

# India Union Budget 2021

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February 2021



# Preface

Hon'ble Finance Minister Nirmala Sitharaman presented Union Budget for the Financial Year 2021-22 on February 1, 2021 which is the first Budget of this new decade & also a digital one in the backdrop of COVID-19 crisis. This year's Budget rests on the Six Pillars of:

- Health & Wellbeing
- Physical & Financial Capital & Infrastructure
- Inclusive Development for Aspirational India
- Reinvigorating Human Capital
- Innovation & Research & Development (R&D)
- Minimum Government & Maximum Governance

The Government announced a series of reforms aiming to foster the overall growth of the economy. Laying a vision for Aatma Nirbhar Bharat (Self reliant India), the Budget reforms & proposals are likely to further strengthen the pledge of Nation first, Doubling Farmer's income, Strong Infrastructure, Healthy India, Good Governance, Opportunities for Youth, Education for all, Women Empowerment & Inclusive Development among others. The Hon'ble Finance Minister also elucidated that 13 promises made in the Union Budget 2015-16 & resonating with the vision of AatmaNirbharta, to materialize during the AmrutMahotsav of 2022, on India's 75<sup>th</sup> year of Independence.

On Direct Taxes front, relief given to senior citizens above 75 years of age holding pension & interest income from filing Income-tax returns, reduced time limit for completion of Income tax proceedings including setting up of Dispute Resolution Committee, faceless proceedings before second appellate authority (Tribunal), relaxation to Non-Resident Indians (NRIs), increase in exemption limit for tax audit & relief for dividend income, steps to attract foreign investment into infrastructure, relief to affordable housing & rental housing projects, tax incentives to International Financial Services Centre (IFSC), relief to small charitable trusts & steps for incentivizing startups in the country are some of the key proposals.

From an Indirect Taxes perspective, the Central Goods & Services Tax (CGST) Act is amended to remove anomalies such as inverted duty structure, revised custom duty rates have been prescribed for certain items, Agriculture Infrastructure & Development Cess (AIDC) has been newly imposed on petrol & diesel, exemption on import of leather has been withdrawn as it is domestically produced, new initiative called 'Turant Customs' has been introduced for faceless, paperless & contactless customs measures.

In a nutshell, Government has smartly balanced expectations from the industry in the wake of economic recovery post the pandemic while maintaining public confidence viz-a-viz. its socio-economic-political responsibility.

## Key Economic Indicators

- Fiscal Deficit 6.8%
- Revenue Deficit 5.1%
- Primary Deficit 3.1%
- Gross Tax Revenue 9.9%
- Non-Tax Revenue 1.1%
- Nominal GDP Growth rate 14.4%



# 6 Pillars of Budget

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*Health & Wellbeing*



*Physical & Financial  
Capital & Infrastructure*

*Inclusive Development  
for Aspirational India*



*Reinvigorating Human  
Capital*



*Innovation &  
Research &  
Development (R&D)*



*Minimum Government  
& Maximum  
Governance*



# Health & Wellbeing

## Health & Nutrition

- Holistic approach to Health with focus on strengthening 3 areas - Preventive, Curative & Wellbeing
- PM Aatma Nirbhar Swasth Bharat Yojana to be launched with an outlay of about INR 64,180 Crore over a span of 6 years. Key highlights:
  - ✓ Support for rural & urban Health & Wellness Centre
  - ✓ Setting up of integrated public health labs
  - ✓ Establishing critical care hospital blocks
  - ✓ Strengthening National Centre for Disease Control (NCDC)
  - ✓ Expanding integrated health information portal
- Strengthen nutritional content, delivery, outreach & outcome, Mission Poshan 2.0 to be launched

## Water, Air & Swachh Bharat

- Jal Jeevan Mission (Urban) to be launched
- Aims at universal water supply in all 4,378 urban local bodies & liquid waste management in 500 Atal Mission for Rejuvenation & Urban Transformation (AMRUT) cities
- Urban Swachh Bharat Mission 2.0 to be implemented
- INR 2,217 crore for 42 urban centres with a million plus population to tackle air pollution

## Voluntary Vehicle Scrapping Policy

- Voluntary Vehicle Scrapping Policy to phase out old & unfit vehicles
- Vehicles to undergo fitness test after 20 years in case of personal vehicles & 15 years in case of commercial vehicles
- Aims to encourage fuel-efficient, environment friendly vehicles, reducing vehicular pollution & oil import bill

## Vaccines

- Pneumococcal Vaccine to be rolled out across the country averting more than 50,000 child deaths annually
- INR 35,000 Crore provided for Covid - 19 vaccine
- Increase of 137% in the Budget outlay for Health & Wellbeing



# Physical & Financial Capital & Infrastructure

## *Manufacturing sector, Shipping & Waterways*

- Production Linked Incentive (PLI) scheme to create manufacturing global champions across 13 sectors, INR 1.97 Lakh Crore committed over 5 years starting from Financial Year (FY) 2021 – 22
- Mega Investment Textiles Parks (MITRA) scheme to create world class infrastructure creating 7 Textile Parks over 3 years
- Public Private Partnership (PPP) mode to be utilized for managing operational services of major ports
- 7 projects worth INR 2,000 Crore to be offered by the major ports on PPP
- Subsidy support to promote flagging of merchant ships
- Recycling of Ships Act, 2019 enacted & recycling capacity to be doubled by 2024

## *Infrastructure, Roads & Highways*

- National Infrastructure Pipeline (NIP) expanded to 7,400 projects
- Bill to be introduced to set up Development Financial Institution (DFI). INR 20,000 Crore allocated to capitalize DFI
- National Monetization Pipeline of potential brownfield infrastructure assets to be launched
- To augment road infrastructure, National Highway works in the state of Tamil Nadu, Kerala & West Bengal planned
- An enhanced outlay of INR 1.18 Lakh Crore for Ministry of Road Transport & Highways, of which INR 1.08 Lakh Crore is for capital, the highest ever



## *Railways, Metros & Energy*

- National Rail Plan for India – 2030, to create a future ready Railway system
- 100% electrification of Broad-Gauge Routes by 2023
- Indigenously developed automatic train protection system to be launched
- Innovative PPP models to augment public bus transport
- New technologies MetroLite & MetroNeo for tier-2 & peripherals of tier-1 cities
- Revamped reforms – based result – linked power distribution sector scheme to be launched
- Hydrogen energy mission to be launched
- Ujjwala scheme to cover 1 Crore more beneficiaries
- 100 more districts under city gas distribution network
- Independent gas transport system operator to be set up
- A gas pipeline project to be taken up in Jammu & Kashmir

# Physical & Financial Capital & Infrastructure

## *Financial Reforms*

- Rationalized single Securities Markets Code by 2022
- Permanent institutional framework for Corporate bond market
- Warehousing Development & Regulatory Authority (WDRA) to be strengthened for development of commodity market ecosystem
- Increase in FDI limit from 49% to 74% in Insurance sector
- Asset Reconstruction Company Limited & Asset Management Company to resolve stressed assets problems of Public Sector Banks (PSBs)
- Minimum loan size eligible for debt recovery under the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest (SARFAESI) Act, 2002 reduced from INR 50 Lakh to INR 20 Lakh for Non-Banking Financial Companies (NBFCs)

## *Company Matters*

- Decriminalization - Limited Liability Partnership (LLP) Act, 2008
- Definition of Small Company revised by increasing the limit of paid up capital from INR 50 Lakh to INR 2 Crore & turnover from INR 2 Crore to INR 20 Crore
- Incentivize incorporation of One Person Companies (OPCs) with following relaxations:
  - ✓ No restrictions on paid up capital & turnover of OPCs
  - ✓ OPCs conversion into any other Company type allowed
  - ✓ Residency limit reduced from 182 days to 120 days for Indian Citizens to setup OPCs
  - ✓ NRIs allowed to set up OPCs
- MCA 21 version 3.0 to be launched for e-scrutiny, e-adjudication, e-consultation & compliance management

## *Disinvestment*

- Privatization of 2 PSBs & 1 General Insurance Company proposed
- Initial Public Offer (IPO) of Life Insurance Corporation (LIC) to be floated during FY 2021-22
- Disinvestment / Strategic Disinvestment Policy introduced with below key highlights:  
Objectives:
  - ✓ Minimising presence of Central Public Sector Enterprises (CPSEs)
  - ✓ Creating new investment space for Private Sector
  - ✓ Post Disinvestment growth of CPSEs through infusion of private capital, technology & managementFeatures:
  - ✓ Policy covers CPSEs, PSBs & Public Sector Insurance Companies
  - ✓ In strategic sectors, presence of PSEs to be minimal & most CPSEs to be privatized, merged or closed
  - ✓ In non-strategic sectors CPSEs to be privatized or closed

# Inclusive Development for Aspirational India

## *Agriculture*

- Coverage of Survey of Villages & Mapping with Improved Technology in Village Areas (SWAMITVA) Scheme extended to all States / Union Territories
- Allocation to Rural Infrastructure Development Fund enhanced from INR 30,000 Crore to INR 40,000 Crore
- Corpus of Micro Irrigation Fund enhanced from INR 5,000 Crore to INR 10,000 Crore
- Expansion of Operation Green Scheme to include 22 perishable products
- 1000 more mandis to be integrated with e-National Agriculture Market (e-NAM)
- Agriculture Infrastructure Fund to be made available for better infrastructure facilities

## *Fisheries & Financial Inclusion*

- Development of modern fishing harbours & fish landing centres
- 5 major shipping harbours in the country to be developed as hubs of economic activity
- To promote seaweed cultivation, a Multipurpose Seaweed Park to be established in the State of Tamil Nadu
- Reduction in margin money requirement from 25% to 15% to facilitate credit flow under scheme of Stand Up India for SCs, STs & women
- INR 15,700 Crore allocated to support the MSME sector

## *Migrant Workers & Laborers*

- One nation one ration card scheme under implementation in 32 States & Union Territories
- Portal to be launched for gig, building & construction workers to formulate health, housing, credit & food related schemes for migrant workers
- Social security benefits to be extended to gig & platform workers
- Minimum wages to apply to all categories of workers & all workers to be covered by the Employees State Insurance Corporation.
- Women workers to be allowed to work in all categories including night-shifts with adequate protection



# Reinvigorating Human Capital

## *Education*

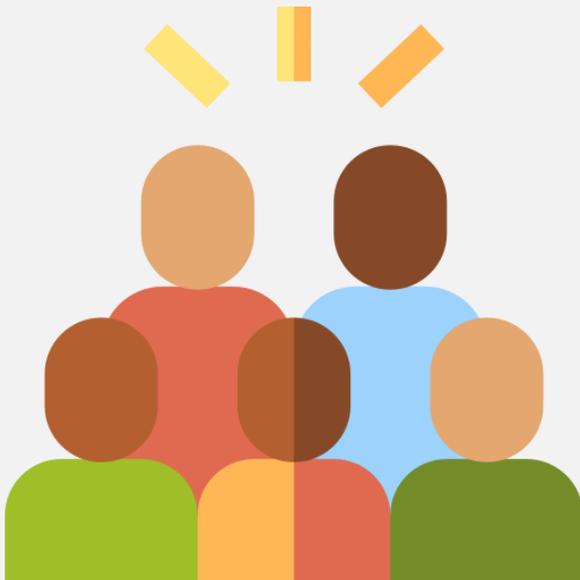
- 15,000 schools to be qualitatively strengthened to include components of National Education Policy
- 100 new Sainik Schools to be setup
- Central University in Leh to be setup
- Legislation to be introduced for setting-up of Higher Education Commission of India

## *Scheduled Caste & Scheduled Tribes*

- 750 Eklavya Model Residential Schools in Tribal Area
- Unit cost of such schools increased from INR 20 Crore to INR 38 Crore & for hilly & difficult areas, to INR 48 Crore
- Post Matric Scholarship to be revamped for welfare of scheduled castes
- INR 35,219 Crore to be allocated for 6 years till 2025-2026, to benefit 4 Crore scheduled castes students

## *Skilling*

- Apprenticeship Act proposed to be amended to enhance opportunity for youth
- Realigning National Apprenticeship Training Scheme (NATS) providing post-education apprenticeship, training of graduates & diploma holders in Engineering
- Partnership with United Arab Emirates (UAE) & Japan in area of skill development & recognition
- Proposed partnership with UAE to benchmark skill qualifications, assessment & certification, accompanied by the deployment of certified workforce
- Initiatives similar to collaborative Training Inter Training Programme (TITP) between India & Japan to be proposed with other countries



# Innovation & R&D

## *Digital Modes of Payment*

- Financial incentive of INR 1500 Crore to promote digital modes of payment

## *National Language Translation Mission*

- National Language Translation Mission (NTLM) to be launched
- Will enable the wealth of governance & policy related knowledge on the Internet being made available in major Indian languages

## *Deep Ocean Mission*

- Deep ocean mission with a budget outlay of more than INR 4000 Crore to be launched
- Mission to cover ocean exploration & bio diversity conservation over a period of 5 years

## *Space Missions*

- The New Space India Limited (NSIL), under the Department of Space to execute the PSLV-CS51 launch, carrying the Amazonia Satellite from Brazil, along with a few smaller Indian satellites
- Under Gaganyaan mission activities, 4 Indian astronauts being trained on Generic Space Flight aspects, in Russia
- The first unmanned launch slated for December 2021



# Minimum Government, Maximum Governance

## *Tribunal Reforms & Conciliation Mechanism*

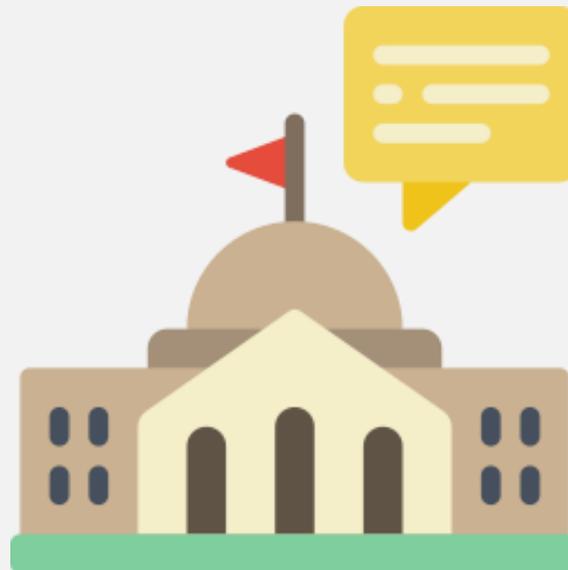
- Measures to continue reforms in Tribunals for speedy delivery of Justice
- Further measures to rationalize the functioning of Tribunals
- Set up of Conciliation Mechanism for those dealing with Government or CPSEs
- Conciliation Mechanism to be mandated for quick resolution of contractual disputes
- Mechanism to instil confidence in private investors & contractors

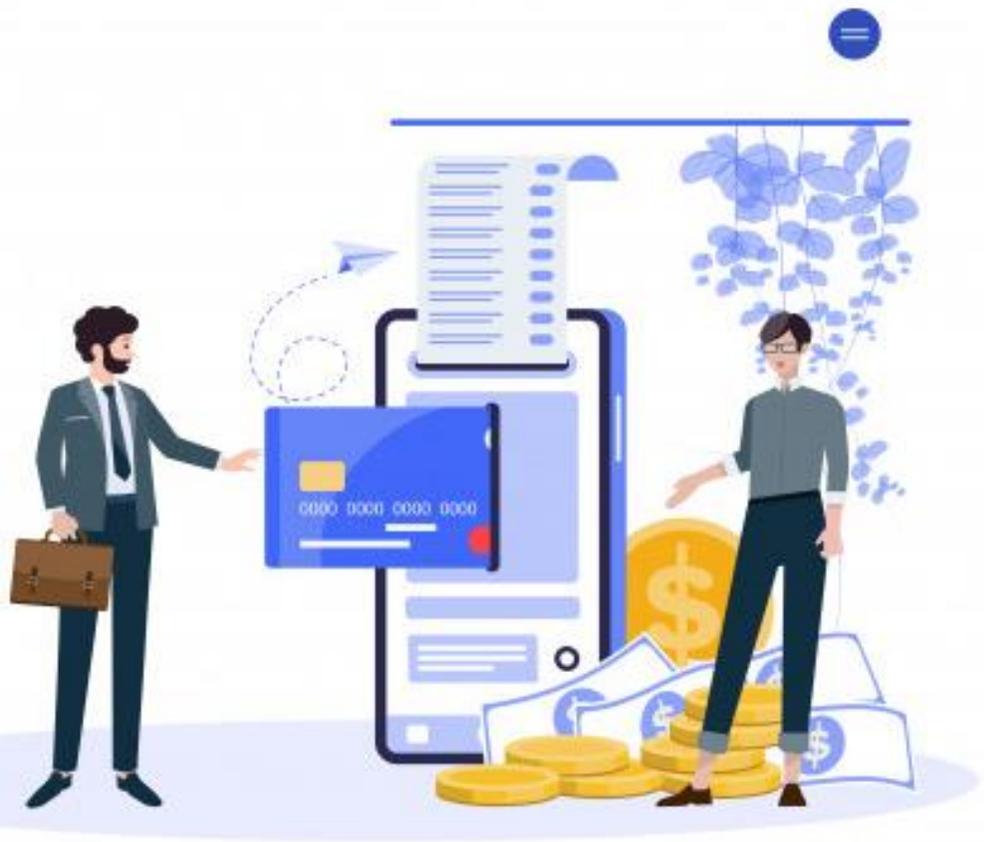
## *National Nursing & Midwifery Commission*

- National Nursing & Midwifery Commission Bill to be introduced for transparency, efficiency & governance reforms in the nursing profession

## *Others*

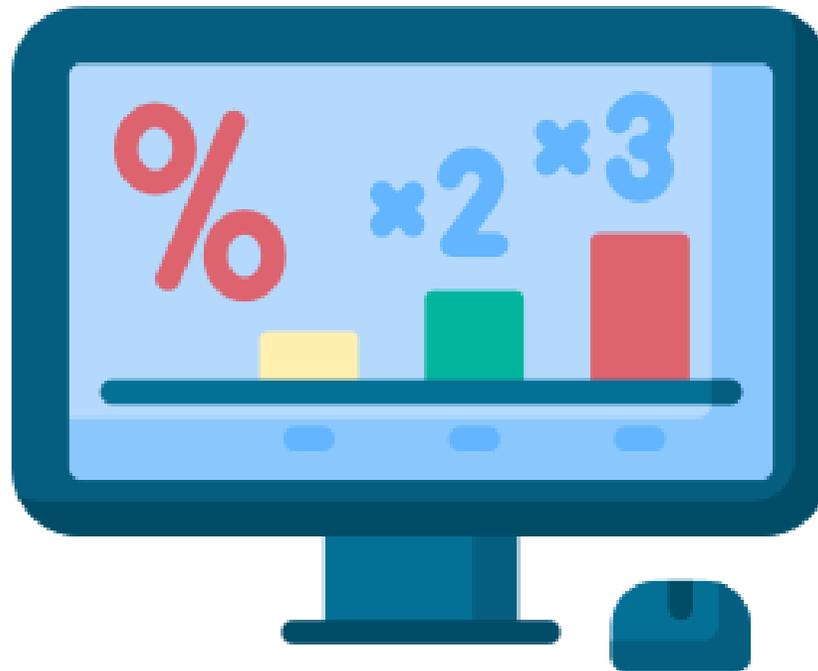
- INR 3,768 crore allocated for the 1<sup>st</sup> digital census in the history of India in the year 2021-2022
- INR 300 crore for Goa's diamond jubilee celebration for state's liberation from Portuguese rule
- INR 1,000 crore for welfare of Tea workers especially women & children in Assam & West Bengal





# Direct Tax Proposals

## Tax Rates



# Effective Personal Tax Rates

Taxable income (INR)	Alternative Tax Rates u/s 115BAC of Income-tax Act (Act)	Existing Rates		
		< 60 years	Senior Citizens (60-80Years)	Super Senior Citizens (> 80 Years)
< 2.5 Lakh		Nil		
2.5 Lakh - 3 Lakh	5.20%	Nil		
3 Lakh - 5 Lakh		5.20%	Nil	
5 Lakh - 7.5 Lakh	10.40%	20.8%		
7.5 Lakh - 10 Lakh	15.60%			
10 Lakh - 12.5 Lakh	20.80%	31.2%		
12.5 Lakh - 15 Lakh	26.00%			
15 Lakh - 50 Lakh	31.20%			
50 Lakh - 1 Crore		34.32%		
1 Crore - 2 Crore		35.88%		
2 Crore - 5 Crore		39.00%		
> 5 Crore		42.74%		

# Effective Tax Rate for Co-operative Society

Taxable income (INR)	Effective Tax Rate u/s 115BAD	Existing Rate
Upto 10,000	25.17%	10.40%
10,000 - 20,000		20.80%
20,000 – 1 Crore		31.20%
> 1 Crore		34.94%



# Effective Corporate Tax Rates

Legal Entity	New domestic companies engaged in manufacturing business entitled for Super Concessional Tax Rate u/s 115BAB	Existing domestic companies entitled for Concessional Tax Rate u/s 115BAA	Others		
			Taxable Income (INR)		
			< 1 Crore	1 Crore – 10 Crore	> 10 Crore
<b>Domestic Companies:</b>					
Turnover ≤ INR 400 Crore	17.16%	25.17%	26.00%	27.82%	29.12%
Turnover > INR 400 Crore			31.20%	33.38%	34.94%
<b>LLPs, Partnership Firms</b>	NA		34.94%		34.94%
<b>Foreign Companies</b>			41.60%	42.43%	43.68%

Applicable for a company incorporated **after October 1, 2019**  
 &  
 commences manufacturing before **March 31, 2023**

# Surcharge

Taxable income (INR)	Whether income includes income of Foreign Institutional Investor (FII) from specified securities or Capital Gains (CG) arising from their transfer			
	No		Yes	
	Where income includes CG on equity shares	Where income does not include CG on equity shares	Where income includes CG arising from transfer of specified securities [115AD(1)(b)]	Where income does not include CG arising from transfer of specified securities [115AD(1)(b)]
50 Lakh - 1 Crore	10%			
1 Crore - 2 Crore	15%	15%	15%	15%
2 Crore - 5 Crore		25%		25%
> 5 Crore		37%		37%

## Tax Incentives



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Tax exemption of Leave Travel Concession (LTC) Cash Scheme due to COVID-19</b></p> <p><i>Effective for. AY 2021-22 only</i></p> <p><i>Section(s) amended: 10(5)</i></p>	<p>As per section 10(5) of the Act, an employee is entitled to tax exemption in respect of LTC received by him from employer, in connection with <u>leave / holiday to any place in India</u> for himself &amp; his family</p>	<p>Tax exemption shall be available for AY 2021-22 for the value of LTC on payment of '<u>specified expenditure</u>' by employee / family member which fulfils all the below conditions:</p> <ul style="list-style-type: none"> <li>• Option must be exercised during block year 2018-21</li> <li>• Expenditure must be incurred on goods / services liable to GST 12% or above &amp; purchased from GST registered vendors during October 12, 2020 till March 31, 2021</li> <li>• Payment must be made through banking channels (i.e. not cash)</li> <li>• Amount of exemption <math>\leq</math> INR 36,000/ person or 1/3<sup>rd</sup> of above expenditure, whichever is less</li> <li>• Amount of exemption shall be restricted to above in case value of LTC received from employer is higher than above</li> <li>• No 2 persons shall be allowed exemption in respect of the same expenditure incurred</li> </ul>	<p>Due to COVID-19 travel was significantly low in 2020</p>

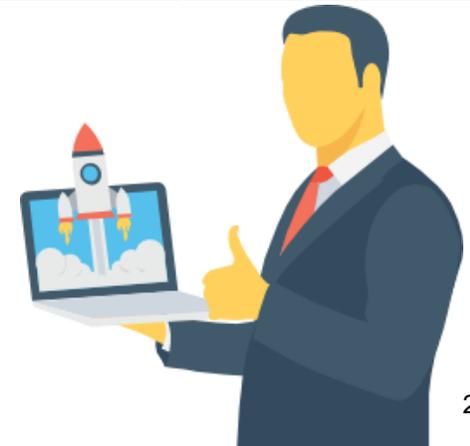
# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Issue of Zero Coupon Bond (ZCB) by Infrastructure Debt Fund (IDF)</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 2(48), 194A(3)(x)</i></p>	<p>Section 2(48) provides for definition of ZCB, as a bond issued by any infrastructure capital company / infrastructure capital fund / public sector company / scheduled bank &amp; in respect of which no payment &amp; benefit is received before maturity / redemption. These are required to be notified by the Central Government</p>	<ul style="list-style-type: none"> <li>• <u>Government-notified IDFs have been allowed to issue ZCB</u></li> <li>• Consequential amendment made in section 194A(3)(x) relating to withholding tax on interest</li> </ul>	<p>To enable IDFs [notified by Central Government u/s 10(47)] issue ZCB</p>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Eligible Start-ups: Extension of sunset date for entitlement to tax exemptions</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 80IAC, 54GB</i></p>	<ul style="list-style-type: none"> <li>Section 80IAC allows tax deduction of 100% of profits to an eligible start-up incorporated between April 1, 2016 to <u>April 1, 2021</u></li> <li>Section 54GB allows exemption of capital gains tax arising from transfer upto <u>March 31, 2021</u> of a long term capital asset being a residential property, if the sale consideration is used for subscription in equity shares of an eligible start-up</li> </ul>	<ul style="list-style-type: none"> <li>Sunset date for incorporation extended by 1 year to <u>April 1, 2022</u></li> <li>Sunset date for transfer of residential property extended by 1 year to <u>March 31, 2022</u></li> </ul>	<p>To help eligible start-ups &amp; investment in them</p>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Tax neutral conversion of Urban Cooperative Bank (UCB) into Banking Company (BC)</b></p> <p><i>Effective for: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 44DB, 47(vica), 47(vicb)</i></p>	<ul style="list-style-type: none"> <li>Section 44DB provides for computing tax deduction in case of <u>business re-organization of cooperative banks</u>, including apportionment of deductions u/s 32, 35D, 35DD, 35DDA between predecessor co-operative bank &amp; successor cooperative bank in proportion of number of days before &amp; after date of business reorganization</li> <li>U/s 47, following transfers are treated as tax-exempt:               <ul style="list-style-type: none"> <li>✓ Transfer of a capital asset by predecessor cooperative bank to successor co-operative bank</li> <li>✓ Transfer of shares by shareholders in predecessor co-operative bank</li> </ul> </li> </ul>	<p>Scope of tax neutral business reorganizations expanded to include conversion of a <u>primary co-operative bank to a BC</u></p>	<p>In view of Reserve Bank of India's (RBI's) permission vide circular dated September 27, 2018 allowing voluntary transition of primary cooperative bank / UCB into BC by way of transfer of assets &amp; liabilities</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Facilitating strategic disinvestment of Public Sector Company (PSC)</b></p> <p><i>Effective for: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 2(19AA), 72A(1)</i></p>	<p>Certain tax benefits including carry forward &amp; set off of accumulated loss &amp; depreciation are allowed in case of business re-organizations like amalgamation, demerger, etc. on satisfaction of prescribed conditions</p>	<ul style="list-style-type: none"> <li>• Definition of tax neutral ‘demerger’ has been clarified to include <u>reconstruction / splitting up of a PSC into separate company</u> (subject to conditions)</li> <li>• Benefit of carry forward &amp; set off of accumulated loss &amp; depreciation shall be allowed in case of amalgamation of               <ul style="list-style-type: none"> <li>✓ Existing PSC(s) with another PSC(s)</li> <li>✓ An erstwhile PSC which ceases to be PSC on amalgamation as a result of strategic disinvestment by Government (i.e., sale by Government of shares resulting in reduction of its shareholding &lt; 51% along with transfer of control to buyer)</li> </ul> </li> </ul>	<p>To facilitate strategic disinvestment of PSCs by Government &amp; encourage PPP</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Tax incentives for units located in International Financial Services Centre (IFSC)</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 9A, 10(4D), 10(4E), 10(4F), 10(23FF), 47, 49, 56, 79, 115AD</i></p>	<p>Certain tax benefits are available to units located in IFSC</p> <p>The 1<sup>st</sup> IFSC in India has been set up at the Gujarat International Finance Tec-City (GIFT City) in Gandhinagar, Gujarat</p>	<p><u>Scope of tax benefits expanded</u> to cover following incentives:</p> <ul style="list-style-type: none"> <li>Relaxation from requirement to satisfy 1 or more conditions u/s 9A(3)(a) to (m) to an eligible offshore fund if the fund manager is located in an IFSC &amp; commences operations on or before March 31, 2024, for the purpose of offshore fund being entitled to the safe harbor rule</li> <li>Tax exemption u/s 10(4D) shall be available in case of income received to investment division of an offshore banking unit to the extent attributable to it &amp; computed in the prescribed manner</li> <li>Section 10(4E) inserted to tax-exempt income received by a non-resident from transfer of non-deliverable forward contracts with an offshore banking unit of IFSC which commences operations on or before March 31, 2024 &amp; fulfils prescribed conditions</li> </ul>	<p>To make location in IFSC more attractive</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
-	-	<ul style="list-style-type: none"> <li>Section 10(4F) inserted to tax-exempt royalty income received by a non-resident from lease of an aircraft paid by unit of an IFSC, if the unit is eligible for deduction u/s 80LA in the relevant year &amp; commences operation on or before March 31, 2024</li> <li>Section 10(23FF) inserted to exempt capital gains tax arising to a non-resident from transfer of share of a company resident in India by the 'resultant fund' &amp; such shares were transferred from the 'original fund' to the resultant fund in 'relocation', if capital gains on such shares was not taxable in absence of relocation. The terms 'original fund', 'relocation', 'resultant fund' have been defined for this purpose</li> <li>Section 47 - Any transfer, in relocation, of a capital asset by original fund to resultant fund shall not be taxable as capital gain. Similarly, transfer by shareholder of share in original fund in consideration for interest in resultant fund shall not be taxable as capital gain</li> </ul>	-

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
-	-	<ul style="list-style-type: none"><li>• Tax deduction u/s 80LA available to a unit of IFSC if it is registered under IFSC Authority Act, 2019. Requirement of obtaining permission under any other law done away with</li><li>• Section 115AD amended to apply to investment division of an offshore banking unit in the same manner as it applies to specified fund. Expression 'specified fund' amended to include investment division of offshore banking unit which has been granted a category III AIF registration and fulfils prescribed conditions</li></ul>	-



## Relief for Housing Sector



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Incentive for affordable rental housing</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 80IBA</i></p>	<p>Section 80IBA allows tax deduction of 100% of profits arising from development of <u>affordable housing projects</u>, provided project is approved by competent authority between June 1, 2016 to <u>March 31, 2021</u></p>	<ul style="list-style-type: none"> <li>• Scope of tax deduction expanded to <u>rental housing projects</u> to be notified by Central Government</li> <li>• Sunset date for approval from competent authority extended by 1 year to <u>March 31, 2022</u> for both affordable housing &amp; rental housing projects</li> </ul>	<p>To help migrant laborers &amp; promote affordable rental</p>
<p><b>Extension of date of sanction of loan for affordable residential house property</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 80EEA</i></p>	<p>Section 80EEA allows tax deduction to 1<sup>st</sup> time home buyers in respect of interest on (affordable, circle rate ≤ INR 45 Lakh) housing loan. One of the conditions for eligibility is that loan must have been sanctioned between April 1, 2019 to <u>March 31, 2021</u></p>	<p>Sunset date for sanction of loan extended by 1 year to <u>March 31, 2022</u></p>	<p>To help 1<sup>st</sup> time home buyers</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Increase in safe harbor limit of 10% for</b></p> <ul style="list-style-type: none"> <li>• Homebuyers, &amp;</li> <li>• Real estate developers</li> </ul> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 43CA, 56(2)(x)</i></p>	<ul style="list-style-type: none"> <li>• Currently, the safe harbor limit u/s 43CA for real-estate developers to sell their units below the circle rate is <u>10%</u> of the actual sale consideration</li> <li>• Similarly, the threshold for taxability of notional income in hands of buyer u/s 56(2)(x) is <u>10%</u> of the consideration value</li> <li>• The above provisions are anti-abuse in nature to avoid malpractices within the real estate industry. However, a tolerance / safe harbor limit of 10% has been given by Government to safeguard genuine transactions of sale below circle rate</li> </ul>	<ul style="list-style-type: none"> <li>• The tolerance / safe harbor limit of 10% has been <u>increased to 20%</u> subject to below conditions: <ul style="list-style-type: none"> <li>✓ Transfer of residential unit occurs between November 12, 2020 to June 30, 2021</li> <li>✓ The transfer is by way of 1<sup>st</sup> time allotment of a residential unit to the buyer (i.e., not resale)</li> <li>✓ Sale consideration ≤ INR 2 Crore</li> </ul> </li> </ul>	<p>To boost demand in real-estate sector &amp; enable real-estate developers liquidate / sell unsold inventory at lower rate to home buyers</p>

## Removing Difficulties for Taxpayers



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Increase in threshold limit for tax audit in certain cases</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 44AB</i></p>	<p>Threshold limit for tax audit u/s 44AB is <u>INR 5 Crore</u> for businesses having cash receipts / payments <math>\leq</math> 5% of their aggregate receipts / payments</p>	<p>Increase in threshold limit to <u>INR 10 Crore</u> for such taxpayers</p>	<p>To incentivize digital economy &amp; reduce compliance for small &amp; medium taxpayers</p>
<p><b>Advance tax instalment for dividend income</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 234C</i></p>	<p>Interest u/s 234C is not chargeable on default in payment of quarterly advance tax on following income, provided taxpayer has paid full tax in subsequent installments:</p> <ul style="list-style-type: none"> <li>• Capital gains</li> <li>• Employee contribution to welfare funds</li> <li>• Income from business / profession arising for the 1<sup>st</sup> time</li> </ul>	<p><u>Dividend income</u> [excluding deemed dividend u/s 2(22)(e)] included in the list of exclusions for the purpose of interest u/s 234C</p>	<p>To further insulate taxpayers from payment of interest where accurate determination of advance tax liability is not possible due to the intrinsic nature of the income</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Increase in threshold limit for tax exemption u/s 10(23C)(iiiad) &amp; (iii ae)</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 10(23C)(iiiad) &amp; (iii ae)</i></p>	<p>Tax exemption is allowed in respect of income received by a person on behalf of a <u>university / educational institution / hospital / institution</u>, if the annual receipts of such university / educational institution / hospital / institution <math>\leq</math> <u>INR 1 Crore</u></p>	<p>Increase in threshold limit of annual receipts to <u>INR 5 Crore</u></p>	<p>To provide benefit to small trust &amp; institutions</p>



## Rationalization of Provisions



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Payment by employer of employee contribution to welfare fund on or before due date</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 43B, 36(1)(va)</i></p>	<ul style="list-style-type: none"> <li>An employer is entitled to tax deduction of <u>employer's contribution</u> to a welfare fund u/s 43B while <u>employee's contribution</u> is deductible u/s 36(1)(va) if deposited within the due date as per relevant law</li> <li>Section 43B allows for tax deduction of employer's contribution on payment basis (i.e., <u>temporary disallowance</u> if not deposited within due date of filing ITR) while section 36(1)(va) calls for <u>permanent disallowance</u> if employee's contribution is not deposited within due date as per relevant law</li> <li>This is because employee's contribution is his own money &amp; by late deposit of the same, a defaulting employer gets unjustly enriched by keeping the employees' money</li> </ul>	<p>Scope / coverage of sections 43B &amp; 36(1)(va) have been clarified to be <u>mutually exclusive</u></p> <p>Employer's contribution towards welfare funds such as Provident Fund (PF), Employees State Insurance (ESI) needs to be clearly distinguished from employee's contribution to such funds</p>	<p>In the past some courts have applied section 43B to employee's contribution as well, which is incorrect since employee's contribution is covered u/s 36(1)(va) (not 43B)</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Rationalization of the provision of Charitable Trust &amp; Institutions to eliminate possibility of double deduction while calculating application or accumulation</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 10(23C), 11</i></p>	<ul style="list-style-type: none"> <li>Corpus donations received by trusts, institutions, funds are specifically tax exempt <u>without any condition to deposit in specified modes</u></li> <li>Such entities are required to mandatorily spend <math>\geq 85\%</math> of their <u>non-corporus income every year</u> to preserve their tax-exempt status</li> <li>Instances have come to notice of tax department where <u>such entities claim double benefit</u>, i.e., exemption of corpus income on receipt &amp; then again application of the corpus income against mandatory obligation to spend <math>\geq 85\%</math> of non-corporus income a year</li> </ul>	<ul style="list-style-type: none"> <li>Corpus donations shall be tax exempt only if they are <u>deposited in specified modes</u> such as bank accounts, fixed deposit, etc.</li> <li><u>Application from corpus fund shall not be considered</u> for the purpose of minimum 85% spend of non-corporus income a year</li> <li>However, in case income from current year is deposited back into the corpus fund (in the specified modes), then it shall be considered as application towards minimum 85% spend criteria</li> </ul>	<p>To ensure that there is no double counting while calculating application or accumulation of income in case of trusts, institutions, funds etc</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
-	<p>Similarly, instances have come to notice of the tax department where such entities take loans / borrowings &amp; make application for charitable or religious purposes out such loans / borrowings. Such loans / borrowings when repaid, are again claimed as application, leading to <u>unintended double deduction</u></p>	<ul style="list-style-type: none"> <li>• <u>Application from loans / borrowings shall not be considered</u> for the purpose of minimum 85% spend of non-corporus income</li> <li>• However, in case income from current year is used to repay such loan / borrowing, then it shall be considered as application towards minimum 85% spend criteria</li> <li>• For computation of income required to be applied during relevant year, <u>no set-off / deduction of any excess application of an earlier year</u> shall be allowed</li> </ul>	-



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Taxation of proceeds of high premium Unit Linked Insurance Policy (ULIP)</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 10(10D), 45, 2(14)</i></p>	<p>Section 10(10D) tax exempts sum received under a life insurance policy wherein premium payable for any of the years during the term of the policy <math>\leq</math> 10% of actual capital sum assured</p>	<ul style="list-style-type: none"> <li>Exemption u/s 10(10D) not available in respect of ULIP issued on or after February 1, 2021 where <u>premium payable for any of the years during the term of the policy &gt; INR 2.5 Lakh</u></li> <li>Such ULIPs to be considered as a 'capital asset' &amp; taxable as capital gains as per the prescribed method (definition of 'equity oriented fund' amended to include such ULIPs)</li> <li>However, proceeds received on death of taxpayer will be fully tax-exempt</li> </ul>	<p>Taxation of high net worth individuals &amp; to tax such ULIPs at par with equity oriented fund</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Slump 'Sale' includes other means of transfer which in substance are nothing but sale</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 2(42C)</i></p>	<ul style="list-style-type: none"> <li>Section 2(42C) defines 'Slump Sale' to mean transfer of undertaking(s) as a result of <u>sale</u> for lump sum consideration without assigning values to individual assets / liabilities</li> <li>Some courts have interpreted that other means of 'transfer' (of capital asset) listed u/s 2(47) like exchange, relinquishment, etc. are excluded from the scope of slump sale, which defeats the legislative intent</li> </ul>	<p>Definition of 'Slump Sale' has been widened to clarify that a <u>transfer which in effect &amp; substance is a sale</u> (such as exchange) is also currently covered within the ambit of slump sale</p>	<p>To counter tax avoidance schemes drawn to defeat intent of law</p>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Transfer of capital asset to partner / member on dissolution / reconstitution of firm / Association of Persons (AoP) / Body of Individuals (BoI)</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 45(4), 48</i></p>	<ul style="list-style-type: none"> <li>Section 45(4) provides for capital gains taxability in hands of firm / AoP/ BoI on distribution of capital asset to partner / member on dissolution or otherwise</li> <li>There is uncertainty regarding applicability of above provision to a situation where <u>assets are revalued or self-generated assets are recorded in accounts</u> &amp; payment is made to partner / member in excess of his capital contribution</li> </ul>	<p>The provision has been split into 2 parts:</p> <ul style="list-style-type: none"> <li>Section 45(4) – Where partner / member receives capital asset on dissolution / reconstitution, which <u>represents the balance in his capital account</u> in books of accounts of the firm / AoP / BoI</li> <li>Section 45(4A) - Where partner / member receives money or other asset on dissolution / reconstitution, which <u>exceeds the balance in his capital account</u> in books of accounts of the firm / AoP / BoI</li> </ul> <p>In both the above situations, balance in capital account of the partner / member in accounts of the firm / AoP / BoI is to be calculated <u>without considering increase</u> due to</p> <ul style="list-style-type: none"> <li>Revaluation of asset</li> <li>Self-generated goodwill</li> <li>Other self-generated asset</li> </ul>	<p>To address the current uncertainty regarding treatment u/s 45(4) due to revaluation of assets / self-generated goodwill</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Provisional attachment of property in fake invoice cases</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 281B</i></p>	<p>Section 281 allows tax department to provisionally attach property of a taxpayer to safeguard interest of Government in case of pending proceedings of <u>assessment / reassessment only</u></p>	<p>Given high chances of a taxpayer trying to evade payment of penalty u/s 271AAD by resorting to fake invoices, the power to attach property u/s 281B has been extended to cover cases where such <u>penalty proceedings are pending</u>, provided likely penalty amount &gt; INR 2 Crore</p>	<p>To avoid tax evasion where Government foresees a taxpayer part with his property to evade paying penalty under recently introduced section 271AAD</p>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Goodwill is a non-depreciable asset</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 2(11), 32(1)(ii), 50, 55(2)(a)</i></p>	<p>Due to lack of express clarity under the Act, there could be a valid claim by a taxpayer for <u>depreciation on Goodwill acquired by purchase</u> due to decision of Supreme Court holding Goodwill as a depreciable asset</p>	<ul style="list-style-type: none"> <li>• <u>Goodwill is not a depreciable asset</u></li> <li>• In case of purchase of Goodwill, purchase price will continue to be considered as cost of acquisition for calculating capital gains, provided that in case depreciation was obtained by the taxpayer prior to AY 2021-22, then the depreciation so obtained shall be reduced from purchase price of the Goodwill</li> </ul>	<ul style="list-style-type: none"> <li>• Goodwill, in general, is not a depreciable asset</li> <li>• Depending on how a business runs, Goodwill may see appreciation or alternatively no depreciation to its value</li> </ul>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Presumptive taxation for professionals u/s 44ADA not applicable on Limited Liability Partnerships (LLPs)</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 44ADA(1)</i></p>	<ul style="list-style-type: none"> <li>Section 44ADA is not applicable on LLPs since LLPs are anyways required to maintain accounts under LLP Act, 2008</li> <li>However, this position has <u>not been expressly clarified in section 44ADA</u></li> </ul>	<p>Said position has now been expressly clarified u/s 44ADA</p>
<p><b>‘Liable to tax’ defined</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 2(29A) inserted</i></p>	<p>The Act does <u>not define the term ‘liable to tax’</u> even though it is used in sections 6, 10(23FE), Double Taxation Avoidance Agreements (DTAAs), etc.</p>	<p>The term ‘liable to tax’ in relation to a person means there is a liability of tax on that person under the law of any country &amp; will include a case where subsequent to imposition of such tax liability, an exemption has been provided</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Taxability of Interest on various funds where income is exempt</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 10(11), (12)</i></p>	<ul style="list-style-type: none"><li>Section 10(11) provides tax exemption on payment from PF</li><li>Similarly, section 10(12) provides tax exemption on accumulated balance payable to an employee participating in a recognized PF</li></ul>	<p><u>Interest</u> on an employee's own contribution to attract tax where <u>employee contribution &gt; INR 2.5 lakh</u></p>	<p>To deny tax-exemption to large contributors to the fund</p>



## Withholding tax



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Exemption from Tax Deduction at Source (TDS) on payment of dividend to business trust in whose hand dividend is exempt</b></p> <p><i>Effective from: April 1, 2020 onwards</i></p> <p><i>Section(s) amended: 194</i></p>	<p>Section 194 provides for TDS on payment of dividend to resident. The obligation to withhold tax is not applicable on income paid / credited to certain insurance companies / insurers</p>	<p>Exemption from TDS obligation has been extended to <u>income paid / credited to a business trust by a special purpose vehicle</u> or payment of dividend to any other person as may be notified</p>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>TDS @ 0.1% on purchase of goods &gt; INR 50 Lakh a year</b></p> <p><i>Effective from: July 1, 2021 onwards</i></p> <p><i>Section(s) amended: 206AA(1). 194Q inserted</i></p>	<p>No tax is required to be deducted at source on <u>purchase of goods from a resident</u> in India</p>	<ul style="list-style-type: none"> <li>• <u>TDS @ 0.1% on purchase of goods</u> from resident in India on amount &gt; INR 50 Lakh a year</li> <li>• Applicable on those buyers whose total receipts &gt; INR 10 Crore during the FY immediately preceding the FY in which goods are purchased</li> <li>• If on a transaction TDS or Tax Collection at Source (TCS) is required under any other provision, then it would not be subjected to TDS u/s 194Q. There is an exception to this general rule - if on a transaction TCS is required u/s 206C(1H) as well as TDS u/s 194Q, then on that transaction only TDS u/s 194Q shall be carried out</li> <li>• In case Permanent Account No. (PAN) is not provided by seller of goods, applicable rate of TDS shall be 5% (instead of 0.1%)</li> </ul>	<p>Government wants to bring as many transactions under radar of TDS for better tracking</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Higher rate of TDS on payments to non-filers of ITR</b></p> <p><i>Effective from: July 1, 2021 onwards</i></p> <p><i>Section(s) amended: 194IB. 206AB inserted</i></p>	<p>Section 206AA provides for higher rate of TDS on non-furnishing of PAN by payee as below:</p> <p>Higher of:</p> <ul style="list-style-type: none"> <li>• Rate specified in relevant section; or</li> <li>• Rate(s) in force; or</li> <li>• 20%</li> </ul>	<ul style="list-style-type: none"> <li>• New section 206AB inserted providing for <u>higher rate of TDS</u> from the below <u>on payment to non-filers of ITR</u> (specified person):             <ul style="list-style-type: none"> <li>✓ Twice the rate specified in relevant section; or</li> <li>✓ Twice the rate(s) in force; or</li> <li>✓ 5%</li> </ul> </li> <li>• If the specified person does not furnish PAN, applicable TDS rate will be higher of those mentioned above &amp; section 206AA</li> <li>• Specified person for this purpose would be:             <ul style="list-style-type: none"> <li>✓ Who have not filed ITR for last 2 years &amp; time limit for filing ITR u/s 139(1) has lapsed for both these years</li> <li>✓ Aggregate TDS in his case &gt; INR 50,000 in each of these 2 preceding years</li> </ul> </li> <li>• Specified person shall not include a non-resident who does not have Permanent Establishment (PE) in India</li> </ul>	<p>To ensure filing of ITR by persons who have suffered reasonable amount of TDS</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Higher rate of TCS on payments received from non-filers of ITR</b></p> <p><i>Effective from: July 1, 2021 onwards</i></p> <p><i>Section(s) amended: 206CCA inserted</i></p>	<p>Section 206CCA provides for higher rate of TCS on non-furnishing of PAN</p>	<ul style="list-style-type: none"> <li>• New section 206CCA inserted providing for <u>higher of the following rates of TCS for non-filers of ITR:</u> <ul style="list-style-type: none"> <li>✓ Twice the rate specified in relevant section; or</li> <li>✓ 5%</li> </ul> </li> <li>• The section would apply on amount received by a collectee from a 'specified person' (defined in last slide)</li> <li>• If section 206CC is applicable to the specified person, in addition to section 206CCA, tax shall be collected at higher of the 2 rates provided in sections 206CCA &amp; 206CC</li> </ul>	<p>To ensure filing of ITR by persons who have suffered reasonable amount of TCS</p>

## Filing of Annual Income-tax Return (ITR)



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Relaxation for certain category of senior citizens from filing ITR</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 194P inserted</i></p>	<p>Section 139(1) requires an individual to file ITR annually if his income exceeds the basic exemption limit</p>	<p>New section 194P inserted stating that in case of <u>resident senior citizens ≥ 75 years age &amp; having only pension / interest income from a single bank</u>, the bank shall deduct tax at source based on a declaration to be provided by the taxpayer. In such case, the senior citizen will be exempt from filing ITR</p>	<p>To reduce compliance for senior citizens</p>



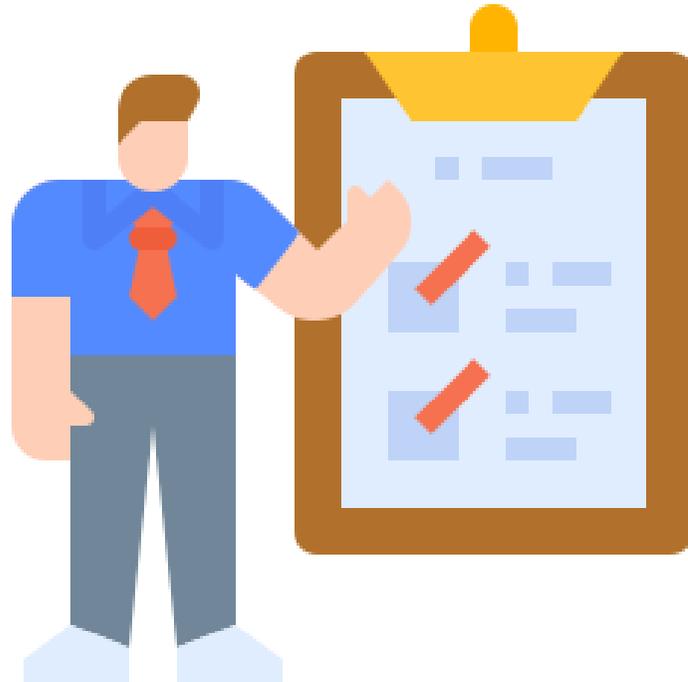
# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Extension of due date for filing ITR in some cases</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 139</i></p>	<ul style="list-style-type: none"> <li>Due date for filing ITR for partner of a firm whose accounts are required to be audited is October 31 of the AY (as against September 30). Currently the relaxed time limit till <u>October 31</u> is not available for spouse of a partner to whom <u>section 5A (taxation of spouses governed by Portuguese Civil Code)</u> applies</li> <li>Similarly, the relaxed time limit till <u>November 30</u> available in case of a firm which is required to furnish Transfer Pricing (TP) report, is not available to its partner</li> </ul>	<ul style="list-style-type: none"> <li>Due date for filing ITR extended till October 31 for <u>spouse of a partner of a firm</u> whose accounts are required to be audited, <u>if section 5A applies to them</u></li> <li>Due date for filing ITR extended till November 30 for <u>partner of a firm</u> which is required to furnish TP report</li> </ul>	<p>Since total income of partner of a firm can be determined only after books of accounts of the firm have been finalized</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Reduction of time limit to file</b></p> <ul style="list-style-type: none"> <li>• Belated ITR, &amp;</li> <li>• Revised ITR</li> </ul> <ul style="list-style-type: none"> <li>• <b>Removal of difficulty in cases of defective returns</b></li> </ul>	<ul style="list-style-type: none"> <li>• Time limit currently available for filing belated ITR u/s 139(4) / Revised ITR u/s 139(5) is <u>end of relevant AY</u> or completion of assessment, whichever is earlier</li> <li>• Explanation to section 139(9) lists many conditions in which an ITR shall be considered as defective. Grievances have been received from the industry that <u>large number of ITRs become defective</u> due to these conditions leading to difficulty for both taxpayer &amp; tax department.</li> </ul>	<ul style="list-style-type: none"> <li>• Belated / Revised ITR can now be filed <u>3 months before end of relevant AY</u> or completion of assessment, which is earlier</li> <li>• Central Board of Direct Taxes (CBDT) has been empowered to exempt certain class of taxpayers from the conditions mentioned u/s 139(9)</li> </ul>	<ul style="list-style-type: none"> <li>• Due to technological upgradation, time required to complete such processes has greatly reduced</li> <li>• Relaxation of conditions in genuine cases</li> </ul>

## Tax Assessments & Dispute Resolution



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Processing of returned income, time limit for issue of</b></p> <ul style="list-style-type: none"> <li>Intimation u/s 143(1), &amp;</li> <li>Notice u/s 143(2)</li> </ul> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 143(1), (2)</i></p>	<ul style="list-style-type: none"> <li>Section 143(1)(a) allows certain basic prescribed adjustments to be made while processing ITR by tax department</li> <li>Time limit for issue of Intimation u/s 143(1) is <u>1 year</u> from end of FY in which ITR was furnished</li> <li>Time limit for issue of notice u/s 143(2) is <u>6 months</u> from end of FY in which ITR was furnished</li> </ul>	<ul style="list-style-type: none"> <li>Following categories of <u>adjustments added</u> to the list:               <ul style="list-style-type: none"> <li>✓ Increase in income indicated in audit report but not considered in computing taxable income</li> <li>✓ Consequential effect to amendment in section 80AC vide Finance Act, 2018</li> </ul> </li> <li>Time limit for issue of Intimation u/s 143(1) <u>reduced to 9 months</u> from end of FY in which ITR was furnished</li> <li>Time limit for issue of notice u/s 143(2) <u>reduced to 3 months</u> from end of FY in which ITR was furnished</li> </ul>



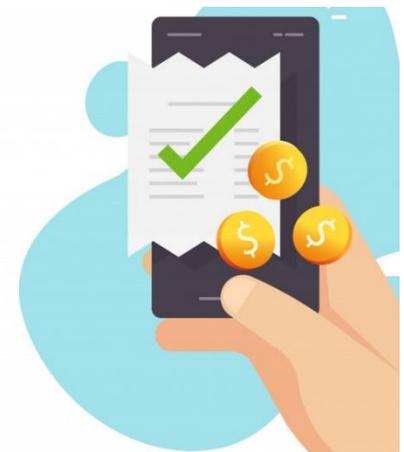
# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Income escaping assessment &amp; search assessments - Reduction in time limit</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 147, 148, 149, 151, 151A, 153A, 153C. 148A inserted</i></p>	<p>Currently, if the tax officer believes that a taxpayer's taxable income might have escaped assessment, he can re-open the case within <u>6 years</u> (from end of relevant AY) in normal cases &amp; <u>10 years</u> in case of serious tax frauds</p>	<ul style="list-style-type: none"> <li>• Threshold of 6 years has been <u>reduced to 3 years</u>. Also, prior approval from senior authority has been made mandatory</li> <li>• The move could be possible due to advancement of technology enabling tax department to collect most information relating to transactions of taxpayer from 3<sup>rd</sup> parties</li> </ul>	<p>To reduce litigation &amp; provide ease of doing business by facilitating early tax certainty to taxpayers</p>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Reduction in time limit for completion of assessment</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 153</i></p>	<ul style="list-style-type: none"> <li>Time limit u/s 153 for completion of regular / best judgment assessment was <u>21 months</u> from the end of AY</li> <li>This was reduced to <u>18 months</u> &amp; <u>12 months</u> for AYs 2018-19 &amp; 2019-20 onwards respectively, vide Finance Act, 2017</li> </ul>	<p>Given that assessment procedure has been completely overhauled by introduction of Faceless Assessment Scheme, 2019, time limit for completion of assessment has been further reduced to <u>9 months</u> from the end of relevant AY</p>	<ul style="list-style-type: none"> <li>Reduction of compliance for taxpayer who is likely to find it easier to explain matters pertaining to a recent year</li> <li>Enhancement in ability of tax department to detect &amp; plug revenue leakages earlier than usual</li> </ul>



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Allowing prescribed authority to issue notice u/s 142(1)(i) to non-filers of ITR</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 142(1)(i)</i></p>	<p>Section 142(1)(i) gives power to <u>Assessing Officer</u> to issue notice to a person who has not submitted ITR, asking for submission of ITR. This is necessary to bring into fold taxation of non-filers. Currently, the said power can be exercised only by the Assessing Officer</p>	<p>Considering Government's policy of making processes faceless involving minimum physical interface, the power has been granted to the <u>prescribed tax authority</u> in addition to the <u>Assessing Officer</u></p>	<p>To enable centralised issue of notices in an automated manner</p>
<p><b>Faceless Proceedings before Income-tax Appellate Tribunal (ITAT)</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 255</i></p>	<p>Currently, the proceedings before ITAT (2<sup>nd</sup> appellate authority) involves <u>physical interface / manual interaction</u></p>	<p>Proceedings before ITAT to be made <u>Faceless</u> by eliminating physical interaction as much as possible</p>	<p>In line with reforms initiated by Government to reduce human interface in dispute resolution proceedings</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Discontinuation of Income-tax Settlement Commission (ITSC)</b></p> <p><i>Effective from: February 1, 2021 onwards</i></p> <p><i>Section(s) amended: 245A, 245B, 245BC, 245BD, 245C, 245D, 245DD, 245F, 245G, 245H. 245AA, 245M inserted</i></p>	<ul style="list-style-type: none"> <li>ITSC is a quasi-judicial body to settle tax liability in complicated cases involving prolonged litigation</li> <li>Taxpayer can approach ITSC during the pendency of assessment proceedings (subject to conditions)</li> <li>Before applying with ITSC, tax &amp; interest on additional income has to be paid</li> <li>Order passed by the ITSC is conclusive / non-appealable</li> </ul>	<ul style="list-style-type: none"> <li><u>Discontinuation of ITSC</u> from February 1, 2021 onwards</li> <li>An <u>Interim Board</u> shall be constituted for pending cases</li> <li>Government may notify faceless scheme for this purpose going forward</li> </ul>	<p>Simplification of dispute resolution process &amp; elimination of physical interface</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Constitution of Dispute Resolution Committee (DRC) for small &amp; medium taxpayers</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 245MA inserted</i></p>	<p>No specific committee / body exists for resolution of tax disputes for small &amp; medium taxpayers</p>	<p>Constitution of <u>Dispute Resolution Committee(s)</u> (DRCs) to settle disputes of certain class of persons where returned income <math>\leq</math> INR 50 Lakh &amp; aggregate amount of variation proposed in specified order <math>\leq</math> INR 10 Lakh</p> <ul style="list-style-type: none"> <li>• It would be optional for a taxpayer to approach DRC</li> <li>• Benefit would not be available in certain cases like search, survey, detention, prosecution, conviction under specified laws / such other conditions to be prescribed by Government</li> <li>• DRC shall have power to reduce / waive penalty or grant immunity from prosecution under the Act</li> </ul>	<p>To provide early tax certainty to small &amp; medium taxpayers by preventing new disputes &amp; settling the issue at the initial stage itself</p>

## International Taxation



# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Rationalization of Equalization Levy (EL) provisions</b></p> <p><i>Section(s) amended: 10(50) &amp; 163, 164, 165A</i></p> <p><i>Effective from: April 1, 2020 onwards</i></p>	<ul style="list-style-type: none"> <li>EL is chargeable @ 2% on consideration received by an e-commerce operator from specified ecommerce supply of goods or services which could include royalty / Fees for Technical Services (FTS) received by the e-commerce operator</li> <li>Section 10(50) provides exemption of EL on income arising from any specified service arising from any ecommerce supply or services on or after April 1, 2021</li> </ul>	<ul style="list-style-type: none"> <li>EL will <u>not be applicable</u> on consideration for e-commerce supply / services which is taxable as royalty / FTS</li> <li>‘Online sale of goods’ &amp; ‘Online provision of services’ to include various online activities namely acceptance of offers, placing &amp; acceptance of purchase orders &amp; payment of consideration</li> <li>E-Commerce supply / services to include consideration for sale of goods / provision of services, even where goods are not owned or services not provided by an e-Commerce operator</li> <li>Exemption u/s 10(50) will apply for e-commerce supply / services made on or after April 1, 2020</li> </ul>	<p>To provide certainty</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Addressing mismatch in taxation of income from notified overseas retirement fund</b></p> <p><i>Effective from: AY 2022-23 onwards</i></p> <p><i>Section(s) amended: 89A inserted</i></p>	<p>Withdrawal of income from overseas retirement funds by residents who opened such fund when they were non-resident in India (i.e., resident in foreign countries) are <u>taxed on receipt basis in foreign countries &amp; on accrual basis in India</u></p>	<p>Section 89A inserted to <u>delineate such mismatch</u> in the year of taxability of withdrawal of funds</p>	<p>To avoid double taxation on withdrawals from overseas retirement funds</p>
<p><b>Rationalization of withholding tax on payment to Foreign Institutional Investors (FIIs)</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 196D</i></p>	<ul style="list-style-type: none"> <li>Income of FII from specified securities (interest, dividends etc.) are subject to withholding tax @ 20%</li> <li>Beneficial rate under DTAA is not applicable at the time of withholding tax</li> </ul>	<p>In case of a taxpayer to whom DTAA applies &amp; who furnishes Tax Residency Certificate (TRC), applicable withholding tax rate would be 20% or rate as per DTAA whichever is lower</p>	<p>Applying the principle of tax deduction upheld by Supreme Court</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Rationalisation of provisions of Minimum Alternate Tax (MAT)</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 115JB</i></p>	<ul style="list-style-type: none"> <li>Computation of book profits for calculating MAT u/s 115JB does not provide for any adjustment of additional income of past years in the current year on account of <u>secondary adjustment pursuant to Advance Pricing Agreement (APA)</u></li> <li>Similarly, <u>Dividend income</u> received by a foreign company is <u>required to be excluded</u> for calculating book profit in case tax payable on such Dividend income &lt; MAT liability due to concessional tax rate provided in the DTAA</li> </ul>	<ul style="list-style-type: none"> <li>MAT provisions <u>relaxed for income on account of APA or secondary adjustment</u>. Tax authorities may re-compute book profit of past years in the prescribed manner</li> <li><u>Dividend income &amp; related expense to be reduced / added back</u> to book profit of foreign companies if it is taxed at a rate &lt; MAT rate due to operation of DTAA</li> </ul>	<p>To provide relief on account of income on account of APA or secondary adjustment</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Constitution of the Board of Advance Ruling (AR)</b></p> <p><i>Effective from: April 1, 2021 onwards</i></p> <p><i>Section(s) amended: 245N, 245O, 245P, 245Q, 245R, 245S, 245T, 245U, 245V. 245OB &amp; 245W inserted</i></p>	<ul style="list-style-type: none"> <li>Authority for Advance Rulings (AAR) cannot function if the position of Chairman or Vice-Chairman is vacant</li> <li>The above <u>positions have remained vacant</u> for a long time due to non-availability of eligible persons which has hampered the working of AAR &amp; a large number of applications are thus pending</li> </ul>	<p>Existing AAR shall cease to operate. New provisions to be inserted to constitute 1 or more 'Boards for Advance Ruling' in order to make the advance ruling mechanism more effective &amp; efficient</p>	<p>To overcome difficulty caused due to positions of members of AAR being vacant</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Rationalization of provisions related to Sovereign Wealth Fund (SWF) &amp; Pension Fund (PF)</b></p> <p><i>Effective from: AY 2021-22 onwards</i></p> <p><i>Section(s) amended: 10(23FE)</i></p>	<p>Section 10(23FE) provides tax exemption to specified SWFs &amp; PFs on passive income from investment in India. The provision was introduced by Finance Act, 2020 to encourage investments of SWF &amp; PF into infrastructure sector of India</p> <p>Some of the conditions to be fulfilled for entitlement to tax exemption are:</p> <ul style="list-style-type: none"> <li>SWF / PFs may invest in Category-I / II Alternative Investment Fund (AIF), having <u>100%</u> investment in eligible infrastructure company</li> </ul>	<p>Following relaxations have been granted:</p> <ul style="list-style-type: none"> <li>Allowing AIF to invest <u>upto 50%</u> in non-eligible investments <ul style="list-style-type: none"> <li>✓ Condition of 100% relaxed to 50%</li> <li>✓ Investment by Category-I / II AIF allowed in an Infrastructure Investment Trust (InvIT)</li> <li>✓ Exemption to be calculated proportionately if investment by AIF in infrastructure company / InvIT &lt; 100%</li> </ul> </li> </ul>	<p>To remove difficulty in meeting the prescribed conditions by SWF / PF</p>

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
-	<ul style="list-style-type: none"> <li>• SWF / PFs are not allowed to invest through <u>holding company</u></li> <li>• SWF / PFs are not allowed to invest in <u>Non-Banking Finance Company (NBFC) - IDF / Infrastructure Finance Company (IFC)</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Investment through holding company allowed</u>, provided:               <ul style="list-style-type: none"> <li>✓ Holding company is a domestic company set up on or after April 1, 2021</li> <li>✓ It should have investment <math>\geq 75\%</math> in 1 or more infrastructure companies</li> <li>✓ Exemption to be calculated proportionately if investment by holding company in infrastructure company <math>&lt; 100\%</math></li> </ul> </li> <li>• <u>Investment in NBFC-IDF / IFC allowed</u>, provided:               <ul style="list-style-type: none"> <li>✓ NBFC-IDF / IFC has <math>\geq 90\%</math> lending to 1 or more infrastructure entities</li> <li>✓ Exemption to be calculated proportionately if aggregate lending of NBFC-IDF / NBFC-IDC in infrastructure company <math>&lt; 100\%</math></li> </ul> </li> </ul>	-

# Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
-	<ul style="list-style-type: none"> <li>SWF / PFs are not allowed to have loans / borrowings / deposit / investments due to condition that <u>no benefit should arise to private person</u></li> <li>SWF / PFs are not allowed to undertake any <u>commercial activity</u></li> <li>Some PFs are <u>taxable in home country</u> though exempted subsequently</li> </ul>	<ul style="list-style-type: none"> <li>There should not be any loan / borrowing for the purpose of making investment in India. Condition regarding no benefit to private person &amp; assets going to Government on dissolution would not apply to any <u>payment made to creditor / depositor for loan taken / borrowing</u> other than for the purpose of making investment in India</li> <li><u>Bar on undertaking commercial activity removed</u> / replaced with condition that SWF / PFs shall not participate in day to day operation of investee (appointment of director for monitoring investment would not tantamount to participation in day to day operation)</li> <li>If PF is taxable but exemption for all its income has been provided by the home country, then such PF shall also be eligible</li> </ul>	-



# Indirect Tax Proposals

# Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Scope of 'Supply' enhanced</b></p> <p><i>Section(s) amended: 7 &amp; paragraph 7 of Schedule II of CGST Act</i></p> <p><i>Effective from: July 1, 2017 onwards</i></p>	<p>'Supply' includes:</p> <ul style="list-style-type: none"> <li>• All forms of supply of goods / services for consideration in course or furtherance of business</li> <li>• Import of services</li> <li>• Activities treated as supply even if made without consideration under Schedule I of CGST Act</li> </ul>	<p>Definition of 'Supply' amended to include <u>supply of goods / services by any person</u> (other than individuals) <u>to its members or constituents or vice-versa</u> for cash, deferred payment or other valuable consideration</p>	<p>To overcome impact of Supreme Court's decision holding that services by a club to its members amounts to services to self &amp; would not qualify as a service for purpose of levy of tax</p>
<p><b>Condition for availing Input Tax Credit (ITC)</b></p> <p><i>Section(s) amended: 16(2) of the CGST Act</i></p>	<p>Taxpayer can claim ITC if following conditions are fulfilled:</p> <ul style="list-style-type: none"> <li>• Possession of tax paying document</li> <li>• Receipt of goods / services</li> <li>• Tax actually paid to the Government</li> <li>• Filing of tax returns</li> </ul>	<p><u>Additional condition introduced</u> - ITC to be available to taxpayer after details of invoice / debit note are furnished by supplier in GSTR 1 &amp; such details communicated to taxpayer in GSTR 2</p>	<p>To overcome legal / constitutional arguments in writs filed all across India against ITC restrictions imposed</p>

# Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Removal of mandatory requirement for GST audit</b></p> <p><i>Section(s) amended: 35(5), 44 of the CGST Act</i></p>	<p>A registered person must get his accounts audited if his aggregate turnover &gt; INR 5 Crore during a FY</p>	<ul style="list-style-type: none"> <li>Mandatory requirement of getting annual accounts audited &amp; filing reconciliation statements submitted by specified professionals <u>has been omitted</u></li> <li>Filing of annual return on <u>self - certification</u> basis. Commissioner may exempt a class of taxpayers from filing annual return</li> </ul>	<p>Ease of compliance</p>
<p><b>Interest on net cash liability</b></p> <p><i>Section(s) amended: 50 of the CGST Act</i></p> <p><i>Effective from: July 1, 2017 onwards</i></p>	<p>Interest on delay in GST deposit to be charged on <u>gross tax liability</u></p>	<p>Interest on delay in GST deposit to be charged on <u>net cash liability</u></p>	<p>To reduce interest liability in favor of the taxpayer</p>

# Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Separate proceeding for seizure &amp; confiscation of goods &amp; conveyances in transit</b></p> <p><i>Section(s) amended: 74 of the CGST Act</i></p>	<p>Conclusion of the proceedings (including proceedings related to certain offences, general penalty, <u>seizure &amp; confiscation of goods / conveyance during transit</u>) against the main person as well as some other persons if the main person pays the requisite amount of tax, interest &amp; penalty for concluding the proceedings</p>	<p>Clause (ii) to Explanation 1 of section 74 amended to make <u>seizure &amp; confiscation of goods &amp; conveyances in transit a separate proceeding from tax recovery proceedings</u></p>	<ul style="list-style-type: none"> <li>• The much-litigated provisions of detention, seizure &amp; confiscation have been rationalized</li> <li>• Payment of tax may no longer be necessary where detention of goods is to be challenged in appeal, but a certain amount of penalty will have to be deposited</li> </ul>

# Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Self-assessed tax – Clarification inserted</b></p> <p><i>Section(s) amended: 75(12) of CGST Act</i></p>	<p><u>Self-assessed tax / interest payable</u> in accordance with a return furnished shall be paid under recovery proceedings without following the process of adjudication</p>	<p>Explanation has been inserted to clarify that the liability declared in GSTR 1 but not included in GSTR 3B will be also be considered as <u>self-assessed tax</u></p>	<p>Scope / coverage of self-assessed tax has been enhanced</p>
<p><b>Pre-deposit of 25% of penalty for filing appeal</b></p> <p><i>Section(s) amended: 107 of CGST Act</i></p>	<p><u>No requirement to pre-deposit</u> any part of penalty in case of filing appeal against order of adjudicating authority in relation to seizure &amp; confiscation of goods &amp; conveyances in transit</p>	<p>Appeal against order of adjudicating authority in relation to seizure &amp; confiscation of goods &amp; conveyances in transit can be made only if atleast <u>25% of penalty</u> is pre-deposited by the taxpayer</p>	<p>To protect revenue's interest</p>

# Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Provisional attachment of property in case of inspection, search, seizure &amp; arrest</b></p> <p><i>Section(s) amended: 83 of CGST Act</i></p>	<p>During the <u>pendency of any proceedings</u>, Government has the power to provisionally attach the properties of the taxpayer</p> <p>Provisional attachment can be invoked during the pendency of <u>limited types of assessments (viz. non-filers, unregistered, summary) &amp; demands &amp; recovery proceedings u/s 73 or 74</u></p>	<p>Provisional attachment shall remain valid for the entire period starting from the <u>initiation of any proceeding under Chapter XII (assessment), Chapter XIV (inspection, search, seizure and arrest) or Chapter XV (demands &amp; recovery)</u></p>
<p><b>Delinking of provisions relating to seizure &amp; confiscation of goods &amp; conveyances in transit</b></p> <p><i>Section(s) amended: 129 &amp; 130 of CGST Act</i></p>	<p>The following provisions are <u>linked to each other</u> (i.e., the proceedings run parallel)</p> <ul style="list-style-type: none"> <li>• Section 129 - Detention, seizure, release of goods &amp; conveyances in transit</li> <li>• Section 130 - Confiscation of such goods / conveyance</li> </ul>	<p>The said provisions have been <u>delinked</u> from each other</p>

# Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment
<p><b>Jurisdictional Commissioner empowered to collect information</b></p> <p><i>Section(s) amended: 151,152,168 of CGST Act</i></p>	<ul style="list-style-type: none"><li>• The Jurisdictional Commissioner is authorised to collect information only for statistical purposes for better administration of the GST laws</li><li>• Further, the said power could have been exercised by the Jurisdictional Commissioner by way of a notification</li></ul>	<ul style="list-style-type: none"><li>• Jurisdictional Commissioner power expanded to call for information from any person relating to any matter in connection with GST Law</li><li>• Use of such information would be subject to providing an opportunity of being heard to the concerned person</li></ul>



# Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p><b>Restriction in case of certain Zero-rated Supplies</b></p> <p><i>Section(s) amended: 16 of IGST Act</i></p>	<ul style="list-style-type: none"> <li>No restrictions on Supply of goods / services to a Special Economic Zone (SEZ) developer / SEZ unit</li> <li>The option of payment of IGST &amp; claiming refund was available for every class of persons &amp; every class of goods / services</li> <li>No linking of foreign exchange remittance in the case of export of goods with refund</li> </ul>	<ul style="list-style-type: none"> <li>Supply of goods / services to SEZ developer / SEZ Unit restricted for authorized operations</li> <li>The option of payment of IGST &amp; claiming refund has been restricted to specified class of persons or class of goods / services which may be notified</li> <li>Linking of foreign exchange remittance in the case of export of goods with refund</li> </ul>	<p>To restrict refund of IGST paid on zero rated supplies only to a few notified categories</p>

# Key Indirect Tax Proposals – Excise

- Imposition of Agriculture Infrastructure & Development Cess (AIDC) on Petrol, Diesel & Import of notified goods with immediate effect

Sl.	Commodity	Rate of AIDC (INR / Ltr)
1	Motor spirit commonly known as petrol	2.5
2	High speed diesel	4

- Change in the Effective Rate of Basic Excise Duty (BED) & Special Additional Excise Duty (SAED) on Petrol & Diesel

Sl.	Commodity	BED (INR / Ltr)	SAED (INR/ Ltr)	AIDC (INR / Ltr)
1	Petrol (unbranded)	1.4	11	2.5
2	Petrol (branded)	2.6	11	2.5
3	High speed diesel (unbranded)	1.8	8	4
4	High speed diesel (branded)	4.2	8	4

# Key Indirect Tax Proposals – Customs

- Proposal to notify a new common portal, which will enable facilitation of registration, filing of bills of entry, shipping bills, payment of duty, any other document or form prescribed & carrying out of such other functions, as may be specified. Also service of order, summons, notice, etc. on the common portal
- All conditional exemptions to cease on March 31, 2021 falling immediately 2 years after the date of such grant or variation unless otherwise prescribed or rescinded earlier
- All existing conditional exemptions in force as on the date on which the Finance Bill 2021 receives Presidential assent will cease on March 31, 2023 (if not specifically extended/ rescinded earlier) on review
- Proposal to prescribe a 2 year time limit (further extendable by 1 year) for completion of investigation under Customs
- Mandate filing of Bill of Entry (BOE) one day (including holidays) prior to arrival of goods at the custom station [Previously, BOE was to be presented by end of the next day following the arrival of goods)
- Proposal to enable confiscation of any goods entered for exportation under a wrongful claim of remission or refund of any duty
- Penalty shall be levied in cases where invoice has been obtained by fraud, collusion, willful misstatement or suppression of facts to utilise ITC for discharging any duty on export of goods
- AIDC proposed to be introduced on specified product categories for financing agriculture infrastructure & other development expenditure (effective from February 2, 2021)
- Consequential reduction in duty rates proposed to mitigate the impact of levy of AIDC
- Proposed amendments in Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017:
  - ✓ To allow import of goods at the concessional rate of duty for job work (except gold, jewellery & precious metals)
  - ✓ To allow 100% out-sourcing for manufacture of goods on job-work
  - ✓ Imported capital goods used for a specified purpose to be allowed to clear on payment of differential duty, along with interest, on the depreciated value (depreciated norms similar to those applicable to Export Oriented Units)
- Proposal to review more than 400 old exemptions to overhaul the custom duty structure

# Key Changes in Basic Customs Duty (BCD) Rate

Sl.	Commodity	Old Rate	New Rate
1	Carbon Black	5%	7.5%
2	Builder's ware of Plastics	10%	15%
3	Cut and Polished Synthetic stones, including Cut & Polished Cubic Zirconia		
4	Compressors of a kind used in refrigerating equipment		
5	Compressors of a kind used in air-conditioning equipment	12.5%	15%
6	Printed Circuit Board Assembly (PCBA) of charger or adapter <i>(All goods under this tariff item, other than above, will continue to attract the existing effective rate of BCD at 10%)</i>	10%	15%
7	Safety glass, consisting of toughened (tempered) or laminated glass <i>(All goods under this heading, other than those used with motor vehicles, will continue to attract the existing effective rate of BCD at 10%)</i>		
8	Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles		

# Key Changes in BCD Rate

Sl.	Commodity	Old Rate	New Rate
9	Ignition wiring sets & other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%
10	Instrument Panel Clocks & Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels		
11	Air compressors mounted on a wheeled chassis for towing	7.5%	15%
12	Gas Compressors (other than of a kind used in air conditioning equipment), free-piston generators for gas turbine, turbo charger & other compressors		
13	Electric Motors	10%	15%
14	Relays		
15	Boards, panels, consoles, etc. for electric control or distribution of electricity		
16	Other instruments, appliances & machines		
17	Electronic automatic regulators & other controlling instruments or apparatus		

# Key Changes in BCD Rate

Sl.	Commodity	Old Rate	New Rate
18	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	5%
19	All goods except dog & cat food & shrimp larvae feed	Nil, 5%, 10%, 15%, 20%, 30%	15%
20	Natural borates & concentrates thereof	Nil, 5%	2.5%
21	Naphtha	4%	2.5%
22	Bis-phenol A	Nil	7.5%
23	Epichlorohydrin	2.5%	7.5%
24	Caprolactam	7.5%	5%
25	Polycarbonates	5%	7.5%
26	Nylon chips	7.5%	5%
27	Other plates, sheets, films, etc. of other plastics	10%	15%
28	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits & sides of the aforesaid	Nil	10%
29	Raw Silk (not thrown)	10%	15%

# Key Changes in BCD Rate

Sl.	Commodity	Old Rate	New Rate
30	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	15%
31	Raw Cotton	Nil	5% + 5% AIDC
32	Cotton waste (including yarn waste or garneted stock)	Nil	10%
33	Nylon Fiber & Yarn	7.5%	5%
34	Silver	12.5%	7.5%+ 2.5% AIDC
35	Silver Dore	11%	6.1% + 2.5% AIDC
36	Gold	12.5%	7.5%+ 2.5% AIDC
37	Gold Dore	11.85%	6.9%+ 2.5% AIDC
38	Base metals or precious metals clad with precious metals	12.5%	10%
39	Other precious metals like Platinum, Palladium, etc.	12.5%	10%
40	Waste & scrap of precious metals or metals clad with precious metal	12.5%	10%
41	Spent catalyst or ash containing precious metals	11.85%	9.17%

# Key Changes in BCD Rate

Sl.	Commodity	Old Rate	New Rate
42	Gold or Silver Findings	20%	10%
43	Coin	12.5%	10%
44	Iron & steel scrap, including stainless steel scrap [up to March 31, 2022]	2.5%	Nil
45	Primary/Semi-finished products of non-alloy steel	10%	7.5%
46	Flat products of non-alloy & alloy steel	10% /12.5%	7.5%
47	Long product of non-alloy, stainless & alloy steel	10%	7.5%
48	Raw materials for use in manufacture of CRGO steel [up to March 31, 2023]	2.5%	Nil
49	Copper Scrap	5%	2.5%
50	Screw, bolts, nuts, etc. of iron & steel	10%	15%
51	Tunnel boring machines	Nil	7.5%
52	Parts and components for manufacture of tunnel boring machines with actual-user condition		2.5%
53	Specified insulated wires & cables	7.5%	10%
54	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	Applicable Rate

# Key Changes in BCD Rate

Sl.	Commodity	Old Rate	New Rate
55	Inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) of cellular mobile phone (effective from April 1, 2021)	Nil	2.5%
56	Inputs or parts for manufacture of camera module of cellular mobile phone (effective from April 1, 2021)		
57	Inputs or parts for manufacture of connectors of cellular mobile phone (effective from April 1, 2021)		
58	Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone (effective from April 1, 2021)		
59	Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones		
60	Moulded plastics for manufacture of charger or adapter	10%	15%
61	Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	Nil	10%
62	Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones		
63	Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack (effective from April 1, 2021)		
64	Parts or components of PCBA of Lithium-ion battery or battery pack (effective from April 1, 2021)		2.5%
65	All goods other than Bicycle parts & components	10%	15%
66	High Speed Rail Projects being brought under project imports	Applicable Rate	5%

# Key Changes in BCD Rate

Sl.	Commodity	Old Rate	New Rate
67	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) (effective from April 1, 2021)	Nil	2.5%
68	Inputs & parts of LED lights or fixtures including LED Lamps	5%	10%
69	Inputs for use in the manufacture of LED driver or MCPCB (Metal Core Printed Circuit Board) for LED lights or fixtures including LED Lamps		15%
70	Solar lanterns or solar lamps		20%
71	Solar Inverters		15%
72	Parts of Electronic Toys for manufacture of electronic toys	2.5%	0%
73	Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector Units under Ministry of Defense subject to condition specified.		0%
74	Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @5%	Health Cess @ Nil

# Key Changes in BCD

BCD exemptions withdrawn on certain goods by deleting entries of Notification No. 50 / 2017

Sl.	Description of goods
1	Diphenylmethane 4, 4-diisocyanate (MDI) for use in the manufacture of spandex yarn
2	Ink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage, for use in printers for computers
3	71 items like wax items, wood polish materials, prints for photo frames, velvet fabric/paper, handles/blades for cutlery, jigat, wine tools etc.
4	35 items like fasteners, zippers, shoulder pads, buckles, rivets, Velcro tape, toggles, stud, elastic cloth and band, bobbin, hooks, anglets etc.
5	42 items like buckles, buttons, stamping foil, sewing thread, Loop rivets, Glove Liners, shoe laces, inlay cards etc.
6	18 items like lace, Velcro tape, curtain hooks, Tassel, Beads, Sequins, sewing threads, poly wadding materials, quilted wadding materials etc.

Entries added to the Customs Tariff (effective from April 1, 2021 onwards)

Sl.	Heading, subheading tariff item	Commodity	Tariff rate	Effective rate
1	2709 00 10	Petroleum Crude	5%	5%
2	2709 00 20	Other	5%	5%

# Imposition of AIDC

Imposition of AIDC on import of certain items (effective from February 2, 2021 onwards)

Sl.	Commodity	BCD	AIDC
1	Apples	15%	35%
2	Crude Palm Oil		17.5%
3	Crude Soya-bean oil		20%
4	Crude Sunflower seed oil		
5	Peas (Pisum sativum)	10%	40%
6	Kabuli Chana		30%
7	Bengal Gram (desichana)		50%
8	Chick Peas (garbanzos)		
9	Lentils (Mosur)		20%
10	All goods (Wine)	50%	100%
11	Vermouth & other wine of fresh grapes, flavoured		
12	All goods (Brandy, Bourbon whiskey, Scotch etc.)		
13	Gold Dore	6.9%	2.5%

# Imposition of AIDC

Imposition of AIDC on import of certain items (effective from February 2, 2021 onwards)

Sl.	Commodity	BCD	AIDC
14	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages & nonalcoholic beverages	50%	100%
15	Various types of coal	1%	1.5%
16	Lignite, whether or not agglomerated		
17	Peat, whether or not agglomerated		
18	Urea	Nil	5%
19	Ammonium nitrate	2.5%	
20	Muriate of potash, for use as manure or for the production of complex fertilisers	Nil	
21	Diammonium phosphate, for use as manure or for the production of complex fertilisers		
22	Cotton (not carded or combed)	5%	
23	Silver (including imports by eligible passengers)	7.5%	2.5%
24	Silver Dore.	6.1%	
25	Gold (including imports by eligible passengers)	7.5%	

# About Us

KrayMan Consultants LLP is an Accounting and multi-disciplinary Advisory Firm founded in 2012 by professionals with Big-4 Consulting and Industry experience. Our forte lies in handholding foreign companies establishing presence in India by demystifying the complex Indian regulatory environment making it easy for them to do business in India. Since inception, we have been delivering value to a mix of multinational Clients from across the globe

The Leadership team comes with rich experience and is supported by a capable & efficient team of professionals including Chartered Accountants, Company Secretaries, Cost Accountants, Advocates and MBAs who are committed in providing timely, professional and quality services to our Clients

We believe that in today's dynamic and ever changing business environment, it is important for accounting, tax & legal professionals to operate with a global approach and mind set. In pursuit of extending global footprints, we have a Japan Desk and an EU Desk to support investments from these countries into India.

In addition, we are members of various associations and forums both at national as well as international levels viz. JCCII, IICCI, IFCCI, CBA, PAN, CII and TiE Delhi



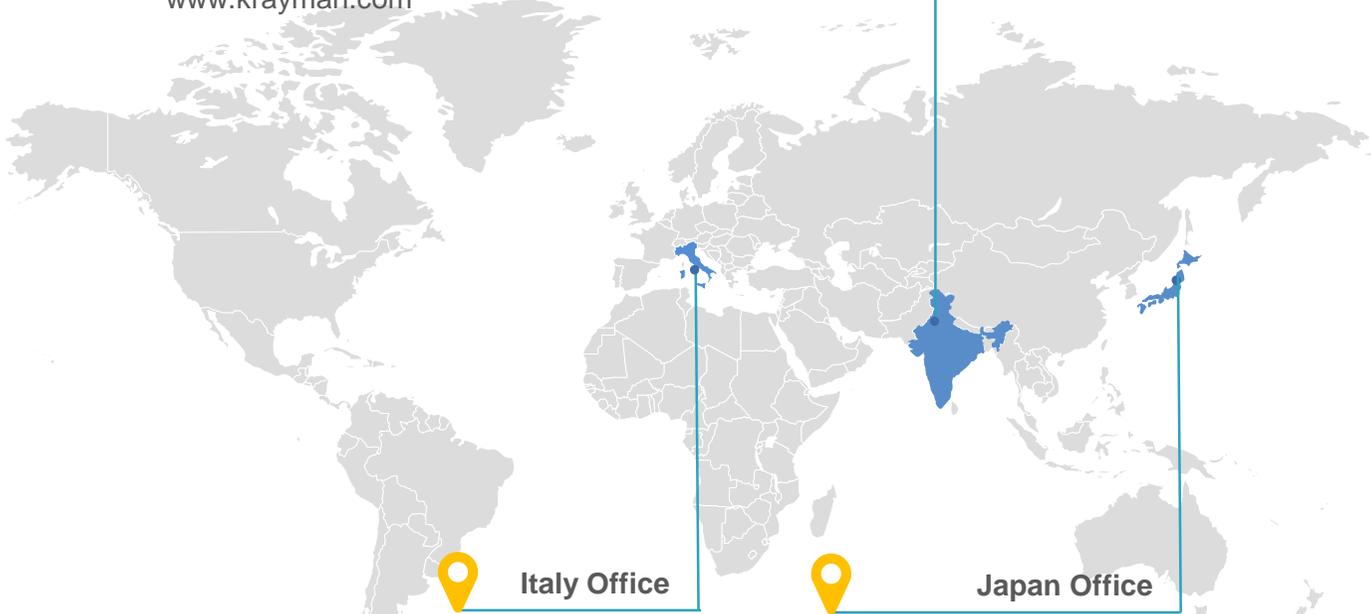
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*The intention of the newsletter is to cover highlights of the Union Budget 2021. Attempt has been made to cover key announcements. No claim is made to cover each & every proposal introduced in the Union Budget. The newsletter contains information of general nature & is not meant to be a substitute for professional advice in any manner. In case the reader requires any specific inputs / suggestions / advice from our end, please contact us separately.*