendment carried out in section 80 AC vide Finance Act, 2018.

iii. Reduction in the time limit for selection of scrutiny assessment by issue of notice u/s 143(2) of the Act

- Presently, the case of the taxpayer can be selected for scrutiny within 6 months from the end of the financial year in which the return of income is filed. The same is now proposed to reduce to 3 months from the end of the financial year in which the return of income is filed.

iv. Notice u/s 142(1) can now also be issued by ‘prescribed authority’ in line with the faceless policy

- Section 142(1)(i) of the Act provides authority to only Ld. AO to issue notice to a taxpayer, who has not submitted a return of income, asking for submission of return. In view of the introduction of the faceless assessment scheme, it is proposed to empower the ‘prescribed income-tax authority’ besides the Ld. AO to issue the notice under the said clause, effective from April 1, 2021.

6.1.5. Reduction of time limit for completing assessment

- Presently, the time-limit for passing an assessment order u/s 143 or 144 of the Act shall be 21 months from the end of the assessment year in which the income was first assessable. Subsequently, the same was reduced to 18 months for AY 2018-19 and 12 months for AY 2019-20 and subsequent assessment years. The CBDT feels that owing to rapid strides made in the use of technology and the introduction of faceless assessments, the time required for completion of assessment procedure, presents scope for further reduction. It has therefore been now proposed that the time limit for completion of assessment proceeding shall be reduced to 9 months for AY 2021-22 and subsequent assessment years.

6.1.6. Constitution of Board Advance Rulings

- In the present scheme of the Act, there is an Authority of Advance Ruling (AAR) which pronounces its rulings on the applications of the non-residents / residents and such rulings are binding both on the applicants and the tax department. The members of the AAR are usually drawn from a pool of retired Supreme Court and High Court Judges. It was experienced that due to non-availability of qualified people, the posts of Chairman and Vice-Chairman remained vacant for prolonged periods. Due to this, the working of AAR was seriously impacted and large number of applications were pending for disposal. As an alternative method of providing advance ruling to taxpayers in a timely manner, it is now proposed to constitute one or more Boards for

Advance Ruling. The AAR will cease to operate from a date yet to be notified.

- Every Board shall consist of two members, each being an officer not below the rank of Chief Commissioner. Advance rulings of such Board shall not be binding on the applicant or the Department and if aggrieved, the same can be appealed against before the High Court. The appeal to High Court against the order passed or ruling pronounced by the Board should be filed within sixty days. The contours of the procedural part of operations of this Board are yet to be notified.
- This amendment will take effect from April 1, 2021.

6.1.7. Discontinuance of Income-tax Settlement Commission ('ITSC') from immediate effect

- It is proposed to discontinue ITSC with immediate effect from the budget date i.e. February 1, 2021 and to constitute an Interim Board for Settlement (consisting of 3 members, each being an officer of the rank of Chief Commissioner), for adjudicating the pending cases i.e. applications which were filed on or before January 31, 2021 u/s 245C and not declared invalid u/s 245D(2C) and no order u/s 245D(4) of the Act (i.e final order) was issued on or before January 31, 2021 This Board shall have all the powers vested in the erstwhile ITSC.
- The taxpayer who had filed such pending application, may at his/her option, withdraw such application within a period of 3 months from the date of commencement of the Finance Act, 2021 and intimate the Ld. AO about such withdrawal. Once the application is withdrawn, the proceedings with respect to the application shall abate on the date on which such application is withdrawn and the Ld. AO shall dispose of the case in accordance with the Act as if no such application had been filed. The Ld. AO shall not be entitled to use the material and other information produced by the taxpayer before the ITSC or the results of the inquiry held or evidence recorded by the ITSC in the course of proceeding before it. For the purpose of calculating time limit under various provisions of the Act, the period commencing from the date of

the application to the ITSC u/s 245C of the Act and ending with the date on which application is withdrawn shall be excluded.

- If the option to withdraw is not exercised, the application is deemed to have been allotted / transferred to Interim Board and accordingly, all the records, documents or evidences with the ITSC shall be transferred to such Board.
- Discontinuation of the ITSC with immediate effect appears to be rather harsh and arbitrary more by the Government as it leaves many assessee's in the lurch, be it assessee's who were planning to file a petition or assessee's who have a pending case before the ITSC and now have to appeal before an Interim board, which due to its composition would have an inherent bias towards the Department. Further, discontinuance of ITSC has a huge blow to assessee's in search matters, as complex issues involving telescoping, capitalization etc. will be difficult to represent before the A.O. in search assessments.

6.1.8. Reducing time to file belated return and to revise original return and also to remove difficulty in cases of defective returns

- Presently, the provisions of section 139 of the Act allow the tax payer to file belated / revised Return of Income up to March 31 of the relevant Assessment Year or before the completion of assessment whichever is earlier.
- It has been proposed to restrict the above due dates for filing belated / revised return from March 31 of the relevant assessment year to December 31 of the relevant assessment year or before the completion of assessment whichever is earlier.
- Section 139(9) of the Act provides for the procedure for curing a defective return. The Explanation to the sub section lists the conditions in which the return of income shall be considered as defective/invalid. A large number of returns become defective by application of said conditions which has led to genuine difficulties for the taxpayer. In this regard, the CBDT has received large number of grievances and representations.

- Hence, it has been proposed to insert a new proviso to the said explanation for relaxing the said conditions for a class of assessee or with such modifications as may be notified.
- This amendment is applicable with effect from April 1, 2021.

6.2. Business Restructuring

6.2.1. Depreciation of Goodwill specifically denied

- Presently, goodwill of a business or a profession has not been specifically provided as an 'asset' either in the definition of 'Block of Asset' or in section 32 of the Act which deals with depreciation. However, based on the Hon'ble Supreme Court decision in the case *Smiff Securities Limited [(2012)348 ITR 302 (SC)]*, goodwill of a business or profession was considered as a depreciable asset.
- It is now proposed to amend various provisions of the Act to discontinue the allowability of the claim of depreciation on goodwill. The rationale propounded at length by the Explanatory Memorandum to the Finance Bill, 2021 is that 'goodwill in general was not a depreciable asset and in fact depending on how the business runs, goodwill may see appreciation or in the alternative may not see depreciation to its value. Accordingly, it is now proposed to specifically deny depreciation on goodwill by proposing the following amendments:
 - Section 2(11) of the Act to provide that the definition of the block of asset shall not include goodwill of a business or profession;
 - Section 32(1)(ii) of the Act and explanation 3 to section 32(1) of the Act to provide that goodwill of a business or profession shall not be considered as an asset for the purpose of depreciation.
 - Section 50 of the Act to provide that where goodwill of a business or profession formed a part of the block of asset for the assessment year beginning on April 1, 2020 and depreciation has been claimed on the same, the written down value of that block of

asset and short-term capital gain, if any, shall computed after reducing the depreciation so obtained by the assessee from the amount of the purchase price of the goodwill.

- Section 55 of the Act by substituting clause (a) of subsection (2) to provide that:
 - in the case of acquisition of such asset, the purchase price shall be the cost of acquisition.
 - where the asset is acquired by the previous owner under sub-clause (i) to (iv) of section 49(1), the cost would be the amount of the purchase price for such previous owner.
 - in any other case, the cost shall be taken to be nil.
- These amendments will take effect from April 1, 2021.

6.2.2. Plugging-in the erstwhile tax planning opportunity upon transfer of capital asset to partner on dissolution or reconstitution

- Presently section 45(4) of the Act, provides that any profits or gains arising by way of distribution of capital assets on the dissolution of a firm or other AOP or BOI, shall be chargeable to tax as the income of such firm or other AOP or BOI in the year in which such transfer takes place. As such, the possibility of planning the tax liability through revaluation of assets before such planned dissolution or reconstitution was left unaddressed. Further, the transfer of money or non-capital asset during such process was arguably left unattended to.
- In order to mitigate these uncertainties / possibilities, the law is now proposed to be much more explicit and expansive in scope. Accordingly, section 45(4) of the Act has been substituted and a new sub-section 45(4A) dealing with money or non-capital asset has also been inserted to address the issue.
- The new substituted sub-section (4) of section 45 of the Act is broadly on earlier lines, taxing the delta between the FMV of the capital asset

on the date of such transfer and the cost in books under the head capital gains. Just that now, it is specifically proposed to exclude any increase in the capital account of the specified person (i.e. Partner) due to revaluation of any asset or due to self-generated goodwill or any other self-generated asset.

- Similarly, the new sub-section (4A) applies in a case where a specified person receives any money or other asset (non-capital) at the time of dissolution or reconstitution of the specified entity. For this purpose, the money or other asset so transferred, is required to be in excess of the balance in the capital account of such specified person (i.e. Partner) in the books of account of the specified entity (i.e. Firm) at the time of its dissolution or reconstitution and the same shall be reduced from full value of the consideration, so as to mitigate double taxation.
- What we did not see is the corresponding amendment in the definition of the 'cost of acquisition' u/s 55 of the Act, so as to provide specific guidance for computation of tax upon eventual sale in the hands of the receiving partner.
- The said amendments is applicable w.e.f April 1, 2021

6.2.3. Slump Sale definition widened to include transfer of undertaking by any means including an exchange where non-cash consideration is paid.

- The existing definition of slump sale u/s 2(42C) of the Act defines slump sale to mean the transfer of one or more undertakings as a result of sale for lump sum consideration without value being assigned to individual assets and liabilities in such cases. Many Courts have interpreted the sub-section in literal sense to mean that, transfer would only include sale and no other attributes of transfer as contained in Section 2(47) of the Act which includes exchange, relinquishment etc.
- In order to bring out the Hon'ble Legislature's intent clearly, it is proposed to amend the scope of the definition of the term slump sale by amending the provision of section 2(42C) of the Act so that all types

of transfer including slump exchange transaction where non-cash consideration is paid as defined in section 2(47) of the Act are included within its scope.

- This amendment will take effect from the April 1, 2021

6.2.4. Facilitating strategic divestment of Public Sector Undertaking (PSU)

- As per the existing provisions of section 72A of the Act, accumulated losses and unabsorbed depreciation of the amalgamating company can be carried forward and set off by the amalgamated company in certain specified cases and subject to conditions specified therein. In order to promote facilitate strategic divestment of PSU, it is proposed that the provisions of section 72A of the Act shall be applicable in case of amalgamation of any PSU with another PSU.
- This provision shall also be applicable in case of amalgamation of a PSU with any other company, if the share purchase agreement under strategic divestment (sale of shareholding by Central Government or any State Government in a PSU which results in its shareholding to go below 51% in that PSU along with loss of control) restricts immediate amalgamation and the said amalgamation is carried out within 5 years from the end of the year in which such restriction on amalgamation ends.
- It is also provided that in case of amalgamation resulting from strategic divestment, the accumulated losses and unabsorbed depreciation to be carried forward and set off by the amalgamated company shall not exceed the accumulated losses and UD of the PSU existing as on the date on which such PSU ceases to be a PSU.
- Further, an explanation is added to the definition of “demerger” u/s 2(19AA) to provide that reconstruction/ splitting up of a PSU into a separate company shall be deemed to be a demerger if assets of the demerged company are transferred to the resulting company and the resultant company is a PSU on the appointed date indicated in the scheme approved by the Government.

- This amendment is applicable w.e.f. April 1, 2021.

6.3. International Taxation

6.3.1. Clarification regarding the scope of Equalization Levy

- Currently Equalization Levy is levied at the rate of 2 percent of the amount of consideration received by any E-commerce operator from Ecommerce supply of goods or services provided or facilitated by it to a person resident in India. As a corollary to this tax treatment section 10(50) of the Act exempts the income arising to the Ecommerce operator, to the extent it was chargeable to equalization Levy.
- The Finance Bill 2021 provides clarification to correctly reflect the intention of this levy, in this specific regard, by providing that ;-
 - such consideration shall not include consideration which are taxable as royalty or Fees for technical services under the Act read with the Treaty;
 - the online activities of supply of goods or provision of services shall include one or more activities taking place online in the entire value chain, such as acceptance of offer for sale, placing order the purchase order, acceptance thereof, payment of consideration, supply of good or provision of goods or service partly or wholly;
 - there was no requirement for Ecommerce operator to either own the goods or provide or facilitate the service.
- This amendment will take effect from April 1, 2021.

6.3.2. Definition of the term “Liable to tax”

- The Act currently does not define the term “liable to tax” though this term is used in section 6(1A), section 10(23FE) and various agreements entered into under section 90 or section 90A of the Act.

Hence, it is proposed to insert clause (29A) to section 2 of the Act providing its definition and clarify the position.

- The term “liable to tax” in relation to a person means that there is a liability of tax on that person under the law of any country and will include a case where subsequent to imposition of such tax liability, an exemption has been provided.
- Now with the amendment, it is clarified that cases where a person can merely be subjected to tax in the future, but no liability is imposed at present, such person would not be considered as a person liable to tax for purposes of deemed residency u/s 6(1A) of the Act.
- This amendment will take effect from April 1, 2021.

6.4. Trust and Charitable Institutions

6.4.1. Not for profit Educational Institutions and Hospitals – exemption from income if turnover less than INR 5 crores

- Section 10(23C) of the Act provides for exemption of income received by any person specified in different sub-clauses.
- In order to provide benefit to small trust and institutions, it has been proposed, to increase the threshold limit of above provision from INR 1 crore to INR 5 crore for universities or educational institution referred to in sub-clause (iiiad) as well as hospitals referred to in sub-clause (iiiiae) of the Act.
- This amendment will take effect from April 1, 2021.

6.4.2. Rationalisation of the provision of Charitable Trust and Institutions to eliminate possibility of double deduction while calculating application or accumulation

- Under the existing provisions, corpus donations received shall not form part of income of the Trust. Instances have also come to the notice of the CBDT, where Charitable Trusts take loans or borrowings and make

application for charitable or religious purposes out of the proceeds of loans and borrowings. Such loans or borrowings when repaid, are again claimed as application. This results in unintended double deduction. Both these situations, at times, also result in paper loss which is claimed by the assessee as carry forward resulting in unintended short application (less than 85%) in following years.

- In order to rationalize the provision of Charitable Trust and Institutions and to eliminate possibility of double deduction while calculating application or accumulation of income, the following amendments have been proposed:
 - (i) Voluntary contributions made with a specific direction have to be invested in modes specified in section 11(5) of the Act.
 - (ii) Application out of corpus shall not be considered as application for charitable or religious purposes. However, corpus amount invested in modes specified u/s 11(5) of the Act, shall be allowed as application when the same is deposited back to corpus to the extent of such deposit or investment.
 - (iii) Application from loans and borrowings shall not be considered as application of income. However, the same would be considered as an application when the same are repaid.
- Clarification has been provided in Section 10(23C) and Section 11 which provides that no set off of any excess application, for any of the previous year, shall be allowed in the current year.
- The said amendments is applicable w.e.f April 1, 2021

6.5. Individual Taxation

6.5.1. Taxability of Interest on various funds where income is exempt

- Section 10(11) of the Act provides for exemption with respect to any payment from a provident fund to which the Provident Funds Act, 1925

applies. Similarly, section 10(12) of the Act provides for exemption with respect to the accumulated balance due and becoming payable to an employee participating in a recognized provident fund. Instances have been observed by the CBDT where some employees are contributing huge amounts to these funds and the entire interest accrued / received on such contributions is exempt from tax under clause (11) and clause (12) of section 10 of the Act. The CBDT feels that this exemption without any threshold limit benefits only those who can contribute large amounts to these funds as their share.

- Accordingly, it has been proposed that the exemption shall not be available to the interest portion accrued on amount of contribution made on or after April 1, 2021 by the person exceeding INR 2,50,000/- in a previous year in that fund.
- These amendments will take effect from April 1, 2021.

6.5.2. Senior citizens aged 75 and above, need not file their return of income if earning only pension and interest income

- Presently, every individual whose total income exceeds the maximum amount which is not chargeable to income-tax, is mandatorily required to file one's return of income.
- In order to provide relief to senior citizens aged 75 years or above, it has been proposed to provide a relaxation from filing the return of income u/s 139(1) of the Act, if the following conditions are satisfied:-
 - Senior citizen should be resident in India and of the age of 75 years or more during the Financial Year;
 - Income earned is in nature of pension. In addition, the person may also have interest income from the same bank in which he is receiving his pension income and there is no other income;
 - Bank needs to be a specified bank;
 - The person needs to file declaration with the specified bank;

- On furnishing of such declaration the specified bank would be required to compute the income of such senior citizen after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A of the Act, for the relevant Assessment Year and deduct income tax on the basis of rates in force.
- Once the above procedure is done, there will not be any requirement of furnishing return of income by such senior citizen.
- This amendment will take effect from April 1, 2021.

6.6. Affordable Housing

6.6.1. Extension of date of sanction of loan for deduction u/s 80EEA

- Presently, deduction of interest on loan for residential house property taken from any financial institution is allowed upto INR 1,50,000 subject to the conditions that the loan has been sanctioned during the period starting from April 1, 2019 and ending on or before March 31, 2021; the stamp duty value of the house property does not exceed INR 45 lakhs and the taxpayer does not own any residential house property on date of sanction of loan.
- It is now proposed to extend the time limit for sanction of loan from March 31, 2021 to March 31, 2022.

6.6.2. Extend period of approval for affordable housing projects u/s 80-IBA of the Act by one more year.

- Presently, section 80-IBA of the Act, allows developers of specified housing projects, a deduction of 100% of profit and gains derived from such business, subject to a condition that the project is approved by the competent authority during the period from June 1, 2016 to March 31, 2021.

- In order to give boost to affordable housing projects it is now proposed to extend the period of approval from the competent authority by one year i.e. upto March 31, 2022.

6.6.3. Increase in safe harbor limit from 10% to 20% for home buyers and real estate developers selling specified residential units

- Presently, the safe harbor threshold is 10% i.e if the difference between the stamp duty value and the sale consideration is more than 10%, in cases where the stamp duty value is higher than the sale consideration, then such difference is taxable in the hands of the real estate developers u/s 43CA of the Act and in the hands of the home buyers u/s 56(2)(x) of the Act.
- In order to incentivize home buyers and boost demand in real estate during COVID-19, it has been proposed to increase the safe harbor threshold from existing 10% to 20% under section 43CA, if the following conditions are satisfied:
 - The transfer of residential unit takes place during the period from November 12, 2020 to June 30, 2021;
 - The transfer is by way of first time allotment of the residential unit to any person; and
 - The consideration received or accruing as a result of such transfer does not exceed INR 2 crore.
- Similar amendments have also been proposed in section 56(2)(x) of the Act which applies to buyers of the concerned properties. Accordingly, it has been proposed that the buyers would be taxed at stamp duty value only if the variation between the stamp duty value and the agreement is more than 20%.
- It is to be noted that these relaxations are applicable only for residential units and not commercial units.

6.7. Incentives to units located in International Financial Service Center

- The Government is committed to making the International Financial Services Centre (IFSC) a global financial hub. And this budget certainly did bring this aspect out abundantly. In addition to the tax incentives already provided, the Finance Bill, 2021 proposes to include, tax holiday for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors; tax incentive for relocating foreign funds to the IFSC and to allow tax exemption to the investment division of foreign banks located in IFSC. A glimpse of the key amendments proposed are as under:
 - Relocation of Offshore Fund to a Resultant Fund in IFSC to be tax neutral. Non-resident investors of the Resultant Fund are exempt on capital gains from future sale, if the Offshore Fund was otherwise exempt on such capital gains before relocation. No impact on carry-forward of losses if funds are relocated.
 - No business connection u/s 9A of the Act, if a fund manager of an offshore investment fund operates in IFSC, provided the business has commenced operations on or before March 31, 2024
 - With a view to promoting India as an aircraft MRO hub and attracting foreign investment into India it has now been proposed that any income of a non-resident by way of royalty on account of aircraft lease which is paid by a unit in IFSC will be tax exempt. Similarly, the IFSC unit will also enjoy 100% tax deduction from income on transfer of the aircraft / aircraft engine (provided such asset was earlier leased to a domestic company which is in the operations of aircrafts). This measures a fillip to the nascent aircraft industry in India and also encourage to set up shops in IFSC.
- These amendments will take effect from April 1, 2021.

6.8. Anti-abuse Measures

6.8.1. Clarification on payment of employee's contribution by employer to a specified fund on or before due date u/s 36(1)(va) & 43B of the Act

- Presently, deduction u/s 43B in respect of employer's contribution to PF, Superannuation Fund, ESIC or other welfare funds is allowed as a deduction if the same is paid before the deadline of filing Return of Income. As far as the deduction for employee's contribution u/s 36(1)(va) is concerned, it is allowed if the same is paid within the due dates of the respective Acts. However, a liberal view was taken by various Courts that delay in deposit of the employee's contribution by employers should be allowed u/s 36(1)(va) of the Act even if the same are paid beyond the dates of the respective Acts but before the deadline of filing Return of Income. This interpretation resulted in loss of Interest/income for the employees.
- Thus, in order to ensure timely deposit of employee's contribution to these funds by the employers, it has been proposed that the late deposit of employee's contribution by employer shall never be allowed as deduction to the employer u/s 36(1)(va) of the Act. Further, it is clarified vide explanation 5 to Section 43B of the Act that the said section shall apply only to employer's contribution and shall be deemed never to have been applied to employee's contribution.
- This amendment will take effect from April 1, 2021.

6.8.2. Anti-abuse provisions introduced to deter the benefits taken by HNI's claiming exemption of proceeds from Unit Linked Insurance Policy (ULIP)

- Section 10(10D) of the Act provides exemption for the sum received under a life insurance policy, provided the premium amount does not exceed 10% of the sum assured.
- Under the existing provisions of the Act, there is no cap on the amount of annual premium being paid by any person during the term of the policy.

- High net worth individuals were observed taking undue advantage by claiming exemption under this clause by investing in ULIP with huge premium. However, the legislative intent was to provide benefit to small and genuine cases of life insurance. In order to bring this intent to the fore clearly and plug this misuse, the following amendments are proposed with regard to taxation of proceeds of ULIPs:
 - i. The exemption shall not be allowed in case of subscription to any ULIP(s) issued (in one or more names) on or after February 1, 2021, where premium payable exceeds INR 2,50,000/- in the aggregate, except in a situation if sum assured is received on account of death of a person.
 - ii. Further, for ULIPs which are not exempt u/s 10(10D) of the Act as discussed above, the same are proposed to be treated as a capital asset and the proceeds shall be taxable under the head Capital Gains.
- These amendments will take effect from April 1, 2021

6.8.3. Provisional Attachment upto 6 months in fake invoice cases

- Section 271AAD of the Act was inserted vide the Finance Act, 2020 to impose penalty on a person or a person who causes such person to make a false entry or omit an entry from his books of accounts. The CBDT felt that upon initiation of such penalty proceedings, it is highly likely that taxpayer may also evade the payment of such penalty, if imposed. Hence, in order to protect the interest of revenue, it is proposed to amend the provision of section 281B of the Act, which provides for provisional attachment of the taxpayers property upto 6 months by the learned A.O. or obtaining of bank guarantee equivalent to the impugned property value. The scope of section 281B is expanded to enable the assessing officer to exercise the powers u/s 271AAD of the Act, if the amount or aggregate of amounts of penalty imposable is likely to exceed INR 2 crore.
- The said amendments is applicable w.e.f April 1, 2021

6.9. Rationalisation Measures

6.9.1. Rationalisation of Section 191 to provide for refund of surcharge or penalty paid under the Income Declaration Scheme (IDS)

- The Income Declaration Scheme, 2016 (the Scheme) contained in Chapter-IX of the Finance Act, 2016 provided an opportunity to the persons who had not disclosed any income in the past to come clean and make payment of tax, surcharge and penalty as per the provisions of the Scheme. The Scheme commenced on June 1, 2016.
- Section 187 of the Finance Act, 2016 inter alia, provides that the tax, surcharge and penalty payable under the Scheme shall be paid on or before the specified date and if the declarant failed to pay such amount, the declaration filed by the declarant shall be deemed invalid. Further, section 191 of the Finance Act, 2016, provides that any amount of tax, surcharge and penalty paid in pursuance of a declaration made under the Scheme shall not be refundable. A proviso was inserted in section 191 of the Finance Act, 2016 vide Finance (No. 2) Act, 2019 empowering the Board to specify a class of persons to whom such tax paid in excess shall be refundable. It is now proposed to amend the proviso of section 191 of the Finance Act, 2016, so as to provide that the excess amount of tax, surcharge or penalty paid in pursuance of a declaration made under the Scheme shall be refundable to the specified class of persons without payment of any interest.
- This amendment will take effect retrospectively from 1st June, 2016.

6.9.2. Rationalisation of provisions of Minimum Alternate Tax (MAT)

- Presently, Section 115JB does not provide for adjustment in book profit on account of addition in income of past year included in books of account of current year on account of Secondary Adjustment or Advanced Pricing Agreement.
- It has now been proposed to amend the said section and provide that on an application made to the AO, the AO shall re-compute the book profit of the past year(s) for the income arising from Secondary

Adjustment or Advanced Pricing Agreement and shall compute tax accordingly. Further, time limit of four years u/s 154 of the Act shall be reckoned from the end of Financial Year in which the application is received by AO.

- Presently, dividend received by a foreign company on its investment in India is required to be excluded for the purposes of calculation of book profit in case the tax payable on such dividend income is less than MAT liability on account of concessional tax rate provided in the DTAA.
- Now it has been proposed, that similar treatment will be given to dividend as already there for capital gain on transfer of securities interest, royalty and FTS in calculating book profit u/s 115JB of the Act. Thus, foreign companies shall reduce dividend and add back the relevant expense while calculating book profit, where tax rates for dividend in DTAA are lower as compared to MAT.
- This amendment is applicable with effect from April 1, 2021.

6.9.3. Extension of date for utilizing the benefit u/s 54GB of the Act

- The existing provisions of section 54GB of the Act, provides for exemption of capital gain arising from the transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the taxpayer, provided the net consideration is utilized for subscription in the equity shares of an eligible start-up, before the due date of furnishing of return of income under section 139(1) of the Act. This section had a sunset of transfer of impugned residential property before March 31, 2021. In view of the difficulties posed by the COVID-19 pandemic the sunset is now being extended for one more year and accordingly, this benefit will be available even when the residential property is transferred on or before March 31, 2022.
- The associated co-terminus condition was that the recipient start-up was required to utilize the net consideration so received for purchase of new asset from 1 year from date of subscription of equity shares by the impugned taxpayer. Mirroring the extension of sunset in section

54GB of the Act the outer date of incorporation for an eligible start-up now stands extended by one more year on or before March 31, 2022.

6.9.4. Rationalization of provisions related to Sovereign Wealth Fund (SWF) and Pension Fund

- In the last budget, for attracting foreign investment in the infrastructure sector, the Government had granted 100% tax exemption u/s 10(23FE) of the Act, subject to certain conditions, to foreign Sovereign Wealth Funds and Pension Funds, on their income from investment in Indian infrastructure. It was noticed that such Funds were facing practical difficulties in meeting some of these conditions such as not to undertake any commercial activity, not allowed to have loans or borrowings, not invest through holding company and so on. In order to ensure that a large number of such Funds invest in India, the Finance Bill, 2021 proposes to relax some of these conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment in infrastructure.
- This amendment will take effect from April 1, 2021.

6.9.5. Addressing mismatch in taxation of income from notified overseas retirement fund

- Presently, a resident in India who has a retirement fund located in a foreign country which the said person had invested at the time when he / she was a non-resident in India, is taxed in India on accrual basis whereas the same income may be taxed in the foreign country on receipt basis at the time of withdrawal / redemption. Due to this, there is a mismatch in the year of taxability of the same income in two different countries leading to the taxpayer not being able to claim tax credit of taxes paid outside India on the said income at the time of offering the income in India to tax on accrual basis.
- In order to mitigate the genuine hardship faced by the taxpayers, it has been proposed to insert a new section 89A which provides for the taxation of income earned from retirement fund in the notified country

to be taxed in India in such manner and in such year as may be prescribed by the Government.

- This amendment will take effect from April 1, 2021.

6.9.6. Tax audit turnover requirement further liberalized from INR 5 crores to INR 10 crores

- In the previous Budget, Tax audit turnover requirement under Section 44AB(a) of the Act was liberalized from INR 1 crore to INR 5 crore for businesses where cash component of total receipts is not more than 5% and the aggregate cash expenditure is not more than 5% of total expenditure.
- It is now proposed to increase the tax audit turnover requirement to INR 10 crore from INR 5 crore. The condition of carrying out less than 5% business transaction in cash remains unchanged.
- This amendment will take effect from April 1, 2021.

6.9.7. Tax neutral conversion of urban co-operative bank into banking company

- Presently, deduction for depreciation, preliminary expenditure, voluntary retirement scheme and amortization of expenditure on account of amalgamation or demerger is available to the predecessor and successor banks in the proportion of number of days. It has been proposed to expand the scope of business reorganization to include conversion of primary co-operative bank to a banking company and the deductions available under section 44DB of the Act.
- On similar lines, it has also been proposed that transfer of a capital asset by the primary co-operative bank to the banking company as a result of conversion shall not be treated as transfer under section 47 of the Act. Consequently, the allotment of shares of the converted banking company to the shareholders of the predecessor primary co-operative bank shall not be treated as transfer under the said section of the Act.

6.10. Other Measures

6.10.1. Section 44ADA of the Act – Presumptive taxation in case of Professionals portfolios

- A presumptive rate of 50% of the total gross receipts or higher can be deemed to be the profits and gains of an assessee, being a resident of India, engaged in a profession referred to in Section 44AA(1) of the Act where such assessee is not required to maintain books of accounts. This provision is applicable to Individual, HUF & Partnership Firm but not to a LLP since a LLP is required to maintain books of accounts under the LLP Act. It has been proposed to amend Sec 44ADA(1) to specifically provide that the said provision is not applicable to LLPs to avoid any confusion.
- This amendment will take effect from April 1, 2021.

6.10.2. Clarificatory amendment in Vivad Se Vishwas Act, 2020 for cases connected to ITSC

- Finance Bill, 2021 proposes to amend the definition of "appellant", "disputed tax", and "tax arrear" with retrospective effect from March 17, 2020, i.e. the date of passing Vivad se Vishwas Act, 2020 to clarify that it was never the Hon'ble Legislature's intent to cover the taxpayers who were aggrieved by the orders of ITSC and therefore had challenged them in writ petitions or SLPs before the Hon'ble Courts.

6.10.3. Extension of due date for filing declaration under Vivad Se Vishwas Scheme

- As per CBDT's notification in S.O. 471(E) dated January 3, 2021 issued, CBDT has further extended the due date for filing declaration under the Vivad Se Vishwas scheme till February 28, 2021.
- The date for payment of tax without additional interest under Vivad Se Vishwas Scheme remains unchanged at March 31, 2021.

7. Indirect Tax Proposals

7.1. The Goods and Services Tax Act, 2017

The Finance Bill 2021 has brought in many changes in current GST regime and proposed amendment in GST Act will come into effect from the date when the same will be notified.

7.1.1. Supply amended

- The concept of mutuality which was earlier exempted from the definition of Supply is now proposed to be brought within the ambit of Supply liable to GST with retrospective effect from the date of introduction of GST Law. Technically put, activities or transactions, by a person, other than an individual, to its members or constituents or vice versa shall be a supply. The person and its members or constituents shall be deemed to be two separate persons. It over rules Supreme Court decisions in the case of Calcutta Club and Ranchi Club.

7.1.2. Availment of Input Tax Credit

- Section 16 of the CGST Act has been amended to insert a new provision to provide that details of the invoice / debit note must be furnished by the supplier in the statement of outward supplies and such details has been reflected in 2A/2B Report, then only can the input tax credit (ITC) on such invoice / debit note be availed.

7.1.3. Certification of GST Audit from professionals replaced to self-certified reconciliation statement

- Presently, it is a mandatory requirement to get annual accounts audited and the reconciliation statement submitted by specified professional. Now, Section 35(5) of CGST Act has been removed and Section 44 has been amended to provide for filing of the annual return on self-certification basis.

7.1.4. Interest only on net unpaid liability:

- Amendment of Section 50 of CGST Act has been amended to provide for charge of interest on delayed payment only on the net cash tax liability. This amendment will be applicable retrospectively with effect from the 1st July, 2017.

7.1.5. Provisional Attachment in case of Investigation.

- Section 83 of CGST Act has been amended to provide that provisional attachment shall remain valid for the entire period starting from the initiation of any proceeding till the expiry of a period of one year from the date of order made thereunder.

7.1.6. Appeal in case of detaining or seizing goods or conveyances.

- The new provision provides no appeal shall be filed against an order made in case of detaining or seizing goods or conveyances unless a sum equal to twenty-five per cent of the penalty has been paid by the appellent.

7.1.7. Empowering Jurisdictional officer

- Section 151 of the act has been amended to empower the jurisdictional commissioner to call for information from any person relating to any matters dealt with in connection with the Act.

7.1.8. GSTR 1 vs GSTR 3B mismatch

- Amendment proposed to provide for recovery of tax (self-assessed) which is declared in GSTR-1 (u/s 37) however not declared in GSTR 3B (u/s 39)

7.1.9. Provisional Attachment to protect revenue interest was currently restricted to only non-filers, URD, summary assessment and SCN's u/s 73 and 74

- It is now proposed to extend provisional attachment to all situations of assessments, inspection, search, seizure, arrest, demands and recovery. Further, it is now intended to cover any person who retains the benefit of a transaction covered under specified clauses (cases of fake invoicing and credit)

7.1.10. Substantial Changes in Provisions relating to detention or seizure of goods / conveyance while in movement without proper documentation

- It has been made mandatory that any appeal against such detention or seizure cannot be made without a pre-deposit of 25% of penalty applicable in such cases. Also, the penalty applicable for release of goods which have been detained / seized for improper transportation has been increased from 100% of tax payable to 200% in cases where the owner comes forward for payment of such penalty.

7.2. The Integrated Goods and Services Tax Act, 2017

7.2.1. Restriction on Zero rated Supply

- Section 16 of the IGST Act is being amended to provide for restricting the zero-rated supply to SEZ only in case of supplies for authorized operations. It also restricts the same to specified class of taxpayers or specified supplies of goods or services on payment of integrated tax only. The amendment further provides to link the foreign exchange remittance in case of export of goods with refund and further restricting zero rating of supplies made to special economic zone only when such supplies are for authorized operations.

7.2.2. Powers amended to take away the option of payment of IGST and claim refund

- Powers prescribed for issuing notification specifying class of persons or class of goods or services which may be exported on payment of IGST and claim refund.

7.2.3. Prescribes condition of receipt in Foreign Exchange for export of goods within the time limit prescribed under FEMA.

7.3. The Customs Act, 1962

7.3.1. New Levy of Agriculture Infrastructure and Development Cess

- The Finance bill introduced for levy and collection of Agriculture Infrastructure and Development Cess (AIDC) as duty of customs, on goods specified goods being goods imported into India. To ensure that imposition of cess does not lead to additional burden in most of these items on the consumer, the BCD rates has been lowered. The same shall be used to finance the improvement of agriculture infrastructure and other development expenditure. Refer Annexure A for the list of items on which cess has been imposed and the applicable duty and AIDC on them.

7.3.2. Limit on conditional exemptions

- Section 25 of the Customs Act is being amended prescribing that all conditional exemptions, shall come to an end on March 31 falling immediately two years after the date of such grant or variation. All existing conditional exemptions as on the date shall come to an end on March 31, 2023.

7.3.3. Time Limit for completion of proceedings

- Section 28BB is being introduced which prescribes a two-year time-limit, further extendable by one year by the Commissioner, for completion of any proceedings under this act which would culminate in issuance of a notice under section 28 of the Customs Act, 1962.

7.3.4. Scope for punishment for certain offences has been widened

- The Finance bill inserted new section 114AC provide penalty for fraudulent utilization of input tax credit for discharging any duty or tax on goods entered for exportation under claim of refund and such penalty shall be equivalent to five times the refund claimed.

7.3.5. Amendment of Import/export documents

- Section 149 has been amended to provide that documents may be amended electronically through the customs automated system and also to enable certain amendments to be done by the importer or exporter on common portal.

7.3.6. Introduction of Common Customs Electronic Portal

- The financial bill seek to insert new Section 154C to provide empower the Board to notify a common portal to be called the “Common Customs Electronic Portal” for facilitating registration, filing of bill of entry, shipping bill, other documents and forms, payment of duty and for such other purposes as may be specified by the Board.

7.3.7. Amendments in Customs Tariff Act, 1975

- First Schedule to the Customs Tariff Act, 1975 is being amended to create specific tariff lines for certain items prescribed under Annexure B.

[Annexure A](#)

AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS ON IMPORT OF GOODS

[to be effective from February 2, 2021]

S. No	Heading, sub-heading tariff item	Commodity	Basic Customs Duty	AIDC
1.	0808 10 00	Apples	15%	35%
2.	1511 10 00	Crude Palm Oil	15%	17.5%
3.	1507 10 00	Crude Soya-bean oil	15%	20%
4.	1512 11 10	Crude Sunflower seed oil	15%	20%
5.	0713 10	Peas (Pisum sativum)	10%	40%

6.	0713 20 10	Kabuli Chana	10%	30%
7.	0713 20 20	Bengal Gram (desichana)	10%	50%
8.	0713 20 90	Chick Peas (garbanzos)	10%	50%
9.	0713 40 00	Lentils (Mosur)	10%	20%
10.	2204	All goods (Wine)	50%	100%
11.	2205	Vermouth and other wine of fresh grapes, flavoured	50%	100%
12.	2206	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages and nonalcoholic beverages	50%	100%
13.	2208	All goods (Brandy, Bourbon whiskey, Scotch etc.)	50%	100%
14.	2701	Various types of coal	1%	1.5%
15.	2702	Lignite, whether or not agglomerated	1%	1.5%
16.	2703	Peat, whether or not agglomerated	1%	1.5%
17.	3102 10 00	Urea	Nil	5%
18.	3102 30 00	Ammonium nitrate	2.5%	5%
19.	31	Muriatic of potash, for use as manure or for the production of complex fertilizers	Nil	5%
20.	3105 30 00	Diammonium phosphate, for use as manure or for the of complex fertilizers	Nil	5%

21.	5201	Cotton (not carded or combed)	5%	5%
22.	7106	Silver (including imports by eligible passengers)	7.5%	2.5%
23.	7106	Silver Dore	6.1%	2.5%
24.	7108	Gold (including imports by eligible passengers)	7.5%	2.5%
25.	7108	Gold Dore	6.9%	2.5%

Annexure B

A.	Tariff rate changes for Basic Customs Duty [to be effective from February 2, 2021, unless otherwise specified]* [Clause [95(i)] of the Finance Bill, 2021]		Rate of Duty		
	S. No.	Heading, sub-heading tariff item	Commodity	From	To
			Chemicals		
1.	2803 00 10	Carbon Black		5%	7.5%
			Plastic items		
2.	3925	Builder's ware of Plastics		10%	15%
			Gems and Jewelry Sector		
3.	7104	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia		10%	15%
			Electrical and Electronics Sector		
4.	8414 30 00	Compressors of a kind used in refrigerating equipment		12.5%	15%
5.	8414 80 11	Compressors of a kind used in air-conditioning equipment		12.5%	15%
6.	8504 90 90	Printed Circuit Board Assembly [PCBA] of charger or adapter (All goods under this tariff item, other than		10%	15%

		above, will continue to attract the existing effective rate of BCD at 10%)		
		Parts of Automobiles		
7.	7007	Safety glass, consisting of toughened (tempered) or laminated glass. (All goods under this heading, other than those used with motor vehicles, will continue to attract the existing effective rate of BCD at 10%)	10%	15%
8.	8512 90 00	Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles	10%	15%
9.	8544 30 00	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%
10.	9104 00 00	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	15%
B.	Tariff rate changes (without any change in the effective rates of Basic Customs Duty)		Rate of Duty	
S. No.	Heading, sub-heading tariff item	Commodity	From	To
1.	8414 40	Air compressors mounted on a wheeled chassis for towing	7.5%	15%
2.	8414 8 (except 8414 8011)	Gas Compressors (other than of a kind used in air-conditioning equipment), free-piston generators for gas turbine, turbo charger and other compressors	7.5%	15%
3.	8501 10 to 8501 53	Electric Motors	10%	15%
4.	8536 41 00 and 8536 49 00	Relays	10%	15%

5.	8537	Boards, panels, consoles, etc. for electric control or distribution of electricity	10%	15%
6.	9031 80 00	Other instruments, appliances and machines	7.5%	15%
7.	9032 89	Electronic automatic regulators and other controlling instruments or apparatus	10%	15%
C.	New entries added to the First Schedule [Clause 95 (ii) and 95 (iii) of the Finance Bill, 2021]			
1.	New tariff lines under the heading 2709 in the Customs Tariff Act, 1975: 2709 00 10 -- petroleum crude 2709 00 20 -- other			

will come into effect on April 1, 2021.

Other proposals involving changes in basic Customs Duty rates in respective notifications [with effect from February 2, 2021, unless specified otherwise]

S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
		Agricultural Products and By Products		
1.	2207 20 00	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	5%
2.	23	All goods except dog and cat food and shrimp larvae Feed	Nil to 20%	15%
		Minerals		
3.	2528	Natural borates and concentrates thereof	Nil / 5%	2.5%
		Fuels, Chemicals and Plastics		
4.	2710	Naphtha	4%	2.5%
5.	2907 23 00	Bis-phenol A	Nil	7.5%
6.	2910 30 00	Epichlorohydrin	2.5%	7.5%

7.	2933 71 00	Caprolactam	7.5%	5%
8.	3907 40 00	Polycarbonates	5%	7.5%
9.	3908	Nylon chips	7.5%	5%
10.	3920 99 99	Other plates, sheets, films, etc. of other plastics	10%	15%
		Leather		
11	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	Nil	10%
		Textiles		
12.	5002	Raw Silk (not thrown)	10%	15%
13.	5004, 5005, 5006	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	15%
14.	5201	Raw Cotton	Nil	5%+5% AIDC*
15.	5202	Cotton waste (including yarn waste or garneted stock)	Nil	10%
16.	5402, 5403, 5404, 5405, 5406, 5501 to 5510	Nylon Fibre and Yarn	7.5%	5%
		Gems and Jewellery Sector		
17.	7106	Silver	12.5% %	7.5%+ 2.5%A IDC*
18.	7106	Silver Dore	11%	6.1% + 2.5% AIDC*
19.	7108	Gold	12.5%	7.5%+ 2.5% AIDC*
20.	7108	Gold Dore	11.85% %	6.9%+ 2.5% AIDC*

21.	7107 00 00, 7109 00 00, 7111 00 00	Base metals or precious metals clad with precious metals	12.5%	10%
22.	7110	Other precious metals like Platinum, Palladium, etc.	12.5%	10%
23.	7112	Waste and scrap of precious metals or metals clad with precious metals	12.5%	10%
24.	7112	Sent catalyst or ash containing precious metals	11.85 %	9.17%
25.	7113	Gold or Silver Findings	20%	10%
26.	7118	Coin	12.5%	10%
		Metals		
27.	7204	Iron and steel scrap, including stainless steel scrap [up to 31.03.2022]	2.5%	Nil
28.	7206 and 7207	Primary/Semi-finished products of non-alloy steel	10%	7.5%
29.	7208, 7209, 7210, 7211, 7212, 7225 (except 11 00) and 7226 (except 11 00)	Flat products of non-alloy and alloy steel	10% / 12.5%	7.5%
30.	7213, 7214, 7215, 7216, 7217, 7221, 7222, 7223, 7227 and 7228	Long product of non-alloy, stainless and alloy steel	10%	7.5%
31.	7225	Raw materials for use in manufacture of CRGO steel [up to 31.03.2023]	2.5%	Nil
32.	7404	Copper Scrap	5%	2.5%
33.	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%
		Capital Goods		
34.	8430	Tunnel boring machines	Nil	7.5%

35.	8431	Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	2.5%
		IT, Electronics and Renewable		
36.	8544 (other than 8544 70 and 8544 30)	Specified insulated wires and cables	7.5%	10%
37.	39, 74 and 85	Former, bases, bobbins, brackets; CP wires; P.B.T.; Phenol resin moulding powder; Lamination/ EI silicon steel strips for use in manufacture of transformers (entry at S.No. 198 of 25/1999- Customs)	Nil	Appli. rate
38.	Any Chapter	Inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) of cellular mobile phone	Nil	2.5%
39.	Any Chapter	Inputs or parts for manufacture of camera module of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
40.	Any Chapter	Inputs or parts for manufacture of connectors of cellular mobile phone	Nil	2.5%
41.	Any Chapter	Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone	Nil	2.5%
42.	Any Chapter	Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones	Nil	10%
43.	8504 90 90 / 3926 90 99	Moulded plastics for manufacture of charger or Adapter	10%	15%
44.	Any Chapter	Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	Nil	10%
45.	Any Chapter	Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones	Nil	10%

46.	Any Chapter	Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack	Nil	2.5%
47.	Any Chapter	Parts or components of PCBA of Lithium-ion battery or battery pack	Nil	2.5%
48.	Any Chapter	Inputs or raw materials of following goods: - (i) Other machines capable of connecting to an automatic data processing machine or to a network (8443 32 90) (ii) Ink cartridges, with print head assembly (8443 99 51) (iii) Ink cartridges, without print head assembly (8443 99 52) (iv) Ink spray nozzle (8443 99 53)	Nil	2.5%
49.	Any Chapter	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
50.	Any Chapter	Inputs for use in the manufacture of LED driver or MCPCB (Metal Core Printed Circuit Board) for LED lights or fixtures including LED Lamps	5%	10%
51.	9405 50 40	Solar lanterns or solar lamps	5%	15%
52.	8504 40	Solar Inverters	5%	20%
53.	9503	Parts of Electronic Toys for manufacture of electronic toys	5%	15%
		Aviation Sector		
54.	Any Chapter	Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector Units under Ministry of Defence subject to condition specified.	2.5%	0%
		Medical devices		
55.	9018-9022	Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	Health Cess @ Nil

		Goods imported under Project Import Scheme		
56.	9801	High Speed Rail Projects being brought under project Imports	Applicable Rate	5%
57.	8714 91 00, 8714 92- 96, 8714 99	All goods other than Bicycle parts and components	10%	15%

* Agriculture Infrastructure and Development Cess

8. Proposals for Other Allied Laws

8.1. Company Law Matters

- After the decriminalization of the procedural and technical compoundable offences under Companies Act, 2013 has been completed, it is now the turn of the Limited Liability Partnership (LLP Act, 2008)
- Revision in the definition of 'Small Company' have been proposed by increasing the threshold for paid-up capital from 'not exceeding INR 50 lakhs' to 'not exceeding INR 2 crore' and turnover from 'not exceeding 2 crore' to 'not exceeding INR 20 crore'. This will ease the compliance burden on such companies.
- Further, 'One Person Company' are allowed to grow extensively without any restrictions on paid-up capital and turnover, along with smooth conversion to any other type of company at any time.
- For faster resolution of cases, NCLT framework to be strengthened by implementing e-courts as an alternate method of debt resolution.

8.2. Securities Contracts (Regulation) Act, 1956

- The Hon'ble FM's speech mentioned about the proposal to consolidate the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code.
- The definition of securities under SCRA, 1956 has been now extended to include a Pooled Investment Vehicle ('PIV') w.e.f. April 1, 2021 in addition to shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or a body corporate. It is further extended to include within its definition units or any other instrument issued by any PIV. PIV means a fund established in India in the form of a trust or otherwise, such as mutual fund, alternative investment fund, collective investment scheme or a business trust as defined u/s 2(13A) of Income-tax Act, 1961 and

registered with the SEBI, or such other fund, which raises or collects monies from investors and invests such funds in accordance with such regulations as may be made by the SEBI in this behalf.

- A new section 30B is proposed to be introduced, which shall contain special provisions relating to PIV, stating that:
- The pooled investment vehicle shall be eligible to borrow and issue debt securities in such manner and to such extent as may be specified under the regulations made by SEBI in this behalf and be permitted to provide security interest to lenders in terms of the facility documents entered into by such pooled investment vehicle.
 - In case of any defaults in repayment of principal amount or payment of interest or any such amount due to lender, the lenders are given the privilege to recover the default amount and enforce the security interest by initiating proceedings against the trustee, in respect of the trust assets only, acting on behalf of such pooled investment vehicle. Necessary consequential amendments have been proposed in the Recovery of Debts due to Banks and Financial Institutions Act, 1993 and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
 - The trust assets remaining after recovery of defaulted amount, shall be remitted to the unit holders on proportionate basis.

8.3. Prohibition of Benami Property Transactions Act, 1988

- Sections 26(3) and (7) of the Benami Act, 1988, provides for the adjudication of the 'benami property' by the adjudicating authority within the stipulated time i.e. within one year from the end of the month in which the Initiating Officer passes an order continuing the provisional attachment of the property. It is now proposed that where the due date of passing an order under this Act, either holding the property not to be a benami property and revoking the attachment order; or holding the property to be a benami property and confirming the attachment order,

in all other cases, falls between July 1, 2021 to September 29, 2021, then the said due date shall be extended to September 30, 2021.

- Further, it has now been proposed that, the competent authority authorized under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 shall be the Adjudicating Authority to exercise jurisdiction, powers and authority conferred by or under this Act, effective July 1, 2021.

8.4. Securities and Exchange Board of India Act, 1992

- Section 12 of the SEBI Act, 1992, provides for the grant of certificate of registration to stock brokers, sub-brokers, share transfer agents, etc.
- It is now proposed to amend the said section to provide that for carrying on any activity as an AIF or a business trust as defined u/s 2(13A) of the Act, a certificate of registration granted by the SEBI would be necessary.
- It is also now proposed under the proviso that IDBI Ltd. shall be deemed to have obtained banking license under the Banking Regulation Act, 1949.

9. Income-tax Compliance Calendar

In this chapter, we have provided an overview of the various direct tax compliances from the perspective of a Company, Partnership Firm (including LLP), Individual and HUF.

Sr. No.	Nature of Compliances	Person		
		Company	Partnership Firm / LLP	Individual and HUF
1.	Due dates for filing of ROI and obtaining Tax Audit Report (TAR) (Note 1)			
1.1	Person covered under tax audit (other than those to whom transfer pricing is applicable)	Date of ROI: 31 st October Date of TAR: 30 th September (Note 2)		
1.2	Person covered under transfer pricing (For furnishing of Transfer Pricing Report in Form 3CEB same due date is applicable)	Date of ROI: 30 th November Date of TAR: 31 st October		
1.3	Other persons	30 th September	31 st July	31 st July
2.	Advance Tax Payments for Income Tax (Note 3)			
a.	1 st Installment – on or before 15 June	15%	15%	15%
b.	2 nd Installment – on or before 15 September	45%	45%	45%
c.	3 rd Installment - on or before 15 December	75%	75%	75%
d.	4 th Installment – on or before 15 March	100%	100%	100%

3.	TDS			
a.	Tax must be deducted at the time of payment, in case of salary	Applicable	Applicable	Applicable, only if person is covered under tax audit in the preceding previous year (Note 2)
b.	In case of payments other than salary, at the time of making payment or credit, whichever is earlier	Applicable	Applicable	
c.	Tax deducted must be deposited in the bank by 7 th day of following month except tax deducted for payment or credit made in March must be deposited by 30 th April	Applicable	Applicable	
4.	TCS			
	Tax collected must be deposited within one week from the end of month of tax collection	Applicable		
5.	Due dates for filing of TDS/TCS Returns			
a.	TDS/TCS Quarterly Statement for quarter ended June	31 st July/ 15 th July		
b.	TDS/TCS Quarterly Statement for quarter ended September	31 st October/ 15 th October		
c.	TDS/TCS Quarterly Statement for quarter ended December	31 st January/ 15 th January		
d.	TDS/ TCS Quarterly Statement for quarter	31 st May/ 15 th May		

	ended March	
6.	Due dates for issue of Form 16 (for Salaries) / Form 16A (for other than Salaries) and Form 27D (For TCS) (Note 4)	
a.	Issue of Form 16A / 27D for quarter ended June	15 th August
b.	Issue of Form 16A / 27D for quarter ended September	15 th November
c.	Issue of Form 16A / 27D for quarter ended December	15 th February
d.	Issue of Form 16A / 27D for quarter ended March	15 th June
e.	Issue of Form 16 annually	15 th June

Notes:

- 1. In case of partner of a partnership firm, whose accounts are required to be audited u/s. 44AB of the Income Tax Act, the date of filing of ROI is 31st October.*
- 2. The threshold limit for presumptive taxation for business and profession remains unchanged at INR 2 crores and INR 50 lakhs respectively.*
- 3. Advance tax payment for income-tax is applicable to every person where the amount of income-tax payable is INR 10,000 or more.*

Every person, being a non-resident having Liaison Office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year i.e. 30th May to the AO.

10. Abbreviations

AAR	Authority of Advance Ruling	IPO	Initial Public Offer
Act	Income- tax Act, 1961	ITAT	Income Tax Appellate Tribunal
AIDC	Agriculture Infrastructure and Development Cess	ITC	Input Tax Credit
AIF	Alternative Investment Funds	ITSC	Income Tax Settlement Commission
AJP	Artificial Judicial Person	LIC	Life Insurance Corporation
ALP	Arm's Length Price	LLP	Limited Liability Partnership
AO	Assessing Officer	M&A	Mergers and Acquisition
AOP	Association of Persons	MAT	Minimum Alternate Tax
APA	Advance Pricing Agreement	MRO	Maintenance, Repair, and Operations
AY	Assessment Year	NAPCC	National Action Plan on Climate Change
BCD	Basic Customs Duty	NBFC	Non-banking financial corporation
BNI	Bare Necessities Index	NCLAT	National Company Law Appellate Tribunal
BOI	Body of Individuals	NCLT	National Company Law Tribunal
CAG	Comptroller and Auditor General of India	NPS	National Pension Scheme
CBDT	Central Board of Direct Taxes	NR	Non-resident
CGST	Central Goods and Service Tax	NRI	Non-resident Indian
CIT	Commissioner of Income Tax	NSS	National Savings Scheme
CIT(A)	Commissioner of Income Tax (Appeals)	PAN	Permanent Account Number
CPI	Consumer Price Index	PCBA	Printed Circuit Board Assembly
DRC	Dispute Resolution Committee	PCIT	Principal Commissioner of Income Tax

DTAA	Double Taxation Avoidance Agreement	PE	Permanent Establishment
ESIC	Employees' State Insurance Corporation	PF	Provident Fund
ESOP	Employee Stock Option Plan	PIV	Pooled Investment Vehicle
FDI	Foreign Direct Investment	PSU	Public Sector Undertaking
FM	Finance Minister	R&D	Research and Development
FMV	Fair Market Value	RBI	Reserve Bank of India
FPI	Foreign Portfolio Investor	ROI	Return of Income
FTS	Fees for Technical Services	SC	Supreme Court
FY	Financial Year	SDV	Stamp duty value
GDP	Gross Domestic Product	SEBI	Securities and Exchange Board of India
GERD	Gross Domestic Expenditure on R&D	SEZ	Special Economic Zone
GST	Goods and Service Tax	SFT	Statement of Financial Transactions
GSTN	Goods & Service Tax Network	SLP	Special Leave Petition
GVA	Gross value added	SOP	Self -Occupied Property
HC	High Court	SWF	Sovereign Wealth Fund
HUF	Hindu Undivided Family	TCS	Tax Collected at Source
IBC	Insolvency and Bankruptcy Code	TDS	Tax Deducted at Source
IDBI	Industrial Development Bank of India	u/s	Under Section
IDS	Income Disclosure Scheme	UD	Unabsorbed Depreciation
IFSC	International Financial Service Centre	UIN	Unique Identity Number
IGST	Integrated Goods and Service Tax	URN	Unique Registration Number
IMF	International Monetary Fund	UTGST	Union Territory Goods and Service Tax
INR	Indian Rupees		



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UNION BUDGET 2021



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Digital Economy



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Tax Reforms

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