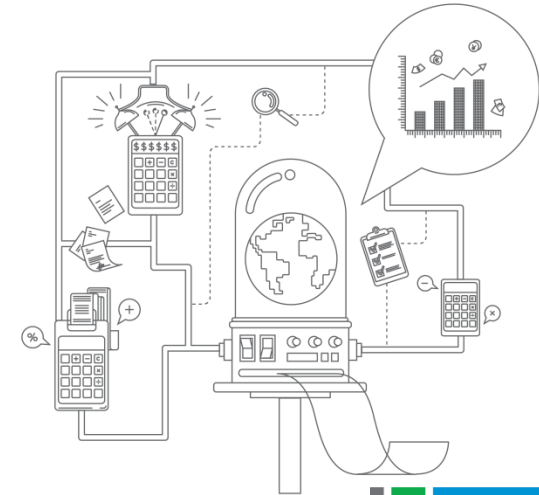
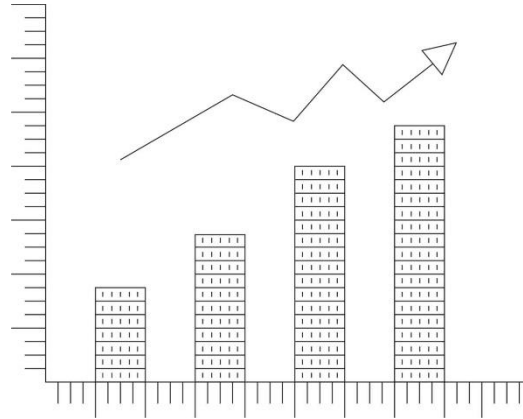


# INDIA BUDGET 2021

## Key Aspects in a Nutshell



Key Aspects –  
India Budget 2021



# Introduction to Budget 2021

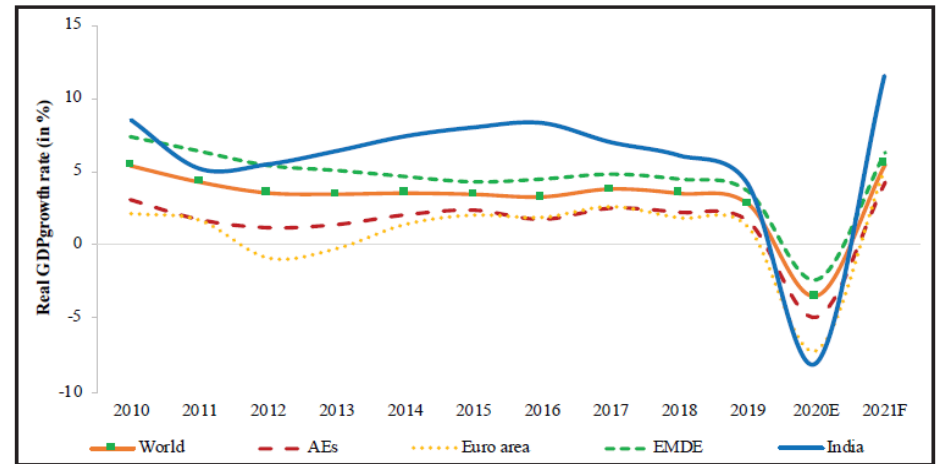
## MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2020-21

Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman presented Economic Survey 2020-21 in parliament on 29 January 2021. The key highlights of the Economic Survey 2020-21 are:

### GDP GROWTH

- Due to Covid-19 pandemic, India's GDP is estimated to contract by 7.7% for FYE 31 March 2021.
- India's real GDP and nominal GDP is projected to record a growth of 11% and 15.4% respectively in FY 2021-22 – the highest since independence.
- India to become the fastest growing economy in next 2 years as per IMF.

Trend in Global Growth



Source: IMF

Note: E is Estimate, F is Forecast



# Introduction to Budget 2021

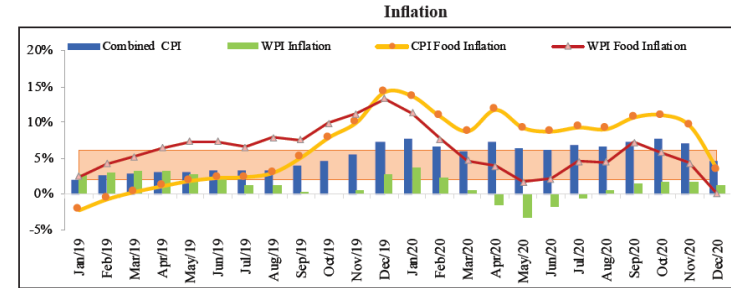
## MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2020-21

### INFLATION

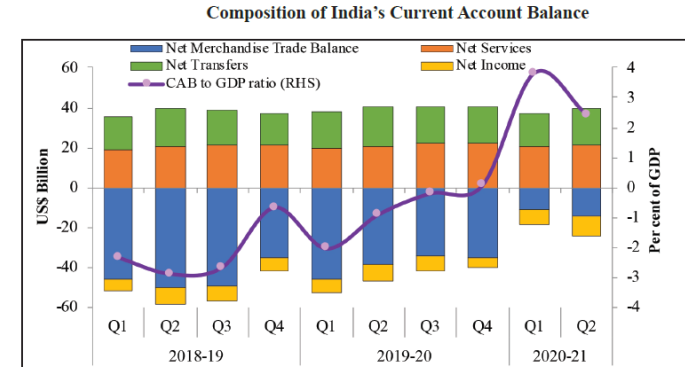
- CPI inflation averaged 6.6% during April – December 2020 and stood at 4.6% in December 2020.

### EXTERNAL SECTOR

- India has been experiencing a Current Account Surplus (CAS) along with robust capital inflows leading to a Balance of Payments (BoP) surplus since Q4 of FY 2019-20.
- India's foreign exchange reserve position rose to all time high of \$ 586.1 billion as on 8 January 2021.



Source: MOSPI



Source: RBI



# Introduction to Budget 2021

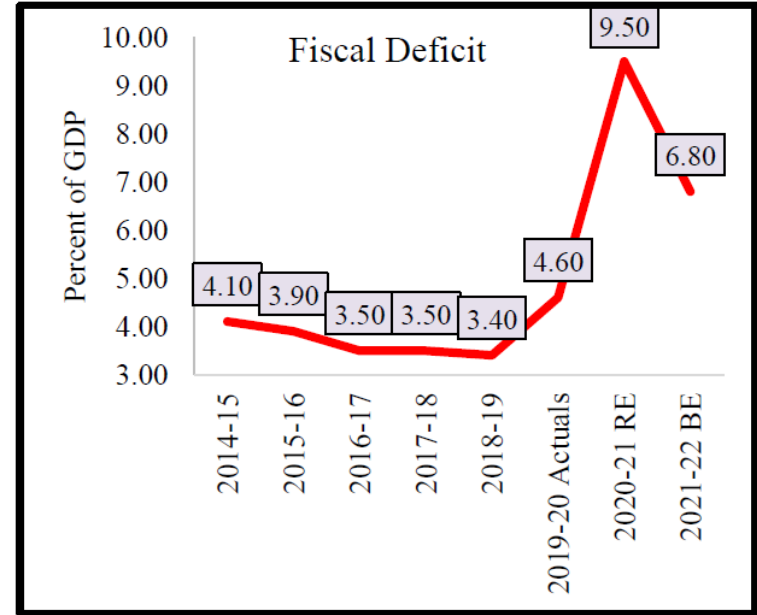
## MACRO ECONOMIC ANALYSIS – ECONOMIC SURVEY 2020-21

### FISCAL DEFICIT

- In FY 2020-21, Centre's fiscal deficit was budgeted at 3.5% of GDP, however, is now projected at 9.5% due to pandemic.
- The fiscal deficit for FY 2021-22 is budgeted at 6.8% of the GDP.

### RECOVERY OF GST

- Monthly gross GST collection crossed Rs. 1 lakh crore for consecutive 3 months from October 2020 to December 2020.
- GST collection for January 2021 touched Rs. 1.2 lakh crore. This has been highest monthly GST collection since the introduction of GST reflecting a strong economic rebound.



# Introduction to Budget 2021

In the backdrop of the economic survey and contraction of economy due to global pandemic, the Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman presented the budget on 1 February 2021.

The Budget Proposals for FY 2021-22 rest on 6 pillars of (i) Health and Wellbeing; (ii) Physical & Financial Capital and Infrastructure; (iii) Inclusive Development for Aspirational India; (iv) Reinvigorating Human Capital; (v) Innovation and R&D; and (vi) Minimum Government and Maximum Governance

The tax proposals for amendments under the Finance Bill, 2021 are organized under the following heads:

## A. Direct Tax Proposals

1. Rates of Income-tax – Individual & HUF, Corporate Entities and Other Entities
2. Significant tax announcements
  - a) Business Entities
  - b) Personal Taxation
  - c) Non-resident
  - d) General

## B. Indirect Tax Proposals

## C. Other Aspects

The said proposals will be effective after the Finance Bill, 2021 (as finally approved by the legislature) receives the assent of the Hon'ble President of India.

Introduction – Page 4 of 4



# Direct Tax Proposals

## RATES OF INCOME-TAX – Individual & HUF, Corporate Entities and Other Entities

### Rates of Income-tax

- No change in tax rates in respect of income of all categories of assessee.
- No change in MAT and AMT rate for companies and other entities respectively.
- No change in Surcharge and 'Health and Education Cess' rate.

### Tax Rates for Individuals / HUFs unchanged for FY 2021-22

Total Income (Rs.)	Old Regime – Tax Rate*	Optional Regime – Tax Rate*
Upto 2,50,000	Nil	Nil
2,50,001 to 5,00,000	5%	5%
5,00,001 to 7,50,000	20%	10%
7,50,001 to 10,00,000	20%	15%
10,00,001 to 12,50,000	30%	20%
12,50,001 to 15,00,000	30%	25%
Above 15,00,000	30%	30%

\*Plus Applicable Surcharge and 'Health and Education Cess'



# Direct Tax Proposals

## RATES OF INCOME-TAX – Individual & HUF, Corporate Entities and Other Entities

### Tax Rates for Domestic Companies unchanged for FY 2021-22

Particulars	Maximum Effective Tax Rate	Effective MAT Rates
<b>Opting for Concessional Tax Regime</b>		
Domestic companies opting for concessional corporate tax regime -Tax under section 115BAA - Irrespective of the level of total income	25.17%	Not Applicable under the concessional corporate tax regime
New domestic companies with manufacturing activity opting for concessional corporate tax regime - Tax under section 115BAB - Irrespective of the level of total income	17.16%	
<b>Not Opting for Concessional Tax Regime</b>		
Having total turnover / gross receipt in FY 2019-20 up to Rs. 400 crore	29.12%	17.472%
Having total turnover / gross receipt in FY 2019-20 exceeding Rs. 400 crore	34.944%	17.472%



# Direct Tax Proposals

## SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

### ➤ **No Depreciation on Goodwill**

- Goodwill not to be considered as a depreciable asset for the purpose of claiming depreciation.
- In case of acquired goodwill, purchase price shall be available as cost of acquisition for the purpose of computing capital gains.
- In case depreciation claimed by the assessee for the period up to FY 2019-20, the cost of acquisition shall be purchase price as reduced by the depreciation so claimed.

### ➤ **Rationalisation of Tax Audit Provisions** – The threshold limit of Rs. 5 crores for non-applicability of tax audit (where aggregate of cash receipts or cash payments does not exceed 5% of total receipt / payment), increased to Rs. 10 crores.

### ➤ **Payment by employer of employees' contribution to a fund** - Section 43B not applicable to Employees' contribution to various funds and the same to be disallowed in case payment not made within respective due date of the fund.

### ➤ **Advance tax in case of dividend income** – Interest under section 234C not applicable to shortfall in payment of tax owing to failure in estimation of dividend income [except dividend under section 2(22)(e) of the IT Act] provided such tax is paid by way of remaining instalment of advance tax or before 31 March, as may be applicable.

### ➤ **Rationalisation of MAT provisions in case of advance pricing agreement (APA) or secondary adjustment** - In the case of increase in book profit of the financial year due to income of past year or years on account of APA or secondary adjustment, application can be made to AO to recompute the book profit of the past year or years and tax payable, if any, in such manner as may be prescribed.





# Direct Tax Proposals

## SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

- **Increase in safe harbour limit from 10% to 20% for home buyers and real estate developers** – Safe harbour threshold increased from 10% to 20% for real estate developers and home buyers under section 43CA and section 56(2)(x) respectively provided – (a) The transfer of residential unit takes place during the period from 12 November 2020 to 30 June 2021 (b) The transfer is by way of first-time allotment of the residential unit to any person and (c) The consideration received or accruing as a result of such transfer does not exceed Rs. 2,00,00,000.
- **Extension of date of incorporation for eligible start-up and for investment in eligible start-up** – (a) The date of incorporation of start-up for claiming of deduction of profits under section 80-IAC and (b) The date of transfer of residential property for investment in eligible start-up, extended from 31 March 2021 to 31 March 2022.
- **Presumptive taxation for professionals** - Section 44ADA relating to presumptive taxation for profession income amended to clearly provide that LLPs shall not be covered within the said section.
- **Slump Sale** - Section 2(42C) amended to include transfer of undertaking by all means within the definition of slump sale instead of 'transfer only by way of sale'.
- **Incentive for affordable housing**
  - Provisions for section 80-IBA for deduction of profits and gains from the business of developing and building an affordable housing project, extended to approved rental housing project (notified on or before 31 March 2022).
  - Time limit for approval for affordable housing project extended from 31 March 2021 to 31 March 2022.



# Direct Tax Proposals

## SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

- **Transfer of asset by firm / AOP / BOI (specified entity) to partner / member (specified person) on dissolution or reconstitution**
  - Profits or gains arising on receipt of capital asset by specified person on dissolution or reconstruction of specified entity chargeable as capital gains for specified entity.
  - Profits or gains arising on receipt of money or other assets by specified person in excess of his capital account on dissolution or reconstruction of specified entity chargeable as capital gains for specified entity.
- **Additional incentives proposed to be provided for units located in International Financial Services Centre (IFSC)**
- **Power of AO to provisionally attach property** extended in cases of initiation of penalty under section 271AAD for making a false entry or omitting an entry from books of account.
- **TDS on purchase of goods – Section 194Q**
  - Buyer to deduct TDS at the rate of 0.1% (5% in case of no PAN) on purchase of goods of value or aggregate of value exceeding Rs. 50,00,000 in any financial year.
  - TDS to be deducted on sum exceeding Rs. 50,00,000.
  - TDS applicable at the time of credit or payment, whichever is earlier.
  - Buyer defined to be person whose total sales, gross receipts or turnover from the business exceed Rs. 10 crores in preceding financial year.
  - Section not applicable if any other TDS provision or TCS provision (except TCS on sale of goods) applicable on the same transaction.



# Direct Tax Proposals

## SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

### ➤ TDS / TCS at higher rates for non-filers of tax return – Section 206AB (TDS) and section 206CC (TCS)

- In case where tax is required to be deducted in respect of a specified person, tax shall be deducted at higher of – (a) twice the rate specified in relevant provision; (b) twice the rate or rates in force; (c) 5%
- In case the specified person does not have PAN, the tax shall be deducted at higher of rates provided in this section or section 206AA of the IT Act.
- Specified person shall mean a person who has not filed the tax returns for immediately preceding 2 financial years for which the time limit for filing of return has been expired and the aggregate of TDS or TCS in his case exceeds Rs. 50,000 in each of these 2 financial years.
- Specified person shall not include non-resident not having permanent establishment in India.
- Section not applicable for deduction of TDS under section 192 (Salaries), section 192A (Payment of accumulated balance to employee), Section 194B (Lotteries), section 194BB (Winnings from horse race), section 194LBC (Income from securitization trust) and section 194N (Payment in cash).
- Similar provisions provided in section 206CC in case of deduction of TCS.



# Direct Tax Proposals

## SIGNIFICANT TAX ANNOUNCEMENTS – Personal Taxation

- **Exemption under LTC** – Leave Travel Concession exemption shall be allowed for AY 2021-22 on incurring expenditure on goods or services liable to GST at 12% or above during the period from 12 October 2020 to 31 March 2021 subject to fulfilment of certain conditions.
- **The outer date for sanction of loan for deduction of interest under section 80EEA** in respect of purchase of eligible residential house property extended from 31 March 2021 to 31 March 2022.
- **Resident senior citizen of age of 75 years or more earning pension income and interest income** from same bank granted relaxation from filing of tax return on fulfilment of certain conditions. Consequently, payer bank mandated to deduct appropriate TDS on payment of such sum to resident senior citizen.
- **Taxation of sum received from high premium unit linked insurance policy (ULIP)** – Exemption under section 10(10D) not available in case of ULIP issued after 1 February 2021 where annual premium exceeds Rs. 2,50,000 for any of the year over term of ULIP. The same to be taxable as capital gains from sale of equity-oriented fund.
- **Taxability of interest from various employee funds** – Interest income accruing on employee funds to the extent attributable to contribution exceeding Rs. 2,50,000 in a financial year shall be taxable from FY 2021-22 in a manner as may be prescribed.



# Direct Tax Proposals

## SIGNIFICANT TAX ANNOUNCEMENTS – Non-Resident

- **Withholding under section 196D of the IT Act** - Benefit of lower treaty rate made available to Foreign Institutional Investors on income from securities.
- **Addressing mismatch in taxation of income from notified overseas retirement fund** – Income from withdrawal of overseas retirement fund by an Indian resident who had opened such fund when he was a non-resident shall be subjected to tax in a manner as may be provided to address the double taxability of such withdrawal in India and the foreign country.
- **Term ‘liable to tax’** defined for purposes of section 6, section 10(23FE) and various DTAA agreements – ‘liable to tax’, in relation to a person, means that there is a liability of tax on such person under any law for the time being in force in any country, and shall include a case where subsequent to imposition of tax liability, an exemption has been provided.
- **Rationalisation of provisions of equalization levy (EL)**
  - EL not applicable on transactions in the nature of royalty or fees for technical services which are taxable under the IT Act read with relevant tax treaty.
  - The definition of ‘online sale of goods’ and ‘online provision of services’ is expanded to include additional activities taking place online viz. (a) Acceptance of offer for sale; (b) Placing the purchase order; (c) Acceptance of the Purchase order; (d) Payment of consideration; or (e) Supply of goods or provision of services, partly or wholly.



# Direct Tax Proposals

## SIGNIFICANT TAX ANNOUNCEMENTS – General

- The due date for filing belated or revised return advanced to 31 December from 31 March of the relevant assessment year.
- Due date for filing tax return for partner of a firm liable to furnish report under transfer pricing provisions extended to 30 November of the assessment year.
- The time limit for issuing notice under section 143(2) and processing of return under section 143(1) to be 3 months and 9 months respectively from end of financial year in which return is furnished.
- Time limit for completion of assessment to be 9 months from the end of relevant assessment year.
- Proposal for constitution of Dispute Resolution Committee for small and medium taxpayers in cases where returned income does not exceed Rs. 50,00,000 and proposed variation does not exceed Rs. 10,00,000.
- Proposal to introduce new procedure of assessment in case of income escaping assessment – Time limit for issuance of notice for reassessment reduced to 3 years from the end of relevant assessment year (10 years in case there is an evidence which reveal income escaping assessment of Rs. 50,00,000 or more with the approval of Pr. CCIT).
- Proposal for faceless proceedings before the Income-tax Appellate Tribunal (ITAT) in a jurisdiction less manner.
- Rationalisation of provisions relating to charitable trust and institutions providing for investment of corpus fund in specified modes, non-availability of exemption in case of application of corpus funds and application from loans & borrowings. Further, no set-off or deduction shall be allowed for excess application of earlier years.
- Withholding tax on dividend not to apply in case of payment of dividend to business trust by a special purpose vehicle.



# Indirect Tax Proposals

## CGST AMENDMENTS

- Insertion of new clause under section 16(2) restricting claim of input tax credit (ITC) only when the details of such invoices has been furnished by the supplier.
- Interest to be paid on net cash liability under section 50(1) with effect from 1 July 2017.
- Section 74, now provides for seizure and confiscation of goods or conveyances as a separate proceeding for recovery of tax.
- Proceedings under section 129 and section 130 are delinked.
- Scope of supply to include supply of goods or services by any person other than an individual to its member or constituents or vice-a-versa for cash, deferred payment or other valuable consideration.
- No appeal shall be filed against order under section 129(3) unless a pre deposit of 25% of the penalty amount is paid.

## IGST AMENDMENTS

- Supply of goods or service to Special Economic Zone (SEZ) unit or SEZ Developer shall be considered as zero-rated supplies only when the said supplies are for the authorized operations.
- Zero rated supplies on payment of IGST shall be restricted only to notified class of taxpayers or notified supplies of goods or service.
- Linkage of foreign exchange remittance in case of export of goods with refund claimed.



# Indirect Tax Proposals

## CHANGES IN CUSTOMS DUTY RATE :

- Increase in Basic Custom Duty (BCD) on goods falling under heading 3925 (Builder's ware of plastics, not elsewhere specified)
- Increase in BCD on items of plastics falling under tariff item 3902 99 99 except specified parts of back cover, battery cover, etc.
- Increase in BCD on raw silk falling under heading 5002
- Increase in BCD on cotton, not carded or combed falling under heading 5201, cotton waste falling under heading 5202
- Increase in BCD on all goods falling under heading 7007 (Glass and glassware)
- Increase in BCD on cut and polished synthetic stones, cut and polished cubic zirconia
- Reduction in BCD on gold, silver, gold dore, silver dore, spent catalyst or ash containing precious metals, gold finding, silver findings
- Reduction in BCD on iron or steel scrap, primary and finished products of iron or non-alloy steel, flat products of iron or non-alloy steel and alloy steel
- Increase in BCD on copper waste and scrap, tunnel boring machine (8430) and its parts and components, compressors of refrigerator (8414 30 00) and air conditioners (8414 80 11)
- Increase in BCD on goods falling under chapter heading 8501 10 to 8501 53, solar invertors, all items of machinery including instruments, apparatus, control gear and transmission equipment, etc. for setting up of solar power generation project, all parts used in manufacture of Light Emitting Diode (LED) lights
- Increase in BCD on specified auto parts other than bicycle parts





# Indirect Tax Proposals

## CHANGES IN IMPOSITION OF ANTI-DUMPING (ADD) OR COUNTERVAILING DUTY (CVD):

- Revocation of ADD and CVD for the period 2 February 2021 to 30 September 2021 on straight length bar and rod of alloy steel, high speed steel of Non-Cobalt Grade, flat rolled products of steel (A1 or Zinc coated), Hot rolled and cold rolled stainless steel flat products based on the specified exporting countries.
- Revocation of CVD on flat rolled products of stainless steel originating in or exported from Indonesia.

## LEVY OF AGRICULTURAL INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC):

- Imposition of AIDC on peas, kabuli chana, Bengal gram, chick peas, lentils (Mosur), crude sun flower seed oil, apples, various types of coal, bourbon whiskey, scotch, brandy, cotton (not carded or combed), certain fertilizers covered under chapter 31, silver, gold, silver dore and gold dore.
- For the purpose of calculating AIDC, import value of such goods shall be calculated in accordance with the section 14 of the Customs Act, 1962.
- Social Welfare Surcharge (SWS) would be levied on AIDC. No SWS on AIDC shall be levied on gold and silver.
- Goods imported under Custom duty exemption under Free Trade Agreement (FTA) and Export Oriented Unit (EOU) as well as advance authorisation scheme are exempted from AIDC.



# Indirect Tax Proposals

## AMENDMENTS TO THE CUSTOMS ACT 1962

- All existing conditional exemptions provided under the Customs Act shall come to an end immediately 2 years after the date of such grant i.e. 31 March 2023.
- Insertion of new section prescribing 2 years time limit, further extendable by 1 year, for completion of any proceedings for any notice issued under section 28 of this Act
- Section 46(3) is being amended so as to mandate filing of Bill of Entry (BOE) before the end of the day preceding the day of arrival of goods.

## AMENDMENTS TO THE CUSTOMS TARIFF ACT 1975

- Amendments in provisions relating to ADD, CVD, Safeguard measures.

## AMENDMENTS TO THE CUSTOMS (IMPORT OF GOODS AT CONCESSIONAL RATE OF DUTY ) RULES,2017

- Allowing job work of materials (except gold and jewellery and other precious metals) imported under concessional rate of duty
- Allow 100% outsourcing for manufacture of goods on job work

## CENTRAL EXCISE AMENDMENTS

- Increase in Excise duty on products intended for inhalation without combustion, containing tobacco or reconstituted tobacco and others
- AIDC being imposed on petrol and high speed diesel
- Increase in tariff rate of 14%+Rs.15 per litre against tariff 2710 20 10 and 2710 20 20 retrospectively from 1 January 2021



# Other Aspects

## FINANCIAL SECTOR

- Proposal to increase the FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership - under the proposed structure, the majority of directors and key managerial personnel should be resident Indians, with at least 50% of directors being independent directors and specified percentage of profits being retained as general reserve.
- Proposal to consolidate the provisions of 4 acts viz. SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code.
- Proposal to introduce an investor charter to protect the rights of all financial investors across all financial products.

## COMPANIES ACT, 2013 / LIMITED LIABILITY PARTNERSHIP ACT, 2008 AND MCA

- Proposal to change the definition of Small Company under the Companies Act, 2013 by increasing threshold of paid-up share capital from Rs. 50,00,000 to Rs. 2,00,00,000 and turnover from Rs. 2,00,00,000 to Rs. 20,00,00,000.
- Proposed to change residency limit to 120 days from 180 days for One-Person Companies (OPCs). Further, removal of restrictions on paid-up share capital and turnover for incorporating OPCs, allowing their conversion into any other type of company at any time and permitting NRIs to set up OPCs.
- Proposal to launch MCA 21 website - Version 3.0 for e-scrutiny, e-adjudication and simplifying compliances.



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This publication is general in nature. In this publication, we have endeavoured to highlight certain significant aspects of the Union Budget 2021, presented by the Honourable Finance Minister of India on 1 February 2021. The effective dates of budget proposals would vary. It may be noted that nothing contained in this publication should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the topics covered in this publication. Appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this publication.

1 February 2021

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Introduction



Direct Tax



Indirect Tax



Other Proposals



Contact Us

