February 1, 2021

UNION BUDGET 2021-22

HIGHLIGHTS

#BudgetwithShineWing #Budget2021

PREFACE

The Finance Budget 2021 comes amidst financially tough and turbulent year triggered by the COVID-19 pandemic which has seen subsequent lockdowns and life coming to a standstill. This year's Budget is considered to be most crucial Budget of India in recent years, the Budget has come in the backdrop of the largest gross domestic product (GDP) contraction India has suffered post-Independence due to the COVID-19 pandemic. India has been among the worst-hit major economies due to the virus-induced lockdown, with the economic growth contracting by a massive 23.9 percent year-on-year (YoY) in June 2020 quarter, the first GDP contraction in over 40 years.

The Finance Minister in her budget speech highlighted that the country's spirit of self-reliance aka '*Atmanirbhar*' has helped her hold in good stead and emphasized on six pillars of the Budget 2021:

1. Health and physical wellbeing
2. Physical and financial capital and infrastructure
3. Inclusive development for aspirational India
4. Reinvigorating human capital
5. Innovation and R&D
6. Minimum government and maximum governance

It is expected that Government will come out with a policy of strategic disinvestment of public sector enterprises.

Surprisingly, the fifth largest economy in the world has been rated at the lowest grade (BBB-/Baa3) in sovereign credit ratings. This comes as a big blow to the credibility of country for repayment of debt, which has been predominantly rated as AAA.

With GDP pegged at 11 percent for 2021-22, it remains to be seen on how the **Budget 2021** helps in achieving the same.

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EXECUTIVE SUMMARY

Vision on Macroeconomics

- India's real GDP to record a growth of 11 per cent in 2021-22.
- The V-shaped economic recovery is supported by the initiation of a mega vaccination drive.
- India is expected to have a Current Account Surplus of 2 per cent of GDP in FY21, a historic high after 17 years.
- India's sovereign credit ratings do not reflect its fundamentals.
- 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.

Major Policy Announcements

- **Scrapping Policy:** Government is separately announcing a voluntary vehicle scrapping policy, to phase out old and unfit vehicles.
- In the **AtmaNirbhar Package,** government will come out with a policy of strategic disinvestment of public sector enterprises. The policy provides a clear roadmap for disinvestment in all nonstrategic and strategic sectors.
- Government will undertake a new initiative – National Language Translation Mission (NTLM). This will enable the wealth of governance-and-policy related knowledge on the Internet being made available in major Indian languages.

Direct Tax

- No changes in Income Tax Rate for any assessee
- Increase in Safe harbour limit from 10 to 20 per cent for home buyers and real estate developers selling such residential units.
- Due date of filing Revised and Belated return reduced by 3 months.
- ITAT proceedings moved to Faceless.
- Re-assessment of cases to be done up to 3 years only instead of 6 years.
- Specific exclusion of Depreciation on goodwill from Section 32
- Constitution of Dispute Resolution Committee.
- Reduction in time limit for completing scrutiny assessment and processing of return
- Provisional attachment in case of Fake invoices

Indirect Tax

- Introduction of Agriculture Infrastructure and Development Cess on specified products. BCD on those products reduced to avoid any impact to end consumers
- Common Customs Electronic Portal to be set up to ease various activities under Customs
- Time limit of 2 years prescribed for completing any proceedings under section 28 of Customs Act
- The requirement of submission of state wise GST Audit report (GSTR 9C) omitted
- Availment of credit further restricted with new requirement on reflection of the said transaction in suppliers' outward details (GSTR 2A/ 2B)
- Provisions related to zero rated supply amended to restrict exports with payment of GST only to notified class of taxpayers

ECONOMIC SURVEY

Economic Survey (ES) released on 29.01.2021 laid focus on real GDP to record a 11.0% growth in FY2021-22. The document had refreshing take on various levers of Indian Economy with lot of analytical and empirical evidence. Rebound to be led by low base and continued normalization in economic activities as the rollout of COVID-19 vaccines gather traction.

Economic Survey laid on the fact that India is 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. Response stemmed from the humane principle that GDP growth will recover from the temporary shock caused by the pandemic. An early, intense lockdown provided a win-win strategy to save lives, and preserve livelihoods via economic recovery in the medium to long-term. Strategy also motivated by the Nobel-Prize winning research by Hansen & Sargent (2001), a policy focused on minimizing losses in a worst-case scenario when uncertainty is very high.

Now let us look at few key indicators –

Gross Domestic Product:

As per the advance estimates by NSO, India's GDP is estimated to grow by (-) 7.7% in FY21 - a robust sequential growth of 23.9% in H2: FY21 over H1: FY21. India's real GDP to record a 11.0% growth in FY2021-22 and nominal GDP to grow by 15.4% – the highest since independence. V-shaped recovery is underway, as demonstrated by a sustained resurgence in high frequency indicators such as power demand, e-way bills, GST collection, steel consumption, etc.

Innovation:

India entered the top 50 innovating countries for the first time in 2020 since the innovation of Global Innovation Index in 2007, ranking first in Central and South Asia. India's gross domestic expenditure on R&D (GERD) is lowest among top 10 economies. Government sector contributes a disproportionately large share in total GRED at 3 times the average of top 10 economies.

Exports-Imports:

Exports expected to decline by 5.8% and imports by 11.3% in the second half of FY21. India expected to have a Current Account Surplus of 2% of GDP in FY21, a historic high after 17 years. On supply side, Gross Value Added (GVA) growth pegged at -7.2% in FY21 as against 3.9% in FY20. Services sector accounts for 48% of total exports, outperforming goods exports in the recent years.

Sovereign Credit Rating:

The fifth largest economy in the world has never been rated as the lowest rung of the investment grade (BBB-/Baa3) in sovereign credit ratings. Reflecting the economic size and thereby the ability to repay debt, the fifth largest economy has been predominantly rated AAA. China and India are the only exceptions to this rule – China was rated A-/A2 in 2005 and now India is rated BBB-/Baa3. India's sovereign credit ratings do not reflect its fundamentals. A clear outlier amongst countries rated between A+/A1 and BBB-/Baa3 for S&P/ Moody's, on several parameters.

Expenditure:

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. AtmaNirbhar Bharat Abhiyan with a stimulus package worth 15 % of India's GDP announced. Government has announced a Production-Linked Incentive (PLI) Scheme in the 10 key sectors under the aegis of AtmaNirbhar Bharat for enhancing India's manufacturing capabilities and exports. To be implemented by the concerned ministries with an overall expenditure estimated at Rs.1.46 lakh crores and with specific financial limits.

Conclusion:

Economic Survey set the tone with some hard facts about the gears and levers that move the Indian Economy. It puts forward a fresh perspective on Governments vision and pathway to AtmaNirbhar Bharat.

POLICY CHANGES

- Limited Liability Partnership (LLP) Act, 2008 to be decriminalised
- Margin money requirement under stand up India to be reduced to 15%
- Unit cost of each of 750 eklavya model residential schools being established in tribal areas to be increased to Rs. 38 crore and for hilly and difficult areas to Rs. 48 crore
- Framework to let consumers have the freedom to choose their Power Distribution Company
- Budget Outlay for Health & Wellbeing increased to Rs, 2,23,846 crore in BE 2021-22 as against this year's BE of Rs. 94,452 crore

- Agricultural credit target to be enhanced to RS. 16.5 lakh crore with focus on increasing credit flows to animal husbandry, dairy and fisheries
- Rural Infrastructure Development Fund and Micro Irrigation Fund to be enhanced to Rs. 40,000 crore and 10,000 crore respectively
- Insurance Act, 1938 be amended to increase the permissible FDI limit from 49% to 74%
- Amendments to enable debt financing by FPIs
- Ujjwala scheme to be extended to cover 1 crore more beneficiaries
- 100 more districts to be added in next 3 years to the city gas distribution network

- The SWAMITVA Scheme that provides a record of rights to property owners in villages will now cover all states/UTs
- Scope of the Operation Green scheme to be extended to 22 perishable products
- Agriculture Infrastructure Funds to be made available to APMCs for augmenting infrastructure facilities
- 1000 more mandis to be integrated with e-NAM
- Additional Deduction of interest, amounting to Rs. 1.5 lakh for laons taken up till 31st March, 2022, for the purchase of an affordable house
- To increase the supply of houses, affordable housing projects can avail a tax holiday till 31st March 2022

- To improve credit discipline while protecting the interest of small borrowers, for NBFCs with minimum asset size of Rs. 100 crore, the minimum loan size eligible for debt recovery under SARFAESI Act 2002 to be reduced from the existing level of Rs. 50 lakh to Rs. 20 lakh
- SEBI Act 1992, Depositories Act 1996, Securities Contract Act 1956 and Government Securities Act 2007 to be consolidated into Rationalised Securities Markets Code
- Recycling capacity of around 4.5 million Light Displacement Tonne (LDT) to be doubled by 2024 to generate an additional 1.5 Lakhs jobs

No change in Tax Rates

- Income of Individuals, Partnerships, LLPs, companies, co-operative societies shall continue to be taxed at the erstwhile rates. There is no change in the tax rates.

- The tax rates under concessional tax regimes (Section 115BAA, 115BAB and 115BAC) shall also remain same.

- The applicable rate of **surcharge** remains unchanged

Person	Threshold	Surcharge
Individual	>50 Lakhs >1 Crore >2 Crore >5 Crore	10% 15% 25% 37%
Domestic Companies	>1 Crore >10 Crore	7% 12%
Foreign Companies	>1 Crore >10 Crore	2% 5%
Concessional Tax Regime	No Limit	10%

Leave travel concession encashment, not to be taxed

- As a tax incentive, government has decided to provide tax exemption to cash allowance in lieu of LTC.

  Earlier, only LTC utilized and substantiated by documents were exempt, however, now from AY 2021-22 onwards any cash allowance received in lieu of LTC shall also be exempt u/s 10(5).

  The employee has to fulfill following conditions broadly;

  - The employee exercises an option for the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-21.
  - Expenditure is to be incurred on goods or services which are liable to GST @12% or above and are purchased from registered vendor.
  - Allowance shall be received during period 12.10.2020 to 31.03.2021.
  - Exemption shall be lower of Rs. 36,000 per person or 1/3rd of specified expenditure.
  - Payment of GST vendor shall be via electronic mode or Account Payee Cheque with respect to valid tax invoice.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 only

Incentives for affordable rental housing

- The existing provision of the section 80-IBA of the Act provides 100% exemption to profits and gains derived from the business of developing and building affordable housing project on fulfillment of specified conditions.

  To help migrant labourers and to promote affordable rental, deduction benefit under section 80-IBA is also extended to notified rental housing projects.

  Further, outer time limit of the incentive is extended to 31.03.2022.

Tax incentives for units located in International Financial Services Centre (IFSC)

Budget has proposed to provide additional incentives to units located in IFSC as under;

- any income accrued or arisen to, or received to the investment division of offshore banking unit to the extent attributable to it shall be exempt.
- “specified fund” to include investment division of offshore banking unit which has

been granted a category III AIF registration by SEBI and which has commenced operation on or before the 31.03.2024.

- Any income accrued or arisen to, or received by a non-resident as a result of transfer of non-deliverable forward contracts entered into with an offshore banking unit in IFSC shall be exempt.
- any income of a non-resident by way of royalty on account of lease of an aircraft in a previous year paid by a unit of an IFSC shall be exempt.
- any income of the nature of capital gains, arising or received by a non-resident, which is on account of transfer of share of a company resident in India by the resultant fund and such shares were transferred from the original fund to the resultant fund in relocation, if capital gains on such shares were not chargeable to tax had that relocation not taken place.
- any transfer, in relocation, of a capital asset by the original fund to the resultant fund shall not be considered as transfer u/s 47 for capital gain tax purpose.

<u>Facilitating strategic disinvestment of public sector company</u>

- Section 2(19AA) which defines demerger and Section 72A which provides for carry forward and set off of accumulated losses and unabsorbed depreciation pursuant to amalgamation and demerger is being proposed to be amended to include reconstruction or splitting up of a public sector company into separate companies.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 and subsequent AY.

<u>Extension of date of sanction of loan for affordable residential house property</u>

The existing provision of the section 80EEA of the Act, inter alia, provides a deduction in respect of interest on loan taken for a residential house property from any financial institution up to Rs. 1,50,000 subject to the condition that loan has been sanctioned during the period 01.04.2019 and ending on 31.03.2021.

In order to help first time home buyers outer date for sanction of loan is proposed to be extended to 31.03.2022.

This amendment will take effect from 01.04.2022 and applicable for AY 2022-23 and subsequent AY.

<u>Extension of date of incorporation for eligible start up for exemption and for investment in eligible start-up</u>

The existing provisions of the section 80-IAC providing deduction of 100% of the profits and gains derived from an eligible business by an eligible start-up for 3/10 consecutive assessment years at the option of the assessee has now been proposed to be **extended for start-ups incorporated on or before 01.04.2022.**

Exemption under section 54GB of the Act which provides for exemption of capital gains arising from the transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the eligible assessee wherein assessee is required to utilize the net consideration for subscription in the equity shares of an eligible start-up, before the due date of ITR has now been proposed to be extended for transfer of residential property upto 31.03.2022.

These amendments will take effect from 01.04.2021.

Increase in safe harbour limit of 10% for home buyers and real estate developers selling such residential units

In order to boost the demand in the real-estate sector and to enable the real-estate developers to liquidate their unsold inventory at a lower rate to home buyers, it is proposed to increase the safe harbour threshold from existing 10% to 20% under section 43CA of the Act, if the following conditions are satisfied:

- The transfer of residential unit takes place during the period from 12.11.2020 to 30.06.2021.
- The transfer is by way of first-time allotment of the residential unit to any person.
- The consideration received or accruing as a result of such transfer does not exceed two crore rupees.

Further consequential relief to buyers of these residential units by way of amendment in section 56(2)(x) of the Act by increasing the safe harbour from 10% to 20% has also been proposed.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 and subsequent AY.

Relaxation to senior citizen from filing of ITR

In order to provide relief to senior citizens and to reduce compliance for them, it is proposed to provide relaxation from filing of ITR if;

- Senior citizen is resident in India and of the age of 75 or more during the previous year;
- He has pension income and interest income from the same bank in which he is receiving his pension income no other income.
- Bank is a specified bank to be notified by the Government.
- He shall be required to furnish a declaration to the specified bank.

This amendment will take effect from 01.04.2021.

Addressing mismatch in taxation of income from notified overseas retirement fund

New section 89A has been proposed to address the representation received regarding mismatch in the year of taxability of withdrawal from retirement funds by residents who had opened such fund when they were non-resident in India and resident in foreign countries due to withdrawal from such funds being taxed on receipt basis in such foreign countries, while on accrual basis in India. Government will prescribe the rules to this effect for providing that the income of a specified person from specified account shall be taxed in the manner and in the year as prescribed.

Rationalization of provisions of Minimum Alternate Tax (MAT)

Representations were received that the computation of book profit under section 115JB does not provide for any adjustment on account of secondary adjustment under section 92CE or on account of APA u/s 92CC and dividend received by foreign company on its investment in India. Accordingly, provisions of MAT are lined to be amended as below;

- Dividend income and the expense claimed in respect thereof are reduced and added back, same as already there for capital gains on transfer of securities, interest, royalty and Fee for Technical Services (FTS).
- in cases where past year income is included in books of account during the previous year on account of an APA or a secondary adjustment, the Assessing Officer shall, on an application made to him in this behalf by the assessee, recompute the book profit of the past year(s) and tax payable, if any, during

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the previous year, in the prescribed manner.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 and subsequent AY.

Exemption of TDS deduction on payment of Dividend to business trust in whose hand dividend is exempt

Second proviso to section 194 of the Act has been amended, to include that TDS shall not be deducted on payment of Dividend to business trust in whose hand dividend is exempt.

This amendment will take effect retrospectively from 01.04.2020.

Rationalization of the provision concerning withholding on payment made to Foreign Institutional Investors (FIIs)

Section 196D of the Act which includes deduction of tax on income of FII from securities as referred to in section 115AD(1)(a) of the Act (other than interest referred in section 194LD of the Act) at the rate of 20 per cent.

The deduction has now been proposed to be made at the rate lower of 196D or DTAA (if payee has furnished the tax residency certificate).

This amendment will be applicable from 01.04.2021.

Rationalization of provisions relating to tax audit in certain cases

In order to incentivize non-cash transactions to promote digital economy and to further reduce compliance burden of small and medium enterprises, it is proposed to increase the threshold of Tax Audit (u/s 44AB) from existing Rs. 5 crores to Rs. 10 crore in cases where;

- Aggregate receipts in cash does not exceed 5%.
- Aggregate expenditure in cash does not exceed 5%.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 and subsequent AY.

Advance tax instalment for dividend income

Due to the intrinsic nature of the certain income accurate determination of advance tax liability is not possible. Accordingly, dividend income (except deemed dividend u/s 2(22) (e)) has been excluded from the applicability of Advance Tax deferment interest u/s 234C.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 and subsequent AY.

Raising of prescribed limit for exemption under sub-clause (iiiad) and (iiiae) of clause (23C) of section 10 of the Act

Exemption limit for income received by any person on behalf of university or educational institution (Sub-clauses (iiiad)) and income received by any person on behalf of hospital or institution (sub-clauses (iiiae)) has been increased from existing Rs. 1 Crore to Rs. 5 Crore.

Now, institutions and universities can claim exemption u/s 10(23C) if their annual receipts are less than Rs. 5 Crore.

This amendment will take effect from 01.04.2022 and applicable for AY 2022-23 and subsequent AY.

Extending due date for filing ITR

Due date for filing ITR by partner of a firm whose accounts are required to be audited is proposed to be extended as under;

- Tax Audited u/s 44AB: 31st October
- Transfer Pricing Applicable u/s 92E: 30th November.

Reducing the time limit to file belated and revised ITR.

Belated return or revised return (u/s 139(4) and 139(5)) could now be filed three months before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Further, CBDT will notify cases or class of person which include genuine cases, wherein even if response to defective return u/s 139(9) is not submitted, it shall not be treated as invalid.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 and subsequent AY.

Faceless proceedings before ITAT

- To further reduce the human interface between the taxpayer and the department, a scheme for faceless ITAT proceedings has been proposed.
- The proceedings before ITAT shall now be adjudged in a faceless and jurisdiction-less manner

The Faceless Scheme to be notified on or before 31.03.2023

This amendment will be effective from 01.04.2021

Discontinuation of Income-Tax Settlement Commission (ITSC)

- ITSC shall be discontinued w.e.f. 01.02.2021.
- All pending cases on or before 31.01.2021 shall be transferred to Interim Board of settlement.
- All the duties and powers as applicable to ITSC shall get transferred to the Interim Board.
- The assessee has an option to withdraw the pending application before ITSC within 3 months after which it shall be deemed to be transferred.

This amendment will be effective from 01.02.2021

Reduction of Time Limit for Completing Assessment

- The time limit for completing the Income Tax assessment has been systematically reduced by the government over a period of time from 21 months to 12 months from the end of AY.
- This time limit has been further reduced to 9 months from the end of AY.

This amendment will be effective from AY 2021-22.

Changes in Provisions for Application of Funds in case of Charitable Trust and Institution

- In order to avoid the unintended double deduction being claimed by the Charitable Trusts and Institutions, following provisions has been introduced:
  - Voluntary contributions forming part of corpus shall be invested/deposited in the modes specified
  - Application out of corpus fund shall not be consideration as application of funds
  - Investing/Depositing the applied funds back in to the modes specified shall be considered to be application of funds
  - Application from loans and borrowings not to be considered as an application of funds, however repayment of such loans shall be considered to be application of funds.
  - No set-off of excess application of funds during preceding previous years shall be allowed.

This amendment will be effective from AY 2022-23.

Taxation of High Premium Unit Linked Insurance Policy (ULIP)

- The government proposed to remove the high premium ULIP (premium exceeding Rs. 2,50,000) from the scope of exemption given for sum received under life insurance policy with the only exception of sum received in case of death.
- The limit of Rs. 2,50,000 shall be seen in aggregate basis for all the policies.
- The above-mentioned ULIP shall be considered as a capital asset.
- Provisions of capital gains shall levy on such ULIP considering them as equity-oriented funds.
- Accordingly, STT shall also apply on maturity or partial withdrawal (applicable w.e.f. from 01.02.2021).

This amendment will be effective from AY 2021-22.

Rationalization of scope of slump sale

- The scope of provisions of "slump sale" has been widened to include not only transfer by way of sale but also other modes of transfer such as exchange, relinquishment, etc.

This amendment will be effective from AY 2021-22.

Provisional attachment in fake invoices cases

- To protect the interest of revenue, the assessing officer may provisionally attach any property of assessee on whom penalty proceedings are pending in case of allegation on a person to make a false entry or omit an entry in the books of accounts.
- The property can be attached only if penalty imposable is likely to exceed Rs. 2 Crores

This amendment will be effective from 01.04.2021.

Rationalization of provisions of Equalization Levy

- In order to bring more clarity in respect of provisions laid down for equalization levy, certain amendment have been made.
- Consideration taxable as royalty or fee for technical service shall be excluded from the ambit of Equalization levy.
- "Online sale of goods" and "online provision of services" shall include one or more of the following activities taking place:
  - Acceptance of offer for sale
  - Placing the purchase order
  - Acceptance of the Purchase order
  - Payment of consideration
  - Supply of goods or provision of services, partly or wholly
- Consideration received shall be subject to Equalization Levy irrespective of the fact that whether the goods are owned by the e-commerce operator or the services are provided by e-commerce operator.

This amendment will be effective retrospectively from 01.04.2020.

Depreciation on Goodwill

Since the depreciation on goodwill has been the matter of litigation from a long period of time, certain amendments have been made in various sections to clearly exclude Goodwill from the ambit of depreciable assets.

- Block of assets shall not include goodwill
- Goodwill shall not be eligible for depreciation
- In case goodwill formed part of block of assets for AY 2020-21 and depreciation has been claimed, then the WDV and

short-term capital gain, if any, shall be determined in the manner as may be prescribed.

- Cost of acquisition of goodwill shall be determined as follows
    - in case purchase from a previous owner, the amount of the purchase price.
    - in case falling under sub-clause (i) to (iv) of sub-section (1) of section 49 and where such asset was acquired by the previous owner by purchase, the amount of the purchase price for such previous owner
    - in any other case, shall be taken to be nil.

- Goodwill purchased from previous owner on which depreciation has been claimed by the previous owner before or during AY 2020-21, then cost of acquisition shall be the purchase price as reduced by the depreciation so claimed.

This amendment will be effective from AY 2021-22.

Rationalization of processing of return and issuance of notice

Following amendment have been made to Section 143 of the Act

- The total income or loss shall be computed while processing of return after making the following additional adjustments
    - Adjustment on account of increase in income indicated in the audit report but not taken into account in computing the total income.
    - To give consequential effect to amendment carried out in section 80 AC
- The time limit for sending the intimation of processing of return has been reduced from 1 year to 9 months from the end of the financial year in which the return was furnished.
- The time limit for issuance of notice for scrutiny assessment has been reduced from six months to three months from the end of the financial year in which the return is furnished.

This amendment will be effective from 01.04.2021.

Rationalization of the provision of presumptive taxation for professionals under section 44ADA

- The intent of law for applicability of provisions of presumptive taxation for professionals has always been to cover only individual, HUF or partnership firm not being an LLP, since LLP are required to maintain books of accounts in any case under LLP Act.
- This intent has been clearly stated in the Act by way of amendment.

This amendment will be effective from 01.04.2021.

Amendment in Income Declaration Scheme (IDS)

- In cases where excess tax has been paid under the Income Declaration Scheme, the excess tax shall be refundable to the specified class of persons without payment of any interest.

This amendment will be effective retrospectively from 01.06.2016.

Insertion of section 194Q, TDS on purchase of goods.

- Tax is required to be deducted at the rate of 0.1% by buyer on purchase of goods, if the value or aggregate of such value exceeds fifty lakh rupees from one seller.

- TDS is not required to be deducted under this section in the following cases:
    - transaction on which TDS is applicable under any provision of the Act
    - transaction, on which TCS is applicable other than sub-section (1H) of section 206C.
- Buyer means such a person whose turnover exceed ten crore rupees during the immediately preceding financial year
- In case PAN is not provided by the seller, then TDS shall be deducted at a higher rate of 5 per cent.

This amendment will be effective from 01.07.2021.

<u>Higher rate of TDS/TCS for non-filers of Income Tax Return</u>

- New sections (Section 206AB and Section 206CCA) have been introduced to levy higher rates of TDS/TCS for non-filer of Income Tax Return.
- The higher rate of TDS/TCS shall be applicable in case of person where:
    - He has not filed the return of income for both the 2 preceding AY.
    - Aggregate of TDS and TCS is exceeding Rs. 50,000 in each of these two previous years.
- Specified person shall not include a non-resident who does not have a PE in India
- TDS shall be deducted at the higher of
    - twice the rate specified in the relevant provision of the Act; or
    - twice the rate or rates in force; or
    - the rate of five per cent
- TCS shall be collected at the higher of
    - twice the rate specified in the relevant provision of the Act; or
    - the rate of five percent
- The provisions of section 206AA and 206CC, for non-furnishing of PAN shall continue to apply

This amendment will be effective from 01.07.2021.

<u>Taxability of interest on various funds where income is exempt</u>

- The interest income accrued during the previous year from recognized provident fund to the extent it relates to the amount or the aggregate of amounts of contribution made by the person exceeding two lakh and fifty thousand rupees in a previous year, on or after 01.04.2021 shall be taxable.

This amendment will be effective from AY 2022-23.

<u>Removing ambiguities between 43B and 36(1)(va)</u>

To reduce litigation and remove ambiguities with regards to payment of employee contribution to any provident fund or superannuation fund or any fund set up under the provisions of ESI Act or any other fund for the welfare of such employees, section 36(1)(va) has been amended to clarify that due date for depositing employee contribution shall be within respective acts and not due date of ITR filing u/s 139(1). The provisions of Section 43B does not apply to the employee contribution.

This amendment will take effect from 01.04.2021 and applicable for AY 2021-22 and subsequent AY.

<u>Constitution of Dispute Resolution Committee for small and medium taxpayers</u>

The Central Government has consciously adopted a policy to make the processes faceless. It is expected that with these reforms, there would be lesser number of disputes, however, some disputes would still be there.

To address such litigation Central Government shall constitute one or more Dispute Resolution Committee (DRC), which shall;

- Govern the cases disputes where the returned income is Rs. 50 Lakhs or less and the aggregate amount of variation proposed is Rs. 10 lakh or less shall be eligible to be considered by the DRC.
- Search cases shall be outside the purview.
- It shall have power to reduce or waive any penalty or grant immunity from prosecution for any offence under this Act.
- Scheme shall be notified soon.

This amendment will take effect from 01.04.2021

Constitution of the Board for Advance Ruling

Due to the non-availability of bench members, lot of Advance Rulings are pending. Accordingly, to reduce the number of advance rulings, a new mechanism of Advance Rulings with Chief Commissioner of Income Tax being the member of such bench is proposed to be constituted, who will decide rulings.

New redefined Scheme of Re-assessment

With the ever-increasing move towards faceless arena, government has already mapped the information of taxpayer, hence it is believed that there will be less cases where assessee will escape income from assessment and hence, a new scheme of re-assessment is proposed wherein cases can be reopened upto 3 years from the end of relevant assessment year as compared to earlier limit of 6 years.

GOODS AND SERVICES TAX

Zero Rated Supply and Exports

- Zero-rated supply on payment of Integrated tax has now been restricted only to notified class of taxpayers or notified supplies of goods or services
- Refund on export of goods linked with Foreign exchange remittance
- Supply of goods or services to a SEZ developer or unit to be zero rated only when the said supply is for authorized operations

Input Tax Credit

- New clause added to section 16 of CGST Act, restricting the ITC to be availed on invoice or debit note only when details of such invoice or debit note have been furnished by supplier in the statement of outward supplies and such details have been communicated to the recipient of such documents (such as GSTR 2A/2B)

Reconciliation Statement

- Sec 44 of the CGST Act being substituted to remove the mandatory requirement of furnishing a reconciliation statement duly audited by specified professional.
- Amendments made to the section for filing of the annual return on self-certification basis.
- The time limit prescribed for furnishing annual return till 31 December of subsequent year has been omitted
- Further, Commissioner may exempt a class of taxpayers from the requirement of filing the annual return.

Confiscation of Goods

- Amendment in Section 74 of CGST Act to make seizure and confiscation of goods and conveyance in transit a separate proceeding from recovery of tax.
- Proceedings u/s 129 relating to detention, seizure and release of goods and conveyances in transit, to be delinked from the proceedings under section 130 relating to confiscation of goods or conveyances and levy of penalty.
- Provision added to provide that no appeal shall be filed against an order made u/s 129, unless a sum equal to twenty-five per cent. of penalty has been paid by the appellant.

Retrospective amendments

- Tax to be levied on activities or transactions on supply of goods or services by any person, other than individuals, to its members or constituents or vice-versa for cash, deferred payment or valuable consideration.
- Interest to be charged on net cash liability with effect from the 1st July, 2017.

CUSTOMS

Amendments in the Customs Act, 1962

- Amendment to Section 25 to prescribe that all conditional exemptions, unless otherwise specified or varied or rescinded, given under Customs Act shall come to an end on 31st March falling immediately two years after the date of such grant or variation.
- To encourage paperless processing, it is proposed to recognize the use of common portal to serve notice, order etc. and the portal to act as a one-point digital interface for the trade to interact with the Customs. Corresponding changes

in specific rules to accommodate usage of the common portal.

- A two-year time limit, further extendable by one year, for completion of any proceedings under this act which would culminate in issuance of a notice u/s 28 of the Customs Act,1962.
- Mandatory filing of Bill of Entry before the end of the day preceding the day 'including holidays' of arrival of goods.
- Amendment in Section 113 to provide for the confiscation of goods entered for exportation under claim of remission or refund so as to make a wrongful claim.
- Insertion of Section 114AC to prescribe penalty up to 5 times the refund amount in case where any person has obtained invoice by fraud to utilize ITC on the basis of such invoice for discharging duty or tax on goods that are entered for exportation under claim of refund of any duty or tax.

Amendments in the Customs Tariff Act, 1975

- Amendment in Section 9 & 9A to include provisions for anti-absorption, retrospective levy from the date of initiation of investigation in anti-circumvention cases
- Aligning CVD/ADD provisions with those in safeguard measures in respect of levy on goods cleared from EOU and SEZ into Domestic Tariff Area, stipulating that when CVD/ADD is revoked temporarily, such revocation shall be for a period not exceeding one year at a time and to provide for imposing CVD/ADD on review for period not exceeding 5 years at a time, instead of the 5 years at present.

Amendments in Tariff Rate change for Basic Custom Duty (To be effective from 02.02.2021, unless otherwise specified)

The objective of Custom Duty Policy is to have the twin objective of promoting domestic manufacturing and helping India get onto global value export better.

Keeping in line with the vision of the policy, changes have been made to the tariff rate for Basic Custom Duty.

Changes in tariff of Major Commercial and retail goods:

Decrease in Custom Duty	Hike in Custom Duty
Commodity	
Silver & Gold	Synthetic stones classified in Gems & Jewellery Sector
Goods of iron and steel	Textile
Components or parts of aircrafts	Tunnel boring machine
Medical devices	IT, Electronics & Renewables

Amendments in Customs (IGCR) Rules

- Amendment to allow job-work of the materials (except gold, jewelry & other precious metals) imported under concessional rate of duty.
- 100% out-sourcing for manufacture of goods on job-work allowed.
- Imported capital goods that have been used for the specified purpose to be cleared on payment of differential duty, along with interest, on the depreciated value. The depreciation norms would be the same as applied to EOUs.

Amendment in Changes pertaining to Anti-Dumping Duty (ADD/CVD/Safeguard measures)

- Final findings are to be issued by the designated authority, in review cases, at least three months prior to expiry of the ADD/CVD under review.
- ADD and CVD being temporarily revoked from 02.02.2021 till 30.09.2021 on imports of certain products from specific countries.

EXCISE

Agriculture Infrastructure and Development Cess (AIDC)

- Additional duty of excise has been proposed on Petrol and High-speed diesel. This cess shall be used to finance the improvement of agriculture infrastructure and other development expenditure. The details of the cess are as under:

Commodity	Rate of AIDC
Motor spirit commonly known as petrol	Rs. 2.5 per litre
High speed diesel	Rs. 4 per litre

- BED and SAED to be reduced on such products so that consumer does not have to bear additional burden.

- Revised duty structure on petrol and HSD shall be as follows. (Rs/Ltr)

Item	BED	SAED	RIC	AIDC
Petrol (Unbranded)	1.4	11	18	2.5
Petrol (branded)	2.6	11	18	2.5
HSD (Unbranded	1.8	8	18	4
HSD (Branded)	4.2	8	18	4

*from earlier BED of ₹2.98/ltr and ₹4.83/tr on petrol and diesel respectively and SED of ₹11 & ₹8 on petrol and diesel respectively.

CONTACT US

Gurugram
I Floor, AIHP Palms, Plot no. 242 – 243, Udyog Vihar, Phase – IV, Gurgram, Haryana - 122015

Bengaluru
#305, Sai Paragon Meadows, 4Th Main, 20Th Cross, BEML Layout, ITPL Road, Bangalore - 560 037

Chandigarh
3020, Sector 46-C
Chandigarh
U. T. – 160 036

Mumbai
203, The Summit, Vile Parle, Western Express Highway, Mumbai

Pune
124, Sohrab Hall, Sasoon Road, Opp. Jehangir Hospital, Pune 411001

Hyderabad
4th Floor, Tower B, Win Parley Towers, JNTU – Hitech City Main Road, Khanamet Madhapur, Hyderabad – 500 081

Amritsar
23, Anand Avenue, Maqbool Road
Punjab – 143 001

www.sw-india.com

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