

## Insights and Business Perspective



# INDIA BUDGET 2021

## - Highlights

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# **INDIA BUDGET 2021 – Highlights**

## **Includes**

- **Reading the Indian Treaties through MLI Lens**
- **Tax Incentives for New Businesses**
- **The CFO's Tax Checklist – Income Tax**

**February 2021**

## Table of Contents

<b>Executive Summary</b>	1
<b>Chapter 1: Introduction</b>	7
<b>Chapter 2: Indian Economy – An Overview</b>	10
<b>Chapter 3: Tax Rates</b>	14
<b>Chapter 4: G-20 Countries – Comparative Corporate and Personal Tax Rates</b>	25
<b>Chapter 5: Reading the Indian Treaties through MLI Lens</b>	28
<b>Chapter 6: The CFO's Tax Checklist – Income Tax</b>	47
<b>Chapter 7: Tax Incentive for New Businesses</b>	53
<b>Chapter 8: Direct Taxes – Significant Changes</b>	67
8.1 Business Entities	67
8.2 Personal	75
8.3 Non-resident	77
8.4 General	79
<b>Chapter 9: Indirect Taxes – Significant Changes</b>	85
9.1 Goods and Services Tax	85
9.2 Custom Duty	87
<b>Chapter 10: Concessional Tax Regime for Businesses – Section 115BAA</b>	97
<b>Chapter 11: Other Significant Proposals</b>	102
<b>Chapter 12: TDS Rates</b>	105
<b>Chapter 13: Direct Tax, GST and FEMA Compliance Calendar</b>	112
13.1 Direct Tax Compliance Calendar	112
13.2 GST Compliance Calendar	116
13.3 FEMA Compliance Calendar	119
<b>Abbreviations</b>	123



## 1.0 DIRECT TAXES

### 1.1 Effective Tax Rates

- 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'.

### 1.2 Tax Incentives and Proposals for Business

- It is proposed that goodwill shall not 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 at the time of transfer. In case depreciation is claimed by the assessee for the period up to FY 2019-20, the cost of acquisition shall be purchase price of goodwill as reduced by the depreciation so claimed.
- Section 43B of the IT Act not to apply in case of employees' contribution to various employee welfare funds and the same shall be subject to permanent disallowance in case payment is not made within respective due date of such welfare fund.
- Safe harbour threshold proposed to be 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.
- 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. Buyer defined to be person whose total sales, gross receipts or turnover from the business exceeds Rs. 10,00,00,000 in the preceding financial year. No deduction to be made if any other TDS provision or TCS provision (except TCS on sale of goods) applicable on the same transaction.
- It is proposed to provide that a specified person in whose case TDS/TCS of Rs. 50,000 or more has been made for the preceding 2 years and who has not filed return of income for these years, the rate of TDS / TCS shall be double of the specified rate or 5%, whichever is higher. This provision shall not be applicable for the transactions where full amount of tax is required to be deducted viz. salary income, payment to non-resident,

lottery, etc. 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.

- It is proposed to increase the threshold limit for tax audit from Rs. 5,00,00,000 to Rs. 10,00,00,000 for persons who are undertaking 95% of their transactions digitally (aggregate of cash receipts or cash payments does not exceed 5% of total receipt / payment).
- Interest under section 234C not applicable for 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 of the financial year, as may be applicable.
- In 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, it is proposed to provide relief by aligning the MAT provisions with the year of taxability of such income. In such case, 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.
- It is proposed to extend eligibility period for claiming tax holiday for affordable housing project under section 80-IBA of the IT Act from 31 March 2021 to 31 March 2022. It is also proposed to allow deduction to approved affordable rental housing projects notified on or before 31 March 2022.
- It is proposed to extend – (a) the eligibility period to claim tax holiday for start-ups and (b) the eligibility period for claiming capital gains exemption for investment made in the start-ups; from 31 March 2021 to 31 March 2022.
- It is proposed to clarify that LLPs shall not be eligible for presumptive tax for professionals under section 44ADA of the IT Act.
- Definition of slump sale under section 2(42C) of the IT Act proposed to be amended to clarify that slump sale shall include all types of transfers.
- Profits or gains arising on receipt of capital asset by partner / member (specified person) on dissolution or reconstruction of partnership firm / AOP / BOI (specified entity) chargeable as capital gains for specified entity. Further, 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 IFSC.
- It is proposed to provide that the penalty proceedings initiated under section 271AAD of the IT Act for fake invoice / sham transactions of more than Rs. 2,00,00,000 may also attract provisional attachment of assets.

### 1.3 Personal Taxation

- 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.
- It is proposed to restrict tax exemption for the interest income earned on the employees' contribution to various employee funds to the annual contribution of Rs. 2,50,000. Interest income accruing on employee funds to the extent attributable to contribution exceeding Rs. 2,50,000 in a financial year, shall be taxable in a manner as may be prescribed.
- 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.
- 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 the term of ULIP. The same to be taxable as capital gains from sale of equity-oriented fund.

### 1.4 Non-residents

- Benefit of lower treaty rate made available in respect of withholding tax under section 196D of the IT Act to FII on income from securities (except specified interest income).
- Equalization Levy 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' proposed to be 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.
- 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 prescribed 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 as – '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.

- Section 115JB of the IT Act proposed to be amended so that both specified dividend income and the expense claimed in respect thereof are reduced and added back, while computing book profit in case of foreign companies where such income is taxed at lower than MAT rate due to DTAA.

## 1.5 Other Proposals

- Proposal to introduce new procedure of assessment in case of income escaping assessment – Time limit for reopening of assessment reduced to 3 years from the end of relevant assessment year (10 years in case there is an evidence of undisclosed income of Rs. 50,00,000 or more with the approval of Pr. CCIT).
- The due date for filing belated or revised return advanced to 31 December from 31 March of the relevant 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. The procedure of the Committee to be conducted in a faceless manner.
- Proposal for faceless proceedings before the ITAT in a jurisdiction less manner.
- 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.
- 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.

## 2.0 INDIRECT TAXES

### 2.1 GST, Customs & Excise

#### 2.1.1 CGST Amendments

- Insertion of new clause under section 16(2) restricting claim of input tax credit only when details of such invoices have 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 constituent 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.

### **2.1.2 IGST Amendments**

- Supply of goods or service to 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.

### **2.1.3 Changes in Customs Duty Rate**

- Increase in 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.

**2.1.4 Changes in Imposition of ADD or 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.

**2.1.5 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 FTA and EOU as well as advance authorisation scheme are exempted from AIDC.

**2.1.6 Amendment 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 end of the day preceding the day of arrival of goods.

**2.1.7 Amendments to the Customs Tariff Act, 1975**

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

**2.1.8 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.
- Allowing 100% outsourcing for manufacture of goods on job work.

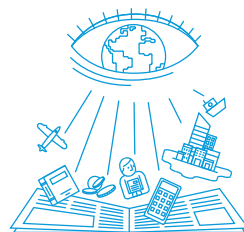
**2.1.9 Central Excise Amendments**

- 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% plus Rs.15 per litre against tariff 2710 20 10 and 2710 20 20 retrospectively from 1 January 2021.

## Background

The Indian economy is now the 5th largest economy of the world with GDP of US\$ 8.68 trillion in terms of PPP and growth rate of 11.5% for FY 2021-22 as estimated by IMF.

The year 2020 was dominated by the COVID-19 pandemic, posing the most formidable economic challenge to India and to the world, since the Global Financial Crisis.



In this backdrop, the Budget 2021 has been presented at a very crucial juncture as the Indian economy is expected to contract by 7.5% this year with a fiscal deficit of 9.5% of the GDP. At the same time, there is a strong revival and the economy is expected to grow by 11.5% next FY 2021-22, making it the fastest growing economy in the world. The focus of the Union Budget has been clearly investment led growth particularly in areas of healthcare, infrastructure and manufacturing.

Union Budget 2021 has reiterated its commitment to continue the existing regime with no changes. The basic exemption limit, the optional tax regime, the tax slabs and tax deductions remain unchanged.

Section 80EEA of the IT Act, provides for an additional deduction of up to Rs. 150,000 in respect of interest on housing loan sanctioned by a bank or housing finance company during the period 1 April 2019 to 31 March 2021, has been extended for the loans sanctioned from 31 March 2021 to 31 March 2022. It has been proposed to tax the interest on employee's contribution to Provident Fund above Rs. 2,50,000 per year made after 1 April 2021. In view of the situation arising out of outbreak of COVID-19 pandemic, it is proposed to provide tax exemption to cash allowance in lieu of LTC subject to fulfilment of specified conditions for FY 2020-21. For senior citizens who are of the age of 75 years or above, it is proposed to provide a relaxation from filing the return of income if such person has pension income and no other income except interest income from the same bank where the pension account is maintained and subject to furnishing of a declaration to the bank.

The current financial year has been truly a year of radical reforms in tax administration driven by digitalisation. Earlier this year, the government had extended "Faceless E-Assessment Scheme" doing away with the traditional jurisdiction based localised tax assessments. The accelerated processing of tax returns and highest ever refunds issued this year, are no minor accomplishments. This Budget has accelerated this process to improve tax administration and reduce tax compliances. It is proposed that the time limit for re-opening of assessment proceedings shall be reduced to 3 years from 6 years from end of the relevant assessment year. Only in cases, where there is evidence of concealment of Income of Rs. 50,00,000 or more, re-opening of assessment can be made upto 10 years and that also with prior approval of Pr.CCIT. It is also proposed to constitute Faceless Dispute Resolution Committee for persons with Total Income upto Rs. 50,00,000 and disputed income of Rs.10,00,000.

Income Tax Appellate Tribunal shall become faceless and only electronic communication will be done across the country. Opportunity for personal hearing may be granted through video conferencing. One hopes that with this, we could have national tribunals and uniformity of verdicts throughout India instead of the current status where there may be divergent views on the same matter by different jurisdictional Tribunals.

The focus on reducing disputes by providing early stage resolution mechanism will improve the overall ease of doing business for the corporate sector.

Due to the lockdowns imposed during the FY 2020–21 (including the national lockdown from 1 April 2020 to 17 May 2020) and the resultant travel restrictions, several non-residents were stuck in India. It was expected that there would be clarification or amendment for the exclusion of such stay in India for the determination of the residential status. Earlier CBDT had announced similar relief for FY 2019–20 and it was mentioned that for FY 2020–21, the relief would be separately announced. It appears that non-residents will have to wait for some more time for clarity in this respect.

As a relief measure, non-residents who have shifted to India and are liable to tax on income received from notified overseas retirement funds which could have been subjected to double taxation, is proposed to be streamlined.

There are several procedural reforms such as grant of lower rates for tax deduction at source in case of foreign institutional investors as per tax treaties and no deduction of tax at source in case of Dividend income of REITs and InvITs.

There was a lot of apprehension amongst the non-resident e-commerce operators engaged in online transactions, which were taxable under the IT Act as Royalty or Fees for technical services and such online transactions were also being charged under the newly introduced EL provisions from 1 April 2020. In a welcome move, the Government has proposed certain amendments in the EL provisions clarifying that considerations which are taxable as royalty or fees for technical services in India under the provisions of the IT Act read with the DTAA notified by the Central Government under section 90 or section 90A of the IT Act, shall be excluded from the scope of the EL.

In order to reduce compliance burden on small and medium enterprises, the turnover threshold limit for a person carrying on business increased from INR 50 million to INR 100 million in cases where aggregate of all receipts and payments in cash does not exceed 5% of such total receipts and payments respectively.

In order to widen and deepen the tax net, section 194Q has been introduced to provide for deduction of tax @ 0.1% on purchases above Rs. 50,00,000 during the year. Amendment in section 206AA of the IT Act to provide that where the tax is required to be deducted under section 194Q and PAN is not provided, TDS rate shall be 5%.

Section 206AB, has been introduced to provide for higher rate (higher of the following rates – twice the rate specified in the relevant provision of the IT Act; or twice the rate or rates in force or the rate of 5%, as the case may be) of TDS for specified persons who are non-filers of income-tax returns. who has not filed the returns of income for the last 2 years in which tax is required to be deducted or collected, as the case may be. There will be increased compliance burden on corporates to collect details for the last 2 years from such specified person and the procedure or form in which data is to be collected is yet to be clarified. Similar provision has been introduced under section 206CC with respect to TCS.

Further, as the amount of dividend income cannot be estimated correctly by the shareholders for paying advance tax, it has been proposed that the advance tax liability on dividend income shall arise only in the relevant quarter after the declaration / payment of dividend.

One of the widespread apprehensions High Net worth Individuals had, was the possible introduction of Inheritance Tax or Estate Duty. HNIs can now heave a sigh of relief as the Budget does not contain any such proposals.

The present provisions of section 43CA, section 50C and section 56 which relate to transfer of immovable property, being land or building or both, provide for safe harbour of 10% between transfer value and stamp duty value. The said limit is proposed to be increased to 20%.

There have been no changes in the Basic Customs duty and GST rates. However, a new Agriculture, Infrastructure & Development Cess has been introduced on petroleum products and imports of specified items at varied rates. From 1 October 2021, the Government will put in place a revised customs duty structure free of distortions.

It has been proposed to consolidate the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code. The permissible FDI limit has been proposed to be increased from 49% to 74% in Insurance Companies. Under the new shareholding structure, it has been proposed that the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

### **Scope and Limitations**

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Finance Bill, 2021 presented on 1 February 2021. We have discussed the significant proposals of general interest in respect of direct taxes. In respect of indirect taxes and other policy initiatives, only the highlights have been briefly enumerated. Preceding the budget proposals are the macro indicators of Indian economy which provide a backdrop to the legal and financial proposals.

This booklet is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This booklet should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case have to be studied and the legal position analysed properly before taking any action or decision in the matter. Further, this booklet contains only the proposals and amendments as given in the Finance Bill, 2021, which may be modified before it receives the approval and assent of the Parliament and the President. The proposals regarding direct taxes would become effective from Assessment Year 2022–23 (Financial Year 1 April 2021 to 31 March 2022), unless otherwise specified. In this booklet, the terms 'IT Act', 'the Rules' and 'the Bill' are used for the "Income-tax Act, 1961", "Income-tax Rules, 1962" and "Finance Bill, 2021" respectively.

While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

## 2.1 India at a glance

### GDP: 2020



- US\$ 8.68 trillion in terms of PPP
- India is the 5th largest economy globally

### GDP Growth rate



- India real GDP growth rate of (IMF expects)
- +11.5% in 2021-22
- +6.8% in 2022-23

### Equity Market Capitalisation (BSE)



- US\$ 2.55 trillion as on 29 January 2021

### Demography



- India is a densely populated country with more than 1.3 billion people

## 2.2 General Review

The year 2020 witnessed unrivalled turmoil with the novel COVID-19 virus threatening all that was taken for granted – mobility, safety and a normal life itself. The COVID-19 pandemic forced countries to resort to lockdown that had a sudden and intense impact on the economic activity, financial markets and survival of the vulnerable sections of the society. Global output is expected to witness the sharpest contraction in a century, contracting in the range of 3.5 % – 4.3 % in 2020 as per the estimates provided by IMF and World Bank. The cumulative loss to global GDP over 2020 and 2021 is estimated at around US\$ 9 trillion. Amidst this phase of shock and uncertainty, massive fiscal measures, amounting to 12 % of global GDP, were taken globally to mitigate the adverse impact.

The Indian economy, after facing a subdued growth in 2019, had begun to regain momentum January 2020 onwards, only to be stalled by the COVID-19 outbreak. This pandemic posed the most formidable economic challenge to India till date, wherein the economy witnessed an unprecedented contraction of 23.9 % in Q1: FY 2020-21 due to the stringent lockdown imposed during March–April, 2020. Since then, starting July 2020, a resilient V-shaped recovery is underway, as demonstrated by the recovery across all key economic indicators and a sustained resurgence in high frequency indicators such as power demand, E-way bills, GST collection, steel consumption, etc. Owing to the recovery of the economy over the past few months, the monthly revenue collections have witnessed a revival. The monthly GST collections have crossed the Rs. 1 lakh crore mark consecutively for the last 3 months, reaching its highest ever in December 2020. This V-shaped economic recovery is supported by the initiation of a mega vaccination drive with hopes of a robust recovery in the services sector.

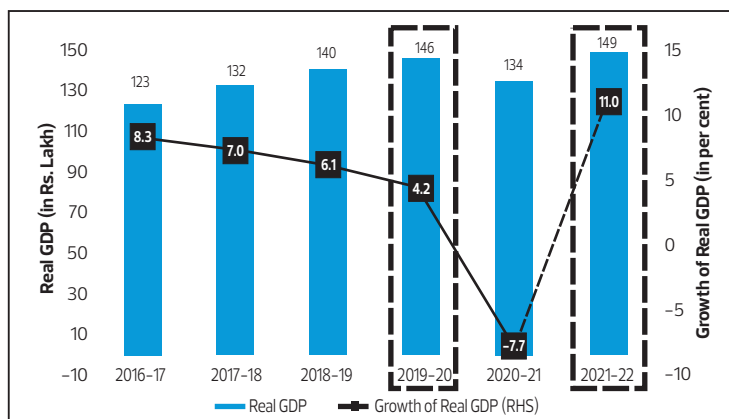
For FY 2020-21 as a whole, India's GDP is estimated to contract by 7.7 %, wherein sector-wise, agriculture has remained the silver lining while contact-based services, manufacturing, construction were hit hardest, but have been recovering steadily.

As a result of this recovery, prospects for robust growth in consumption and investment have been rekindled with the real GDP for FY 2021–22 estimated to grow at 11 %, the highest since independence.

These projections are in line with the IMF estimate of real GDP growth of 11.5 % in FY 2021–22 for India and 6.8 % in FY 2022–23. India is expected to emerge as the fastest growing economy in the next two years as per IMF.

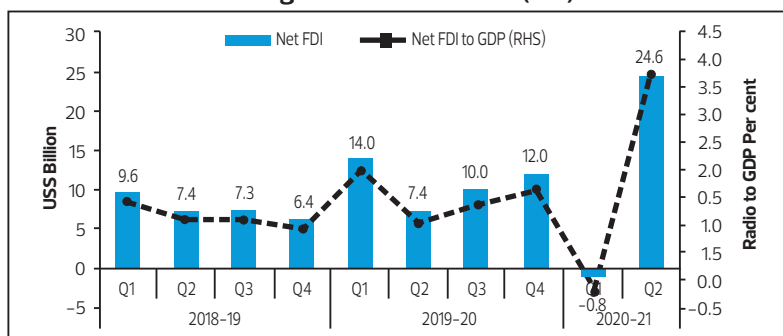
This path would entail a growth in real GDP by 2.4 % over the absolute level of FY 2019–20 – implying that the economy would take two years to reach and go past the pre-pandemic level.

**Projections of Real GDP for 2021–22**



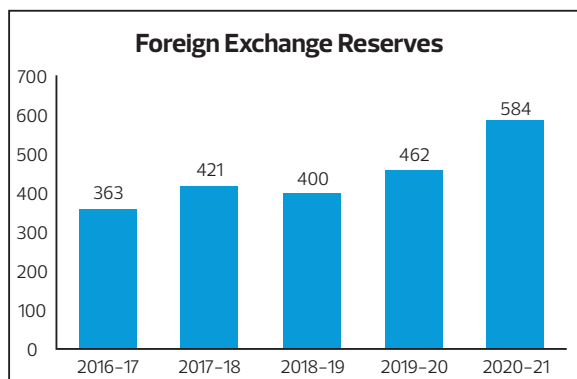
During April–October 2020, net FDI flows recorded an inflow of US\$ 27.5 billion, 14.8 % higher as compared to first seven months of FY 2019–20, an endorsement of India's status as a preferred investment destination amongst the global investors.

**Foreign Direct Investment (FDI)**



Source: RBI. Note: The net FDI inflows in October 2020 were to the tune of US\$ 4.6 billion.

The foreign exchange reserves rose to an all-time high of US\$ 584.242 billion as on 15 January 2021.



Nifty 50 and S&P BSE Sensex reached record high closing of 14,644.7 and 49,792.12 on 20 January 2021 respectively.

India's rank has improved significantly in trading across borders parameter of 'Ease of Doing Business' index from 146 in 2018 to 68 in 2020.

Inflation, mainly driven by food prices, remained above 6 % for much of the year, given supply disruptions. The softening of CPI inflation recently reflects easing of supply side constraints that affected food inflation.

India's current account deficit averaged 2.2 % of GDP in the last 10 years. Reversing this trend, it is expected that India will end with an annual current account surplus of atleast 2 % of GDP. Overall, India is expected to witness current account surplus during the current financial year after a gap of 17 years.

## 2.3 India – Key Economic Indicators

Data Categories	Unit	2017-18	2018-19	2019-20	2020-21
<b>GDP and Related Indicators</b>					
GDP at constant market prices	Rs. lakhs crores	131.8	139.8	145.7 <sup>a</sup>	134.4 <sup>b</sup>
	USD billion	2,045	1,999	2,055	1,801
GDP Growth Rate	%	7.0	6.1	4.2 <sup>a</sup>	-7.7 <sup>b</sup>
Per Capita Net National Income (at current prices)	Rs	1,15,293	1,26,521	1,34,226 <sup>a</sup>	1,26,968 <sup>b</sup>



Data Categories	Unit	2017–18	2018–19	2019–20	2020–21
<b>Production</b>					
Food grains	Million tonnes	285.0	285.2	296.7 <sup>c</sup>	144.5 <sup>c</sup>
Index of Industrial Production (growth)	%	4.4	3.8	-0.8	-15.5 <sup>d</sup>
Electricity Generation (growth)	%	5.4	5.2	1.0	-4.6 <sup>d</sup>
<b>Prices</b>					
WPI Inflation (average)	%	3.0	4.3	1.7	-0.1 <sup>e</sup>
CPI (Combined) Inflation (average)	%	3.6	3.4	4.1 <sup>d</sup>	6.6 <sup>e</sup>
<b>External Sector</b>					
Foreign Exchange Reserves (end of year)	USD Billion	424.5	411.9	475.6	586.1 <sup>f</sup>
Average Exchange Rate	Rs. / USD	64.45	69.92	70.90	74.64
Gross Fiscal Deficit	% of GDP	3.5	3.4	4.6 <sup>g</sup>	3.5 <sup>h</sup>

Notes:

a: Provisional estimate,

b: First advance estimate,

c: Fourth AE for 2019–20 and first AE for 2020–21,

d: (April – November) 2020,

e: (April – December) 2020,

f: as on 8 January 2021

g: Provisional Actuals

h: Budget Estimates

### 3.1 Individuals, HUFs, AOPs and BOIs

#### 3.1.1 Tax rates



#### Under old tax regime

The tax rates in the old tax regime in case of individuals, HUFs, AOPs and BOIs continue to remain the same. It may be pointed out that individuals/ HUFs have the option to avail the new tax regime as discussed later which has more liberal tax slabs but lesser tax deductions. As such, the effective and present tax rates under the old tax regime for FYs 2021-22 and 2020-21 are as follows:

FY 2021-22		FY 2020-21	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
0 – 2,50,000 #	Nil	0 – 2,50,000 #	Nil
2,50,001 # – 5,00,000*	Nil – after rebate under section 87A*	2,50,001 # – 5,00,000*	Nil – after rebate under section 87A*
5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000
10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000
50,00,001* – 1,00,00,000	Rs.15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	50,00,001* – 1,00,00,000	Rs.15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001* – 2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	1,00,00,001* – 2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000
2,00,00,001* – 5,00,00,000	Rs.75,56,250 plus 39%[(tax rate 30% plus surcharge 25%^^	2,00,00,001* – 5,00,00,000	Rs.75,56,250 plus 39%[(tax rate 30% plus surcharge 25%^^

FY 2021-22		FY 2020-2021	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
	thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000		thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 <sup>#</sup> and above	Rs.2,11,04,850 plus 42.744%[(tax rate 30% plus surcharge 37% <sup>^^</sup> thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000	5,00,00,001 <sup>#</sup> and above	Rs.2,11,04,850 plus 42.744%[(tax rate 30% plus surcharge 37% <sup>^^</sup> thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000

- # Basic exemption income slab in case of a resident individual of the age 60 years or more (senior citizen) and resident individual of the age 80 years or more (very senior citizen) at any time during the previous year, continues to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.
- \* The tax rate has been continued at 5.20% [tax rate 5 % plus health and education cess 4% thereon] on the income exceeding Rs. 2,50,000 but not exceeding Rs. 5,00,000. However, a resident individual would continue to be entitled to a rebate under section 87A, of tax payable [excluding health and education cess] or Rs. 12,500, whichever is lesser, resulting in NIL tax liability upto total income of Rs. 5,00,000.
- ^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, 25% or 37% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.
- ^^ Maximum rate of surcharge on tax payable on income chargeable to tax under sections 111A, 112A, 115AD(1)(b) and dividend income, shall be 15%.

### Under optional/new tax regime – Section 115BAC

No change is proposed in the income tax slab and rates under the optional tax regime too. Individuals / HUFs can opt for section 115BAC of the IT Act, subject to fulfillment of certain conditions specified therein. The income-tax slabs and rates for FYs 2021-22 and 2020-21 are as under:

FY 2021-22		FY 2020-21	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
0 – 2,50,000	Nil	0 – 2,50,000	Nil
2,50,001 – 5,00,000*	Nil – after rebate under section 87A*	2,50,001 – 5,00,000*	Nil – after rebate under section 87A*
5,00,001 – 7,50,000	Rs. 13,000 plus 10.40% [tax rate 10% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	5,00,001 – 7,50,000	Rs. 13,000 plus 10.40% [tax rate 10% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000
7,50,001 – 10,00,000	Rs. 39,000 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 7,50,000	7,50,001 – 10,00,000	Rs. 39,000 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 7,50,000
10,00,001 – 12,50,000	Rs. 78,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	10,00,001 – 12,50,000	Rs. 78,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000
12,50,001 – 15,00,000	Rs. 1,30,000 plus 26.00% [tax rate 25% plus health and education cess 4% thereon] of income exceeding Rs. 12,50,000	12,50,001 – 15,00,000	Rs. 1,30,000 plus 26.00% [tax rate 25% plus health and education cess 4% thereon] of income exceeding Rs. 12,50,000
15,00,001 – 50,00,000	Rs. 1,95,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 15,00,000	15,00,001 – 50,00,000	Rs. 1,95,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 15,00,000
50,00,001* – 1,00,00,000	Rs.14,15,700 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	50,00,001* – 1,00,00,000	Rs.14,15,700 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001* – 2,00,00,000	Rs. 32,74,050 plus 35.88% [(tax rate 30% plus surcharge	1,00,00,001* – 2,00,00,000	Rs. 32,74,050 plus 35.88% [(tax rate 30% plus surcharge 15%

FY 2021-22		FY 2020-2021	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
	15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000		thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000
2,00,00,001* – 5,00,00,000	Rs.74,58,750 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000	2,00,00,001* – 5,00,00,000	Rs.74,58,750 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001* and above	Rs.2,09,97,990 plus 42.744%% [(tax rate 30% plus surcharge 37%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000	5,00,00,001* and above	Rs.2,09,97,990 plus 42.744%% [(tax rate 30% plus surcharge 37%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000

\* ^ ^ ^ The tax rate, Marginal relief and Maximum rate of surcharge shall be applicable as mentioned hereinabove in old tax regime.

1. The new regime is optional and available to individuals/ HUFs, subject to foregoing of certain exemptions / deductions and satisfaction of certain conditions as mentioned below:
  - (a) Section 10(13A) – House Rent allowance
  - (b) Section 10(5) – Leave travel Concession.
  - (c) Section 10(14) – Covers special allowance detailed in Rule 2BB (such as children education allowance, hostel allowance, transport allowance, per diem allowance, uniform allowance, etc).
  - (d) Section 10(17) – Income by way of Daily allowance / any other allowance received by MP, member of state legislature, etc.
  - (e) Section 10(32) – Clubbing benefit of Rs. 1500 per minor child
  - (f) Section 10AA – Exemption to SEZ unit
  - (g) Section 16 – Standard Deduction of Rs. 50000, Entertainment allowance, profession tax
  - (h) Section 24(b) – Interest on borrowed loan for a Self-Occupied property (rented property not covered)
  - (i) Section 32(1)(iia) – Additional depreciation
  - (j) Section 32AD – Investment allowance for investment in Andhra Pradesh / Telangana / Bihar / West Bengal

- (k) Section 33AB – Tea / Coffee / Rubber Development
  - (l) Section 33ABA – Site Restoration Fund
  - (m) Section 35(2AA) – deduction for Payment to National Laboratory or University or IIT
  - (n) Section 35AD – Deduction in respect of specified business
  - (o) Section 35CCC – Expenditure on agricultural extension project
  - (p) Section 57(ia) – Family pension
  - (q) Any provision of chapter VI – A – section 80C, 80CCD(1B), 80D etc.
  - (r) Section 80CCD(2) is not covered (where an employer makes a contribution to NPS)
2. without set off of any loss–
- (a) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in para (1) above.
  - (b) under the head IFHP with any other head of income.
  - (c) by claiming the depreciation, if any, under any provision of section 32, except clause (ia) of sub-section (1) of the said section, determined in such manner as may be prescribed; and
  - (d) without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force.

If an individual or HUF fails to satisfy the conditions mentioned in any previous year, the option to pay tax as per above slab rates shall become invalid in respect of the assessment year relevant to that previous year and other provisions of this Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year.

The option shall be exercised for every financial year where the individual or the HUF has no business income and in other cases, the option once exercised shall be valid for that financial year and all subsequent years.

The option can be withdrawn only once where it was exercised by the individual or HUF having business income for a financial year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this new tax regime, except where such individual or HUF ceases to have any business income.

Provisions of AMT shall not be applicable to individual or HUF exercising this option.

### 3.1.2 Comparison of income slabs and tax incidence under the old tax regime and the optional tax regime

Annual Income (Rs.)	Tax Liability (Rs.) (including surcharge and education cess)		
	As per old tax regime*# (deduction/exemption available, but not considered)	As per optional tax regime (No deduction/exemption available)	Benefit as per the optional tax regime
2,50,000	–	–	–
5,00,000	–	–	–
7,50,000	65,000	39,000	26,000
8,00,000	75,400	46,800	28,600
10,00,000	1,17,000	78,000	39,000
12,50,000	1,95,000	1,30,000	65,000
<b>15,00,000</b>	<b>2,73,000</b>	<b>1,95,000</b>	<b>78,000</b>
50,00,000	13,65,000	12,87,000	78,000
75,00,000	23,59,500	22,73,700	85,800
1,00,00,000	32,17,500	31,31,700	85,800
1,50,00,000	51,57,750	50,68,050	89,700
2,00,00,000	69,51,750	68,62,050	89,700
3,50,00,000	1,34,06,250	1,33,08,750	97,500
5,00,00,000	1,92,56,250	1,91,58,750	97,500
5,50,00,000	2,32,42,050	2,31,35,190	1,06,860

\* The tax incidence for AOPs and BOIs will be same as that of individuals and HUFs.

# Basic exemption income slab in case of a resident individual of the age of 60 years or more (senior citizen) and resident individual of the age of 80 years or more (very senior citizen) at any time during the previous year, continue to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.

## 3.2 Companies

### 3.2.1 Domestic companies

#### I. Domestic companies opting for concessional corporate tax regime –Tax under section 115BAA

No change is proposed in the tax rates. Domestic companies continue to have an option<sup>^</sup> to pay tax at a concessional rate subject to certain specified conditions. The MAT provisions shall not be applicable to such

companies. The effective tax rates for FYs 2021–22 and 2020–21 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2021–22	FY 2020–21	FY 2021–22	FY 2020–21
Irrespective of the level of total income	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]	Not applicable under the concessional corporate tax regime	

^The option once exercised, cannot be withdrawn in subsequent AYs.

## II. New domestic companies with manufacturing activity, opting for concessional corporate tax regime – Tax under section 115BAB

No change is proposed in the tax rates. New domestic companies set up on or after 1 October 2019 and commencing manufacturing/generation of electricity before 31 March 2023, shall have an option^ to pay tax at a lower tax rate of 15% plus surcharge at 10% and health and education cess thereon at 4% subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. The effective tax rates for FYs 2021–22 and 2020–21 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2021–22	FY 2020–21	FY 2021–22	FY 2020–21
Irrespective of the level of total income	17.16% [(tax rate 15% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not applicable under the concessional corporate tax regime	

^The option once exercised, cannot be withdrawn in subsequent AYs.

## III. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipts up to Rs. 400 crore in FY 2019–20

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2021–22 for domestic companies having total turnover / gross receipts in FY 2019–20 up to Rs. 400 crore (for FY 2020–21, the total turnover / gross receipts in FY 2018–19 up to Rs. 400 crore) is as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2021–22	FY 2020–21	FY 2021–22	FY 2020–21
Having total income exceeding Rs. 10,00,00,000	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]



Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2021-22	FY 2020-21	FY 2021-22	FY 2020-21
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	26.00% (tax rate 25% plus health and education cess 4% thereon)	26.00% (tax rate 25% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000. Similarly, marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs. 10,00,00,000, is limited to the amount by which the income is more than Rs. 10,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

#### IV. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipts exceeding Rs. 400 crore in FY 2019-20

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2021-22 for domestic companies having total turnover / gross receipts in FY 2019-20 exceeding Rs. 400 crore (for FY 2020-21, the total turnover / gross receipts in FY 2018-19 exceeding Rs. 400 crore) is as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2021-22	FY 2020-21	FY 2021-22	FY 2020-21
Having total income exceeding Rs. 10,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	31.20% (tax rate 30% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000. Similarly, marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs. 10,00,00,000, is limited to the amount by which the income is more than Rs. 10,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

### 3.2.2 Foreign companies

No change is proposed in the tax rate. The effective tax rates for foreign companies for FYs 2021-22 and 2020-21 are as follows:

Foreign Company	Effective Tax Rates	
	FY 2021-22	FY 2020-21
Having total income exceeding Rs. 10,00,00,000	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	41.60% (tax rate 40% plus health and education cess 4% thereon)	41.60% (tax rate 40% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 2% on the excess of income over Rs. 1,00,00,000, is limited to the amount by which the income is more than Rs. 1,00,00,000.

Similarly, marginal relief is available to ensure that the additional income-tax payable, including surcharge of 5% on the excess of income over Rs. 10,00,00,000, is limited to the amount by which the income is more than Rs. 10,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

### 3.3 Partnership Firms/LLPs

No changes are proposed in the tax rates. The effective tax rates for partnership firms/LLPs for FYs 2021-22 and 2020-21 are as follows:

Partnership Firms / LLPs	Effective Tax Rates	
	FY 2021-22	FY 2020-21
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	31.20% (tax rate 30% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs.1,00,00,000, is limited to the amount by which the income is more than Rs.1,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

### 3.4 AMT on non-corporate assessees (excluding assessee opting for Section 115BAC – optional tax regime)

No changes proposed in AMT provisions. AMT continues on non-corporate assessees such as individuals, partnership firms, sole proprietorships, AOPs, HUFs, BOIs, etc., having income under the head PGBP and specified deductions are claimed. AMT is to be calculated on adjusted total income (if the adjusted total income of such person exceeds Rs. 20,00,000) if the regular income tax payable by such person is less than AMT. The effective AMT for FYs 2021-22 and 2020-21 are as under:

Non-corporate assessee	Effective AMT Rates	
	FY 2021-22	FY 2020-21
<b>Individuals, HUF, AOP, BOI etc.</b>		
Having total income exceeding Rs. 5,00,00,000 <sup>^</sup>	26.3588% [(tax rate 18.50% plus surcharge 37% <sup>^</sup> thereon) plus health and education cess 4% thereon]	26.3588% [(tax rate 18.50% plus surcharge 37% <sup>^</sup> thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 2,00,00,000 <sup>^</sup>	24.05% [(tax rate 18.50% plus surcharge 25% <sup>^</sup> thereon) plus health and education cess 4% thereon]	24.05% [(tax rate 18.50% plus surcharge 25% <sup>^</sup> thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 <sup>^</sup>	22.126% [(tax rate 18.50% plus surcharge 15% thereon) plus health and education cess 4% thereon]	22.126% [(tax rate 18.50% plus surcharge 15% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 50,00,000 <sup>^</sup>	21.164% [(tax rate 18.50% plus surcharge 10% thereon) plus health and education cess 4% thereon]	21.164% [(tax rate 18.50% plus surcharge 10% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 50,00,000	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]
<b>Firms / Others</b>		
Having total income exceeding Rs. 1,00,00,000	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	19.24% (tax rate 18.50% plus health and education cess 4% thereon)	19.24% (tax rate 18.50% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 10%/12%/15%/25%/37% (as applicable) on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

^Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 115AD(1)(b) and dividend income shall be 15%.

3.5 Tax on distributed income of domestic company for buy-back of shares.

No change in rates being proposed. The effective tax rate for distributed income of domestic companies (listed and unlisted) for buy-back of shares for FYs 2021-22 and 2020-21, is as follows:

Particulars	Effective Tax Rates	
	FY 2021-22 (for listed and unlisted shares)	FY 2020-21 (for listed and unlisted shares)
Rate of tax on the amount of distributed income of domestic company	23.296% [(tax rate 20% plus surcharge 12% thereon) plus health and education cess 4% thereon]	23.296% [(tax rate 20% plus surcharge 12% thereon) plus health and education cess 4% thereon]

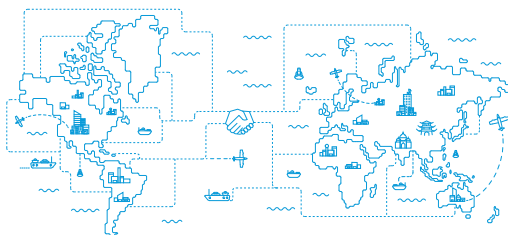
3.6 Other Entities

3.6.1 Co-operative societies

No change is proposed in the tax rate. As such, the tax rates for co-operative societies for FYs 2021-22 and 2020-21 remain the same.

The G-20 economies comprising of 19 countries and the EU, account for almost 90% of the gross world product, 80% of world trade (including EU intra-trade), two-thirds of the world population and approximately half of the world land area.

Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rates in these key economies, a brief comparative matrix is provided below:



Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
1.	Argentina	25%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.5%
4.	Canada	31%	54%
5.	China	25%	45%
6.	France	28.41%	49%
7.	Germany	33%	47.5%
8.	<b>India [Notes 3 &amp; 4]</b>	<b>17.16%</b> <b>25.17%</b> <b>29.12%</b> <b>34.94%</b>	<b>42.74%</b>
9.	Indonesia	22%	30%
10.	Italy	27.9%	47.13%
11.	Japan [Note 5]	30.62%	55.95%
12.	Mexico	30%	35%
13.	Russia	20%	13%
14.	Saudi Arabia [Note 6]	0%	0%
15.	South Africa	28%	45%
16.	South Korea	27.5%	49.5%
17.	Turkey	22%	40%
18.	United Kingdom	19%	45%
19.	United States of America [Note 7 & 8]	21%	37%

**Notes:**

1. The above rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.
2. The taxation regime for personal taxes is progressive for all the G-20 economies except Russia and Saudi Arabia.
3. As per the Taxation Laws (Amendment) Act No. 46 of 2019, the base corporate tax rate for certain domestic companies is reduced to 22% (the effective tax rate is 25.17%). For more details, please refer 'Chapter 10: Concessional Tax Regime For Businesses–Section 115BAA'. For manufacturing companies set up between 1 October 2019 to 31 March 2023, the tax rate shall be 15% (effective rate 17.16%). For more details, please refer 'Chapter 7: Tax Incentives for Businesses'.
4. Finance Act, 2020 has provided that for domestic companies not opting for concessional tax regime, the corporate tax rate would be 25% (effective tax rate is 29.12%) in case of domestic companies having annual turnover not exceeding Rs. 400 crores during financial year 2018–19 and corporate tax rate of 30% (effective tax rate is 34.94%) in case of domestic companies having annual turnover exceeding Rs. 400 crores during financial year 2018–19. Further, Finance Act 2020 has provided for a concessional tax regime for individuals and HUFs. For more details, please refer 'Chapter 3: Tax Rates'. Finance Bill, 2021 has not proposed any change in the tax rates for corporates as well as individuals and HUFs and the tax rates would continue to remain the same as mentioned herein.
5. Corporate tax @ 30.62% is indicative effective rate of tax. In addition, size based business tax is also levied on companies.
6. Corporate Tax @ 20% is payable on pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council nationals or companies owned by them have to pay Zakat (i.e. a religious tax) at 2.5%.
7. In USA, corporate tax comprises of federal tax (21%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax (37%) and further each state and local government can levy further tax on income.

**8.1. Biden Tax Plan**

- 8.1.1. President Joe Biden had released his proposed tax plan as part of the election process. The plan called for a number of changes to tax policies including revenue raising provisions. However, there was a level of uncertainty and lack of clarity associated with the tax policy plans pre-election as the legislative landscape was unclear. But now with the new administration at the helm, there is a level of clarity on how the new administration may shape the tax policy and its an opportune time to examine its impact on business in the United States. While we

will need to await more definitive legislative measures, some notable highlights of the proposed plan that we know about from the election campaign and views expressed by the administration are:

## **8.2. Corporate:**

- 8.2.1. Increase in the Federal Corporate tax rate from 21% to 28%. It may be pointed out that the US has a 3 tier tax structure – Federal, State & City taxes.
- 8.2.2. Minimum tax of 15% for corporations with greater than \$100 million of book income (analogous to Minimum Alternate Tax on book profits in India).
- 8.2.3. Minimum GILTI tax increase from 10.5% to 21% (affects U.S. corporations that own controlled foreign corporations).

## **8.3. Individual and owners of pass-through entities:**

- 8.3.1. Highest personal federal tax rate to be increased from 37% to 39.6%. The US has a 3 tier tax structure – Federal, State & City taxes.
- 8.3.2. 20% pass-through deduction (Sec 199A) to be eliminated for those with greater than \$ 400,000 of taxable income.
- 8.3.3. Preferential 20% capital gains tax rate to be eliminated and replaced with ordinary tax rates of 39.6% (not including net investment tax of 3.8%) for high-income taxpayers with greater than \$1 million of taxable income (effective increase in capital gains tax rate from 23.8% to 43.4%).
- 8.3.4. Expand the estate and gift tax by reducing the exemption amount to \$3.5 million and increasing the top rate for estate tax from 40% to 45%. Biden would also consider eliminating step-up in basis for inherited property.
- 8.3.5. The above rates are general rates to provide a comparative matrix. The detailed regulations in the relevant countries need to be referred for determining exact rates.

## 5.1 Background

For cross border taxation, the provisions of the IT Act or the domestic tax legislation of the relevant country have to be read with the provisions of the DTAA with the relevant country. India has DTAAs with about 95 countries. The DTAAs generally provide for taxation based on residence and/or source of income and the manner and extent of taxation of business income based on Permanent Establishment, reduced rates of taxation for interest/royalty/dividends/capital gains, taxation of expatriates and salary income, taxation of artists/performers and independent personal services. The DTAAs also provide for credit of tax paid in the other country and for elimination of double taxation. The DTAAs are extremely relevant for Indian entities for the purpose of determination of the withholding tax rates for payment of salaries, interest, dividends, royalty, fees for technical services to non-residents. This has been the position for cross border taxation for the past several decades, but this is already undergoing a major change due to introduction of MLI provisions.



OECD under the BEPS project has released Action Plan 15 'Developing a Multilateral Instrument to Modify Bilateral Tax Treaties'. Action Plan 15 provides for development of MLI that will enable jurisdictions to swiftly amend their bilateral tax treaties to implement such measures rather than entering into long-drawn process of negotiation. **Measures that will be covered in the MLI include those on hybrid mismatch arrangements, treaty abuse, permanent establishment, and mutual agreement procedures.**

## 5.2 How MLI Operates?

**MLI includes both mandatory provisions (referred as 'minimum standards' such as improved dispute resolution mechanism, new preamble language) as well as non-mandatory provisions.** Signatories are provided the flexibility of opting out of applicability of non-mandatory provisions by way of reservation. At the time of signature, signatories submitted a list of their tax treaties in force that they would want to be amended through the MLI which were designated as CTA. If a party makes a reservation that a certain provision shall not apply to certain CTA, it shall not be applicable to that CTA even if treaty partner has not made any reservation. Similarly, in case of any optional provisions, where the MLI provides for the parties to choose between different alternatives which are intended to address the same issue in a provision, the MLI in respect to such provision would apply only if both the parties have opted for the same alternative. Hence, MLI shall not automatically apply to all bilateral treaties that a signatory country has entered



into, but it shall apply to the extent both parties to the treaty have agreed upon the treaty being governed by MLI provisions.

### 5.3 Applicability of MLI

On 7 June 2017, India became a signatory to the MLI along with 67 other jurisdictions. **On 25 June 2019, India has deposited the Instrument of Ratification with OECD, Paris along with its final position in terms of CTAs, Reservations, etc. under the MLI.** Till date, 93 CTAs have been notified by India. Out of which as per the data available upto 15 January 2021, 40 CTAs have or would soon become effective as tabulated below:

Date of Entry into effect of MLI for India	With respect to taxes withheld	With respect to other taxes
From 1 April 2020	28	21
From 1 April 2021	12	15
From 1 April 2022	0	4
	<b>40</b>	<b>40</b>

### 5.4 Date of entry into force and date of entry into effect of MLI provisions

For CTAs, effect of MLI will take place after both the countries ratify the MLI. The MLI will **'enter into force'** with respect to such countries within end of 3 months from the end of month of date of deposit of ratified instrument with OECD by such country.

Further, the 'entry into effect' shall be as under:

- With respect to withholding taxes – From the 1st day of taxable period commencing on or after the entry into force of MLI
- With respect to other taxes – From the 1st day of taxable period commencing on or after 6 months of the entry into force of MLI

The table below gives a better understanding of date of entry into force and date of entry into effect of MLI provisions with respect to CTAs notified by India.

Treaty partner	Deposit of ratification instrument by treaty partner	Entry into Force (First day of the month following a 3-month period from the deposit)	Entry into effect for withholding tax (1st day of taxable period commencing on or after date of MLI entering into force)	Entry into effect for other taxes (1st day of taxable period commencing on or after 6 months of MLI entering into force)
Treaty partners who have already deposited ratification instrument till 25 June 2019	–	1 October 2019	1 April 2020	1 April 2020

Treaty partner	Deposit of ratification instrument by treaty partner	Entry into Force (First day of the month following a 3-month period from the deposit)	Entry into effect for withholding tax (1st day of taxable period commencing on or after date of MLI entering into force)	Entry into effect for other taxes (1st day of taxable period commencing on or after 6 months of MLI entering into force)
Treaty partners who have <b>not already deposited</b> ratification instrument till 25 June 2019	Assuming it is deposited in November 2019	1 March 2020	1 April 2020	1 April 2021
	Assuming it is deposited in March 2020	1 July 2020	1 April 2021	1 April 2021
	Assuming it is deposited in FY 2020–21 and on-wards	For e.g. If treaty partner deposits instrument on 30 April 2020, entry into force will be 1 August 2020	1 April 2021	1 April 2021

### 5.5 Aligning purpose of entering into DTAA with MLI

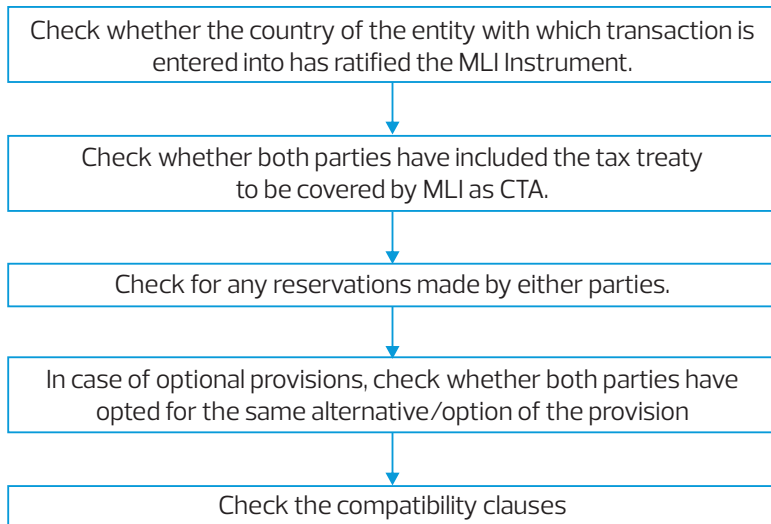
In order to implement the BEPS measures, MLI will modify India's DTAA's and will be applied alongside the existing DTAA's.

Article 6 of MLI provides for modification of the CTA to include the following preamble text:

'Intending to eliminate double taxation with respect to the taxes covered by this agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of third jurisdictions),'

In order to achieve this, the provisions of section 90(1)(b) and section 90A(1)(b) of the IT Act were amended so as to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the IT Act and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of any other country or territory).

### How to go about an MLI?



### 5.6 Depending on the position taken under MLI by a country, India's DTAA with it shall get modified in the following prominent ways:-

- a) The minimum standard under BEPS Action 6 to tackle treaty abuse i.e., insertion of new Preamble and the PPT in the DTAAs shall be achieved.
- b) The minimum standard under BEPS Action 14 relating to the mutual agreement procedure shall get implemented.
- c) Artificial avoidance of PE status through commissionaire arrangements and similar strategies would be prevented. Avoidance of PE formation through specific activity exemptions and splitting up of contracts would also be prevented.
- d) Avenues leading to avoidance of capital gains from alienation of shares/ interests deriving value principally from immovable property would be plugged.
- e) Certain dividend transfer transactions that are intended to lower withholding taxes payable on dividends artificially would be prevented.

### 5.7 Release of Synthesised Text

Synthesised text combines and reproduces (a) the text of each Covered Tax Agreement (including the texts of any amending protocols or similar instruments), and (b) the provisions of the MLI that will modify that Covered Tax Agreement in the light of the interaction of the MLI positions the Parties have taken. Thus, synthesised texts make it much simpler to understand the effects of the MLI and the way it modifies each Covered Tax Agreement. Till date (as on

15 January 2021), India has released the synthesised text of 25 countries including UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine and Slovak Republic.

## 5.8 MLI – Implications in case of CTAs

**As mentioned above, in case of 40 CTAs, MLI has become effective in India or will soon become effective. As MLI becomes effective in India, tax treaties should not be replaced by MLI but it should be read alongside existing treaty provisions and shall modify the application of treaties to the extent of aligning it with measures specified under BEPS Action Reports. Therefore, MLI provisions needs to be analysed in detail whenever tax treaties need to be relied upon as it has wide coverage of anti-abuse rules contained in its 'minimum standards' such as principal purpose test, simplified LOB etc. Any transaction undertaken in violation of MLI provisions in future could have significant tax implications.**

## 5.9 DTAA rates and effective date of MLI – Reading the Indian Treaties

India being a major player has considerable cross border investments and it has a comprehensive DTAA's network with almost 95 countries in order to mitigate double taxation, permit foreign tax credit and to facilitate international business transactions. The tax rates in respect of Dividend, Interest, Royalty and Fees for Technical Services, based on the DTAA's / synthesised texts entered into by India with various countries along with the date of entry into effect in India of the MLI with each country, are as under:

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
	<b>Rate as per the IT Act (Note 12)</b>	<b>20% [Note 2]</b>	<b>20%/5%/4% [Notes 7 and 8]</b>	<b>10% [Notes 4 and 8]</b>	<b>10% [Notes 4 and 8]</b>		<b>with respect to taxes withheld</b>	<b>with respect to other taxes</b>
1	Albania	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
2	Armenia	10%	10% [Note 5]	10%	10%		Not yet ratified by Armenia	
3	Australia [Note 1]	15%	15%	10% / 15% [Note 6]	10% / 15% [Covered under Article for Royalty]		1 April 2020	1 April 2020
4	Austria [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
5	Bangladesh	10% / 15%	10% [Note 5]	10%	No separate provision	a) 10% tax on dividends if at least 10%	Not a signatory to MLI	

<sup>1</sup> The date of entry into effect is derived from the OECD's MLI matching database (updated as on 15 January 2021) and synthesised text of MLI released by CBDT wherever available.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						of capital of company paying dividend is held by recipient company, b) 15% in all other cases		
6	Belarus	10% / 15%	10% [Note 5]	15%	15%	a) 10% tax on dividends if paid to a Company holding 25% shares, b) 15%, in all other cases	Not a signatory to MLI	
7	Belgium	15%	15% / 10%	10%	10%	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) MFN clause with respect to Royalty and FTS.	1 April 2020	1 April 2020
8	Botswana	7.50% / 10%	10% [Note 5]	10%	10%	a) 7.50% tax on dividends if share holder is a company and holds at least 25% shares in the investee company, b) 10%, in all other cases	Not a signatory to MLI	
9	Brazil	15%	15% [Note 5]	15% (25% for trademark)	15% [Covered under Article for Royalty]	15% tax on dividends if paid to a company; in any other case as per domestic tax laws.	Not a signatory to MLI	
10	Bulgaria	15%	15% [Note 5]	15% / 20%	20%	15% tax on royalties if relating to copyrights of literary, artistic or scientific	Not yet ratified by Bulgaria	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						works, other than cinematograph films or films or tapes used for radio or television broadcasting, in any other case 20%.		
11	Bhutan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
12	Canada	15% / 25%	15% [Note 5]	Note 6	Note 6	a) 15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company; b) 20%, in other cases.	1 April 2020	1 April 2021
13	China	10%	10% [Note 5]	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	
14	Croatia	5% / 15%	10% [Note 5]	10%	10%	a) 5% tax on dividends if at least 10% of the capital of the company paying the dividend is held by the recipient company (other than partnership); b) 15% in all other cases	Not yet ratified by Croatia	
15	Cyprus	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
16	Czech Republic	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
17	Colombia	5%	10% [Note 5]	10%	10%		Not yet ratified by Colombia	
18	Denmark	15% / 25%	15% / 10% [Note 5]	20%	20%	a) 15% tax on dividends if at least 25% of the capital of the company paying the dividend is held by the recipient	1 April 2020	1 April 2021

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						company, in other cases 25%. b) Interest taxable at 10% if recipient is bank; in any other case 15%		
19	Estonia	10%	10% [Note 5]	10%	10%		MLI entered into force but Internal procedures not completed by Estonia; hence not effective	
20	Ethiopia	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
21	Finland [Note 1]	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
22	France	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
23	Fiji	5%	10% [Note 5]	10%	10%		Not yet ratified by Fiji	
24	Georgia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
25	Germany	10%	10% [Note 5]	10%	10%		Germany has not included India in its notification and hence not CTA	
26	Greece	Taxable as per domestic laws in source country			No separate provision		Not yet ratified by Greece	
27	Hong Kong	5%	10% [Note 5]	10%	10%		Not yet ratified by Hong Kong. Hong Kong has not included India as CTA in provisional list of CTAs	
28	Hungary	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	Not yet ratified by Hungary	
29	Indonesia	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
30	Iceland	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
31	Ireland [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
32	Israel	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
33	Italy	15% / 25%	15% [Note 5]	20%	20%	15% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company; in any other case 25%	Not yet ratified by Italy	
34	Japan [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
35	Jordan	10%	10% [Note 5]	20%	20%		1 April 2021	1 April 2022
36	Kazakhstan	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS	1 April 2021	1 April 2021
37	Kenya	10%	10%	10%	10%		Not yet ratified by Kenya	
38	Korea	15%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
39	Kuwait	10%	10% [Note 5]	10%	10%		Not yet ratified by Kuwait	
40	Kyrgyz Republic	10%	10% [Note 5]	15%	15%		Not a signatory to MLI	
41	Latvia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
42	Libya	Taxable as per domestic laws in source country			No separate provision		Not a signatory to MLI	
43	Lithuania [Note 1]	5% / 15%	10%	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company (other than a partnership); in any other case 15%	1 April 2020	1 April 2020
44	Luxembourg	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
45	Macedonia	10%	10% [Note 5]	10%	10%		Not yet ratified by Macedonia	
46	Malaysia	5%	10% [Note 5]	10%	10%		Not yet ratified by Malaysia	
47	Malta	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
48	Mauritius	5% / 15%	7.5%	15%	10%	a) 5% tax on dividend, if at	Mauritius has not included India in its notification and	



Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)
		Tax rate	Tax rate	Tax rate	Tax rate		
						<p>least 10% of the capital of the company paying the dividend is held by the recipient company, in any other case 15%.</p> <p>b) 7.5% tax on interest in respect of loans made after 31 March, 2017. Interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March, 2017 shall be exempt from tax in India. [Note 5]</p> <p>c) The amended DTAA now provides for specific provision relating to FTS and the same will be taxable at the rate of 10% with effect from 1 April, 2017.</p>	hence not a CTA
49	Mongolia	15%	15% [Note 5]	15%	15%		Not a signatory to MLI
50	Montenegro (Note 1)	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365 day period; in any other case 15%	Not a signatory to MLI

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
51	Morocco	10%	10% [Note 5]	10%	10%		Not yet ratified by Morocco	
52	Mozambique	7.50%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	
53	Myanmar	5%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	
54	Namibia	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
55	Nepal	5% / 10%	10% [Note 5]	15%	No separate provision	a) 5% tax on dividends if the beneficial owner of the shares is a company which holds at least 10% of the shares of the company paying the dividends; in any other case 10%.  b) MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.	Not a signatory to MLI	
56	Netherlands	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
57	New Zealand	15%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
58	Norway	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
59	Oman	10% / 12.5%	10% [Note 5]	15%	15%	10% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 12.50%.	Oman has not included India in its notification and hence not a CTA	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
60	Philippines	15% / 20%	15% / 10% [Note 5]	15%	No separate provision	<p>a) 15% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 20%.</p> <p>b) Interest taxable @ 10% if recipient is Financial Institution (including an insurance company) and where the interest is payable by a company resident of Philippines to a resident of India in respect of public issues of bonds, debentures or similar obligations. In any other case 15%.</p> <p>c) Royalty taxable @ 15% if it is payable in pursuance of any collaboration agreement approved by the Government of India. No rates prescribed in any other case.</p>	Not a signatory to MLI	
61	Poland [Note 1]	10%	10% [Note 5]	15%	15%		1 April 2020	1 April 2020
62	Portuguese Republic	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital	1 April 2021	1 April 2021

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						stock is owned by company for an uninterrupted period of 2 years prior to the payment of dividend; in any other case 15%.		
63	Qatar	5% / 10%.	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares are owned by company; in any other case 10%.	1 April 2020	1 April 2021
64	Romania	10%	10% [Note 5]	10%	10%		Not yet ratified by Romania	
65	Russian Federation	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
66	Saudi Arabia	5%	10% [Note 5]	10%	No separate provision		1 April 2021	1 April 2021
67	Serbia [Note 1]	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365 day period; in any other case 15%.	1 April 2020	1 April 2020
68	Singapore [Note 1]	10% / 15%	10% / 15%	10%	10%	a) 10% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company, in any other case 15% b) Interest taxable at 10% if recipient is bank or similar financial institution	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						including an insurance company; in any other case 15%		
69	Slovak Republic [Note1]	15% / 25%	15% [Note 5]	30%	30%	15% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company throughout a 365 day period; in any other case 25%.	1 April 2020	1 April 2020
70	Slovenia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is held by the recipient company; in any other case 15%.	1 April 2020	1 April 2020
71	South Africa	10%	10% [Note 5]	10%	10%		Not yet ratified by South Africa	
72	Spain	15%	15% [Note 5]	10% / 20%	20%	a) 10% tax on royalties if paid for the use or right to use any industrial, commercial or scientific equipment; 20% in case of fees for technical services and other royalties. b) MFN clause with respect to Royalty and FTS.	Not yet ratified by Spain	
73	Sri Lanka	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
74	Sudan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
75	Sweden	10%	10% [Note 5]	10%	10%	MFN clause	MLI entered into force but	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)
		Tax rate	Tax rate	Tax rate	Tax rate		
						with respect to Dividend, Interest, Royalty and FTS.	Internal procedures not completed by Sweden; hence not effective
76	Switzerland	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	Swiss Confederation has not included India in its notification and hence not a CTA
77	Syrian Arab republic	5% / 10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 10% of the shares are owned by company (other than a partnership), in any other case 10%.	Not a signatory to MLI
78	Taipei	12.5%	10% [Note 5]	10%	10%		Not a signatory to MLI; further India has not included Taipei in its list of CTA
79	Tajikistan	5% / 10%.	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 10%.	Not a signatory to MLI
80	Tanzania	5%/10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the shares are beneficially owned by company; in any other case 10%.	Not a signatory to MLI
81	Thailand	10%	10% [Note 5]	10%	No separate provision	As per the revised DTAA with Thailand, effective from 1 April 2016, the rate of withholding tax is 10% in respect of Dividend, Interest and	Not a signatory to MLI

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						Royalty. There is no specific provision with respect to FTS.		
82	Trinidad and Tobago	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
83	Turkey	15%	10% / 15% [Note 5]	15%	15%	Interest is taxable at 10% if recipient is bank, insurance company or similar financial institution; in any other case 15%.	Not yet ratified by Turkey	
84	Turkmenistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
85	Uganda	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
86	Ukraine	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2021
87	United Arab Emirates [Note 1]	10%	5% / 12.5% [Note 5]	10%	No separate provision	Interest taxable at 5% if recipient is bank or similar financial institution; in any other case 12.50%.	1 April 2020	1 April 2020
88	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No separate provision		1 April 2021	1 April 2022
89	United Kingdom [Note 1]	15% / 10%	15% / 10% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) Dividend taxable at 15% where dividend is paid out of income	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 15 January 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						derived directly or indirectly from immovable property. In other case-10%.		
90	United Mexican States	10%	10% [Note 5]	10%	10%		Not yet ratified by Mexico	
91	United States	15% / 25%	10% / 15% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) 15% tax on dividends if at least 10% of the voting stock is owned by company; in any other case 25%. b) Interest taxable at 10% if recipient is bona fide bank or financial institution including an insurance company; in any other case 15%.	Not a signatory to MLI	
92	Uruguay	5%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
93	Uzbekistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
94	Vietnam	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
95	Zambia	5% / 15%	10% [Note 5]	10%	10%	a) 5% tax on dividends if at least 25% of the shares are owned by company during a period of 6 months immediately preceding the date of payment of dividend; in any other case 15%.	Not a signatory to MLI	



**Notes:**

1. As on date CBDT has released synthesised texts for MLI modified DTAA with 25 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, and Slovak Republic.
2. Prior to 1 April 2020, dividend income was subjected to DDT @ 20.5553% on any amount declared, distributed or paid by a domestic company by way of dividend and was tax exempt in the hands of the non-resident shareholders. Deduction under section 57 for interest expenditure shall be available and restricted to 20% of dividend income. However, no deduction available for other expenses.
3. Unless otherwise provided in the DTAA, both the countries have right to tax.
4. The rate of tax under the IT Act on Royalty and/or FTS receivable by a non-resident is 10% (plus applicable Surcharge and Education Cess). As per section 90(2) of the IT Act, tax rate as per the provisions of DTAA or the IT Act, whichever is beneficial to the assessee, shall apply. For availing the benefit of DTAA, furnishing of TRC and self-declaration in Form 10F by the payee is mandatory. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.
5. Interest earned by /\*paid to the Government and certain specified institutions, inter-alia, Reserve Bank of India is exempt from taxation in the country of source (subject to certain conditions).

\*As per DTAA amended between India-China by Notification dated 17 July 2019 with effect from 1 April 2020.

6. Tax rate is 10% in case of Royalties for equipment rental and fees for services ancillary or subsidiary thereto. For other cases, the tax rate is 15%. However, for first 5 years of the agreement, the rate is 20% in case of payer other than Government or specified institution and 15% for the subsequent years.
7. Lower withholding tax of 5% is applicable in case of interest on borrowing in foreign currency under a loan agreement, interest on long term bond including long term infrastructure bond, interest on infrastructure debt fund and interest on rupee denominated bond and a Government security. However, in case of interest on rupee denominated bonds issued during a period from 17 September 2018 to 31 March 2019, the interest shall be exempt under new section 10(4C) of the IT Act. Therefore, it is not subject to any withholding tax on such interest income.

Lower withholding tax of 4% is applicable in case of interest on borrowing in foreign currency from a source outside India by way of any long-term bond or rupee denominated bond listed on recognized stock exchange located in IFSC.

Lower withholding tax of 5% is applicable to FIIs or QIIs in case of investment in

government securities or rupee denominated bond or municipal debt security.

8. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
- (i) rate specified in the relevant provision of the IT Act,
  - (ii) at the rates in force or
  - (iii) at the rate of 20%

Payments namely interest, royalty and fees for technical services will not require PAN if alternative documents/details such as TRC, tax identification number of country of residence, etc. are furnished by the non-resident to the Indian deductor.

9. Where the provisions of GAAR are attracted (applicable from FY 2017–18), tax treaty benefit may be denied to a non-resident.
10. Any income in the nature of Royalty or FTS arising to non-resident from services rendered to the National Technical Research Organization is exempt under section 10(6D) of the IT Act.

11. **Capital Gain taxation under the Tax Treaties**

- The treaties between India–Mauritius, India–Singapore & India–Cyprus were amended in 2016 to provide source-based taxation for capital gains on the transfer of shares on or after 1 April 2017 of Indian companies with respect to shares acquired prior to 1 April 2017. As such, capital gains from the alienation of shares acquired on or after 1 April 2017 in a company which is resident of a Contracting State may be taxed in that State (i.e. the source state).
- The India–Mauritius DTAA & India–Singapore DTAA also provided concessional tax rate of 50% of the domestic capital gains tax rate for the period of 2 years (Between 1 April 2017 and 31 March 2019) in the source state. This concessional tax rate is subject to fulfillment of the Limitation of Benefit 'LOB' clause under the India–Mauritius DTAA and India–Singapore DTAA.

12. Rate as per the domestic tax regulations (to be further increased by applicable surcharge and education cess) or DTAA rate, whichever is more beneficial to taxpayer, shall apply

Nature of Benefits to be availed/ Compliances to done	Check the Box ?
<b>For Corporates to whom Transfer pricing provisions are not applicable</b>	
<p>The benefit of deductions under Chapter VIA –Part C, carry forward and set off of losses, if any, is available only where the return for FY 2020–21 is filed on or before 31 October 2021. To ensure compliance, check beforehand the position of said deductions and losses for the relevant financial year.</p>	<input data-bbox="897 312 990 360" type="checkbox"/>
<p>The time limit for scrutiny assessment under section 143(3) has been revised as follows:</p> <ol style="list-style-type: none"> <li>1. AY 2018–19 – 31 March 2021</li> <li>2. AY 2019–20 – 31 March 2021 (Refer Note 1)</li> <li>3. AY 2020–21 – 31 March 2022</li> </ol> <p>Kindly make a note and accordingly plan submission of details and closure of assessment. The notices are e–served and physical notices are not mandatory and hence it is pertinent to regularly check the status on the tax portal.</p> <p>(Refer Note 1)</p>	<input data-bbox="897 547 990 595" type="checkbox"/>
<b>For Corporates to whom Transfer pricing provisions are applicable</b>	
<p>The benefits of deductions under Chapter VIA –Part C, carry forward and set off of losses, if any, is available only in case the return for FY 2020–21 is filed on or before 30 November 2021. To ensure compliance and check beforehand the position of losses during the year.</p>	<input data-bbox="897 884 990 932" type="checkbox"/>
<p>Form 3CEB to be filed online within the due date of 31 October 2021. For this purpose, it is necessary to identify:</p> <ul style="list-style-type: none"> <li>■ AE (it may be pointed out that this is not limited to holding or subsidiary relationships alone but may be applicable on the basis of loan, guarantee, common control, etc.)</li> <li>■ International transactions (this may include not only the exports or imports but also loans, guarantees, license or franchise, etc.)</li> <li>■ Carry out robust transfer pricing study report to substantiate arm's length pricing along with appropriate benchmarking analysis.</li> </ul> <p>Master File / Country-by-Country Report ('CbCR') compliance as per deadline tabulated below, if applicable. Please check</p>	<input data-bbox="897 1019 990 1067" type="checkbox"/>

Nature of Benefits to be availed / Compliances to done			Check the Box ?
Master File / CbCR	Applicability	Forms to be furnished	Due date for FY 2020-21
	Every person, being a constituent entity of an international group	Part A of Form No. 3CEAA	Due date of filing return of Income (30 November)
Master File (applicable Consolidated revenue of the international group exceeds INR 500 Crore and value of international transaction exceeds INR 50 Crore or value of international transaction involving intangible exceeds INR 10 Crore)	Constituent entity of an international group resident in India	Part B of Form No. 3CEAA	Due date of filing return of Income (30 November)
	Where there are more than one constituent entity resident in India of an international group, then the constituent entity which has been designated to furnish the master file	Form No. 3CEAB	30 days before the due date for filing Form No. 3CEAA (31 October)
CbCR	Every constituent entity resident in India, whose parent is not resident in India	Form No. 3CEAC	2 months prior to due date for filing Form No. 3CEAD
	Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India	Form No. 3CEAD	12 Months from the end of the reporting accounting year
	Intimation on behalf of the international group	Form No. 3CEAE	Not specified
Thin capitalization rules are applicable as per section 94B which provides a restriction (30% of EBITDA) on deductibility of interest paid to an AE. The balance interest is allowed to be carried forward for set off for 8 years. Is the same considered while structuring funding from AE and the applicable disallowance has been computed?			<input type="checkbox"/>
Entities opting for concessional tax regime under section 115BAB would be covered within the ambit of domestic transfer pricing (specified domestic transaction) for the transactions entered into by them under section 92BA. Whether the transfer pricing angle is considered while framing any tax policy or setting up a new manufacturing company under section 115BAB?			<input type="checkbox"/>
The time limit for assessment under section 143(3) has been revised as follows:			<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
<ol style="list-style-type: none"> <li>1. AY 2017–18 – 31 March 2021</li> <li>2. AY 2018–19 – 31 March 2022</li> <li>3. AY 2019–20 – 31 March 2022</li> <li>4. AY 2020–21 – 31 March 2023</li> </ol> <p>Kindly make a note and accordingly plan submission of details and closure of assessment. The notices are e-served and physical notices are not necessary so the portal and designated person should regularly check status. (Refer Note 1)</p>	
<b>Common points for all the Corporates</b>	
<p><b>Evaluate the possibility of availing Direct Tax Disputes Resolution Scheme ( ‘Vivad Se Vishwas’ Scheme)</b></p> <p>Under the proposed ‘<b>Vivad Se Vishwas</b>’ scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty, provided he files the application under the scheme on or before 28 February 2021 and pays the disputed taxes by 31 March 2021. Those who make the aforesaid payment after 31 March 2021, will have to pay some additional amount. Taxpayers in whose cases appeals are pending at any level as prescribed, can benefit from this scheme. One should list all pending litigations and evaluate the scheme to resolve pending litigation.</p>	<input data-bbox="900 549 994 596" type="checkbox"/>
<p>Revision in timeline – All Reports (such as Transfer pricing report in Form 3CEB, MAT Report in Form 29B, Tax audit report in Form 3CD, 10AA certificate in Form 56F, etc.) to be filed 1 month prior to due date for filing corporate tax return u/s 139(1). Kindly ensure compliance.</p>	<input data-bbox="900 963 994 1011" type="checkbox"/>
<p>For FY 2020–21, whether detailed comparative analysis of continuing under existing tax regime (where MAT is applicable at reduced rate of 15%) or opting for new regime under section 115BAA (where lower corporate tax rate of 25.17% and no MAT is applicable) has been evaluated and the beneficial option has been exercised?</p> <p>This is relevant for companies who have not opted for the new regime under section 115BAA in the FY 2019–20.</p>	<input data-bbox="900 1139 994 1187" type="checkbox"/>
<p>Whether foreign assets (which include bank signatory powers and beneficial interest) have been properly disclosed in schedule FA of ITR? This would cover subsidiaries, joint ventures and investments outside India, project offices and branch offices as well as other</p>	<input data-bbox="900 1378 994 1426" type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
financial assets.	
In case of foreign subsidiaries, joint ventures and associates, to ensure that the Place Of Effective Management (POEM) is not in India	<input type="checkbox"/>
<p>The benefit of carry forward of certain unabsorbed losses and unutilized credits is available for certain number of years only. Check whether any of the following carried forward losses or credits are expiring as on 31 March 2021 or 2022:</p> <ul style="list-style-type: none"> <li>■ MAT Credit</li> <li>■ Business Losses</li> <li>■ Losses under the head " capital gains"</li> <li>■ Losses under the head " income from house property"</li> <li>■ Period for re-investment in case of certain tax holidays such as section 10AA.</li> </ul>	<input type="checkbox"/>
In case of payments requiring tax deduction at source (such as interest, rent, professional fees, commission, brokerage) for payments to residents as well as withholding tax for payments to non-residents, whether tax has been deducted or withheld as applicable. Any non-deduction of tax would result in disallowance of 30% or 100% of the entire expenditure.	<input type="checkbox"/>
<p>Section 80JJAA provides for deduction of 30% of the additional employee cost incurred during the financial year. Whether this benefit has been availed where applicable?</p> <p>This is also applicable in case of companies who have opted for the new regime under section 115BAA.</p>	<input type="checkbox"/>
Issue of shares by a company to a resident at a premium higher than the fair value is subject to tax implication under section 56(2)(viib). Whether applicability of section 56(2)(viib) is examined before any issue of shares?	<input type="checkbox"/>
Section 56(2)(x) of the IT Act provides for taxation on the difference, if the transaction value (for consideration or without consideration) of the property received is less than stamp duty value for transfer of property or within the tolerance range specified (10%). Whether implication of section 56(2)(x) is examined before transfer of specified property (which includes shares / securities, immovable property, jewellery, archaeological collections, drawings, paintings, sculptures, any work of art, bullion)? Similarly, the transferor may be subject to tax on notional gain in case transfer of	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
immovable property or shares is at a price below the fair value, under section 50C/50CA of the Act.	
Section 269SU provides that every person with business turnover of more than Rs. 50 crores, has to provide certain prescribed modes for the purpose of acceptance of payment. Whether such payment facilities are provided?	<input type="checkbox"/>
Digital Signature Certificate ('DSC') is a significant component for filing of returns. Validity of such DSC i.e. whether such DSC has not expired, needs to be ensured before return filing.	<input type="checkbox"/>
In case where deduction under section 10AA or tax holiday under section 80IA/IB is claimed, it is necessary to furnish the tax return before the due date, failing which the benefit of tax holiday is not available. Whether the return is being filed in time?	<input type="checkbox"/>
In case where tax is paid on book profit under section 115JB, whether Form 29B is uploaded online one month prior to the due date for filing the return of Income?	<input type="checkbox"/>
Ensure timely payment of advance tax on due dates viz. 15 June, 15 September, 15 December 2020 and 15 March 2021, to avoid high interest outgo which is also not deductible for tax purposes	<input type="checkbox"/>
Ensure all tax credits in the form of TDS, TCS, foreign withholding taxes, advance tax, self-assessment tax have been claimed and allowed by the tax authorities, ensure reconciliation of income and tax credits as per form 26AS and in case of carry over, keep track of the same.	<input type="checkbox"/>
Review GST returns and financial statements to ensure that there are no discrepancies or inconsistencies which are inexplicable	<input type="checkbox"/>
The Donation made to PM Cares Fund, if any, has been claimed in the return of income.	<input type="checkbox"/>
Whether TCS under section 206C(1H) has been collected on sale of goods (excluding exports) in excess of Rs. 50 lakhs in a year (provided the turnover is more than Rs. 10 crores in the immediately preceding FY)? Applicable w.e.f. 1 October 2020.	<input type="checkbox"/>
Whether TDS under section 194Q @0.1% has been deducted on purchase of goods in excess of Rs. 50 lakhs in a year (provided the turnover is more than Rs. 10 crores in the immediately preceding Financial Year)? Applicable w.e.f. 1 July 2021.	<input type="checkbox"/>
In case the tax assessments result in disputes and/or tax demands, whether: ■ Evaluation and selection of appropriate remedy in the form of	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
<p>rectification, appeal, reference to Dispute Resolution Panel, revision under section 264 of the IT Act, writ petition has been exercised and timely application/ appeal has been filed.</p> <ul style="list-style-type: none"> <li>■ In case of transfer pricing or cross border disputes, it may be possible to exercise "mutual agreement procedure" (MAP) remediation action.</li> <li>■ Application for stay of demand and deposit of part or entire disputed amount as required has been made.</li> </ul>	

Notes:

1. It is to be noted that any of the following activities, the due date of which falls within 20 March 2020 till 31 December 2020 would be extended to **31 March 2021**.
  - (i) Completion of any proceeding, passing of any order, issuance of any notice, intimation, notification, sanction approval by any authority under the IT Act.
  - (ii) Filing of any appeal, reply or application or furnishing of any report, document, return or statement under the IT Act.
  - (iii) For AY 2019–20, the due date for issue of notice for scrutiny assessment has been extended upto 31 March 2021. However, the original deadline for completion of scrutiny assessment which is expiring on 31 March 2021, has not been extended. Clarification in this regard is expected.
2. The Faceless Assessment Scheme, 2020 would be made applicable to Scrutiny Assessment u/s 143(3) and Best Judgment Assessment. Similarly, Faceless Appeal Scheme has been introduced by the Government w.e.f. 25 September 2020. The penalty proceedings under the IT Act would now be mandatorily processed under the Faceless Penalty Scheme, 2021. Also, Finance Bill, 2021 has proposed faceless proceedings before the Income-tax Appellate Tribunal (ITAT) in a jurisdiction less manner.
3. Section 206AB has been proposed which provides for higher rate (*higher of the following rates – twice the rate specified in the relevant provision of the IT Act; or twice the rate or rates in force or the rate of 5%, as the case may be*) of TDS for specified persons (who are non-filers of income-tax returns for the last 2 years) in which tax is required to be deducted or collected, as the case may be. Similar provision has been introduced under section 206CC with respect to Tax Collected at Source (TCS).

This is an indicative generic checklist which includes certain crucial compliances and checkpoints which can have a significant impact on your tax incidence or exposure. This checklist is not comprehensive and should not be treated as a substitute for a comprehensive and detailed analysis.



The IT Act provides for far reaching tax holidays and other tax incentives for businesses. We have briefly enumerated below, the significant tax holidays and incentives available to businesses along with the nature of deductions, eligibility criteria, quantum of deduction and period for which the deductions are available. The tax holidays and incentives are



subject to fulfillment of specified conditions. The tax incentives / deductions which are available to newly set up units are highlighted in **Blue**. The changes proposed by the Finance Bill, 2021 are highlighted in **BOLD** font.

### 7.1 New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 – Eligibility criteria and specified conditions

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 <sup>^</sup> – Eligibility criteria and specified conditions
115BAB	<ul style="list-style-type: none"> <li>■ The Taxation Laws (Amendment) Act, 2019 introduced special provision in order to attract fresh investment in manufacturing, which allows any new domestic company incorporated on or after 1 October 2019 making fresh investment in manufacturing, an option to pay income-tax @ 17.16% inclusive of surcharge and cess and MAT shall not be applicable to such companies. This benefit is available to companies which do not avail any exemption / incentive and commences their production on or before 31 March 2023.</li> <li>■ The generation of electricity will fall within the purview of manufacturing under section 115BAB. The business of manufacture or production would not cover development of computer software in any form or in any media, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as would be notified by the Central Government from time to time.</li> <li>■ The domestic companies opting for lower corporate tax regime as mentioned above would not be able to claim incentive / deductions under the following sections of the IT Act:               <ul style="list-style-type: none"> <li>➤ Section 10AA – deduction for exports by SEZ units</li> <li>➤ Section 32(1)(ia) – additional depreciation allowance</li> <li>➤ Section 32AD – deduction for investment in new plant and machinery in notified backward states</li> <li>➤ Section 33AB – Tea/Coffee/ Rubber development allowance</li> <li>➤ Section 33ABA – Site restoration fund</li> <li>➤ Section 35AD – deduction in respect of specified business</li> <li>➤ Section 35(1)(ii), (ia), (iii) and section 35(2AA), (2AB) – certain scientific research expenditure</li> <li>➤ Section 35CCC – expenditure on agricultural extension project</li> <li>➤ Section 35CCD – expenditure on skill development project</li> <li>➤ Deduction under Chapter VIA other than section 80JAA (deduction in respect of employment of new employees) and section 80M (deduction in respect of certain inter-corporate dividends)</li> </ul> </li> <li>■ It may be noted that the losses pertaining to normal depreciation would be allowed to be carried forward and set off for future years.</li> </ul>

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 <sup>^</sup> – Eligibility criteria and specified conditions
	<ul style="list-style-type: none"> <li>■ In case of a corporate who has opted for concessional tax regime under section 115BAB and such option is rendered invalid, the taxpayer may opt for concessional tax regime under section 115BAA of the IT Act.</li> <li>■ It may also be noted that option once exercised cannot be withdrawn subsequently.</li> </ul>

## 7.2 Deduction in respect of Expenditure on Specified Business – Eligibility criteria and specified conditions

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions <sup>^</sup>	
35AD	<ul style="list-style-type: none"> <li>■ Any expenditure of capital nature (other than expenditure incurred on the acquisition of any land or goodwill or financial instrument) incurred, wholly and exclusively, during the year for specified business shall be allowed as deduction subject to the specified provisions.</li> <li>■ Specified business and the year (in which the operations to be commenced) for availing deduction under this section are tabulated as under:</li> </ul>	
	Sr. No	Specified Business
	1	Setting up and operating a cold chain facility
	2	Setting up and operating a warehousing facility for storing agricultural produce
	3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network
	4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India
	5	Building and operating a hospital with at least 100 beds for patients anywhere in India
	6	Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central or State Government, as the case may be, and which is notified by the Board in this behalf in accordance with the guidelines as may be prescribed
	7	The Business of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed
	8	Production of fertilizers in India through a new plant or a newly installed capacity in an existing plant
	9	Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962
		Specified year of Commencement
		From 1 April 2009 onwards
		From 1 April 2009 onwards
		From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards
		From 1 April 2010 onwards *
		From 1 April 2010 onwards
		From 1 April 2010 onwards
		From 1 April 2011 onwards
		From 1 April 2011 onwards
		From 1 April 2012 onwards

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions <sup>^</sup>																				
	<table><tr><th>Sr. No</th><th>Specified Business</th><th>Specified year of Commencement</th></tr><tr><td>10</td><td>Bee-keeping and production of honey and beeswax</td><td>From 1 April 2012 onwards</td></tr><tr><td>11</td><td>Setting up and operating a warehousing facility for storage of sugar</td><td>From 1 April 2012 onwards</td></tr><tr><td>12</td><td>Laying and operating a slurry pipeline for transportation of iron ore</td><td>From 1 April 2014 onwards</td></tr><tr><td>13</td><td>Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.</td><td>From 1 April 2014 onwards</td></tr><tr><td>14</td><td>Developing or operating and maintaining or developing, operating and maintaining any infrastructure facilities.</td><td>From 1 April 2017 onwards</td></tr></table>	Sr. No	Specified Business	Specified year of Commencement	10	Bee-keeping and production of honey and beeswax	From 1 April 2012 onwards	11	Setting up and operating a warehousing facility for storage of sugar	From 1 April 2012 onwards	12	Laying and operating a slurry pipeline for transportation of iron ore	From 1 April 2014 onwards	13	Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.	From 1 April 2014 onwards	14	Developing or operating and maintaining or developing, operating and maintaining any infrastructure facilities.	From 1 April 2017 onwards		
Sr. No	Specified Business	Specified year of Commencement																			
10	Bee-keeping and production of honey and beeswax	From 1 April 2012 onwards																			
11	Setting up and operating a warehousing facility for storage of sugar	From 1 April 2012 onwards																			
12	Laying and operating a slurry pipeline for transportation of iron ore	From 1 April 2014 onwards																			
13	Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.	From 1 April 2014 onwards																			
14	Developing or operating and maintaining or developing, operating and maintaining any infrastructure facilities.	From 1 April 2017 onwards																			
	<p>*Where the assessee builds a hotel of 2 star or above category as classified by the Central Government and subsequently, while continuing to own the hotel, transfers the operation thereof to another person, the said assessee shall be deemed to be carrying on the 'specified businesses of building and operating hotel as referred at Sr. No. 4 in the above table, with retrospective effect from AY 2011-12.</p> <ul style="list-style-type: none"><li>■ Any asset, in respect of which a deduction is claimed and allowed under this section, shall be used only for the specified business for a period of 8 years beginning with the financial year in which such asset is acquired or constructed.</li><li>■ Where such asset is used for any purpose other than the specified business, then, the total amount of deduction so claimed and allowed in any financial year in respect of such asset (after reducing the depreciation allowable under section 32 of the IT Act on deduction allowed under section 35AD of the IT Act), shall be deemed to be income of the assessee chargeable under the head 'Profits and gains of business or profession'.</li><li>■ While computing AMT, adjusted total income shall be increased by the deduction claimed under section 35AD of the IT Act as reduced by the amount of depreciation allowable under section 32 of the IT Act.</li><li>■ In case deduction has been availed under section 35AD of the IT Act on account of capital expenditure incurred for the purposes of specified business in any assessment year, no deduction under section 10AA of the IT Act or under the provisions of Chapter VI-A or under any other provisions of the IT Act shall be available in the same or any other assessment year in respect of such specified business.</li><li>■ Any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, exceeds Rs. 10,000, then no deduction shall be allowed under section 35AD of the IT Act.</li><li>■ The deduction under section 35AD(1) of the IT Act is optional.</li><li>■ A domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the IT Act, which does not claim deduction under section 35AD, can claim normal depreciation under section 32 of the IT Act on such expenditure.</li></ul>																				

### 7.3 Deduction of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. – Eligibility criteria and specified conditions

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80– IAC / 80–IB(11A) / 80–IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<b><u>Start-up Undertaking –Section 80–IAC</u></b> <ul style="list-style-type: none"> <li>■ Undertaking being an eligible start-up which is engaged in business of innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.</li> <li>■ The total turnover of the company should not exceed Rs. 1 billion in the previous year in which deduction is claimed.</li> <li>■ It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government.</li> </ul>	Company or LLP incorporated between 1 April 2016 to 1 April 2022	100%	Any 3 consecutive years out of first 10 years
2.	<b><u>Undertaking engaged in processing /preservation / transportation of specified food items –Section 80–IB (11A)</u></b> <ul style="list-style-type: none"> <li>■ An undertaking deriving profit from the integrated business of handling, storage and transportation of food grains or an undertaking engaged in the business of processing, preservation and packaging of fruits and vegetables, subject to such business beginning its operations on or after 1 April 2001.</li> <li>■ An undertaking engaged in the business of meat and meat products or poultry or marine or dairy products which begin to operate such business on or after 1 April 2009.</li> </ul>	Company  Others	100% 30%  100% 25%	First 5 years Next 5 years  First 5 years Next 5 years
3.	<b><u>Affordable Housing Project –Section 80–IBA</u></b> <ul style="list-style-type: none"> <li>■ Any undertaking engaged in the business of developing and building housing projects approved by the competent authority between 1 June 2016 and 31 March 2022.</li> <li>■ The project should be completed within a period of 5 years from the date of approval.</li> <li>■ The deduction is allowed subject to fulfillment of various conditions like minimum area of land, minimum floor area ratio of land, maximum carpet area of residential and commercial unit.</li> <li>■ Carpet area shall not exceed 30 square</li> </ul>	All	100%	Not Applicable

<b>Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80–IAC / 80–IB(11A) / 80–IBA / 80LA / 10AA)^</b>				
<b>Sr. No.</b>	<b>Nature of Activity and Location</b>	<b>Type of Organization</b>	<b>Quantum of Deduction</b>	<b>Number of Years</b>
	<p>meter for Chennai, Delhi, Kolkata or Mumbai and 60 square meter for any other place</p> <ul style="list-style-type: none"> <li>■ Separate books of account in respect of the housing project</li> <li>■ Not more than 1 residential unit is allotted to any individual or the spouse or the minor children of such individual.</li> <li>■ Deduction shall not be available to a person executing the housing project as works contract.</li> </ul> <p>If the housing project is approved on or after 1 September 2019, following modified conditions shall be applicable:</p> <ul style="list-style-type: none"> <li>■ Carpet area shall not exceed 60 square meter for metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan region) and 90 square meter for any other place.</li> <li>■ The stamp duty value of a residential unit in the housing project does not exceed Rs. 45,00,000.</li> </ul>	All	100%	Not Applicable
4.	<p><b><u>Affordable Rental Housing Project –Section 80–IBA(1A)</u></b></p> <ul style="list-style-type: none"> <li>■ <b>It is proposed to allow deduction under section 80–IBA (1A) of the IT Act also to such rental housing project as may be notified by the Central Government on or before 31 March 2022 and fulfills such conditions as specified in the said notification.</b></li> </ul>	All	100%	Not Applicable
5.	<p><b><u>Offshore banking unit in SEZ and International Financial Services Centre – Section 80 LA</u></b></p> <p>Income from:</p> <ul style="list-style-type: none"> <li>■ Offshore banking unit in SEZ or</li> <li>■ The business referred to in section 6(1) of the Banking Regulation Act, 1949.</li> </ul> <p>Any unit of International Financial Services Centre from its approved business.</p>	<p>Scheduled Bank or any bank incorporated by or under the law of a country outside India.</p> <p>A unit of an International Financial Services Center</p>	<p>100%</p> <p>50%</p> <p>100%</p>	<p>First 5 years (beginning with the year in which prescribed permissions are obtained)</p> <p>Next 5 years</p> <p>Any 10 consecutive years out of first 15 years (beginning with</p>

<b>Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80– IAC / 80–IB(11A) / 80–IBA / 80LA / 10AA)^</b>				
<b>Sr. No.</b>	<b>Nature of Activity and Location</b>	<b>Type of Organization</b>	<b>Quantum of Deduction</b>	<b>Number of Years</b>
	<p>It is proposed to provide that deduction under this section is also available to a unit of IFSC if it is registered under the IFSC Authority Act, 2019. Requirement of obtaining permission under any other law has been removed. In case the unit is registered under the IFSC Authority Act, 2019 then the copy of permission shall mean a copy of the registration obtained under the IFSC Authority Act, 2019.</p> <p>Further, it is proposed to provide that the income arising from transfer of an asset, being an aircraft or aircraft engine which was leased by an IFSC unit to a domestic company engaged in the business of operation of aircraft before such transfer shall also be eligible for 100% deduction subject to condition that the unit has commenced operation on or before the 31 March 2024.</p>			the year in which prescribed permissions are obtained)
6.	<p>Eligible unit set up in SEZ on or after 1 April 2005 – Section 10AA</p> <ul style="list-style-type: none"> <li>Exemption is available to the entrepreneur as referred to in Section (2j) of SEZ Act, 2005 for profits derived from export of articles or things or services, manufactured, or produced or provided by an eligible unit.</li> <li>Deduction shall be available to units which has received approval on or before 31 March 2020 and have commenced manufacture or production of article or thing / providing of services on or before 31 March 2021.</li> </ul>	All	100% 50% 50%	<p>First 5 years Next 5 years Next 5 years+</p> <p>+The deduction is allowed only on creation of a specified reserve, which is required to be utilized for specified purposes.</p>

## 7.4 Deduction in respect of Additional Wages – Eligibility criteria and specified conditions

<b>Section</b>	<b>Deductions in respect of employment of new employees^ – Additional Wages</b>			
	<b>Nature of Activity and Location</b>	<b>Type of Organization</b>	<b>Quantum of Deduction</b>	<b>Number of Years</b>
80JJAA	<ul style="list-style-type: none"> <li>Deduction of an amount equal to 30% of additional employee cost of any new employee (whose total emolument is less than or equal to Rs. 25,000 per month).</li> <li>However, no deduction shall be allowed in respect of employees for whom the entire contribution under notified Employees' Pension Scheme is paid by the Government.</li> </ul>	All assessee covered under tax audit provisions	30% of additional employee cost of new employees	3 AYs including the AY relevant to the FY in which such employment is provided

Section	Deductions in respect of employment of new employees <sup>^</sup> – Additional Wages			
	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<ul style="list-style-type: none"> <li>The minimum number of days of employment of such new employees in a financial year is 240 days.</li> <li>However, the requirement of minimum period of employment is 150 days in the case of apparel, footwear and leather industry.</li> <li>Further where a new employee is employed during the previous year for a period of less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year and the provisions of this section shall apply accordingly.</li> </ul>			

## 7.5 Deduction / Allowances of New Capital Expenditure / Scientific Research – Eligibility criteria and specified conditions..

Deduction / Allowances of New Capital Expenditures / Scientific Research (Sections – 32(1)(iia) / 35) <sup>^</sup>		
Section	Section Eligibility Criteria, Quantum and Period of Deduction	
32(1)(iia)	<b>Additional Depreciation</b> <ul style="list-style-type: none"> <li>General rate of depreciation for plant and machinery is 15% (other than certain specified types of plant and machinery).</li> <li>An assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power can claim the additional depreciation of 20% on the cost of new plant and machinery (other than ships and aircraft) which are acquired and installed after 31 March 2005.</li> <li>Further, higher additional depreciation @ 35% (instead of above 20%) in respect of the actual cost of eligible new machinery or plant acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward area of the State of Andhra Pradesh or Telangana or Bihar or West Bengal on or after the 1 April 2015 and ending before the 1 April 2020. The eligible machinery or plant is mentioned in existing proviso to section 32(1)(iia) of the IT Act.</li> <li>The above additional depreciation shall be allowed only to the extent of 50% (i.e. 10% or 17.5%) if the machinery is put to use for a period less than 180 days in the year of its acquisition and installation and balance 50% shall be allowed in the immediate next year.</li> </ul>	
Section	Details of Deduction on Scientific Research	Quantum of deduction of sum paid/ expenditure incurred
35(1)(i)	Deduction on various expenditure incurred on scientific research Any expenditure (not being in nature of capital expenditure) laid or expended on scientific research related to business carried on by the assessee.	100%

Section	Details of Deduction on Scientific Research	Quantum of deduction of sum paid/ expenditure incurred
35(1)(ii)	Any sum paid to an approved research association, (which has its object of undertaking scientific research) or to a university, college or other institution to be used for scientific research.	100%
35(1)(ia)	Any sum paid to an approved company to be used by it for scientific research. Such approved company will not be entitled to claim weighted deduction under section 35(2AB) of the IT Act. However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research, which is available under section 35(1)(i) of the IT Act will continue to be allowed.	100%
35(1)(iii)	Any sum paid to approved research association (which has its object of undertaking research) or university, college or other institution to be used for research in social science or statistical research.	100%
35(1)(iv)	Any capital expenditure (other than expenditure on land and building) incurred on scientific research related to the business carried on by the assessee.	100%
35(2AA)	Any sum paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved by the prescribed authority.	100%
35(2AB)	Any expenditure incurred (other than expenditure on cost of land and building), on in-house research and development facility, as approved by the prescribed authority, incurred by the company, engaged in the business of bio-technology or manufacture or production of article or thing (except those specified in the Eleventh Schedule). Deduction under the said section shall be allowed only if the company enters into an agreement with the prescribed authority for co-operation in such research and development facility and fulfills prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports.	100%

## 7.6 Deduction on Specified Projects – Eligibility criteria and specified conditions

Deduction on Specified Projects (Sections – 35CCA / 35CCC / 35CCD)*	
Sr. No.	Eligibility Criteria, Quantum and Period of Deduction
1.	<u>Deduction for payment towards rural development programmes: [Section 35CCA]</u> ■ 100% Deduction is allowed subject to fulfillment of certain conditions for any sums paid to: <ol style="list-style-type: none"> <li>An association or institution for carrying out any programme of rural development</li> <li>An association or institution for training of persons for implementation of rural development programme</li> <li>National Fund For Rural Development</li> <li>National Urban Poverty Eradication Fund</li> </ol>
2.	<u>Deduction of expenditure incurred on agriculture extension project: [Section 35CCC]</u> ■ This section provides for deduction of 100% of the expenditure incurred on agricultural extension project. The conditions for eligibility of agricultural extension project have been provided under Rule 6AAD and Rule 6AAE of the IT Rules.



Deduction on Specified Projects (Sections – 35CCA / 35CCC / 35CCD)^	
Sr. No.	Eligibility Criteria, Quantum and Period of Deduction
3.	<p><u>Deduction of expenditure incurred on skill development project: [Section 35CCD]</u></p> <ul style="list-style-type: none"> <li>Any expenditure (not being expenditure in the nature of cost of any land or building) incurred on skill development project shall be eligible for of 100% in the hands of a company. The conditions of eligibility of skill development project have been provided under Rule 6AAF to Rule 6AAH of the IT Rules.</li> </ul>

## 7.7 Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80- IAB / 80- IB(9) / 80- IC / 80- IE )^

Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80- IAB / 80- IB (9) / 80- IC / 80- IE )				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<p><u>Specified Infrastructure Projects –Section 80-IA(4)(i)</u></p> <ul style="list-style-type: none"> <li>Enterprise being company or consortium of companies registered in India or any authority or board or a corporation or any other body established or constituted under any Central or State Act, for carrying on business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining of any infrastructure facility (such as road including toll road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewage system or solid waste management system, airport, port, inland waterways and inland ports or navigational channel in the sea) commencing its operations on or after 1 April 1995. Widening of an existing road by constructing additional lanes as a part of highway project is also regarded as a new infrastructure facility eligible for deduction as per Circular No. 4/2010 dated 18 May 2010.</li> <li>No deduction shall be available if the specified activity commences on or after 1 April 2017.</li> </ul>	Company / Any other body established or constituted under any Central or State Act	100%	For any 10 consecutive years out of first 15 years (20 years for road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system)
2.	<p><u>Development of Industrial Park– Section 80-IA(4)(iii)</u></p> <ul style="list-style-type: none"> <li>Any undertaking which begins to develop or develops and operates or maintains and operates an industrial park which has commenced operations during 1 April 1997 to 31 March 2011.</li> </ul>	All	100%	Any 10 consecutive years out of first 15 years

<b>Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80–IA / 80– IAB / 80– IB (9) / 80– IC / 80– IE )</b>				
<b>Sr. No.</b>	<b>Nature of Activity and Location</b>	<b>Type of Organization</b>	<b>Quantum of Deduction</b>	<b>Number of Years</b>
3. (a)	<u>Power Undertakings – Section 80–IA(4)(iv)</u> <ul style="list-style-type: none"> <li>■ Undertaking set up in any part of India for the generation or generation and distribution, of power, which has commenced operations during 1 April 1993 to 31 March 2017.</li> <li>■ Undertaking which starts transmission or distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017.</li> <li>■ Undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1 April 2004 and 31 March 2017.</li> </ul>	All	100%	Any 10 consecutive years out of first 15 years
3.(b)	<u>Undertakings for revival of Power Generating Units –Section 80–IA(4)(v)</u> <ul style="list-style-type: none"> <li>■ Undertaking owned by Indian Company (formed before 30 November 2005 and notified before 31 December 2005) set up for reconstruction or revival of a power generating unit, which has commenced operations in power before 31 March 2011.</li> </ul>	Indian Company	100%	Any 10 consecutive years out of first 15 years
4.	<u>Developer of SEZ – Section 80–IAB</u> <ul style="list-style-type: none"> <li>■ Any assessee being developer of a SEZ notified by the Central Government after 1 April 2005 can claim deduction under section 80–IAB.</li> <li>■ No deduction shall be available if the specified activity commences on or after 1 April 2017.</li> </ul>	All	100%	Any 10 consecutive years out of first 15 years
5.	<u>Production of mineral oil and natural gas– Section 80–IB(9)</u> <ul style="list-style-type: none"> <li>■ Any undertaking which is engaged in production of mineral oil and begins such production on or after 31 March 1997 but not later than 1 April 2017 subject to specified conditions.</li> <li>■ Any undertaking which is engaged in production of natural gas and begins such production on or after 1 April 2009 but not later than 1 April 2017 subject to specified conditions.</li> <li>■ The tax holiday is also available in respect of profits arising from commercial production of natural gas from blocks which are licensed under the VIII Round of bidding for award of exploration contracts</li> </ul>	All	100%	First 7 years

<b>Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80–IA / 80– IAB / 80– IB (9) / 80– IC / 80– IE )</b>				
<b>Sr. No.</b>	<b>Nature of Activity and Location</b>	<b>Type of Organization</b>	<b>Quantum of Deduction</b>	<b>Number of Years</b>
	under the New Exploration Licensing Policy announced by the Government of India and IV Round for Coal Bed Methane and begins commercial production of natural gas on or after 1 April 2009. No deduction shall be available if the specified activity commences on or after 1 April 2017.			
6.	<u>Undertakings in special category states (Himachal Pradesh, and Uttaranchal) – Section 80–IC</u> <ul style="list-style-type: none"> <li>■ Undertakings and enterprises, which begins to manufacture or produce any article or thing which is not specified in Thirteenth Schedule / specified in Fourteenth Schedule or undertakings and enterprises, which manufactures or produces any article or thing which is not specified in Thirteenth Schedule/ specified in Fourteenth Schedule and undertake substantial expansion.</li> <li>■ Commences operation from 7 January 2003 to 31 March 2012.</li> </ul>	Company  Others	100% 30%  100% 25%	First 5 years Next 5 years  First 5 years Next 5 years
7.	<u>Undertakings in North Eastern States* –Section 80–IE</u> <ul style="list-style-type: none"> <li>■ New undertakings and enterprises, which begin to manufacture or produce any eligible article or thing or provide any services or undertake substantial expansion or carry on any eligible business in any of the North Eastern states beginning from 1 April 2007 to 31 March 2017.</li> <li>■ The eligible businesses for this purpose are hotel (not below 2 star category), adventure and leisure sports including ropeways, providing medical and health services in the nature of nursing home with a minimum capacity of 25 beds; running an old-age home; operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training; running information technology related training centre; manufacturing of information technology hardware and bio-technology.</li> </ul> <p>*States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur, Sikkim and Arunachal Pradesh.</p>	All	100%	First 10 years

## 7.8 Other Deductions and Incentives to Businesses

Other Deductions and Incentives to businesses <sup>^</sup>			
Sr.No.	Details of Exemption/ Deduction	Period	Quantum of deduction
1.	<p><a href="#">Tea / Coffee / Rubber / development allowance –Section 33AB</a></p> <ul style="list-style-type: none"> <li>■ Deduction is available to assessee engaged in the business of growing and manufacturing tea, coffee or rubber in India.</li> <li>■ For claiming the deduction, the amount has to be deposited in a special account with NABARD or any Deposit Account opened by the assessee and approved by the Tea Board or Coffee Board or Rubber Board within 6 months from the end of the financial year or before the due date of furnishing the return of income, whichever is earlier.</li> <li>■ The amount has to be utilized by the assessee for specified purposes.</li> </ul>	Available for every AY	Up to 40% of profits or amount deposited, whichever is less
2.	<p><a href="#">Site Restoration Fund – Petroleum or Natural Gas –Section 33ABA</a></p> <ul style="list-style-type: none"> <li>■ Deduction is available to assessee engaged in the business of prospecting for, or extraction or production of petroleum or natural gas or both in India and in relation to which the Central Government has entered into an agreement with such assessee.</li> <li>■ For claiming the deduction, the amount has to be deposited in a special account with SBI opened by the assessee and approved by the Ministry of Petroleum and Natural Gas or a "Site Restoration Account" opened in accordance with a scheme of Ministry of Petroleum and Natural Gas before the end of the financial year.</li> <li>■ The amount has to be utilized by the assessee for specified purposes.</li> </ul>	Available for every AY	Up to 20% of profits or amount deposited, whichever is less

## 7.9 Other Deductions / Exemptions in certain cases

Other Deductions / Exemptions in certain cases <sup>^</sup>	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
80M	<ul style="list-style-type: none"> <li>■ Dividends received by a domestic company from any other domestic company or a foreign company or a business trust is allowed as deduction to the extent of such dividend distributed by the domestic company on or before the due date (1 month prior to the date of filing of return of income).</li> </ul>
115BBD	<ul style="list-style-type: none"> <li>■ Any dividend declared, distributed or paid by the specified foreign company to Indian company (where the Indian company is holding 26% or more of the equity share capital) shall be taxable at a concessional tax rate of 15% (plus applicable surcharge and cess).</li> </ul>
54EC	<ul style="list-style-type: none"> <li>■ Capital gain on transfer of a long term capital asset, being land or building or both, shall be exempt from tax, if an assessee invests, within a period of 6 months from the date of transfer of a long-term capital asset, the capital gains in the specified asset. The specified asset must be held for a period of 5 years from the date of its acquisition.</li> <li>■ This exemption shall be least of the following: <ul style="list-style-type: none"> <li>➤ Investment in specified assets viz. any bonds notified by the Central Government in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per financial year;</li> <li>➤ Amount of capital gains.</li> </ul> </li> </ul>

Other Deductions / Exemptions in certain cases <sup>^</sup>	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
	<ul style="list-style-type: none"> <li>■ Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000.</li> <li>■ Further, the long-term specified asset, for making any investment under this section in bonds issued on or after the 1 April 2018, shall mean any bond redeemable after 5 years.</li> </ul>
54EE	<ul style="list-style-type: none"> <li>■ Capital gain on transfer of a long term capital asset shall be exempt from tax, if an assessee invests the capital gains in the specified assets within a period of 6 months from the date of transfer of a long-term capital asset.</li> <li>■ This exemption shall be least of the following: <ul style="list-style-type: none"> <li>➢ Investment in specified assets viz. a unit or units, issued before the 1 April 2019 of fund notified by the Central Government;</li> <li>➢ Rs. 50,00,000 per assessee per financial year;</li> <li>➢ Amount of capital gains.</li> </ul> </li> <li>■ Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000.</li> <li>■ The specified asset must be held for a period of 3 years from the date of its acquisition.</li> <li>■ Further, in a case an assessee takes any loan or advance on the security of such specified asset, he shall be deemed to have transferred such specified asset on the date on which such loan or advance is taken.</li> </ul>
54G	<ul style="list-style-type: none"> <li>■ Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any area (other than an urban area) shall be eligible for exemption. This exemption shall be least of the following: <ul style="list-style-type: none"> <li>➢ Amount of capital gains;</li> <li>➢ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.</li> </ul> </li> </ul>
54GA	<ul style="list-style-type: none"> <li>■ Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any SEZ shall be eligible for exemption. This exemption shall be least of the following: <ul style="list-style-type: none"> <li>➢ Amount of capital gains;</li> <li>➢ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.</li> </ul> </li> </ul>
54GB	<ul style="list-style-type: none"> <li>■ Long term capital gains arising on account of transfer of a residential property before 31 March 2021 shall not be charged to tax if such capital gains are invested in subscription of shares of a company which qualifies to be an eligible start-up. <b>It is proposed to extend the outer date of transfer of residential property to 31 March 2022.</b></li> <li>■ Individual or HUF should hold more than 25% shares of the company and such company should utilize the amount invested to purchase new asset (including computers or computer software for technology driven eligible start-up) before due date of filing of return by the investor.</li> <li>■ The specified new asset must be held for a period of 5 years from the date of its acquisition.</li> </ul>

Other Deductions / Exemptions in certain cases <sup>^</sup>	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
9(1)(I) – Explanation (1)(e)	■ In the case of a foreign company engaged in the business of mining of diamonds, no income shall be taxed from the activities which are confined to the display of uncut and unsorted diamond in any special notified zone by the Central Government.
10(34A)	■ Any income arising to an assessee, being a shareholder on account of buy back of shares as referred in section 115QA by the company shall not be included in the total income of assessee. The exemption under this section is extended to shareholders of the listed company on a recognized stock exchange on account of buy back of shares on which additional income tax has been paid by the company.
10(48A)	■ Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income subject to approval of Central Government.
10(48B)	<p>■ Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement referred to in section 10(48A) shall also be exempt subject to such conditions as may be notified by the Central Government.</p> <p>■ Further provided that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.</p>
115BBF	■ Any royalty income earned by resident patentee in India in respect of a patent developed and registered in India shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.
115BBG	■ Income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. However, no expenditure or allowance in respect of such income shall be allowed under the IT Act.

- <sup>^</sup>1. The above deduction, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the IT Act.
- <sup>^</sup>2. Section 80AC of the IT Act provide that the benefit of deduction under the entire class of deductions under the heading 'C.—Deductions in respect of certain incomes' in Chapter VIA shall not be allowed unless the return of income is filed by the due date specified under section 139(1) of the IT Act.
- <sup>^</sup>3. The domestic companies opting for lower corporate tax regime under section 115BAA / 115BAB of the IT Act would not be able to claim specified incentives/ deductions/ exemptions other than section 80JJAA (deduction in respect of employment of new employees), section 80M (deduction in respect of certain inter-corporate dividends) and section 80LA(1A) (deduction in respect of certain income of Offshore Banking Units and IFSC Units, only in case of 115BAA).

## 8.1 Business Entities

### 8.1.1 Depreciation on Goodwill

The depreciation on Goodwill has not been specifically provided under the existing provisions of IT Act.

However, Hon'ble Supreme Court in the case of Smifs Securities Limited [(2012) 348 ITR 302 (SC)], held that

Goodwill of a business or profession is an asset eligible for depreciation under section 32 of IT Act.

It is now proposed as under:

- Goodwill of a business or profession shall not be considered as a depreciable asset and hence, depreciation under section 32 of IT Act shall not be allowed on the same.
- For computation of STCG / STCL under section 50 of IT Act, on transfer of Goodwill on which depreciation has been claimed till FY 2020–21, the WDV and STCG / STCL shall be determined in the manner as may be prescribed.
- However, Goodwill shall be considered as Capital Asset and in case the Goodwill is purchased from previous owner, the Purchase Price paid shall be considered as the Cost of Acquisition and in any other case it shall be considered as NIL.
- Further, depreciation claimed under section 32 of IT Act till FY 2020–21, shall be reduced from the Purchase Price and the balance shall be considered as the Cost of Acquisition for determining Capital Gains / Loss on the transfer.

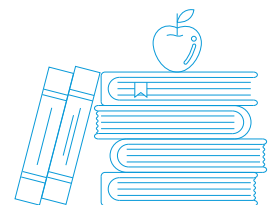
This amendment will take effect from 1 April 2021 and apply from AY 2021–22 onwards.

### 8.1.2 Rationalisation of payment of employee contribution by employer

It has been clarified that the employee contribution for provident fund, superannuation fund or any other fund set up under the provisions of the ESI Act or for the welfare of the employees, received by the employer is not and deemed to never have been allowable as a deduction under section 36(1)(va) of the IT Act if the same is not deposited by the employer within the due dates prescribed under the relevant Labour laws.

Further, it is clarified that provisions of section 43B of the IT Act are and deemed to have never been applicable for allowance of the said employee contribution.

The amendment shall take effect from 1 April 2021 and apply from AY 2021–22 onwards.



### 8.1.3 Increase in safe harbour limit to 20% for land and building

The present provisions of section 43CA which relate to transfer of immovable property, being land or building or both, provide for safe harbour of 10% between its transfer value and stamp duty value. The said limit is proposed to be increased to 20%, subject to the conditions as mentioned below:

- The transfer of residential unit takes place during the period from 12 November 2020 to 30 June 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 Rs. 2,00,00,000.

Consequential relief to buyers of such unit is also proposed to be provided under section 56(2)(x) of the IT Act.

The amendment shall take effect from 1 April 2021 and apply from AY 2021-22 onwards.

### 8.1.4 TDS on Purchase of Goods

It is proposed to introduce TDS on purchase of goods. Pursuant to introduction of section 194Q in IT Act, a buyer of goods would be liable to deduct TDS @ 0.1% at the time of credit or payment whichever is earlier, from the resident seller, the value or aggregate of such value in a financial year in excess of Rs. 50,00,000. In non-PAN / Aadhaar, cases the rate shall be 5%. Only those buyers whose total sales, gross receipts or turnover from the business carried on by them exceed Rs. 10,00,00,000 during the financial year immediately preceding the financial year, shall be liable to deduct such TDS. If any difficulty arises, the Board may issue guidelines for the purpose of removing the difficulty. No such TDS is to be deducted, if the TDS / TCS (other than on TCS on sale of goods under section 206C(1H)) is deductible / collectible under any other provisions of IT Act.

This amendment will take effect from 1 July 2021.

### 8.1.5 TDS / TCS on non-filer at higher rates

Section 206AA / Section 206CC of IT Act provides for the higher rates of TDS / TCS in case of non-furnishing of the PAN.

It has been proposed to insert section 206AB for the TDS and section 206CCA for the TCS.

The newly inserted section provides the higher rate of TDS / TCS from the Specified person i.e. a person who has not filed the returns of income for 2 previous years immediately prior to the previous year in which tax is required to



be deducted, for which time limit of filing return of income has expired and the aggregate of TDS / TCS in his case is Rs. 50,000 or more in each of these 2 previous years. Specified Person shall not include a non-resident who does not have a PE in India.

In case of Specified Person, the tax is required to be deducted / collected at higher of the following:

- (i) Twice the TDS / TCS rate specified in the relevant provision of IT Act; or
- (ii) Twice the TDS rates in force; or
- (iii) At the rate of 5%.

In case the Specified Person does not furnish PAN, tax is required to be deducted / collected at the higher rate provided under section 206AA / section 206CC or the newly inserted section 206AB / 206CCA.

This amendment will take effect from 1 July 2021.

### 8.1.6 Increase in tax audit limits

The threshold limit for applicability of provision of section 44AB of the IT Act for a person carrying on business increased from Rs. 1,00,00,000 to Rs. 5,00,00,000 vide Finance Act 2020, in cases where:

- (i) aggregate of all receipts in cash during the previous year does not exceed 5% of such receipt; and
- (ii) aggregate of all payments in cash during the previous year does not exceed 5% of such payment.

It is proposed to further increase the threshold limit to Rs. 10,00,00,000 from Rs. 5,00,00,000.

This amendment shall take effect from 1 April 2021 and apply from AY 2021–22 onwards.

### 8.1.7 Advance tax on dividend income

The first proviso of section 234C of the IT Act provides for relaxation from interest on deferment of payment of advance tax due to certain income. Currently, the income excluded are:

- amount of capital gain
- income by way of winnings/lottery
- income under the head 'Profits and gains of business or profession' in cases where the income accrues or arises under the said head for the first time
- income of nature referred in section 115BBDA(1)

It is proposed to amend the said proviso to extend relaxation from interest on deferment of advance tax payment in the case of dividend income other than deemed dividend as per section 2(22)(e) of the IT Act.

The amendment shall take effect from 1 April 2021 and apply from AY 2021–22 onwards.

### **8.1.8 Recomputation of book profit under section 115JB of the IT Act of earlier years:**

It is proposed that in cases where past year income is included in books of account during the previous year on account of an Advance Pricing Agreement ('APA') adjustment 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 the previous year, in the prescribed manner.

Further, the provision of section 154 of the IT Act shall apply so far as possible and the period of 4 years specified in section 154(7) of the IT Act, shall be reckoned from end of the financial year in which the said application is received by the Assessing Officer.

This amendment shall take effect from 1 April 2021 and apply from AY 2021–22 onwards.

### **8.1.9 Extension of date of incorporation for eligible Start up for deduction**

The existing provisions of section 80-IAC of the IT Act provides for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive assessment years out of 10 years at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1 April 2016 but before 1 April 2021.

In order to help such eligible start-up, it is proposed to extend the eligibility of tax holiday claim by 1 more year i.e., till 1 April 2022 from 1 April 2021.

This amendment will take effect from 1 April 2021.

### **8.1.10 Extension for investment in eligible start-up**

The existing provisions of section 54GB of the Act, inter alia, provide for exemption of capital gain which arises from transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the eligible assessee on or before 31 March 2021. The assessee is required to utilise the net consideration for subscription in the equity shares of an eligible start-up, before filing the tax return by the due date.

In order to help such investment in eligible start-ups, it is proposed to amend the provisions of section 54GB of the Act to extend the outer date of transfer of residential property from 31 March 2021 to 31 March 2022.

This amendment will take effect from 1 April 2021.

### **8.1.11 Extending time limit for approval of affordable housing project for availing deduction under section 80-IBA of the IT Act**

In order to incentivise building affordable housing to boost the supply of such houses, the period of approval of the project by the competent authority is proposed to be extended by 1 year i.e., upto 31 March 2022.

### **8.1.12 Incentives for affordable rental housing**

It is proposed to allow 100% deduction under section 80-IBA (1A) of the IT Act of the profits and gains derived from the business of developing and building rental housing projects to be notified by the Central Government (on or before 31 March 2022) in the Official Gazette and fulfils such conditions as specified in the said notification. Further, the affordable rental housing project should be approved by the competent authority on or before 31 March 2022.

### **8.1.13 Presumptive taxation for Professionals under section 44ADA of IT Act**

The existing provision of section 44ADA of IT Act is applicable to an assessee, being a resident in India engaged in a specified profession and whose gross receipts is less than Rs. 50,00,000 in a previous year.

It has been proposed to provide that an LLP cannot opt for the presumptive taxation scheme under section 44ADA of IT Act. Hence, only the assessee being an individual, HUF or the Partnership Firm can opt for the presumptive taxation provided under section 44ADA.

This amendment will take effect from 1 April 2021.

### **8.1.14 Rationalisation of the provisions of slump sale**

Section 50B of the Act contains the provisions for taxability of capital gains in case of a slump sale. Section 2(42C) of the IT Act states that slump sale means transfer of one or more undertakings as a result of sale for lump sum consideration without values being assigned to individual assets and liabilities in such cases.

Recently, the Madras High Court in the case of Areva T&D Ltd. (119 taxmann.com 171) held that the 'slump exchange' i.e. transfer of assessee's business in exchange of issuance and allotment of equity shares under a scheme of arrangement approved by High Court is not a slump sale eligible for capital gains tax under section 50B. Similar, judgement was passed by the Bombay High Court in the case of Bharat Bijlee Ltd. (46 taxmann.com 257).

It is proposed to widen the scope of definition of slump sale under section 2(42C), to include all types of transfers by any means as defined under section

2(47) of the IT Act. This amendment will negate the above decisions of the High Courts and even a sale by exchange of shares, etc. will be taxable under section 50B of the Act.

### **8.1.15 Rationalisation of the provisions of transfer of capital asset to partner on dissolution or reconstitution**

Section 45(4) of the IT Act provides that where any capital asset is transferred to any partner / member of specified entity at the time of dissolution or reconstitution, then capital gain arising on such transfer shall be treated as income in the hands of such firm / association of persons / body of specified entity. Further, the fair market value ('FMV') of the asset on date of such transfer shall be deemed to be full value of consideration.

It is proposed to substitute the existing section 45(4) of the IT Act to provide that where a specified person receives any capital asset at the time of dissolution or reconstitution, which represents the balance in the capital account of such specified person, then the profit and gains arising from receipt of the capital asset shall be chargeable to tax in the hands of such specified entity under the head 'capital gains'. FMV of the asset on date of such receipt shall be deemed to be full value of consideration and cost of acquisition shall be determined in accordance with section 48 of the IT Act.

For this purpose, the balance of capital account of the specified person in the books of account of the entity shall be calculated without taking into account the increase due to revaluation of any asset or self-generated goodwill or self-generated asset.

It is also proposed to introduce new section 45(4A) in order to provide taxability where money or other assets are transferred to specified person on dissolution or reconstitution. The profit or gains arising on account of such transfer shall be chargeable to tax in the hands of such specified entity.

Value of money or FMV of the asset on date of such receipt shall be deemed to be full value of consideration. The balance of capital account of such specified person in the books of account of the specified entity shall be deemed to be cost of acquisition.

Further, the balance of capital account of the specified person in the books of account of the specified entity, shall be calculated without taking into account the increase due to revaluation of any asset or self-generated goodwill or self-generated asset.

'Specified person' means a person who is a partner of a firm or member of association of person or body of individuals (not being a company or a cooperative society), in any previous year.

'Specified entity' means a firm or association of persons or body of individuals (not being company or co-operative society).

This amendment will take effect from 1 April 2021 and apply from AY 2021-22 onwards.

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

In order to make location in IFSC more attractive, it is proposed to provide the following additional incentives:

- It is proposed to provide exemption in case of any income arising to the investment division of offshore banking unit to the extent attributable to it and computed in the prescribed manner and subject to certain specified conditions.
- It is also proposed to exempt any income received by a non-resident as a result of transfer of non-deliverable forward contracts entered into with an offshore banking unit of IFSC which commenced operations on or before 31 March 2024 and fulfills prescribed conditions. It is also proposed to 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 provided that the unit is eligible for deduction under section 80LA for that previous year and has commenced operation on or before 31 March 2024
- It is also proposed to exempt any capital gains arising to 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.

It is also proposed to provide that any transfer, in relocation, of a capital asset by the original fund to the resultant fund shall not be considered as transfer for capital gain tax purpose as well as any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund shall not be treated as transfer for the purpose of capital gains.

- It is also proposed to amend section 80LA of the IT Act to:
  - provide that deduction is also available to a unit of IFSC if it is registered under the International Financial Services Centre Authority Act, 2019. There is no need to obtain permission under any other relevant law as specified under section 80LA (1A).

- Further, it is proposed to provide that the income arising from transfer of an asset, being an aircraft or aircraft engine which was leased by an IFSC unit to a domestic company engaged in the business of operation of aircraft before such transfer, shall also be eligible for 100% deduction subject to condition that the unit has commenced operation on or before 31 March 2024.

### 8.1.17 Provisional attachment of property in case of fake invoices

Section 281B of the IT Act provides that in case of assessment or reassessment the Assessing officer can provisionally attach any property of the Assessee in order to protect the interest of the revenue.

Section 271AAD was inserted by Finance Act, 2020 to impose penalty on a person or a person who causes such person to make a false entry or omit an entry from his books of accounts.

It is proposed to amend the provisions of section 281B of the Act to enable the Assessing Officer to provisionally attach any property of the Assessee during pendency of proceedings for imposition of penalty under section 271AAD of the Act, if the penalty imposable under the said section is likely to exceed Rs. 2,00,00,000.

This amendment will take effect from 1 April 2021.

### 8.1.18 Processing of Returned Income and Issuance of notice under section 143(2) of IT Act

It has been proposed to amend section 143(1) of IT Act to provide that the return is to be processed and intimation is to be sent within 9 months from (instead of existing 1 year) from end of financial year in which return has been furnished.

Further, while processing the return, disallowance of expenditure or increase in income indicated in the audit report is also to be taken into account. Additionally, the deduction under section 10AA or under any of the provisions of Chapter VI-A under the heading 'C.-Deductions in respect of certain incomes', shall not be allowed while processing, if the return has been furnished after due date.

The time limit for issuance of scrutiny notice under section 143(2) of IT Act has been reduced from 6 months to 3 months from end of the financial year in which return has been furnished.

This amendment will take effect from 1 April 2021.

### 8.1.19 Vivad se Vishwas Act, 2020

The definition of the appellant, disputed tax and tax arrear has been clarified in the Vivad se Vishwas Act, 2020 to provide as under:

- (i) The appellant shall not include the person in whose case a Writ Petition or Special Leave Petition or any other proceeding has been filed either by him or by the income-tax authority or by both before an appellate forum, arising out of an order of Settlement Commission and such petition or appeal is either pending or is disposed of.
- (ii) The disputed tax shall not include any sum payable either by way of tax, penalty or interest pursuant to an order passed by the Settlement Commission.
- (iii) The tax arrear shall not include any sum payable either by way of tax, penalty or interest pursuant to an order passed by the Settlement Commission.

This amendment will take effect retrospectively from 17 March 2020.

### **8.1.20 Amendment in Section 194-IB of IT Act**

It has been proposed to amend section 194-IB of IT Act to provide that in case the person is covered under section 206AB / 206CCA, TDS / TCS shall not exceed amount of rent payable for the last month of previous year or last month of tenancy, as the case may be.

This amendment will take effect from 1 July 2021.

### **8.1.21 TDS Exemption on payment of dividend to Business Trust**

It is proposed to amend to provide exemption of deduction of tax at source on dividend credited or paid to a business trust by a special purpose vehicle or payment of dividend to any other person as may be notified.

The amendment shall take effect retrospectively from 1 April 2020 and apply from AY 2020-21 onwards.

### **8.1.22 Taxability of Interest on various funds where income is exempt**

Section 10(11) of IT Act provides for exemption with respect to any payment from a provident fund set up by Central Government, whereas Clause (12) of section 10 provides for the exemption of accumulated balance due and becoming payable to an employee participating in recognized provident fund.

It is proposed to insert proviso to the aforesaid clauses, stating that the provisions of these clauses shall not apply to the interest income accrued during the previous year in the account of the person to the extent it relates to the amount or aggregate of amounts of contribution made by the person exceeding Rs. 2,50,000 in a previous year in that fund, on or after 1 April 2021, computed in such manner as may be prescribed.

## **8.2 Personal**

### 8.2.1 Exemption for LTC cash scheme

In view of the situation arising out of outbreak of COVID pandemic, it is proposed that for the AY beginning on 1 April 2021, cash allowance in lieu of LTC received by an employee from his employer will be exempt under section 10(5) of the IT Act, if amount is incurred through prescribed mode between 12 October 2020 to 31 March 2021 for purchase of goods or services which is liable to tax @ 12% or above subject to fulfillment of conditions to be prescribed.

It is also proposed that where an individual claims and is allowed exemption in connection with prescribed expenditure, no exemption shall be allowed under this clause in respect of same prescribed expenditure to any other individual.

The conditions for this purpose shall be prescribed in the Income-tax Rules in due course and shall, inter alia, be as under:

- The employee exercises an option for deemed LTC fare in lieu of the applicable LTC in the Block year 2018–21,
- the amount of exemption shall not exceed Rs. 36,000 per person or 1/3rd of amount incurred, whichever is less,

This amendment will apply in relation to AY 2021–2022 only.

### 8.2.2 Extending time limit for sanctioning of loan for affordable housing for availing deduction under section 80EEA of the IT Act

The existing provisions of section 80EEA of the IT Act provide for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property subject to the condition that the loan has been sanctioned on or before 31 March 2021. In order to continue promoting such first time buyers for purchase of affordable housing, the period of sanctioning of loan by the financial institution is proposed to be extended to 31 March 2022.

### 8.2.3 Change in due dates for filing of income-tax returns

It is proposed to amend sub-section (1) of section 139 of the IT Act to provide extension of due date for filing of original income-tax return to 30 November of the AY in case of a partner of a firm, which is required to furnish report from an accountant as per section 92E of the IT Act.

Further, it is proposed to extend due date for filing of original income-tax return to 31 October of the AY in case of spouse of a partner of a firm, whose accounts are required to be audited under IT Act or any other law for the time being in force, if the provisions of section 5A of the IT Act applies to such spouse.



Further, with regards to filing of revised income-tax return and belated income-tax return, the due date for filing of the same has been truncated to 31 December of the AY or before the completion of assessment, whichever is earlier.

The amendment shall take effect from 1 April 2021 and apply from AY 2021-22 onwards

### **8.2.4 Exemption to certain resident senior citizen from filing of income-tax return**

It is proposed to insert a new section in the IT Act in order to provide relaxation to resident senior citizen who is of the age 75 years or above, from filing of return of income under section 139(1) of the IT Act if his total income consists OF only pension income and interest income from the same notified bank in which he is receiving his pension income. Further, he is required to furnish declaration to the said notified bank in a prescribed form, to enable the said bank to withhold appropriate tax after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A of the IT Act.

The amendment shall take effect from 1 April 2021 and apply from AY 2021-22.

### **8.2.5 Removal of Exemption on specified 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 year over the term of ULIP. The same to be taxable as capital gains from sale of equity-oriented fund.

## **8.3 Non residents**

### **8.3.1 Extension of benefit of availing beneficial treaty rates to FIIs**

Section 196D of the IT Act provides for deduction of tax @ 20% on any income in respect of securities referred to in clause (a) of sub-section (1) of section 115AD, not being income by way of interest referred to in section 194LD, payable to a FII by the person responsible for making the payment. Since the said section is a specific tax withholding provision, which cast an obligation on payer of the income for withholding tax @ of 20% (plus applicable surcharge and cess) while paying the income, the benefit of agreement under section 90 or 90A cannot be given.

Accordingly, in order to extend the benefit of DTAA rates to FIIs, it is proposed to insert a proviso to sub-section (1) of section 196D of the IT Act to provide that in case of a payee to whom an agreement referred to in sub-section (1) of section 90 or sub-section (1) of section 90A applies and such payee has furnished the tax residency certificate referred to in sub-section (4) of section 90 or sub-section (4) of section 90A of the IT Act, then the tax shall be deducted @ of 20%

or rate or the rates of income-tax provided in such agreement for such income, whichever is lower.

The amendment shall take effect from 1 April 2021 and apply from AY 2021-22..

### 8.3.2 Rationalization of Equalisation Levy

As per the provisions of Finance Act 2016, Equalisation Levy @ 6% shall be payable on the amount of consideration for any specified services received or receivable by a person, being a non-resident.

Further, as per provisions of the Finance Act, 2020, Equalisation Levy @ 2% is leviable on amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services.

The e-commerce supply or services means:

- online sale of goods owned by the e-commerce operator;
- online provision of services provided by the e-commerce operator;
- online sale of goods or provision of services or both, facilitated by the e-commerce operator; or
- any combination of activities listed in clause (i), (ii) or clause (iii)

To rationalize the provisions of Equalisation Levy it has been proposed as under:

- (i) The specified services and e-commerce supply or services shall not include the consideration, which is taxable as Royalty or FTS.
- (ii) Online sale of goods and online sale of services shall include the following online activities:
  - Acceptance of offer for sale;
  - Placing the purchase order;
  - Acceptance of the Purchase order;
  - Payment of consideration; or
  - Supply of goods or provision of services, partly or wholly
- (iii) The consideration received or receivable from e-commerce supply or services shall include:
  - Consideration for sale of goods irrespective of whether the e-commerce operator owns the goods;
  - Consideration for provision of services irrespective of whether service is provided or facilitated by the e-commerce operator.

This amendment will take effect retrospectively from 1 April 2020.

### **8.3.3 Exemption under section 10(50) of IT Act**

As per section 10(50) of IT Act, the amount on which equalisation levy has been paid is exempt in the hands of non-resident and e-commerce operator under section 10(50) of IT Act. It is proposed that the exemption under section 10(50) will apply for the e-commerce supply or services made or provided or facilitated on or after 1 April 2020 against the existing provision which provide for such exemption from 1 April 2021.

It has been proposed that the exemption provided under section 10(50) of IT Act shall not be applicable to Royalty or FTS.

This amendment will take effect from 1 April 2021.

### **8.3.4 Taxation of income of resident from notified overseas retirement fund while non-resident in India**

In order to address the mismatch in taxability of withdrawal from retirement funds by residents who had opened such fund when they were a non-resident in India and resident in such foreign country, it is proposed to insert a new section 89A in the IT Act.

As per the said section, it is proposed that the income of a specified person from specified account shall be taxed in the manner and in the year as prescribed by the Central Government.

### **8.3.5 Exclusion of dividend received by foreign company on investment in India while computing book profits under section 115JB of the IT Act**

It is proposed that in case of foreign companies receiving specified dividend income and the expense claimed in respect thereof are reduced and added back respectively, while computing book profit in case such income is taxed at lower than MAT rate due to concessional tax rate provided in DTAA

This amendment shall take effect from 1 April 2021 and apply from AY 2021–22 onwards

## **8.4 General**

### **8.4.1 Raise in annual receipt limit for certain trusts to claim exemption**

It is proposed to increase the limit of annual receipts, for exemption under section 10(23C)(iiia) and (iiib) of the IT Act, to Rs.5,00,00,000 and provide that such limit shall be applicable for an assessee with respect to the aggregate receipts from university or universities or educational institution or institutions as referred to in section 10(23C)(iiia) of the IT Act as well as from hospital or hospitals or

institution or institutions as referred to in section 10(23C)(iii) of the IT Act.

#### **8.4.2 Rationalisation of the provisions of Charitable Trust and Institutions with respect to corpus donations received**

Section 10(23C) and section 11 of the Act provide for exemption from tax of any income received by funds, institutions, trusts etc. carrying out public, religious or charitable activities. These sections provide that where voluntary contributions are made with specific direction that they shall form part of the corpus, then such contributions / donations shall not form part of income.

It is proposed to amend section 10(23C) and section 11 of the Act so as to provide that such voluntary contributions directed to form part of corpus shall be exempt from tax only if they are invested in one or more forms or modes specified in section 11(5) maintained specifically for the purpose of such corpus.

It is also proposed that application out of corpus shall not be considered as application for charitable or religious purposes and hence should not be considered to calculate the 85% limit for application of funds. However, such amount will be treated as application for religious or charitable purposes in the year in which the amount is received back in corpus and invested in the modes specified under section 11(5) of the Act.

It is proposed that the application for loans or borrowings shall not be considered as application for charitable or religious purposes. However, when such loans or borrowings are repaid from income of the previous year, then to the extent of such repayment, it shall be allowed as application in the year of repayment.

It is proposed to clarify that while computing the income required to be applied or accumulated during the previous year, any set off or deduction or allowance of any excess application in any of the preceding previous year shall not be allowed.

#### **8.4.3 Constitution of Dispute Resolution Committee for small and medium taxpayers**

It is proposed to incorporate a new section 245MA of the IT Act to reduce disputes and grant early tax certainty to small and medium taxpayers by setting up Dispute Resolution Committee ('DRC'). The assessee shall have an option to resolve disputes, where returned income is less than Rs. 50,00,000 and proposed aggregate variation is less than Rs. 10,00,000, through DRC subject to fulfillment of prescribed conditions. The DRC shall also have the powers to reduce or waive penalty or grant immunity from prosecution under IT Act. However, it shall not apply in matters initiated under search, survey or information received under DTAA agreement. The scheme may impart greater efficiency, transparency and accountability by eliminating interface to the extent technologically feasible, by optimising utilisation of resources and introducing

dynamic jurisdiction.

The amendment shall take effect from 1 April 2021 and apply from AY 2021–22 onwards.

#### **8.4.4 Revamping the provisions of income escaping assessment and search assessments**

As per the existing provisions of section 147 of the Act, if the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, he may assess or reassess or re-compute the total income for such year by issuing a notice under section 148 of the IT Act.

Further, section 149 provides the time limit for issuance of notice under section 148.

The Bill proposes to completely revamp the above provisions of income escaping assessment by replacing it with new provisions. The salient features of these proposed provisions are as under:

- Section 147 proposes to allow the Assessing Officer to assess or reassess or re-compute any income escaping assessment for any assessment year ('relevant assessment year').
- The Assessing Officer can issue notice under section 148 before making the assessment, reassessment or re-computation only when there is information with the AO which suggests that the income chargeable to tax has escaped assessment for the relevant AY and prior approval of the specified authority has been obtained.
- Any information which has been flagged for the relevant assessment year in accordance with the risk management strategy formulated by the Board, shall be considered as information which suggests that the income chargeable to tax has escaped assessment. The flagging would largely be done by the computer-based system.
- Any final objection raised by the Comptroller and Auditor General of India in relation to an assessment in case of the assessee that it has not been in accordance with the provisions of the Act shall also be considered as information which suggests that the income chargeable to tax has escaped assessment.
- The provisions of section 153A and section 153C of the Act will be applicable only to search initiated under section 132 or 132A of the Act, on or before 31 March 2021. Assessments, reassessments or re-computation

in cases where search is initiated under section 132 or 132A after 31 March 2021, shall be under the new procedure prescribed in section 147 and 148 of the Act.

- In search, survey or requisition cases initiated on or after 1 April 2021, it shall be deemed that the AO has information which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the 3 assessment years immediately preceding the AY relevant to the previous year in which the search is initiated, or requisition is made or any material is seized or requisitioned or survey is conducted.
- New section 148A of the Act proposes as under:
  - Before issuance of notice the AO shall conduct enquiries, if required, and provide an the assessee with an opportunity of being heard.
  - After considering assessee's reply, the Assessing Office shall decide, by passing an order, whether it is a fit case for issue of notice under section 148.
  - The AO shall obtain approval of specified authority before conducting any such enquiries.
  - This procedure of enquiry, providing opportunity and passing order, before issuing notice under section 148 of the Act, shall not be applicable in search, survey or requisition cases.
- Once assessment or reassessment or re-computation has started, the AO is proposed to be empowered (as at present) to assess or reassess the income in respect of any issue which has escaped assessment and which comes to his notice subsequently in the course of the proceeding under this procedure, notwithstanding that the procedure prescribed in section 148A was not followed before issuing such notice for such income.
- The specified authority for approving enquiries, providing opportunity, passing order under section 148A of the Act and for issuance of notice under section 148 of the Act are proposed to be
  - Principal Commissioner or Principal Director or Commissioner or Director, if 3 years or less than 3 years have elapsed from end of the relevant assessment year;
  - Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General, if more than 3 years have elapsed from end of the relevant assessment year.

- Section 149 providing the time limit for issuance of notice under section 148 of the Act is proposed to be replaced as below:
  - No notice shall be issued if 3 years have elapsed from end of the relevant assessment year. Notice beyond the period of 3 years from the end of relevant AY can be taken only in a few specific cases.
  - In specific cases, where the AO has in his possession evidence, which reveal that the income escaping assessment, amounts to or is likely to amount to Rs. 50,00,000 or more for that year, notice can be issued beyond the period of 3 year but not beyond the period of 10 years from the end of the relevant AY
  - A grandfathering provision has also been proposed to state that notice under section 148 of the Act cannot be issued at any time in a case for the relevant AY beginning on or before 1 April 2021, if such notice could not have been issued at that time on account of being beyond the time limit prescribed under the existing provisions of section 149(1)(b).
  - It is also proposed that for the purpose of computing the period of limitation for issue of notice section 148 , the time allowed to the assessee FOR providing opportunity of being heard or period during which such proceedings before issuance of notice under section 148 are stayed by an order or injunction of any court, shall be excluded. If after excluding such period, time available to the AO for passing order, about fitness of a case for issue of Section 148 notice, is less than 7 days, the remaining time shall be extended to 7 days.

These amendments will take effect from 1 April 2021.

#### **8.4.5 Allowing prescribed authority to issue notice under section 142(1)(i)**

In line with the Government's policy of going faceless, and in order to enable centralized issuance of notices etc. in an automated manner, it is proposed to amend provisions of section 142(1)(i) to empower the prescribed income-tax authority besides the Assessing Officer to issue notice under the said section to an assessee who has not submitted a return of income, asking for submission of return.

This amendment will take effect from 1 April 2021.

#### **8.4.6 Launch of faceless proceedings before the ITAT**

It is proposed to launch a faceless scheme for ITAT proceedings on the same line as faceless appeal scheme, by insertion of section 255 of the Act to empower

the Central Government to notify the scheme.

This amendment will take effect from 1 April 2021.

#### 8.4.7 ITSC to be replaced by Interim Board for Settlement

It is proposed to discontinue ITSC from 1 February 2021 and to constitute Interim Board of settlement for pending cases. The detailed procedure for the same has been prescribed.

These amendments will take effect from 1 February 2021.

#### 8.4.8 Reduction of time limit for completing assessment

Section 153 of the Act contains provisions of time-limit for completion of assessment, reassessment and re-computation. Sub-section (1) of the said section provides the time-limit for passing an assessment order under section 143 or 144 of the Act as under:

Assessment Year	Time period for completing assessment from end of the Assessment Year
AY 2017–18 or before	21 months
AY 2018–19	18 months
AY 2019–20	12 months

It is proposed that the time limit for completion of assessment proceedings may be reduced further by 3 months. Thus, the time to complete the assessment for AY 2021–22 and onwards is proposed to be 9 months from end of the assessment year in which the income was first assessable.

This amendment will take effect from 1 April 2021.

#### 8.4.9 Person liable to Tax

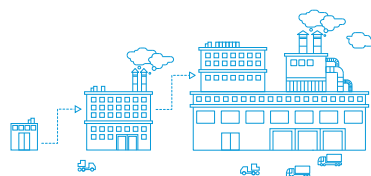
The definition of person liable to tax has been inserted in section 2(29A) of IT Act to provide that 'liable to tax' in relation to a person, means that there is a liability of tax on such person under any law for the time being in force in any country and shall include a case where subsequent to imposition of tax liability, an exemption has been provided.

This amendment will take effect from 1 April 2021.



## 9.1 Goods and Service Tax

The below mentioned amendments shall be effective from the date to be notified by the Government:



- **Supply of goods or services by any person, other than an individual, to its members or constituents or vice-versa:** Section 7(1) (aa) of the CGST Act is being inserted retrospectively w.e.f. 1 July 2017, so as to ensure levy of GST on activities or transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration. Further, corresponding amendment has also been made in Paragraph 7 of Schedule II, to omit the entry of supply of goods by an unincorporated association or body of person to a member thereof for cash deferred payment or other valuable consideration.
- **Claiming of Input Tax Credit (ITC) on invoice or debit note only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies (GSTR-1):** New section 16(2) (aa) of the CGST Act is being inserted to provide claiming of ITC on invoice or debit note only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies (GSTR-1) and such details have been communicated to the recipient of such invoice or debit note.
- **Payment of interest on net cash liability after utilisation of ITC:** Section 50(1) of the CGST Act is being amended, to provide for payment of interest on net cash liability i.e. tax paid after utilization of ITC retrospectively w.e.f. 1 July 2017. However, interest on net cash liability shall be payable only when the supplies made during a tax period is declared in a return for the said period, but the return has been furnished after the due date.
- Section 74 of the CGST Act is being amended so as to make seizure and confiscation of goods and conveyances in transit a separate proceeding from recovery of tax. Therefore, completion of proceedings under section 74 of the CGST Act does not imply that proceedings under section 129 and 130 of the CGST Act are concluded.
- An explanation to section 75(12) of the CGST Act is inserted to clarify where any amount of self-assessed tax in accordance with return furnished in GSTR-3B remains unpaid wholly or partly, the expression 'Self-assessed Tax' shall include the tax payable reported in GSTR-1 but not included in return furnished in GSTR-3B.

- In case of any assessment, inspection, search, seizure, arrest, demand and recovery has been initiated and the Commissioner is of the opinion that for the purpose of protecting the interest of the revenue, by order in writing attach provisionally any property including bank account belonging to a person in manner as may be prescribed. The provisional attachment shall be valid for the period starting from initiation till the expiry of a period of 1 year from the date of order.
- Section 129 of the CGST Act is being amended to provide for penalty equal to
  - 200% of the tax payable on such goods and in case of exempted goods, on payment of an amount equal to 2% of the value of the goods or Rs. 25,000 whichever is less, where the owner of the goods comes forward for payment of penalty.
  - 50% of the value of the goods or 200% of the tax payable, whichever is higher and in case of exempted goods on payment of an amount equal to 5% of the value of the goods or Rs. 25,000 whichever is less, where the owner of the goods does not come forward for payment of such penalty.
- The relaxation of executing a bond or furnishing a security for release of seized goods on provisional basis shall not apply for detention and seizure of goods and conveyances.
- The officer detaining or seizing goods or conveyances shall issue a notice within a period of 7 days of such detention or seizure specifying the penalty and shall pass the order within a period of 7 days from the date of service of notice.
- Second proviso to section 130 of the CGST Act is being amended to delink the penalty as specified under section 129(1) of the CGST Act. The amended penalty under section 130 of the CGST Act shall be equal to 100% of the tax payable on such goods.
- Relief has been provided in relation to filing of Annual Return and Reconciliation Statement
- Section 16 of the IGST Act is being amended as below:
  - The supplies of goods or services to a SEZ developer or a SEZ unit shall be considered as zero-rated supplies only when the said supplies are for authorised operations.
  - The zero-rated supplies with payment of IGST are restricted only to a notified class of taxpayers or notified supplies of goods or services. Therefore, refund of IGST paid on such zero-rated supplies shall be eligible to such notified class of taxpayers or taxpayers supplying such notified goods or services.

- The registered person making zero-rated supply of goods shall in case of non-realization of sales proceed, be liable to deposit the refund so received along with interest within 30 days of expiry of time limit specified under Foreign Exchange Management Act 1999.

## 9.2 Custom Duty

Certain significant changes have been made in the Customs Act, Customs Tariff Act and the Rules made thereunder. The changes in rate of duty, exemptions and amendments in certain exemptions are provided below:

### 9.2.1 Changes in Customs Duty Rates

- Major Amendments In The First Schedule To The Customs Tariff Act, 1975 (Applicable w.e.f 2 February 2021)

AMENDMENTS				
A.	Tariff rate changes for Basic Customs Duty [to be effective from 2 February 2021, unless otherwise specified] *		Rate of Duty	
S. No	Heading, sub- heading tariff item	Commodity	From	To
		<b>Chemicals</b>		
1.	2803 00 10	Carbon Black	5%	7.5%
		<b>Plastic items</b>		
2.	3925	Builder's ware of Plastics	10%	15%
		<b>Gems and Jewellery Sector</b>		
3.	7104	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	10%	15%
		<b>Electrical and Electronics Sector</b>		
4.	8414 30 00	Compressors of a kind used in refrigerating equipment	12.5%	15%
5.	8414 80 11	Compressors of a kind used in air-conditioning equipment	12.5%	15%
		<b>Parts of Automobiles</b>		
6.	7007	Safety glass, consisting of toughened (tempered) or laminated glass. (All goods under this heading, other than those used with	10%	15%

AMENDMENTS				
A.	Tariff rate changes for Basic Customs Duty [to be effective from 2 February 2021, unless otherwise specified] *		Rate of Duty	
		motor vehicles, will continue to attract the existing effective rate of BCD at 10%)		
7.	8512 90 00	Parts of Electrical lighting and signalling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicle	10%	15%
8.	8544 30 00	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%
9.	9104 00 00	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	15%

\* Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931

B.	Tariff rate changes (without any change in the effective rates of Basic Customs Duty)		Rate of Duty	
S. No	Heading, sub- heading tariff item	Commodity	From	To
1.	8414 40	Air compressors mounted on a wheeled chassis for towing	7.5%	15%
2.	8414 80 (except 8414 80 11)	Gas Compressors (other than of a kind used in air conditioning equipment), free-piston generators for gas turbine, turbo charger and other compressors	7.5%	15%
3.	8501 10 to 8501 53	Electric Motors	10%	15%
4.	8536 41 00 and 8536 49 00	Relays	10%	15%

B.	Tariff rate changes (without any change in the effective rates of Basic Customs Duty)		Rate of Duty	
S. No	Heading, sub- heading tariff item	Commodity	From	To
5.	9031 80 00	Other instruments, appliances and machines	7.5%	15%
6.	9032 89	Electronic automatic regulators and other controlling instruments or apparatus	10%	15%

- II. Certain other changes in Basic Customs Duty rates ( Applicable w.e.f. 2 February 2021)

S. No	Chapter, Heading, sub- heading tariff item	Commodity	From	To
		<b>Agricultural Products and By Products</b>		
1.	2207 20 00	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	5%
2.	23	All goods except dog and cat food and shrimp larvae feed	Nil/ 5%/ 10%/ 15%/ 20%/ 30%	15%
3.	2302	Maize Bran	0%	15%
		<b>Minerals</b>		
4.	2528	Natural borates and concentrates thereof	Nil/5%	2.5%
		<b>Fuels, Chemicals and Plastics</b>		
5.	2710	Naphtha	4%	2.5%
6.	2907 23 00	Bis-phenol A	Nil	7.5%
7.	2910 30 00	Epichlorohydrin	2.5%	7.5%
8.	2933 71 00	Caprolactam	7.5%	5%

S. No	Chapter, Heading, sub- heading tariff item	Commodity	From	To
		<b>Leather</b>		
9.	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	Nil	10%
		<b>Textiles</b>		
10.	5002	Raw Silk (not thrown)	10%	15%
11.	5004, 5005, 5006	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	15%
12.	5201	Raw Cotton	Nil	5% + 5% AIDC*
13.	5202	Cotton waste (including yarn waste or garneted stock)	Nil	10%
14.	5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510	Nylon Fibre and Yarn	7.5%	5%
		<b>Gems and Jewellery Sector</b>		
15.	7106	Silver	12.5%	7.5%+ 2.5% AIDC*
16.	7106	Silver Dore	11%	6.1%+ 2.5% AIDC*
17.	7108	Gold	12.5%	7.5%+ 2.5% AIDC*
18.	7108	Gold Dore	11.85%	6.9%+ 2.5% AIDC*
19.	7107 00 00, 7109 00 00, 7111 00 00	Base metals or precious metals clad with precious metals	12.5%	10%
20.	7110	Other precious metals like Platinum, Palladium, etc.	12.5%	10%

S. No	Chapter, Heading, sub- heading tariff item	Commodity	From	To
21.	7112	Waste and scrap of precious metals or metals clad with precious metals	12.5%	10%
22.	7112	Spent catalyst or ash containing precious metals	11.85%	9.17%
23.	7113	Gold or Silver Findings	20%	10%
24.	7118	Coin	12.5%	10%
		<b>Metals</b>		
25.	7204	Iron and steel scrap, Including stainless steel scrap [up to 31 Mar 2022]	2.5%	Nil
26.	7206 and 7207	Primary /Semi-finished products of non-alloy steel	10%	7.5%
27.	7208, 7209, 7210, 7211, 7212, 7225 (except 7225 11 00) and 7226 (except 7226 11 00)	Flat products of non-alloy and alloy steel	10% / 12.5%	7.5%
28.	7213, 7214, 7215, 7216, 7217, 7221, 7222, 7223, 7227 and 7228	Long product of non-alloy, stainless and alloy steel	10%	7.5%
29.	7225	Raw materials for use in manufacture of CRGO steel [up to 31 March 2023]	2.5%	Nil
30.	7404	Copper Scrap	5%	2.5%
31.	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%
		<b>Capital Goods</b>		
32.	8430	Tunnel boring machines	Nil	7.5%

S. No	Chapter, Heading, sub- heading tariff item	Commodity	From	To
33.	8431	Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	2.5%
		<b>Renewable</b>		
34.	9405 50 40	Solar lanterns or solar lamps	5%	15%
35.	8504 40	Solar Inverters	5%	20%
		<b>Medical devices</b>		
36.	9018-9022	Medical devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	Health Cess @ Nil

\* Agriculture Infrastructure and Development Cess

### 9.2.2 Major Amendments in Customs Act, 1962:

The changes in the customs regulations shall be effective from the enactment of the Finance Bill, unless otherwise specified.

- **Conditional Exemptions to be Reviewed and Phased Out:** Section 25 of the Customs Act is amended to provide that all conditional exemptions, unless otherwise specified, shall come to an end on 31st March immediately 2 years after the date of such grant of exemption. Further, all existing conditional exemptions in force as on the date, unless end date is prescribed, shall come to an end on 31 March 2023, if not specifically extended/ rescinded earlier, on review.
- Insertion of new section 28BB which provides for time limit for completion of any inquiry or investigation within a period of 2 years from the date of initiation of audit, search, seizure or summons for notice issued under section 28 of the Customs Act. The time limit of 2 years may further be extended by 1 year by Principal Commissioner or Commissioner of Customs on sufficient cause being shown and the reasons of which would be recorded in writing.
- Section 46(3) of the Customs Act is being amended to mandatory file Bill of Entry before end of the day preceding the day (including holidays) of arrival of goods. Further, the Board may notify different time period for presenting Bill of Entry, which shall not be later than end of the day of arrival of such goods.
- Section 110 of the Customs Act is being amended to revise the procedure



for pre-trial disposal of seized gold. In cases where gold is seized, then the proper officer shall, instead of making an application to magistrate, make an application to Commissioner (Appeals), who shall allow such application and the proper officer thereafter shall dispose such goods in the manner the Central Government may determine.

- Newly inserted section 113(ja) provides for confiscation of any goods entered for exportation under claim of remission or refund of any duty or tax or levy, where a wrongful claim in contravention of the provisions of the Customs Act or any other law for the time being in force is made.
- Newly inserted section 114AC provides for penalty not exceeding 5 times the refund claimed where any person has obtained any invoice by fraud, collusion, willful misstatement or suppression of facts, to utilize Input Tax Credit based on such invoice for discharging any duty or tax on goods that are entered for exportation under claim of refund of any duty or tax. For the purpose of this section, input tax credit shall have same meaning as defined under section 2(63) of the CGST Act.
- Section 149 of the Customs Act is being amended so as to–
  - allow amendments to be done through the customs automated system on the basis of risk evaluation through appropriate selection criteria.
  - allow certain amendments, as may be specified by the Board, may be done by the importer or exporter on the common portal.
- Section 154C of the Customs Act is being amended to provide a common portal, to be called the 'Common Customs Electronic Portal' for facilitating the registration, filing of Bill of Entry, shipping bills, other documents and forms prescribed under the Act or under any law for the time being in force, payment of duty or for such other purposes as Board may specify.

### 9.2.3 Amendments in the Customs Tariff Act, 1975:

The changes in the Customs Tariff Act shall be effective from the enactment of the Finance Bill, unless otherwise specified.

- Section 8B of the Customs Tariff Act is being amended to incorporate certain technical changes.
- Section 9 of the Customs Tariff Act is being amended to include provisions for anti-absorption, retrospective levy from the date of initiation of investigation in anti-circumvention cases, aligning Countervailing Duty ('CVD') provisions with those in safeguard measures in respect of levy on goods cleared from Export Oriented Unit ('EOU') and Special Economic Zone ('SEZ') into Domestic Tariff Area, stipulating that when CVD is revoked temporarily, such revocation shall be for a period not exceeding 1 year at a time and to provide for imposing CVD on review for period not

exceeding 5 years at a time.

- Section 9A of the Customs Tariff Act is being amended to include provisions for anti-absorption, retrospective levy in anti-circumvention cases, aligning 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 ADD is revoked temporarily, such revocation shall be for a period not exceeding 1 year at a time and to provide for imposing ADD on review for period not exceeding 5 years at a time.

#### **9.2.4 Amendments in the Customs (Import of Goods at Concessional Rate of Duty) Rules 2017:**

The changes in the Customs Rules shall be effective from enactment of the Finance Bill, unless otherwise specified.

- Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 are being amended to provide the following facilities:
  - to allow job-work of the materials (except gold and jewellery and other precious metals) imported under concessional rate of duty.
  - to allow 100% out-sourcing for manufacture of goods on job-work.
  - to allow 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, as per Foreign Trade Policy.

#### **9.2.5 Other Miscellaneous Amendments :**

- ADD is being temporarily revoked for the period commencing from 2 February 2021 till 30 September 2021, on imports of the following:
  - Straight Length Bars and Rods of alloy-steel, originating in or exported from People's Republic of China, imposed vide notification No. 54/2018-Cus (ADD) dated 18 October 2018.
  - High Speed Steel of Non-Cobalt Grade, originating in or exported from Brazil, People's Republic of China, and Germany, imposed vide notification No. 38/2019-Cus (ADD) dated 25 September 2019.
  - Flat rolled product of steel, plated, or coated with alloy of Aluminum or Zinc, originating in or exported from People's Republic of China, Vietnam and Korea RP, imposed vide notification No. 16/2020-Cus (ADD) dated 23 June 2020.
- CVD is being temporarily revoked for the period commencing from 2 February 2021 till 30 September 2021, on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People's Republic of China, imposed vide Notification No. 1/2017-Cus (CVD) dated 07 September 2017.

- Provisional CVD is being revoked on imports of Flat Products of Stainless Steel, originating in or exported from Indonesia, imposed vide Notification No. 2/2020– Customs (CVD) dated 9 October 2020.

### 9.3 Agriculture Infrastructure and Development Cess ('AIDC'):

- AIDC is being imposed on import of certain items at specified rates. Simultaneously, BCD has been reduced on the items brought under the levy of AIDC.
- The new cess is also being imposed as additional duty of excise on petrol and diesel. AIDC of Rs. 2.5 per litre has been imposed on petrol and Rs. 4 per litre on diesel as additional duty of excise. Accordingly, basic excise duty and the SAED have been calibrated so that there would be no additional burden.
- All other items other than those specified below are exempted from AIDC. w.e.f. 2 February 2021, the list of items on which cess has been imposed, are listed below–

S. No	Heading, sub– heading tariff item	Commodity	Basic customs duty	AIDC
1.	0808 10 00	Apples	15% / 35%*	35%
2.	1511 10 00	Crude Palm Oil	15%	17.5%
3.	1507 10 00	Crude Soya–bean oil	15%	20%
4.	1512 11 10	Crude Sunflower seed oil	15%	20%
5.	0713 10	Peas (Pisum sativum)	10%	40%
6.	0713 20 10	Kabuli Chana	10%	30%
7.	0713 20 20	Bengal Gram (desichana)	10%	50%
8.	0713 20 90	Chickpeas (garbanzos)	10%	50%
9.	0713 40 00	Lentils (Mosur)	10% / 30%*	20%
10.	2204	All goods (Wine)	50%	100%
11.	2205	Vermouth and other wine of fresh grapes, flavoured	50%	100%
12.	2206	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages and Non–alcoholic beverages	50%	100%
13.	2208	All goods (Brandy, Bourbon	50%	100%

S. No	Heading, sub- heading tariff item	Commodity	Basic customs duty	AIDC
		whiskey, Scotch etc.)		
14.	2701	Various types of coal	1%	1.5%
15.	2702	Lignite, whether or not agglomerated	1%	1.5%
16.	2703	Peat, whether or not agglomerated	1%	1.5%
17.	3102 10 00	Urea	Nil	5%
18.	3102 30 00	Ammonium nitrate	2.5%	5%
19.	31	Muriate of potash, for use as manure or for the production of complex fertilisers	Nil	5%
20.	3105 30 00	Diammonium phosphate, for use as manure or for the production of complex fertilisers	Nil	5%
21.	5201	Cotton (not carded or combed)	5%	5%
22.	7106	Silver (including imports by eligible passengers)	7.5%	2.5%
23.	7106	Silver Dore	6.1%	2.5%
24.	7108	Gold (including imports by eligible passengers)	7.5%	2.5%
25.	7108	Gold Dore	6.9%	2.5%

\* All goods originating in or exported from United States of America.

- For the purpose of calculating the AIDC, the import value of such goods shall be calculated in the same manner as the value of goods is calculated under provisions of section 14 of the Customs Act.
- Social Welfare Surcharge ('SWS') would be levied on AIDC. However, exemption from SWS on AIDC has been given to gold and silver.
- Further, goods imported under customs duty exemptions available under Free Trade Agreement ('FTA') and 'EOU' as well as under advance authorization schemes are being exempted from AIDC.

**10.1 BACKGROUND**

- 10.1.1 The corporate tax rate for a domestic company doing business in India ranged from 26% to 34.944% for FY 2020–21 and the rates remain unchanged for FY 2021–22.



Rates for FY 2021–22		
Particulars	Domestic Companies having turnover / gross receipts upto Rs. 400 crore in FY 2019–20	Domestic Companies having turnover / gross receipts exceeding Rs. 400 crore in FY 2019–20
Having total income exceeding Rs. 10,00,00,000	<b>29.12%</b> [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	<b>34.944%</b> [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	<b>27.82%</b> [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	<b>33.384%</b> [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income up to Rs. 1,00,00,000	<b>26.00%</b> (tax rate 25% plus health and education cess 4% thereon)	<b>31.20%</b> (tax rate 30% plus health and education cess 4% thereon)

- 10.1.2 Further, where the income–tax payable on the total income as computed under this Act is less than 15% of its book profit, such book profit shall be deemed to be the total income of the tax payer and the tax payable by the tax payer on such total income shall be at the rate of 15% ('Minimum Alternate Tax' – 'MAT'). The same will further be increased by surcharge and education cess resulting in an effective MAT rate ranging from 15.6% to 17.47% and there is no turnover / gross receipt limit in case of MAT.

**10.2 NEW CORPORATE TAX REGIME**

- 10.2.1 The Government of India through the Act, made certain path breaking amendments in the Taxation Laws (Amendment) Act No. 46 of 2019 (hereinafter referred to as 'The Taxation Act') in relation to taxation of domestic companies.
- 10.2.2 As per the said Taxation Act, the base corporate tax rate for certain domestic companies is reduced to 22% (plus 10% surcharge and 4% education cess) and the effective tax rate is 25.17% provided the domestic companies do not avail any

deductions under chapter VI A other than deduction under section 80JJAA, section 80M and section 80LA(1A) of the Act. Additionally, the companies opting for the lower tax regime would not be subject to MAT. In other words, MAT is not applicable in case of companies opting for lower corporate tax regime.

10.2.3 The domestic companies opting for lower corporate tax regime as mentioned above would not be able to claim incentives under the following sections of the Act:

- Section 10AA – deduction for exports by SEZ units
- Section 32(1)(iia) – additional depreciation allowance
- Section 32AD – deduction for investment in new plant and machinery in notified backward states
- Section 33AB – Tea/Coffee/ Rubber development allowance
- Section 33ABA – Site restoration fund
- Section 35AD – deduction in respect of specified business
- Section 35(1)(ii), (iia), (iii) and section 35(2AA), (2AB) – certain scientific research expenditure
- Section 35CCC – expenditure on agricultural extension project
- Section 35CCD – expenditure on skill development project
- Deduction under Chapter VIA other than section 80JJAA (deduction in respect of employment of new employees), section 80M (deduction in respect of certain inter-corporate dividends) and section 80LA(1A) (deduction in respect of certain incomes of Unit in International Financial Services Centre, subject to fulfillment of the conditions contained in the said section).

10.2.4 The companies will also not be allowed to carry forward losses from earlier year, if such losses are attributable to any of the above mentioned deductions. It may be noted that the losses other than the losses attributable to the aforementioned deductions would be allowed to be carried forward and set off for future years.

10.2.5 The companies opting for lower tax regime shall not be allowed to claim set off of any brought forward loss on account of additional depreciation. MAT credit shall also not be available and brought forward MAT credit shall lapse.

10.2.6 It may be noted that the companies can opt for the lower corporate tax regime beginning from FY 2019-20 or anytime thereafter and once adopted cannot opt out. The option can be exercised in accordance with the provisions of section 115BAA(5) by filing Form No. 10-IC electronically on the income tax portal.

However, in case of a company which has opted for concessional tax regime

@15% (plus 10% surcharge and 4% cess) under section 115BAB (Newly Set-up Manufacturing Companies) and such option is rendered invalid, the taxpayer may opt for concessional tax regime under section 115BAA of the Act.

10.2.7 The following table provides a comparative analysis of tax structure applicable to domestic companies:

Particulars	New Regime (Other Than New Manufacturing Co.)	Old Regime (Turnover or Gross receipts exceeding Rs. 400 crore in FY 2019-20)	Old Regime (Turnover or Gross receipts not exceeding Rs. 400 crore in FY 2019-20)
Governing Section of the IT Act	115BAA		
Basic corporate tax rate	22%	30%	25%
Surcharge			
– Income upto Rs. 1 crore	10%	0%	0%
– Income > Rs. 1 crore but <= Rs. 10 crores	10%	7%	7%
– Income > Rs. 10 crores	10%	12%	12%
Education Cess	4%	4%	4%
Effective Tax Rate	25.17%	31.20% or 33.384% or 34.944%	26% or 27.882% or 29.12%
MAT rate	MAT Not Applicable	15.6% or 16.69% or 17.47%	15.6% or 16.69% or 17.47%
Existing MAT credit	Not allowed to be carried forward	Allowed to be carried forward for remaining allowable years	Allowed to be carried forward for remaining allowable years
Other deductions such as Chapter VI-A, additional depreciation, section 10AA, etc.	Not allowed	Allowed	Allowed
When option can be exercised?	In any year	Not Applicable	Not Applicable
Option to opt out of regime	Not Allowed	Can switch to section 115BAA regime	Can switch to section 115BAA regime

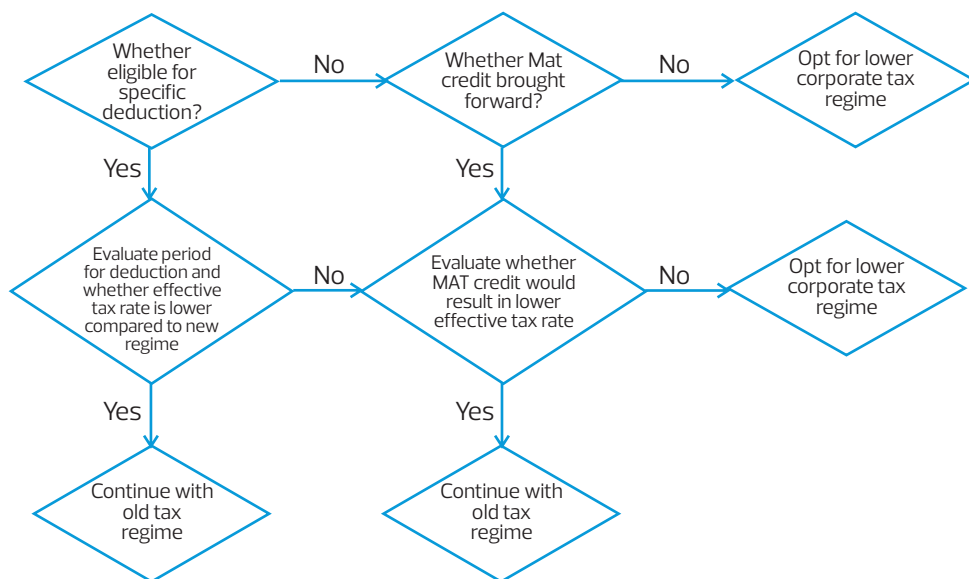
### 10.3 KEY CONSIDERATIONS

10.3.1 In light of the above and considering the new corporate tax regime wherein MAT would not be applicable in case of companies opting for lower corporate tax regime, the companies may evaluate appropriate accounting under Ind AS, as there would be no impact on book profits. It may be pointed out that MAT incidence was one of the key considerations in implementing Ind AS including the selection of a particular option out of alternative permissible options.

10.3.2 Companies may also consider the following key aspects while opting for lower corporate tax regime:

- Whether the company is eligible to claim deduction / incentive under section 10AA or Chapter VIA [other than deduction under section 80JJAA, 80M and 80LA(1A)] of the IT Act?
- Whether the company has any brought forward MAT credit recognized in the books of accounts?
- Whether the company has any brought forward losses / unabsorbed depreciation attributable to deduction / incentive or additional depreciation been claimed?
- Whether the transition adjustment has an impact on computation of book profits such that the book profits are reduced pursuant to the adjustment?
- Whether the company has brought forward book loss and unabsorbed depreciation, which would lower the book profit resulting in lower effective tax outflow?

10.3.3 A diagrammatic presentation of key considerations that a company may consider prior to opting for lower corporate tax regime is provided below.



**10.3.4 Companies may also carry out the effective tax rate analysis using the present value of future tax liability as per pre-amended tax regime vis-à-vis the amended tax regime after giving due consideration to the aforesaid factors.**



- 10.3.5 It may also be noted that a company opting for lower corporate tax regime is not entitled to claim tax deduction / incentives under section 10AA or Chapter VIA [other than deduction under section 80JJAA, 80M and 80LA(1A)] of the IT Act.
- 10.3.6 In case the company opts for lower corporate tax regime in spite of having brought forward MAT credit, it would have to write off the MAT credit which would have an impact on profitability of the company.

#### **10.4 CONCLUDING REMARKS**

While the New Corporate Tax Regime has been enacted from FY 2019–20, the companies would need to evaluate various factors before taking a decision on whether it should opt for the new regime or should continue under the old regime until it has claimed the deduction / incentive or utilised the MAT credit, since companies can opt for the new regime as and when it feels appropriate considering the overall tax impact. But once the new regime is opted, the companies will not be able to roll back to the old regime and thus it becomes necessary to evaluate the pros and cons of the new regime. Also, where the companies opt for the new regime, there would be no concern on the adoption of Ind AS, since MAT is not applicable for companies opting for the new regime.

## 11.1 Financial Sector

- 11.1.1 It is proposed to consolidate the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code.
- 11.1.2 It is proposed to increase the permissible FDI limit in insurance sector from existing 49% to 74%. However, majority of directors on board and key management persons will be Indian residents with at least 50% directors being independent directors and specified percentage of profits being retained as a general reserve.
- 11.1.3 Asset Reconstruction Company Limited and Asset Management Company to be set up to consolidate and take over the existing stressed debt of public sector banks and then manage and dispose of the assets to AIF and other potential investors for eventual value realization.
- 11.1.4 It is proposed to develop an investor charter as a right of all financial investors.
- 11.1.5 It is proposed to amend DICGC Act, 1961 to help depositors get an easy and time-bound access to their deposits to the extent of the deposit insurance cover.
- 11.1.6 Minimum loan size eligible for debt recovery under the SARFAESI Act, 2002 proposed to be reduced from Rs. 50 lakh to Rs. 20 lakh for NBFCs with minimum asset size of Rs. 100 crore.



## 11.2 Infrastructure Sector

- 11.2.1 Production Linked Incentive Scheme
- The Govt has approved the PLI Scheme for 13 key sectors for enhancing India's Manufacturing Capabilities and Enhancing Exports. These are pharmaceuticals, automobiles and auto components, telecom and networking products, advanced chemistry cell batteries, textile, food products, solar modules, white goods and specialty steel with an estimated outlay of Rs 1.46 lakh crore over the next 5 years.
  - The Govt has already rolled out PLI scheme for Mobile and Specified Electronic Components, Pharma products and Medical equipment sectors aggregating to Rs.51,311 crore. The scheme is valid for next 5 to 6 years and is based on 'incremental' output and will be given as grants to eligible manufacturers on 'incremental' sale of eligible products as prescribed. As a part of the scheme, an incentive of 4% to 6% (for mobile and electronic equipment), 10% to 20% (for pharma products) and 5% (for medical equipment) of incremental output is prescribed.
- 11.2.2 To attract foreign investment for infrastructure, it is proposed to notify Infrastructure Debt Funds by issuing tax efficient Zero Coupon Bonds and relaxation of some conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment.

- 11.2.3 It is proposed to launch a scheme of Mega Investment Textiles Parks in addition to PLI Scheme to attract large investments, boost employment generation and exports. 7 Textile Parks to be established over 3 years.
- 11.2.4 It is proposed to set up and capitalize a Development Financial Institution to act as a provider, enabler and catalyst for infrastructure financing.
- 11.2.5 It is proposed to permit FPI an entry into debt financing of InvITs and REITs to attract more investment in the real estate and infrastructure sectors.
- 11.2.6 It is proposed to launch a new scheme to deploy innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses.

### **11.3 Labour Code 2020**

- 11.3.1 In order to simplify and consolidate the labour laws of India and with the object of ease of doing business in India and to attract foreign investment, the Government has introduced following 4 labour codes:
- The Code on Wages, 2019 – It applies to all the employees in organized as well as unorganized sector, aims to regulate wage and bonus payments in all employments and also aims at providing equal remuneration to employees performing work of a similar nature in every industry, trade, business, or manufacture.
  - The Occupational Safety, Health and Working Conditions Code, 2020 – It seeks to regulate health and safety conditions of workers in establishments with 10 or more workers, and in all mines and docks. It subsumes and replaces 13 labour laws relating to safety, health and working conditions.
  - The Code on Social Security, 2020 – It consolidates 9 labour laws related to social security, including Employees Provident Fund Act, 1952, Maternity Benefit Act, 1961, and Unorganized Workers' Social Security Act, 2008.
  - The Industrial Relations Code, 2020 – It aims to improve the business environment in country largely by reducing the labour compliance burden of industries.
- 11.3.2 The Ministry has also framed draft Rules under each of these Codes and have invited suggestions / comments from the public on the same. Since the labour laws are placed under the concurrent list of the Constitution of India, the States can choose to frame their own Rules to govern the labour in their respective States.
- 11.3.3 The definition of Wages under this Code caps allowances at 50% of the total compensation, which effectively means that the basic pay will have to be 50% or more of the total compensation from April 2021. As a result of this:
- (a) Most companies will have to change their pay structures;

- (b) PF Contribution of both employer as well as of employee, will go up;
- (c) Take home salary of many executives will go down, as contribution to PF increases;
- (d) For companies, cost increases since PF contribution and Gratuity pay-out increases; etc.

#### **11.4 Companies Act, 2013 / LLP Act, 2008 and MCA**

- 11.4.1 It is proposed to decriminalize the LLP Act, 2008.
- 11.4.2 Easing Compliance requirement of Small companies by revising their definition under Companies Act, 2013 by increasing their thresholds for paid up capital from "not exceeding Rs. 50 lakh" to "not exceeding Rs. 2 crore" and turnover from "not exceeding Rs. 2 crore" to "not exceeding Rs. 20 crore".
- 11.4.3 To ensure faster resolution of cases by strengthening NCLT framework, Implementation of e-Courts system and Introduction of alternate methods of debt resolution and special framework for MSMEs.
- 11.4.4 Launch of data analytics, artificial intelligence, machine learning driven MCA21 Version 3.0 in 2021-22 and it will have additional modules for e-Scrutiny, e-Adjudication, e-Consultation and Compliance Management.

#### **11.5 Promoting Start-ups and Innovators**

- 11.5.1 To incentivize the incorporation of One Person Companies by allowing their growth without any restrictions on paid up capital and turnover.
- 11.5.2 Allowing One Person Company conversion into any other type of company at any time.
- 11.5.3 Reducing the residency limit for an Indian citizen to set up a One Person Company from 182 days to 120 days.
- 11.5.4 Allowing Non Resident Indians to incorporate One Person Company in India.

#### **11.6 Certain Other Proposals**

- 11.6.1 Section 8G in the Indian Stamp Act, 1899 shall be inserted which states that in case of any instrument for conveyance or transfer of a business or asset or right in any immovable property from Govt Company, its subsidiary, unit or joint venture, by way of strategic sale or disinvestment or demerger or any other scheme of arrangement to another Govt Company or to the Central Government or any State Government, after the approval of the Central Government, shall not liable be liable to stamp duty.
- 11.6.2 It is proposed to announce voluntary vehicle scrapping policy to phase out old and unfit vehicles.
- 11.6.3 It is proposed to privatize two Public Sector Banks (other than IDBI Bank) and one General Insurance company and LIC will be listed on the bourses in the financial year 2021-22.

In this chapter, we have compiled the relevant provisions of TDS relating to residents and non-residents, incorporating herein the nature of payments, threshold limits for tax deduction and the applicable rates of TDS for different classes of recipients.



Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2021	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
1	Salary	192	As per slab rates prescribed for senior citizens (includes very senior citizen) and other individuals			
2	Accumulated balance due to an employee participating in RPF [Note 2 and 6]	192A	Less than Rs. 50,000 in aggregate	10%	Less than Rs. 50,000 in aggregate	10%
3	Interest on securities including listed debentures [Note 3 and 6]	193	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF	10% [Note 24]	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF	10%
4	Dividend by the Company, including dividends on preference shares [Note 25]	194	Rs.5,000 p.a	10% [Note 24]	Rs.5,000 p.a	10%
5	Interest other than interest on securities [Note 4, 6, 7, 8 and 26]	194A	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10% [Note 24]	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%
6	Winning from lottery or crossword puzzle or card game or other game	194B	Rs. 10,000	30%	Rs. 10,000	30%
7	Winnings from horse race	194BB	Rs. 10,000	30%	Rs. 10,000	30%
8	Payments to contractors [Note 7 and 9]	194C	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF) [Note 24]	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a	2% (1% for individual and HUF)
9	Insurance commission [Note 6]	194D	Rs. 15,000 p.a.	5% [Note 24]	Rs. 15,000 p.a.	5%
10	Payment in respect of life insurance policy [Note 5, 6 and 20]	194DA	Less than Rs. 1,00,000 p.a.	5% [Note 24]	Less than Rs. 1,00,000 p.a.	5%
11	Payment to non-resident sportsmen (including an athlete) / entertainer / sports association	194E	No threshold	20%	No threshold	20%
12	Payment in respect of deposits under National Savings Scheme, 1987 [Note 6]	194EE	Less than Rs. 2,500 p.a.	10% [Note 24]	Less than Rs. 2,500 p.a.	10%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2021	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
13	Commission, etc. on sale of lottery tickets	194G	Rs. 15,000	5%[Note 24]	Rs. 15,000	5%
14 a	Commission or brokerage [Note 7]	194H	Rs. 15,000 p.a.	5% [Note 24]	Rs. 15,000 p.a.	5%
14 b	Rent of Land / Building (including factory building) / Furniture or fitting [Note 6 and 7]	194I	Rs. 2,40,000 p.a.	10%[Note 24]	Rs. 2,40,000 p.a.	10%
15	Rent of Plant, Machinery or Equipment [Note 6 and 7]	194I	Rs. 2,40,000 p.a.	2%[Note 24]	Rs. 2,40,000 p.a.	2%
16	Payment/credit of consideration to a resident transferor of any immovable property (other than agricultural land) [Note 21]	194IA	Less than Rs. 50,00,000	1%[Note 24]	Less than Rs. 50,00,000	1%
17	Rent [Note 10]	194-IB	Rs. 50,000 p.m. or part of the month	5%[Note 24]	Rs. 50,000 p.m. or part of the month	5%
18	Monetary Consideration payable under joint development agreement	194-IC	No threshold	10%[Note 24]	No threshold	10%
19	Fees for professional and technical services / royalty / remuneration to Director other than salary [Note 7, 11 and 12]	194J	Rs. 30,000 p.a.	10% 2% (FTS; other than professional services) [Note 24]	Rs. 30,000 p.a.	10% 2% (FTS services; other than professional services)
20	Payment of compensation on acquisition of certain immovable property (other than agricultural land) [Note 13]	194LA	Rs. 2,50,000 p.a.	10%[Note 24]	Rs. 2,50,000 p.a.	10%
21 a	Income by way of Interest from Infrastructure Debt Fund	194LB	No threshold	5%	No threshold	5%
21 b	Income from units of a business trust by way of interest from a special purpose vehicle	194LBA	No threshold	10% [Note 24] and for non-residents 5% for interest and 10% for dividend [Note 16 and 17])	No threshold	10% and for non-residents 5% for interest and 10%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2021	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
						for dividend [Note 16 and 17])
22	Income from units of real estate investment trust by way of leasing or leasing out any real estate asset	194LBA	No threshold	10% [Note 24] and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16 and 17]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16 and 17]
23	Income in respect of units of investment fund	194LBB	No threshold	10% [Note 24] and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16]
24	Income in respect of investment in securitization trust	194LBC	No threshold	30% (25% for individual and HUF) [Note 24] and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16]	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16]

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2021	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
25	Income by way of Interest payable to non-residents from Indian company or a business trust [Note 14]	194LC	No threshold	5%/4% (interest payable of monies borrowed in foreign currency, issue of any long term bond or RDB listed only on a recognized stock exchange)	No threshold	5%/4% (interest payable of monies borrowed in foreign currency, issue of any long term bond or RDB listed only on a recognized stock exchange)
26	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI [Note 15]	194LD	No threshold	5%	No threshold	5%
27	Payment to non-resident of sum chargeable to tax in India	195	As per the rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note 16 and 19]			
28	Payment of certain sums by certain individuals or HUF [Note 22]	194M	Rs.50,00,000 p.a.	5% [Note 24]	Rs.50,00,000 p.a.	5%
29	Payment of certain amounts in cash [Note 23]	194N	Rs.1,00,00,000 p.a.	2%	Rs.1,00,00,000 p.a.	2%
30	Payment in respect of mutual fund specified under section 10 (23D) or units from the administrator of the specified undertaking or units from the specified company	194K	Rs. 5,000 p.a.	10%.[Note 24]	Rs. 5,000 p.a.	10%
31	Payment facilitated by e-commerce operator	194-O	Rs. 500,000 p.a. [for Individuals/ HUF]	1%.[Note 24]	Rs. 500,000 p.a. [for Individuals/ HUF]	1%
32	Income by way of Pension and bank interest by senior citizen resident in India of 75 year or above	194-P	-	-	As per slab rate	



Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2021	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
33	Purchase of goods [Note 27]	194-Q w.e.f. 1 July 2021	–	–	Above Rs. 50,00,000	0.1%
34	Income of FIs from securities under section 115AD(1)(a) except section 194LD	196D	No threshold	5%	No threshold	20% or rate specified in DTAA, whichever is lower

**Notes:**

- Section 206AA of the IT Act, in a case where payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
  - rate specified in the relevant provision of the IT Act, or
  - at the rates in force, or
  - at the rate of 20% ( 5% for tax deduction under section 194-O and 194-Q of the IT Act)

It has been proposed to insert a new section 206AB which provides for higher rate of TDS for specified persons (who are non-filers of income-tax returns for the last 2 years and the aggregate of TDS/TCS in his case is Rs. 50,000 in each of these 2 previous years) for the specified sections in which tax is required to be deducted or collected, as the case may be. Tax shall be higher of the followings rates

- twice the rate specified in the relevant provision of the IT Act; or
- twice the rate or rates in force, or
- the rate of 5%, as the case may be

It is also proposed that in case provision of both section 206AA and 206AB of the IT Act is applicable to a specified person, tax shall be deducted at higher of the two rates provided in these sections.

Certain payments to non-residents such as interest, royalty, FTS and payment on transfer of capital asset will not require PAN if alternative documents such as tax residency certificate, tax identification number of country of residence, etc. are furnished.

- In case PAN is not furnished by the person entitled to receive the accumulated balance in RPF, the tax is to be deducted at the maximum marginal rate.
- Interest on securities issued by Company and listed on any recognized stock exchange would not be subject to deduction of tax if such securities are held in dematerialized form. The section also provides for certain cases where tax is not to be deducted at source.
- Under section 194A, the threshold limit is Rs.40,000 where the payer is a banking company or a co-operative society engaged in banking business, or in case of deposits with post office under a scheme notified by Central Government and Rs.5,000 in any other case. However, if the payee is a senior citizen, then the threshold limit is Rs. 50,000.
- Tax is to be deducted on sums payable other than the amount not includible in the total income under section 10(10D) of the IT Act.

6. Tax is not to be deducted, if the payee (not being a company or a firm) furnishes to the payer a declaration in Form No.15G or 15H, as the case may be.
7. An individual or HUF is not liable to deduct tax. However, an individual or HUF, who is liable to tax audit under section 44AB during the financial year immediately preceding the financial year in which sum is credited or paid, shall be liable to deduct tax under sections 194A, 194C, 194H, 194I and 194J of the IT Act as the case may be.
8. Co-operative society shall be liable to deduct tax at source under section 194A of the IT Act, if its total sales, gross receipts or turnover exceeds Rs. 50,00,00,000 during the financial year immediately preceding the financial year in which the interest is credited or paid and the amount of interest during the financial year is more than Rs. 50,000 in case of payee being a senior citizen and Rs. 40,000 in any other case.
9. No tax is required to be deducted at source on credit or payment of transport charges, if the transporter owns 10 or less than 10 goods carriages at any time during the previous year and furnishes a declaration to that effect along with his valid PAN.  
The definition of 'Work' also include contract manufacturing, raw material provided by assessee or its associate.
10. An individual or HUF (other than those covered under tax audit) is liable to deduct tax on payment of rent in the last month of the previous year or last month of tenancy arrangement whichever being earlier, under section 194-IB and he is not required to obtain TAN. It is further proposed to amend sub-section (4) of section 194-IB of the Act to provide that in case where the tax is required to be deducted as per provisions of section 206AA or section 206AB of the IT Act, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of tenancy as the case may be
11. Tax is required to be deducted on remuneration paid to a director which is not in the nature of salary. No threshold limit of Rs 30,000 p.a. is applicable for the same.
12. Tax is to be deducted at the rate of 2% in case of payment made to a person engaged only in the business of operation of call center. Further, tax is to be deducted at the rate of 2% if royalty is in the nature of consideration for sale, distribution, or exhibition of cinematographic films.
13. If payment is made in respect of any award or agreement which is exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), no tax will be deducted at source under section 194LA of the IT Act.
14. In respect of amount borrowed in foreign currency from a source outside India:
  - under a loan agreement executed after 1 July 2012 but before 1 July 2023; or
  - by way of issue of any long term bond (including long term infrastructure bond) issued on or after 1 October 2014 but before 1 July 2023; or
  - by way of issue of long term infrastructure bond after 1 July 2012 but before 1 October 2014; or
  - RDB issued outside India before 1 July 2023.
  - TDS shall be 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1 April 2020 but before 1 July 2023 and which is listed only on a recognized stock exchange located in any IFSC.
15. Interest payable on or after 1 June 2013 but before 1 July 2023 in respect of investment made by FII or QFI in RDB of an Indian Company or Government Security.  
The aforesaid investment also include interest payable on municipal debt security on or after 1 April 2020 but before 1 July 2023
16. For the purpose of claiming DTAA benefit, the non-resident payee should furnish a valid TRC from foreign tax authority and a self-declaration in Form 10F. Form 10F is not required to be

furnished if all the particulars stated therein are provided in the TRC itself.

Further, if the payee obtains a lower /nil deduction certificate from the income tax authority, tax shall be required to be deducted based on such certificate. Application for lower /nil deduction certificate shall have to be made in electronic form on TRACES website.

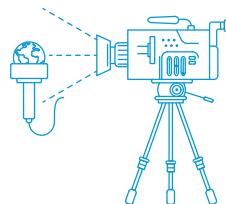
Further, it may kindly be noted that relief under the DTAA is subject to MLI provisions as applicable.

17. In case of Non-residents referred in section 194LBA, tax shall deducted at the rate of 5% on interest and 10% on dividend income and on other income, TDS shall be as per rates in force or rate specified in the relevant DTAA's, whichever is beneficial.
18. A payer shall not be required to deduct TDS on "service tax" component wherever in terms of the agreement between the payer and payee, the service tax component comprised in the amount payable to a resident payee is indicated separately.
19. Income arising to non-resident or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, NTRO will be exempt from income tax. Accordingly, NTRO will not be required to deduct tax at source on such payments.
20. The levy of TDS on the income comprised in the sum payable by way of redemption of a life insurance policy including the sum allocated by way of bonus on such life insurance policy, excluding the amount exempted under section 10(10D) of the Act.
21. Under the explanation to section 194-IA the term "consideration for immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.
22. Payment made by an individual and HUF to a resident on account of contractual work or professional fees, who are not required to deduct tax at source under section 194C, 194H and 194J of the Act shall be required to deduct tax at source on the aggregate sum exceeding the threshold limit. Such individual and HUF shall be able to deposit the TDS using PAN and shall not be required to obtain TAN.
23. A banking company, a co-operative society engaged in carrying on the business of banking or a post office is responsible for deducting tax at source at the time of payment of such sum to any person from an account maintained by the recipient from 1 September 2019 to 30 June 2020. With effect from 1 July 2020, in case of a defaulter, who has not filed return of income in past for specified years, tax is to be deducted at the rate of 2% for payment exceeding Rs. 20,00,000 but not exceeding Rs. 1,00,00,0000 and at the rate of 5% for payment exceeding Rs. 1,00,00,0000.

Further, no tax shall be deducted on cash payment made to the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators

24. Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 amended the IT Act and inserted section 197B to provide lower TDS rate by 25% for the period from 14 May 2020 to 31 March 2021.
25. It is proposed that section 194 shall also not be applicable on dividend credited or paid to business trust by a special purpose vehicle or to any other person as may be notified.
26. It is proposed that section 194A shall also not be applicable on infrastructure debt fund.
27. It is proposed that buyer of goods would be liable to deduct TDS @ 0.1% at the time of credit or payment whichever is earlier, from the resident seller, the value or aggregate of such value in a previous year in excess of Rs. 50,00,000. Only those buyer whose total sales, gross receipts or turnover from the business carried on by it exceeds Rs. 10,00,00,000 during the FY immediately preceding the FY, shall be liable to deduct tax at source. The section shall not be apply, if TDS or TCS under other section of the IT Act except for transaction of section 206(IH) of the IT Act.

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



### 13.1 Direct Tax Compliance Calendar

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
I. Due date for filing of ROI			
Person covered under tax audit (other than whom transfer pricing is applicable) (Note 1)	31 October		
Person covered under transfer pricing (Note 2)	30 November		
Other persons (Note 3)	31 October	31 July	31 July
II. Due date for Tax Audit Report and Transfer Pricing Report			
Person covered under tax audit (other than whom transfer pricing is applicable):	30 September		
Person covered under transfer pricing	31 October		
Other persons	Not Applicable		
III. Advance Tax Payments for Income Tax (Note 4 & 5 )			
1st Installment – on or before 15 June	15%		
2nd Installment – on or before 15 September	45%		
3rd Installment – on or before 15 December	75%		
4th Installment – on or before 15 March	100%		
IV. Tax Deducted at Source (Note6)			
Tax must be deducted at the time of payment, in case of salary	Applicable		Applicable, only if person is covered under tax audit in the preceding previous year
In case of payments other than salary, at the time of making payment or credit, whichever is earlier			
Tax deducted must be deposited in the bank by 7th day of following month except tax deducted for payment or credit made in March must be deposited by 30th April			
Tax deducted under section 194(IA) on purchase of immoveable property (other than agricultural land) must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
Tax deducted on personal services under section 194M must be deposited in bank within period of 30 days from the end of month of deduction	Not Applicable		Applicable, only if person is not covered under tax audit in the preceding previous year

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
Tax shall be deducted on rent under section 194(IB) at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, or at the time of payment, whichever is earlier. Tax deducted must be deposited in bank within period of 30 days from the end of month of deduction.	Not Applicable		Applicable, only if person is not covered under tax audit in the preceding previous year
V. Tax Collected at Source			
Tax must be collected at the time of debiting the amount to the account of the buyer or at the time of receipt, whichever is earlier	Applicable		Applicable, only if person is covered under tax audit in the preceding previous year
Tax collected must be deposited within one week from the last day of the month in which the collection is made			
VI. Due dates for filing of TDS Returns /TCS Returns			
For the Quarter ended June For the Quarter ended September For the Quarter ended December For the Quarter ended March	31 July / 15 July 31 October / 15 October 31 January / 15 January 31 May / 15 May		
VII. Due dates for issue of Form 16 and Form 12BA (for Salaries) / Form 16A (for other than Salaries)/Form 16B(for Sale of Property)/Form 16C(for Section 194-IB)/Form 16D (for Section 194M) and Form 27D (for TCS)			
Issue of Form 16 and Form 12BA annually Issue of Form 16A / 27D for quarter ended June Issue of Form 16A / 27D for quarter ended September Issue of Form 16A / 27D for quarter ended December Issue of Form 16A / 27D for quarter ended March Issue of Form 16B/Form16C/Form 16D	15 June 15 August / 30 July 15 November / 30 October 15 February / 30 January 15 June / 30 May 15 days from the date of furnishing Form 26QB, 26QC and 26QD respectively		
VIII. Due Date of submission in Form 61 by Persons Specified in Rule 114D (Details of Transactions in which PAN to be quoted.)			
For declarations received in Form 60 for first half year ended 30 September	31 October		
For declarations received in Form 60 for second half year ended 31 March	30 April		
IX. Due dates for submission of payment under section 285 (Note 7)			
Non-resident having liaison office in India to file statement in Form 49C	Within 60 days from the end of the financial year		
X. Due date for filing Annual Information Return under section 285BA			
Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions (SFT)	31 May		

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
<b>XI. Due dates for filing Appeals before the Income-Tax authorities</b>			
Objections before the Dispute Resolution Panel	Within 30 days from the receipt of the draft assessment order		
Appeal to the Commissioner of Income-tax (Appeals) <b>(Note 8)</b>	Within 30 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
Appeal to the Income-tax Appellate Tribunal <b>(Note 9)</b>	Within 60 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
<b>XII Due date for filing online response to CPC communication</b>			
Communication of proposed adjustment under section 143(1)(a) of the IT Act	Within a period of 30 days from the date of issue of the communication In case, no response is received by CPC within 30 days of issue of the intimation, the ROI will be processed after making necessary adjustment(s) under section 143(1)(a) of IT Act.		
Notice under section 139(9) of the IT Act	Within 15 days of receipt of the notice In case no response is made, the ROI filed shall be liable to be treated as an invalid return		
<b>XIII. Due dates for deduction and deposit of Equalization Levy</b>			
A. Applicable for Amount paid or payable towards certain specified services to a non-resident subject to Equalization Levy <b>(Note 10)</b>			
Time of deduction	When amount is paid or payable		
Rate of Tax	6% on Gross amount paid		
Date of Deposit	7th of next month		
Date of Annual Statement of Specified Services in Form no.1	30 June of next year		
B. Applicable for Amount received or receivable by e-commerce operator who provides or facilitates e-commerce supply of services and it is not covered under specified services (Sr. No. XIII A)			
Time of deduction	When amount is paid or payable		
Rate of Tax	2% on Gross amount paid		
Date of Deposit	7th of next quarter except 31 March for March quarter		
Date of Annual Statement of Specified Services in Form no.1	30 June of next year		
<b>XIV. Digital Payment Facility</b>			
Every person, carrying on business, if his total sales, turnover or gross receipts, as the case may be, in business exceeds Rs. 50,00,00,000 during the immediately preceding previous year shall provide facility for accepting payment through (i) Debit Card powered by RuPay, (ii) Unified Payments Interface (UPI) (BHIM-UPI) and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) electronic modes, in addition to the facility for other electronic modes.			

**Notes:**

1. It is proposed the due date for filing the ROI of spouse of a partner of a firm whose accounts are required to be audited and if the provisions of section 5A of the IT Act applies to them shall be 31 October.
2. It is proposed the due date of filing the ROI of the partners of the firm who is required to report transfer pricing report shall be 30 November.
3. It is proposed a senior citizen resident in India having age 75 years or more during the previous year has pension income and no other income except interest income from the specified bank (as notified by Government) in which the pension income is received shall be exempt from filing ROI. A declaration shall have to be furnished to the specified bank by such senior citizen.
4. It has been proposed the advance tax on dividend income (other than deemed dividend) is to be paid on declaration /receipt of dividend and interest on shortfall in the advance tax instalment shall not be applicable on it. Advance tax payment for income-tax is applicable to every person (except a senior citizen resident in India not having income from business or profession) where the amount of income-tax payable is Rs.10,000 or more.
5. An eligible assessee in respect of eligible business referred to in section 44AD of the IT Act or eligible profession referred to in section 44ADA of the IT Act opting for computation of profits or gains of business or profession on presumptive basis, shall be required to pay advance tax of the whole amount in one installment on or before the 15 March of the financial year.
6. A NIL Declaration is basically a declaration for non-filing of TDS Statements for those deductors who are not liable to deduct any tax during the relevant quarter or have not deducted tax during any quarter and subsequently did not file a TDS Statement under section 200(3) of the IT Act for any quarter.
7. Every person, being a non-resident having liaison office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year, i.e. 30 May to the Assessing Officer.
8. Electronic filing of appeal is mandatory to the Commissioner of Income Tax (Appeals).
9. Memorandum of cross objection is to be filed within 30 days from the receipt of notice intimating that the appeal has been preferred before the Tribunal, against any part of the order under appeal, if required.
10. Other than e-commerce services, equalization Levy is to be levied on payment made for certain specified services and facilities provided by non-resident not having a PE in India. Specified services in this behalf means:
  - Online\* advertisement,
  - Provision for digital advertising space , or
  - Any other facility or service for the purpose of online advertisement, or
  - Any other service notified by the Central Government in this behalf.

\*The word 'online' has been defined to mean a facility for service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network.

### 13.2 Goods and Services Tax (GST) Compliance Calendar

	Nature of Compliances	Due dates	Periodicity of filing
<b>Forms</b>	<b>Description</b>		
GSTR-1	<b>Details of outward supplies</b>		
	Taxpayer whose aggregate turnover does not exceeds Rs. 1,50,00,000 in preceding financial year or current financial year	Monthly-11th day of the succeeding month  Quarterly- 13th day of the month succeeding the quarter.	Monthly / Quarterly
	Taxpayer whose aggregate turnover exceeds Rs. 1,50,00,000 in preceding financial year or current financial year	11th day of the succeeding month	Monthly
GSTR-3B	Monthly Return	<b>(Refer Note 1)</b>	Monthly
GSTR-4	Return by Composition scheme dealers <b>(Refer Note 2)</b>	30th April of succeeding Financial Year	Annually
GSTR-5	Return by Non-Resident taxable person	20th day of the succeeding month	Monthly
GSTR-5A	Return by OIDAR service provider	20th day of the succeeding month	Monthly
GSTR-6	Return by Input Service Distributor	13th day of the succeeding month	Monthly
GSTR-7	Return by Person deducting Tax at Source (TDS)	10th day of the succeeding month	Monthly
GSTR-8	Return by E-commerce Operator	10th day of the succeeding month	Monthly
<b>Due date for filing Annual Return (Refer Note 3)</b>			
GSTR-9	Annual Return	31st December of succeeding financial year	Annually
GSTR-9A	Annual Return for Composition scheme dealers	31st December of succeeding financial year	Annually
GSTR-9B	Annual Return by E-commerce operator collecting tax under section 52	31st December of succeeding financial year	Annually
<b>Quarterly Return &amp; Monthly Payment Scheme (QRMP)</b>			
Invoice Furnishing Facility (IFF)	Turnover upto Rs. 5,00,00,000	1st to 13th day of succeeding month for first 2 months of a Quarter	
GSTR 1	Turnover upto Rs. 5,00,00,000	13th day of the month succeeding the quarter	Quarterly
GSTR 3B	Turnover upto Rs. 5,00,00,000	<b>(Refer Note 4)</b>	Quarterly



	Nature of Compliances	Due dates	Periodicity of filing
<b>Due date for furnishing reconciliation statement (Refer Note 5)</b>			
In case of GST audit under section 35(5) of Central GST Act, registered person shall also furnish the reconciliation statement along with annual return. (Only if turnover is above Rs. 5,00,00,000 on pan India basis for FY 2019-20)			
GSTR-9C	Reconciliation statement, in case of audit	31st December of succeeding financial year	Annually
<b>Due date of payment of GST</b>			
GST amount due as per return shall be paid on or before last date of filing such return			
<b>Interest on delayed payment of GST</b>			
Failure to pay GST		18% p.a.	
Undue / excess claim of input tax credit or undue / excess reduction in output tax liability		24% p.a.	

**Note 1:**

- Government has decided to introduce the filings in GSTR 3B in phased manner as below:

Turnover of Tax payers	States	Due Date
Above Rs. 5,00,00,000	All States	20th day of succeeding month.
Below Rs. 5,00,00,000	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman & Diu and Dadra & Nagar Haveli, Puducherry, Andaman and Nicobar Islands, Lakshadweep	22nd day of succeeding month.
	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi.	24th day of succeeding month.

**Note 2:**

- The composition taxpayers to file a self-assessed tax return in one-page statement cum challan – **Form GST CMP 08 (Introduced from April 2019)** of the Central Goods and Service Tax Rules, 2017. This quarterly return has to be filed after every quarter by the 18th day of the succeeding month.

**Note 3:**

- As per Notification No 95/2020–Central Tax dated 30 December 2020, the due date for furnishing annual return in GSTR 9 for the FY 2019–2020 is extended to 28 February 2021. However, tax payers having Pan India aggregate turnover below Rs. 5,00,00,000 have an option not to file GSTR 9. In such case, the figures auto populated in GSTR 9 will be considered as final.

**Note 4:**

- Under QRMP scheme, even though GSTR 3B needs to be filed on quarterly basis, the payment needs to be made on monthly basis by 25th day of the consequent month respectively for the first two months of the quarter via PMT–06 based on the methodology opted.

Return	States	Due Date
GSTR 3B	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman & Diu, Dadra & Nagar Haveli, Puducherry, Andaman and Nicobar Islands, Lakshadweep	22nd day of month succeeding the Quarter
	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi.	24th day of month succeeding the Quarter

**Note 5:**

- The due date for furnishing Reconciliation statement for the FY 2019–2020 is extended to 28 February 2021.
- The due date for FY 2020–21 as per the provisions of law shall be 31 December 2021 unless extended by the government.

### 13.3 FEMA COMPLIANCE CALENDAR

Sr. No.	Nature of Compliances	Due dates	Periodicity of filing
COMPLIANCE PERTAINING TO FDI IN INDIA			
	Annual Compliances		
1.	FLA Return	Indian Company which has received FDI or an LLP which has received capital contribution in the previous year including the current year to file FLA return on FLAIR portal  One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
	Event based compliances  The below mentioned forms (except downstream investment intimation to DPIIT) are required to be filed on FIRMS portal after obtaining entity user and business user registration on FIRMS portal		
2.	Form Foreign Currency –Gross Provisional Return (FC–GPR)	– Indian company issuing equity instruments to a person resident outside India which is considered as FDI – Conversion of ECB into equity	Within 30 days from the date of issue of equity instruments
3.	Form Foreign Currency –Transfer of Shares (FC–TRS)	Transfer of equity instruments of an Indian company between resident and non-resident. To be filed by resident transferor / transferee or the non-resident holding equity instruments on a non-repatriation basis	Within 60 day of transfer or receipt / remittance of funds
4.	Form ESOP	Indian company issuing employees' stock option to persons resident outside India who are its employees/ directors or employees/directors of its holding company/joint venture / wholly owned overseas subsidiary/subsidiaries	Within 30 days from the date of issue of employees' stock option.
5.	Form Depository Receipt Return (DRR)	Domestic Custodian to report issue / transfer of depository receipts	Within 30 days of close of the Issue
6.	Form LLP (I)	LLP receiving amount of consideration for capital contribution and acquisition of profit shares from a person resident outside India	Within 30 days from the date of receipt of consideration
7.	Form LLP (II)	Disinvestment / transfer of capital contribution or profit share between resident and non-resident. To be filed by resident transferor / transferee.	Within 60 days from the date of receipt of funds
8.	Form InVI	Investment vehicle which has issued its units to a person resident outside India	Within 30 days from the date of issue of units
9.	Downstream Investment – Indirect foreign investment by an Indian Company in another Indian Company		
	– Intimation letter	An Indian entity or an investment vehicle making downstream investment in another Indian entity which	Within 30 days of such investment

Sr. No.	Nature of Compliances	Due dates	Periodicity of filing
		is considered as indirect foreign investment for the investee Indian entity in terms of the Rules, shall notify the Secretariat for Industrial Assistance, DPIIT	
	- Form DI	Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment	Within 30 days from the date of allotment of equity instruments.
10.	Form Convertible Notes (CN)	Indian start-up company issuing Convertible Notes to a person resident outside India or transfer of Convertible Notes	Within 30 days of issue/transfer
<b>OVERSEAS DIRECT INVESTMENT BY A PERSON RESIDENT IN INDIA</b>			
	Annual Compliances		
1.	Form ODI part II – APR	IP and a RI which has made direct investment abroad must submit APR annually	Every year on or before 31 December
2.	Annual Return on Foreign Liabilities and Assets (FLA)	IP which has made overseas investment in current and/or previous year(s) is required to file FLA return on FLAIR portal  One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
<b>Event based compliances</b>			
3.	Form ODI part I	- IP and RI making an overseas investment - IP providing guarantee on behalf of overseas JV/WOS - IP granting loan to overseas JV/WOS	At the time of making remittance / Within 30 days of issuance of guarantees
4.	Form ODI part III	IP and RI disinvesting its stake in overseas JV/WOS	Within 30 days from the date of disinvestment
5.	Form ODI part I – section A	Change in the details of IP/ RI viz Change in the name, Address, contact details, status, Investigation details and Change in the Network of the IP	Within 30 days of the approval of those decisions by the competent authority
6.	Form ODI part I – section B	- Change in details of JV/ WOS viz. capital structure, operating entity to Special Purpose Vehicle or vice versa, name, address etc.  - Reporting of setup/ incorporation/ investment / disinvestment of Step Down Subsidiary	
7.	Form ODI part I – section C	- Conversion of loan into equity and vice versa - Rollover/ change in amount / validity date of the guarantee already reported to the Reserve Bank	

Sr. No.	Nature of Compliances	Due dates	Periodicity of filing
8.	Annual Statement (ESOP Reporting)	Indian company to report only in case of allotment of shares to Indian employees/ Directors and repurchase of shares by the issuing foreign company under ESOP Schemes	After the end of the financial year i.e. 31 March
ECB RELATED COMPLIANCES			
1.	Form ECB 2 Return	Borrowers to report actual ECB transactions on monthly basis	Within 7 working days from the close of the month to which it relates
2.	Form ECB	Application for raising ECB under the Automatic / Approval Route and for allotment of Loan Registration Number	Prior to availing ECB
3.		Changes in terms and conditions of ECB, to be reported to DSIM	Within 7 days from the day of changes effected
IMPORT & EXPORT RELATED COMPLIANCES			
1.	Realization of Export proceeds	<p>Export Proceeds must be realized and repatriated to India within stipulated time limit.</p> <ul style="list-style-type: none"> <li>- In case of goods exported to a warehouse established outside India.</li> <li>- In case of other exports</li> </ul> <p>In view of the outbreak of pandemic COVID-19, it has been decided, in consultation with the Government of India, to increase the period of realization and repatriation to India of the amount representing the full export value of goods or software or services exported, from 9 months to 15 months from the date of export, for the exports made up to or on 31 July 2020</p> <p>AD Bank may grant approval to extend the period of realization of export proceeds beyond stipulated period of realization, up to a period of 6 months, at a time subject to certain conditions.</p>	<ul style="list-style-type: none"> <li>- Within 15 months from the date of shipment</li> <li>- Within 9 months from the date of export</li> </ul>
2.	Remittances for Import Payments	<p>Remittance towards import of goods and services</p> <p>Further, in view of the disruptions due to outbreak of COVID- 19 pandemic, with effect from 22 May 2020, the time period for completion of remittances against normal imports (except in cases where amounts are withheld towards guarantee of performance etc.) has been extended from 6 months to 12 months from the</p>	Not later than 6 months from the date of shipment

Sr. No.	Nature of Compliances	Due dates	Periodicity of filing
		date of shipment for such imports made on or before 31 July 2020. AD Category – I banks can consider granting extension of time for settlement of import dues up to a period of 6 months at a time (maximum up to the period of 3 years) subject to certain conditions	
3.	EDF Form	Exporters shall submit the duplicate copy of the EDF to Customs  Duplicate EDF along with relative shipping documents and an extra copy of invoice to be submitted to the AD named in the EDF	At the time of shipment of goods  Within 21 days from the date of export
4.	Form SOFTEX	Exporter should submit declaration in Form SOFTEX in quadruplicate in respect of export of computer software and audio / video / television software to the designated official concerned of the Government of India at STPI / EPZ / FTZ / SEZ	Within 30 days from the date of invoice / the date of last invoice raised in a month
COMPLIANCES RELATED TO BO / LO / PO			
1.	Form FNC	Application for establishing BO/LO/PO or Requests for establishing additional BOs / LOs may be submitted to the AD Category-I bank	–
2.	Annual Activity Certificate	BO/LO/PO must file AAC along with the audited financial statements to the designated AD Category – I bank and a copy of the same also to be filed to the Director General of Income Tax (International Taxation)  If the annual accounts of the BO/LO are finalized with reference to a date other than 31 March	On or before 30 September of every year  Within 6 months from the due date of the Balance Sheet

## ABBREVIATIONS

A		GSTN	Goods and Services Tax Network
AAC	Annual Activity Certificate	H	
ADD	Anti-Dumping Duty	HEC	Health & Education Cess
AE	Associated Enterprise	HNI	High Net-worth Individual
AIF	Alternative Investment Fund	HUF	Hindu Undivided Family
ALP	Arm's Length Price	HFC	Housing Finance Companies
AMT	Alternate Minimum Tax		
AO	Assessing officer	I	
AOP	Association of Persons	IBC	Insolvency and Bankruptcy Code, 2016
APA	Advance Pricing Agreement	IDF-NBFC	Infrastructure Debt Fund – Non-Bank Finance Companies
AY	Assessment Year	IDS	Income Disclosure Scheme, 2016
AAR	Advance Authority Rulings	IFHP	Income from House Property
ARC	Asset Reconstruction Company	IFSC	International Financial Services Centre
B		IGST	Integrated Goods and Services Tax
BCD	Basic Customs Duty	Ind-AS	Indian Accounting Standards
BED	Basic Excise Duty	InvIT	Infrastructure Investment Trust
BO	Branch Office	IP	Indian Part
BOI	Body of Individuals	IPO	Initial Public Offer
BSE	Bombay Stock Exchange	ISIN	International Securities Identification Number
C		ISPRL	Indian Strategic Petroleum Reserve Limited
CbCR	Country-by-Country Report	IT	Information Technology
CBDT	Central Board of Direct Taxes	IT Act	Income-tax Act, 1961
CG	Central Government	ITeS	Information Technology enabled Services
CGST	Central Goods and Services Tax	ITAT	Income Tax Appellate Tribunal
CIT	Commissioner of Income Tax	IT Rules	Income-tax Rules, 1962
CTA	Customs Tariff Act / Covered Tax Agreement	ITSC	Income-tax Settlement Commission
CVD	Countervailing Duty	J	
D		JDA	Joint Development Agreement
DRC	Dispute resolution committee	JV	Joint Venture
DICGC	Deposit Insurance and Credit Guarantee Corporation	K	
DTAA	Double Taxation Avoidance Agreement	KYC	Know Your Customer
E		L	
EOU	Export Oriented Unit	LIC	Life Insurance Corporation of India
F		LLP	Limited Liability Partnership
FDI	Foreign Direct Investment	LO	Liaison Office
FIPB	Foreign Investment Promotion Board	LOB	Limitation of Benefit
FIRMS	Foreign Investment Reporting and Management System	LRS	Liberalized Remittance Scheme
FLA	Annual Return on Foreign Liabilities and Assets	LTCA	Long Term Capital Asset
FLAIR	Foreign Liabilities and Assets Information Reporting	LTCG	Long Term Capital Gain
FMV	Fair Market Value	LTC	Leave Travel Concession
FPI	Foreign Portfolio Investor	M	
FTS	Fees for Technical Services	MAT	Minimum Alternate Tax
FY	Financial Year	MFs	Mutual Funds
FII	Foreign Institutional Investors		
FTA	Free Trade Agreement		
G			
GDP	Gross Domestic Product		
GIFT	Gujarat International Finance Tec-City		
GST	Goods and Services Tax		

## ABBREVIATIONS

MFN	Most Favored Nation	RDB	Rupee Denominated Bond
MMR	Maximum Marginal Rate	ReIT	Real Estate Investment Trust
MLI	Multilateral Instrument	RI	Resident Individual
MSME	Micro, Small and Medium Enterprises	ROI	Return of Income
MCA	Ministry of Corporate Affairs	RPF	Recognized Provident Fund
N		S	
NABARD	National Bank For Agriculture & Rural Development	SAED	Special Additional Excise Duty
NBFC	Non-Banking Financial Company	SHR	Safe Harbour Rules
NCLT	National Company Law Tribunal	SARFAESI	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
NHAI	National Highway Authority of India	SBI	State Bank of India
NIIF	National Infrastructure Investment Fund	SEBI	Securities Exchange Board of India
NPAs	Non Performing Assets	SDT	Specified Domestic Transaction
NPS	National Pension Scheme	SEP	Significant Economic Presence
NR	Non-Resident	SEZ	Special Economic Zone
NRI	Non-Resident Indian	SFT	Statement of Financial Transactions
NSC	National Saving Certificate	STT	Security Transaction Tax
NTRO	National Technical Research Organization	SLM	Straight Line Method
O		SME	Small and Medium Enterprises
ODI	Overseas Direct Investment	SPV	Special Purpose Vehicle
OECD	Organisation for Economic Co-operation and Development	STT	Security Transaction Tax
		SUUTI	Special Undertaking of the Unit Trust of India
P		T	
PAN	Permanent Account Number	TAN	Tax Deduction and Collection Account Number
PBPT	Prohibition of Benami Property Transaction Act, 1988	TCS	Tax Collected at Source
PCIT	Principal Commissioner of Income Tax	TDS	Tax Deducted at Source
PE	Permanent Establishment	TLAA	Taxation Law (Amendment) Act, 2019
PF	Provident Fund	TP	Transfer Pricing
PMLA	Prevention of Money Laundering Act, 2002	TRC	Tax Residency Certificate
PO	Project Office	U	
PPP	Public Private Partnership/ Purchasing Power Parity	UEN	Unique Entity Number
PPT	Principal Purposes Test	US\$/USD	United States Dollar
PSB	Public Sector Banks	ULIP	Unit linked insurance policy
PSU	Public Sector Undertakings	V	
PLI	Production linked Incentive	VAT	Value Added Tax
Q		VsV	Vivad se Vishwas Act, 2020
QFI	Qualified Foreign Investors	W	
R		WOS	Wholly Owned Subsidiary
R&D	Research & Development	WPI	Wholesale Price Index
RBI	Reserve Bank of India		



## This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is a small blue mark at the top left corner, possibly a staple or a piece of tape. The paper appears to be from a notebook or a set of legal pads.

## NOTES

**Mumbai**

8th Floor, Bakhtawar  
229, Nariman Point  
Mumbai – 400 021

3rd Floor, A Wing,  
Technopolis Knowledge Park  
Mahakali Caves Road, Andheri (E)  
Mumbai – 400 093

201, Shree Padmini  
Rajashree Sahu Marg  
Teli Galli Junction  
Andheri (E), Mumbai 400 069

**New Delhi – NCR**

2nd Floor, Tower – B  
B-37, Sector – 1, Noida  
New Delhi – NCR – 201 301

**Chennai**

Apex Towers, 2nd Floor, No.54  
II Main Road, R. A. Puram  
Chennai – 600 028

1A, Chamiers Apartments  
62/121, Chamiers Road  
R. A. Puram, Chennai – 600 028

**Kolkata**

A-6, 12th Floor  
Chatterjee International Centre  
33A, Jawaharlal Nehru Road  
Kolkata – 700 071

**Bengaluru**

3rd Floor, B Wing  
Jubilee Building, 45, Museum  
Road, Bengaluru – 560 025

**Surat**

DTA-2, G-02 to G-05 Plot  
Gujarat Hira Bourse  
Ichhapore-2  
Surat – 394 510

T-720, Belgium Tower  
Opp. Linear Bus Stop  
Ring Road, Surat – 395 002

B/604-605, Tirupati Plaza  
Athwa Gate, Nanpura  
Surat – 395 001

**Hyderabad**

217, Maruthi Corporate Point  
Swapnalok Complex  
92, Sarojini Devi Road  
Secunderabad – 500 003

**Ahmedabad**

B/708, Mondeal Heights  
Near Novotel Hotel  
Opp. Karnavati Club, S.G.Highway  
Ahmedabad – 380 015

**Pune**

102, 1st Floor  
Shree Residency  
Baner Balewadi Road  
Balewadi, Pune – 411 045

**Gandhidham**

206, Sunshine Arcade II  
Plot No. 37, Sector 8  
Near D-Mart  
Gandhidham – 370 201

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