VERENDRA KALRA & CO

CHARTERED ACCOUNTANTS

INDIA

budget statement

2021

CONTENTS

Foreword	1
Budget at a glance	4
Budget Financials	6
Economic Indicators	7
Economic Survey	12
Direct Taxes	20
Indirect Taxes	58
Sector Wise Impact	
Health Sector	78
Infrastructure Sector	78
Financial Sector	79
Industrial and Corporate Sector	79
Agriculture Sector	80
Education Sector	81
Other Sectors	81
Glossary	82

Foreword

Budget 2021 had to bear the burden of huge expectations to put India back on a recovery path following a deep recession induced by the pandemic and the consequent lockdowns. The budget proposals were presented in the dismal backdrop that witnessed massive contraction in the GDP by 23.9% in the first quarter and a contraction of 7.5% in the second quarter of FY 2020-21. As expected, the revised estimate of fiscal deficit for 2020-21 is estimated at an unprecedented 9.5% of GDP. Due to the three Atmanirbhar Bharat packages and the RBI measures to resurrect the moribund economy, there was already an expectation that under such exceptional circumstances, the fiscal discipline, which had already taken a big hit, will need to be put in the back burner for some more years to address the more urgent task in hand of reviving growth. Not surprisingly, the government chose to opt for the former. The budget estimate of the same has been pegged at 6.8% in 2021-22, and the government has given clear signals that it aims to bring this down gradually to below 4.5% by 2025-26.

Union Finance minister Nirmala Sitharaman presented the Union Budget 2021 with focus on 6 pillars to energize the economy which has been battered by the Covid-19 pandemic. The six pillars are: Health and Well-Being, Physical and Financial capital and infrastructure, Inclusive Development or Aspirational India, Reinvigorating Human Capital, Innovation and R&D, Minimum Government and Maximum Governance.

It is no surprise that health infrastructure comes as a priority for the Government during the pandemic year, as the H'ble FM announces an outlay of INR 64,180 crore (INR 641.8 Billion) for the Pradhan Mantri Atmanirbhar Swasth Bharat Yojana. A holistic approach to health (by strengthening Preventive, Curative, and Well-being) and increasing its allocation by 137 per cent is undoubtedly a much-needed shot in the arm. This year's Budget strongly acknowledges the importance of a clean environment, and clean water and sanitation as a prerequisite to achieving universal health. Taking that into consideration, the Jal Jeevan Mission (Urban) will be implemented over the next 5 years with an estimated outlay of more than INR 2.87 lac crore (INR 2.87 Trillion). All these steps are important to build a strong economy through a healthy nation.

One needs to also look at the proposals for physical and financial capital and infrastructure. Under various heads, the Budget proposes a sharp increase in capital expenditure having provided INR 5.54 lac crore (INR 5.54 Trillion), 34.5% more than the BE of last year. This will help firm-level bottom-lines and macroeconomic growth. Additionally, it is also

expected to create short and medium-term employment, thereby helping the cause of boosting domestic consumption demand.

Setting up of a new Development Financial Institution, Multiple Infrastructure Investment Trusts, and national monetization pipeline will help draw in foreign investors to bring in long term funds for the country's infrastructural needs.

The most critical developmental statement has emerged under Aspirational India where various elements of welfare state in the Indian context, namely, Agriculture and Allied sectors, farmers' welfare and rural India, migrant workers and labour, and financial inclusion, have been given major allocations.

For foreign investors, the India story is promised to be made even better. FDI cap in insurance has been raised to 74% from 49 % earlier. This will help deepen insurance penetration in India, promote better competition among the local players and provide long term gestation funds too. No TDS on dividend payment to REIT/InvIT and lower treaty rates on dividends to FPI's will also encourage investments.

Allocation of funds for capitalization of banks is much below than what was expected. However, other reforms such as a proposal to set up an ARC to takeover existing stressed bank loans and sell to AIF's will help bank to focus on their core activities.

On the direct tax front, Finance Minister Nirmala Sitharaman announced several proposals for the benefit of depositors, investors and taxpayers. The budget has put emphasis on a stable tax regime and not introduced any new tax or any major change in the taxation structure. Few reforms for ease of doing business in India have also been announced which will be an added opportunity to attract interest from foreign investors.

Measures like exempting senior citizens (75 years and above) who only have pension and interest income from filing income tax returns, the time limit for reopening I-T assessment cases halved to 3 years from 6 years, increase in limit for tax audit for persons who carry out 95% of their transactions digitally, and additional deduction for loans taken up till March 2022 for purchase of affordable housing are all steps in the much-promised ease of living reforms.

Additionally, the proposal to extend the eligibility for claiming tax holiday for start-ups by one more year and incentivising the incorporation of a one-person company to enable them to grow will give a further fillip to the burgeoning start-up culture in the country.

The FM has also proposed faceless proceedings at the ITAT so as to bring more transparency in disposal of appeals at the ITAT and also achieve equitable distribution of work amongst different benches of ITAT through dynamic jurisdiction allocation.

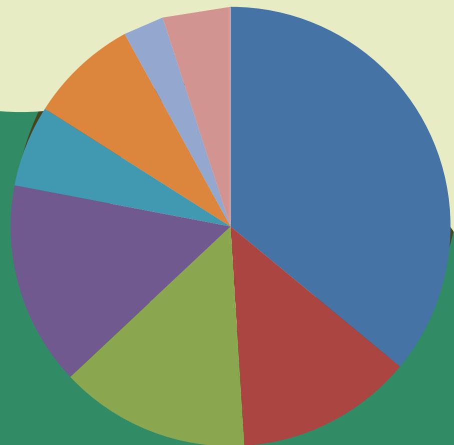
On the indirect tax side, the FM has proposed to rationalize the duty structures and remove anomalies by reviewing over 400 archaic exemptions this year. Other welcome amendments in the legal provisions are aimed to address ease compliance, and yet make it difficult to evade tax. It appears that the government's efforts to continuously calibrate the GST regime have now started paying results, as the collection in the last few months have touched 1.2 lac crore, despite the fact that the economy is till struggling to recover from the pandemic impact.

Budget 2021 is an out and out spending based budget, designed to stimulate growth now, and rein in fiscal deficit later through buoyancy in tax collections riding on such growth. This will require accelerated and targeted administrative reforms to improve compliance. Monetization of assets and ambitious disinvestments are the other prime revenues sources which the government is eyeing. Keeping in view the past track record in these areas, this apparently will not a herculean task.

Given that the Budget 2021 attempts to address the Sustainable Development Goals and growth needs in an attempted integrated framework, it seems that the Indian policy making is now transcending the contours of myopic growth-driven economic vision to a holistic development-centric approach. The naysayers may have their doubts, but with the all-round visible improvement in the execution capability built up in the country over the years, it looks like that India and Bharat can together convert today's crisis into tomorrow's opportunity. Amen!!!

Verendra Kalra
Managing Partner

Budget at a glance

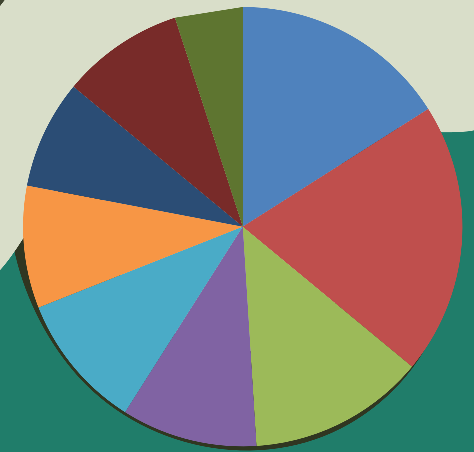


Where the money comes from

Source	Share
Borrowing and other liabilities	36%
Corporate Tax	13%
Income Tax	14%
GST and other taxes	15%
Non-tax revenues	6%
Excise	8%
Customs	3%
Non-debt capital receipts	5%

Where the money goes

Item	Share
States' share of taxes & duties	16%
Interest Payments	20%
Central Sector Scheme	13%
Other expenditure	10%
Finance Commission & Other Transfers	10%
Centrally Sponsored Scheme	9%
Defence	8%
Subsidies	9%
Pensions	5%



Budget Financials

(Amount in INR Billion)

	Particulars	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE
1	**Revenue Receipts (2+3)**	**16,841**	**20,209**	**15,552**	**17,884**
2	Tax Revenue(Net to Centre)	13,569	16,359	13,445	15,454
3	Non-tax revenue	3,272	3,850	2,107	2,430
4	**Capital Receipts(5+6+7)**	**10,023**	**10,213**	**18,952**	**16,948**
5	Recoveries of loans	183	150	145	130
6	Other receipts	503	2,100	320	1,750
7	Borrowings & other liabilities	9,337	7,963	18,487	15,068
8	**Total Receipts (1+4)**	**26,863**	**30,422**	**34,503**	**34,832**
9	**Total Expenditure (10+13)**	**26,863**	**30,422**	**34,503**	**34,832**
10	On Revenue account	23,506	26,301	30,111	29,290
11	Interest Payments	6,121	7,082	6,929	8,097
12	Grants in aid for creation of capital assets	1,856	2,065	2,304	2,191
13	On Capital account	3,357	4,121	4,392	5,542
14	**Revenue deficit (10-1)**	**6,665**	**6,092**	**14,560**	**11,406**
		(3.3)	**(2.7)**	**(7.5)**	**(5.1)**
15	**Effective Revenue deficit (14-12)**	**4,809**	**4,027**	**12,256**	**9,215**
		(2.4)	**(1.8)**	**(6.3)**	**(4.1)**
16	**Fiscal deficit {9-(1+5+6)}**	**9,337**	**7,963**	**18,487**	**15,068**
		(4.6)	**(3.5)**	**(9.5)**	**(6.8)**
17	**Primary deficit (16-11)**	**3,216**	**881**	**11,558**	**6,971**
		(1.6)	**(0.4)**	**(5.9)**	**(3.1)**

Capital receipts = (Recoveries of loans + Other receipts + Borrowings and other liabilities)

Revenue Deficit = (Revenue Expenditure - Revenue Receipts)

Effective Revenue Deficit = (Revenue deficit – Grant in aid for creation of capital assets)

Fiscal deficit = (Total Expenditure – [Revenue receipts + Recoveries of loan + Other receipts)

Primary Deficit = (Fiscal Deficit – Interest Payments)

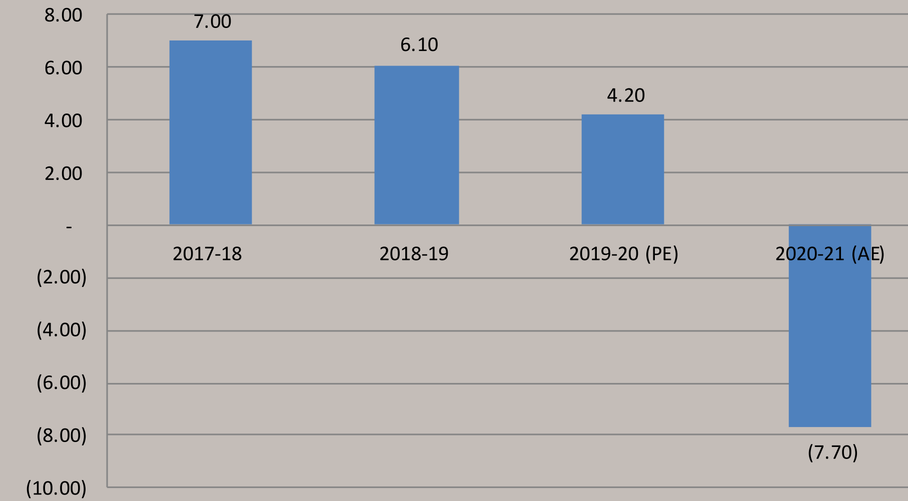
GDP for BE 2021-2022 has been projected at INR 2,22,87,379 crore (INR 222,873.79 Billion) assuming 14.4% growth over the estimated GDP of INR 1,94,81,975 crore (INR 194,818.75 Billion) for 2020-2021 (RE)

Individual items in this document may not sum up to the totals due to rounding off

Figures in parenthesis are as a percentage of GDP

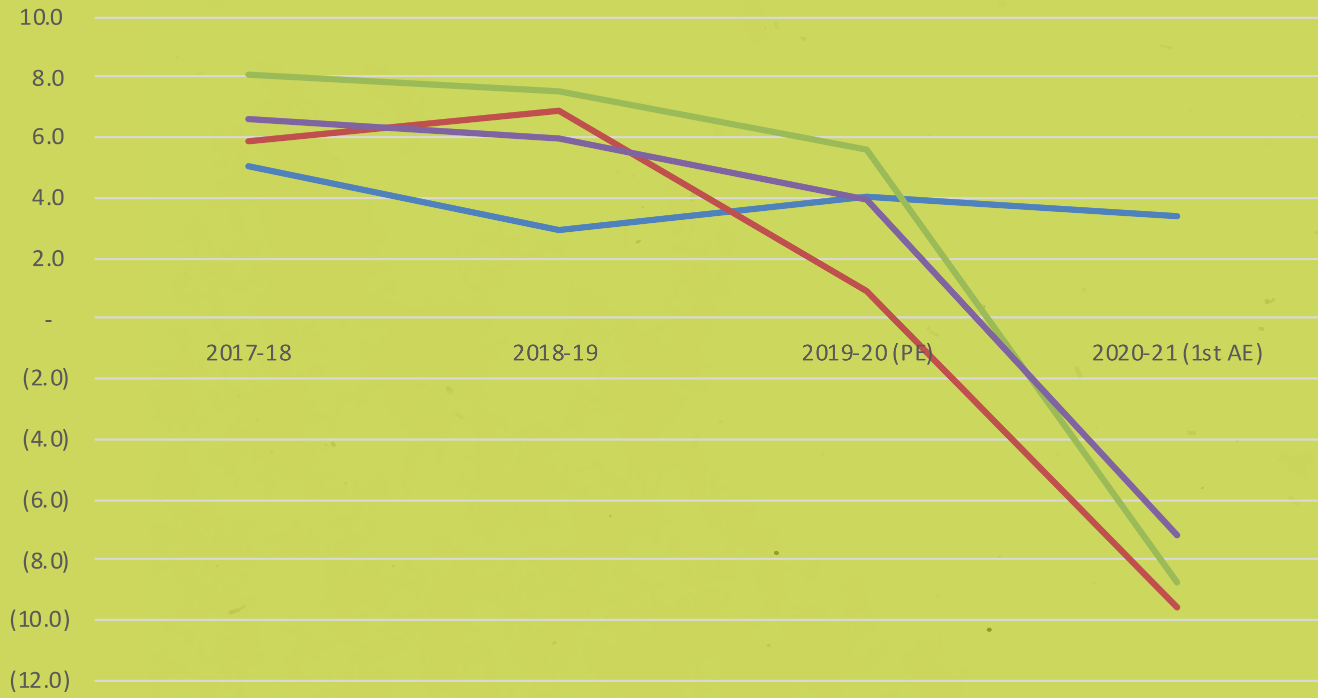
Economic Indicators

GDP Growth (at constant Market prices)



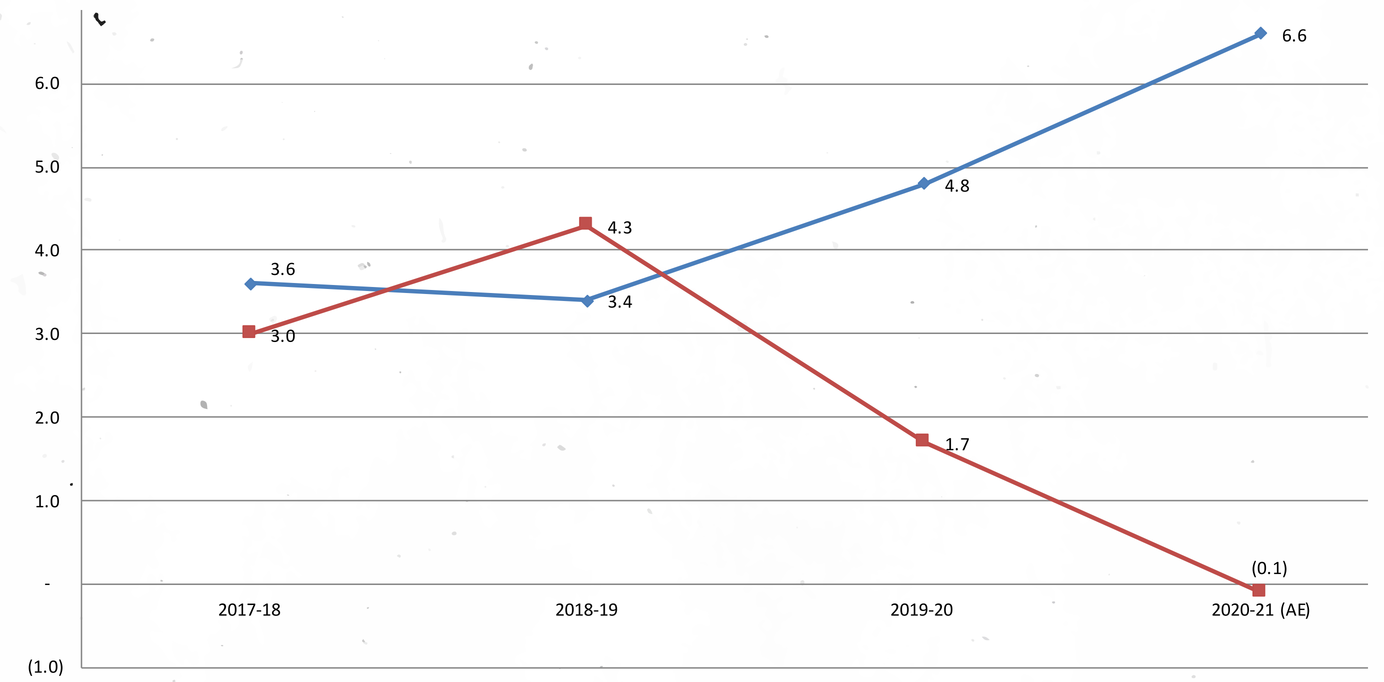
Year	%
2017-18	*7.00*
2018-19	*6.10*
2019-20 (PE)	*4.20*
2020-21 (AE)	*(7.70)*

Growth in GVA
at constant Market prices



Year	Agriculture & Allied	Industry	Services	GVA
2017-18	5.0	5.9	8.1	6.6
2018-19	2.9	6.9	7.5	6.0
2019-20 (PE)	4.0	0.9	5.6	3.9
2020-21 (1st AE)	3.4	(9.6)	(8.8)	(7.2)

Inflation CPI and WPI
[Average]%

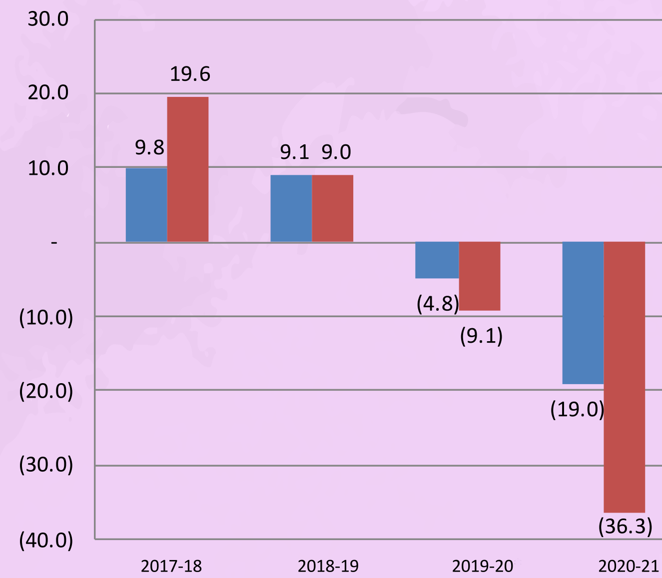


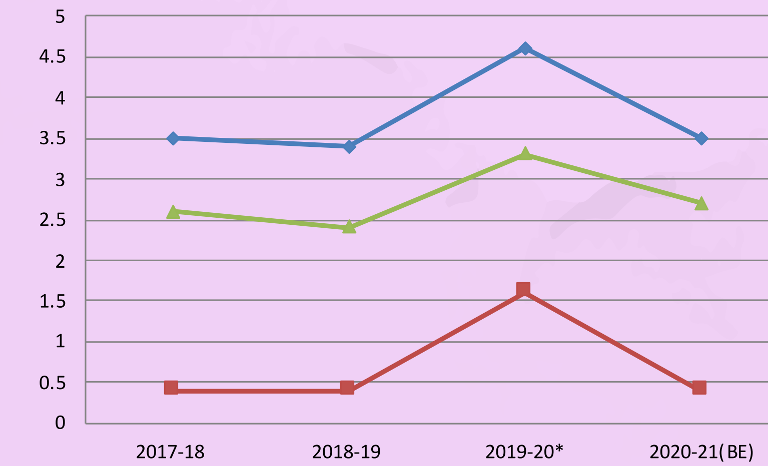
Year	Inflation CPI [Combined] [Average]	Inflation WPI [Average]
2017-18	3.6	3.0
2018-19	3.4	4.3
2019-20	4.8	1.7
2020-21 (AE)	6.6	(0.1)

Growth in Foreign Trade [Average]%

Year	Exports Growth	Imports Growth
2017-18	9.8	19.6
2018-19	9.1	9.0
2019-20	(4.8)	(9.1)
2020-21*	(19.0)	(36.3)

*April to Oct 2020



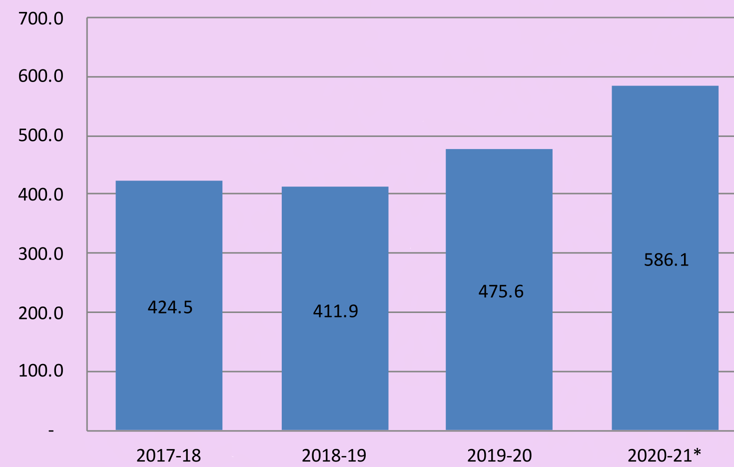


Deficit Trends (% of GDP)

(As per the new classification of expenditure)

Year	Fiscal Deficit	Primary Deficit	Revenue Deficit
2017-18	3.5	0.4	2.6
2018-19	3.4	0.4	2.4
2019-20*	4.6	1.6	3.3
2020-21(BE)	3.5	0.4	2.7

*Provisional Actuals



Forex Reserves

Year	In USD Billion
2017-18	424.5
2018-19	411.9
2019-20	475.6
2020-21*	586.1

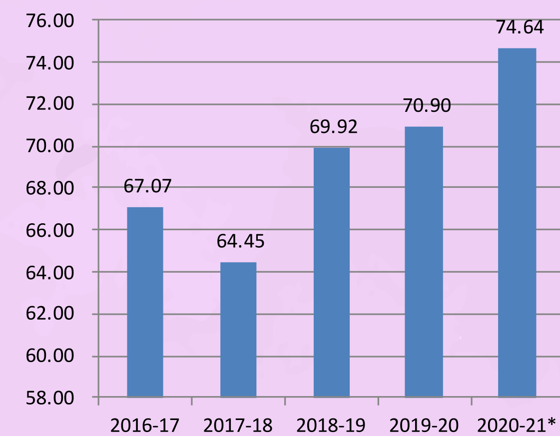
*As on January 8, 2021

Foreign Investment

(FPI/FII Net investment in USD Billion)

Year	Equity	Debt
2017-18	3.96	18.50
2018-19	0.12	(6.13)
2019-20	1.29	(6.43)
2020-21**	32.56	(4.97)

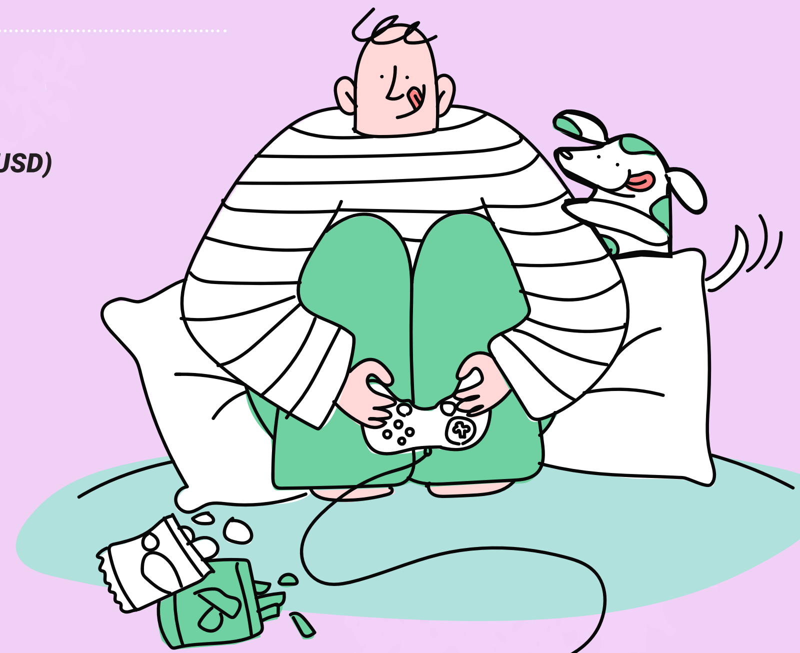
** upto 29 Jan 2021

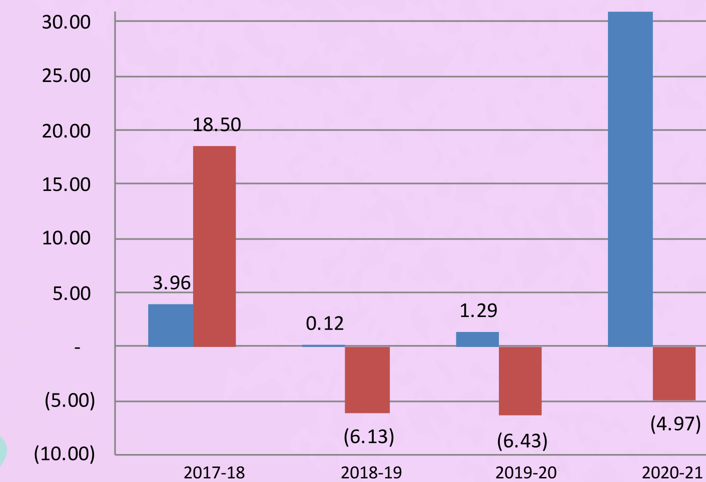


Exchange Rate

Year	Exchange Rate (INR per USD)
2016-17	67.07
2017-18	64.45
2018-19	69.92
2019-20	70.90
2020-21*	74.64

*End of December 2020





ECONOMIC SURVEY

Economic Survey 2020-21 is an ardent tribute to the immortal human spirit of grit and compassion encapsulated by the tireless battle against the pandemic by our frontline COVID-19 warriors. In the midst of the most unfathomable global health emergency experienced in modern history, the resolve of each Indian helped find its way from the darkness of 'lives vs livelihoods' to the glow of '#SavingLives&Livelihoods'. As described in the first chapter of the survey, the foresight of collective vision to battle this pandemic became evident when policy insights and implementation at the Centre, State and local level converged to initiate a V-shaped economic recovery. India's response stemmed from the humane principle that while GDP growth will recover from the temporary shock caused by an intense lockdown, human lives that are lost cannot be brought back. This strategy was also tailored to India's unique vulnerabilities to the pandemic. While the lockdown resulted in a 23.9% contraction in GDP in Q1, the recovery has been a V-shaped one as seen in the 7.5% decline in Q2 and the recovery across all key economic indicators.

The second chapter of the Survey establishes that growth leads to debt sustainability in the Indian context this is because the interest rate on debt paid by the Indian government has been less than India's growth rate by norm, not by exception. If the interest rate paid by the government is less than the growth rate, then the intertemporal budget constraint facing the government no longer binds. This phenomenon highlights that debt sustainability depends on the IRGD, i.e. the difference between the interest rate and the growth rate in an economy. The phenomenon of a negative IRGD in India – not due to lower interest rates but much higher growth rates must prompt a debate on the saliency of fiscal policy, especially during growth slowdowns and economic crises.

India Sovereign credit rating does not reflect its fundamentals, this is what the third chapter of Survey details. Credit ratings map the probability of default and therefore reflect the willingness and ability of borrower to meet its obligations. India's willingness to pay is unquestionably demonstrated through its zero sovereign default history. Despite ratings not reflecting fundamentals, they can however be pro-cyclical and can affect equity and debt FPI flows of developing countries, causing damage and worsening crisis. It is therefore imperative that sovereign credit ratings methodology be made more transparent, less subjective and better attuned to reflect economies' fundamentals.

The next chapter explains that the relationship between inequality and socio-economic outcomes, on the one hand, and economic growth and socio-economic outcomes, on the other hand, is different in India from that observed in advanced economies. Given India's stage of development, India must continue to focus on economic growth to lift the poor out of poverty by expanding the overall pie. Redistribution is only feasible in a developing economy if the size of the economic pie grows.

The recent COVID-19 pandemic has emphasised the importance of healthcare sector and its inter-linkages with other key sectors of the economy. The ongoing pandemic has showcased how a healthcare crisis can get transformed into an economic and social crisis. Healthcare policy must not become beholden to "saliency bias", where policy over-weights a recent phenomenon. To enable India to respond to pandemics, the health infrastructure must be agile.

It is not possible to have complete regulations in a world which has uncertainty as it is not possible to account for all possible outcomes. The evidence, however, shows that India over-regulates the economy. This results in regulations being ineffective even with relatively good compliance with process. The next chapter argues that the root cause of the problem of over-regulation is an approach that attempts to account for every possible outcome. This is illustrated by a study of the time and procedures needed to voluntarily close a company in India, even when there is no outstanding dispute or litigation

Both economic theory and evidence shows that in an uncertain and complex world, it is not possible to write regulations that account for all possible outcomes. This makes discretion unavoidable in decision-making. The attempt to reduce discretion by having ever more complex regulations, however, results in even more non-transparent discretion. The solution is to simplify regulations and invest in greater supervision which, by definition, implies willingness to allow some discretion.

During the Global Financial Crisis, forbearance helped borrowers' tide over temporary hardship caused due to the crisis and helped prevent a large contagion. However, the forbearance continued long after the economic recovery, resulting in unintended and detrimental consequences for banks, firms, and the economy.

For India to become an innovation leader, it needs greater thrust on innovation. India's aspiration must be to compete on innovation with the top ten economies. India's GERD is lowest amongst other largest economies. The government sector contributes a disproportionate large share in total GERD at three times the average of other largest economies. However, the business sector's contribution to GERD is amongst the lowest. The business sector's contribution to total R&D personnel and researchers also lags behind that in other large economies. This situation has prevailed despite the tax incentives for innovation having been more liberal than other economies. India's innovation ranking is much lower than expected for its level of access to equity capital. This points towards the need for India's business sector to significantly ramp up investments in R&D.

The next chapter demonstrates strong positive effects on healthcare outcomes of the PM-JAY – the ambitious program launched by Government of India in 2018 to provide healthcare access to the most vulnerable sections. This is despite the short time since the introduction of the program.

The last chapter explains that compared to 2012, access to "the bare necessities" has improved across all States in the country in 2018. Access to bare necessities is the highest in the States such as Kerala, Punjab, Haryana and Gujarat while it is the lowest in Odisha, Jharkhand, West Bengal and Tripura.

Improved access to "the bare necessities" correlates with future improvements in education indicators. Thrust should be given to reduce variation in the access to bare necessities across states, between rural and urban and between income groups, on bare necessities. The improvements are widespread as they span each of the five dimensions viz., access to water, housing, sanitation, micro-environment and other facilities. Inter-State disparities in the access to "the bare necessities" have declined in 2018 when compared to 2012 across rural and urban areas.

GDP AND GVA AT A GLANCE:

The year 2020 witnessed unrivalled turmoil with the novel COVID-19 virus and the resultant pandemic emerging as the biggest threat to economic growth in a century.

India's GDP is estimated to contract by 7.7% in FY2020-21, composed of a sharp 15.7% decline in first half and a modest 0.1% fall in the second half. Sector-wise, agriculture has remained the silver lining while contact-based services, manufacturing, construction were hit hardest, and have been recovering steadily. Government consumption and net exports have cushioned the growth from diving further down. The V-shaped economic recovery is supported by the initiation of a mega vaccination drive with hopes of a robust recovery in the services sector. Together, prospects for robust growth in consumption and investment have been rekindled with the estimated real GDP growth for FY 2021-22 at 11%.

On the supply side, GVA growth is pegged at -7.2% in 2020-21 as against 3.9% in 2019-20. Only Agriculture contributed to positive growth while Service and Industry contributed to the contraction in GDP. Agriculture is set to cushion the shock of the COVID-19 pandemic on the Indian economy in 2020-21 with a growth of 3.4% – resulting in an increase in its share in GDP to 19.9% in 2020-21 from 17.8% in 2019-20.

Industry and Services are estimated to contract by 9.6% and 8.8% during the year. Within Industry, Mining is estimated to contract by 12.4%, Manufacturing by 9.4% and construction by 12.6%. The utilities sector has shown a sharp recovery and is set to register a positive growth of 2.7% in 2020-21. Within Services Sector, trade, hotels, transport & communication are estimated to contract by 21.4%.

AGRICULTURE

The resilience of India's agriculture sector can be seen from the fact that despite the COVID-19 pandemic, its performance in output was strong. About 54.6% of the total workforce in the country is still engaged in agricultural and allied sector activities (Census 2011) which accounts for approximately 17.8% of the country's GVA for the year 2019-20 (at current prices). While the difficulties created by COVID induced lockdowns adversely affected the performance of the non-agricultural sectors, the agriculture sector came up with a robust growth rate of 3.4% at constant prices during 2020-21 (first AE).

The sector has got renewed thrust due to various measures on credit, market reforms and food processing under the Atma Nirbhar Bharat announcements. Various interventions of the Government for the development of allied sectors including animal husbandry, dairying and fisheries exhibit its resolve towards tapping the potential of allied sectors to further enhance farm welfare.

INDUSTRY AND INFRASTRUCTURE

As per the latest estimates on GVA, the industrial sector is expected to record a growth of-9.6% with an overall contribution in GVA of 25.8% in 2020-21. The contribution of the industrial sector has been constantly declining since 2011-12. The fall in share is across the board except in case of 'Electricity, gas, water supply & other utility services' whose share in GVA has increased from 2.3 % in FY12 to 2.7% in 2020-21.

On 24 March 2020, when the 21-day national lockdown was imposed to prevent the proliferation of COVID-19, it was expected that the economic activities would freeze except for some essential services. The IIP growth started contracting immediately after the lockdown reaching its historical low in April- 2020. The calibrated and gradual unlocking process led to the resumption of economic activities translating into positive growth in IIP for the first time in September-2020 since the lockdown. The subsequent months have seen consistent improvement and the sub-components of the IIP have gradually inched towards their pre-COVID levels, a reflection of the beginning of the revival of the economy.

SERVICES SECTOR

The first half of FY 2020-21 saw Services Sector contract by almost 16%. This decline was led by a sharp contraction in all sub-sectors particularly 'Trade, hotels, transport, communication & services related to broadcasting', which contracted by 31.5% in first half of FY 2020-21.

As per the first AE, GVA of services sector is estimated to contract by 8.8% in 2020-21, whereas it grew by 5.5% in 2019-20.

Sub-sectors 'Trade, hotels, transport, communication & broadcasting services', 'Financial, real estate & professional services', and 'Public administration, defence & other services' are estimated to contract by 21.41%, 3.68 % and 0.82 % respectively.

It is pertinent to note that while the services sector contracted by over 20% in the first quarter of FY 2020-21, while the contraction narrowed to 11.4% in the second quarter. This pace of recovery is broadly aligned with high frequency indicators that point to a pick in economic momentum with the measured opening up of the economy from June 2020.

India's services sector activity, which had contracted for five consecutive months since March as the Covid-19 pandemic dented demand, has started to pick up since September 2020. The IHS Markit India Services Business Activity Index also known as Services Purchasing Managers' Index (PMI), which was at an 85 month high of 57.5 in February, 2020, fell to its lowest level of 5.4 in April, 2020.

As mobility restrictions were lifted and business resumed, Services PMI recovered sharply to 54.1 in October 2020. The index softened to 52.3 in December 2020, although a print above 50 still means expansion.

GROWTH IN GROSS VALUE ADDED AT CONSTANT (2011-12) BASIC PRICES (%):

Industry	2016-17	2017-18 (2nd RE)	2018-19 (1st RE)	2019-20 (PE)	2020-21 (1st AE)
Agriculture, forestry & fishing, mining and quarrying	7.3	5.8	1.0	3.9	0.9
Manufacturing, construction, electricity, gas and water supply	7.5	6.5	6.0	0.7	-9.3
Trade, hotels, transport & communication	7.7	7.6	7.7	3.6	-21.4
Financing, insurance, real estate and business services	8.6	4.7	6.8	4.6	-0.8
Community social & personal services services	9.3	9.9	9.4	10	-3.7
Gross value added at basic prices	8	6.6	6	3.9	-7.2

Source: Central Statistics Office

PRICES AND INFLATION

Inflation dynamics have changed considerably in 2020. Overall, headline CPI inflation remained high during the COVID-19 induced lockdown period and subsequently, due to the persistence of supply side disruptions. The rise in inflation was mostly driven by food inflation, which increased to 9.1% during 2020-21 (Apr-Dec).

The average CPI-C inflation, which was 5.9% in 2014-15, fell continuously to 3.4% in 2018-19 and recorded 4.8 % in 2019-20. It however increased to 6.6% in 2020-21 (Apr-Dec) before easing to a 15-month low of 4.6% in December 2020. Within various groups of CPI-C, the increase in inflation in the current year was mainly driven by rise in food inflation, which increased from 0.1% in 2018-19 to 6.7% in 2019-20 and further to 9.1 % in 2020-21 (Apr-Dec), owing to build up in vegetable prices.

WPI inflation declined from 4.3% in 2018-19 to 1.7% in 2019-20 and further to -0.1 % in 2020-21 (Apr-Dec). It remained negative from April to July 2020 and stood at 1.2 % in December 2020.

The decline in WPI inflation in the current year is mainly on account of fuel & power. Persistent volatility in the global crude oil prices during the year led to fall in inflation of major fuel products.

WPI fuel & power inflation dropped sharply from 11.6% in 2018-19 to -1.8% in 2019-20 and further to -12.2 % in 2020-21 (Apr-Dec).

WPI food inflation declined from 6.9% in 2019-20 to 4.2% in 2020-21 (Apr-Dec) and WPI core inflation increased to 0.8 % in 2020-21 (Apr-Dec) as compared to -0.4 % in 2019-20.

EXTERNAL SECTOR

India's exports and imports saw a sharp contraction in line with the contraction in global trade. The decline in imports outweighed that in exports – leading to smaller trade deficit of USD 9.8 Billion as compared to USD 49.2 Billion in Q1 last year. India registered a trade surplus in the month of June, 2020 after a gap of 18 years. With the unlocking of the economy from June onwards, a gradual revival in India's merchandise trade got underway. The trade deficit during the April-December, 2020-21 was USD 57.5 Billion as compared to USD 125.9 Billion in the corresponding period last year. India's merchandise trade balance for major countries for the period of 2020-21 (April-November) as compared to 2019-20 (April-November).

India had the most favorable trade balance with USA followed by Bangladesh and Nepal. The highest trade deficit is with China followed by Iraq and Saudi Arabia during April-November, 2020-21 and April-November, 2019-20.

Drug formulations, biologicals have consistently registered positive growth and highest increase in absolute terms in recent months. This led to rise in its share to 7.1 % in April-November, 2020 from 5.0 % in April-November, 2019, making it the second largest exported commodity among the top 10 export commodities. This shows that India has the potential to be the 'pharmacy of the world'.

Iron and Steel is another commodity whose share has increased from 3.0 % to 4.4 % in the said period However, the pandemic-related disruptions led to sharp fall in exports of Motor Vehicles/ Cars as it no longer figures among the top 10 exported commodities in April-November, 2020.

Crude Petroleum continues to be the highest imported commodity in April-November, 2020, accounting for 14.3% share vis-à-vis 21.0% in April-November, 2019. The share of gold imports reduced to 5.6% in

April-November, 2020 from 6.3% in corresponding period a year ago, slipping to third position from second earlier.

Computer hardware and peripherals is one of the new additions in the list of top 10 import commodities in April-November, 2020, accounting for 3.0 % of total imports driven by increased demand due to more people working from homes.

The impact on trade also varied significantly across different types of goods. While trade in agricultural products fell less than the world average in the second quarter of 2020 (-5 % versus -21%), it fell precipitously for fuels and mining products (-38%) as prices collapsed. Further, the trade in automotive products recorded the biggest decline, though, it rose for telecommunication equipment (which includes smartphones), electronics (to facilitate working from home), and pharmaceuticals.

FISCAL DEVELOPMENTS

The year 2020-21 has been challenging for the Indian economy owing to the interruption in economic activity and the additional expenditure requirements to mitigate the fallout of the pandemic on vulnerable people, small businesses, and the economy in general, created immense pressure on the available limited fiscal resources.

India did not waste precious fiscal resources in trying to pump up discretionary consumption. Instead, the policy focused on ensuring that all essentials were taken care of, which included direct benefit transfers to the vulnerable sections, emergency credit to the small businesses, and the world's largest food subsidy programme targeting 80.96 crore beneficiaries.

The fiscal policy response of the Government of India to the pandemic was distinct from other countries. Unlike many other countries that chose a front-loaded grand stimulus package for revival of the economy, Government of India adopted a step-by-step approach. The approach was to provide a cushion for the poor and vulnerable section of society and to the business sector (especially the MSMEs) in the initial phase of lockdown. This included the world's largest food programme, direct transfers to Jan Dhan accounts, as well as government guarantees for credit, postponement of financial deadlines etc. With the gradual un-locking of the economy, the focus of the fiscal stimulus has been widened with various measures taken to boost the domestic demand such as ramping up of capital expenditure, Production Linked Incentives and other schemes to revive consumption demand.

With the easing of movement and health-related restrictions in the third quarter, the pace of

government expenditure has picked up sharply the Government has placed maximum priority on productive domestic capital expenditure which has a high multiplier effect on the economy. The capital expenditure for April to December 2020 stood at INR 3.17 lac crore (INR 3.17 Trillion), 24% higher than the capital expenditure during the corresponding period in the previous year. The total expenditure also recorded a YoY growth of 11%, increasing from INR 21.1 lac crore (INR 21.1 Trillion) during April to December 2019 to INR 23.4 lac crore (INR 23.4 Trillion) during April to December 2020.

Owing to the recovery of the economy over the past few months, the monthly revenue collections have witnessed a revival. GST collection has crossed the 1 lac crore (1 Trillion) mark consecutively for the last 3 months. Monthly GST revenues for the month of December 2020 stood at INR 1.15 lac crore (INR 1.15 Trillion), after registering a 12% growth in the GST revenues over December 2019. This has been the highest monthly GST collection since the introduction of GST.

The fiscal deficit of the Central Government at end November 2020 stood at 135.1% of the BE compared to 114.8 % during the same period in 2019-20. Given the enormity of the situation faced by the pandemic, most of the countries including India have been fiscally strained, which reflected in the deficit figures. In order to cater to the increased demand for resources required by the Government, the target for gross market borrowings of the Central Government for the financial year 2020-21 was revised from the Budget estimate of INR 7.8 lac crore (INR 7.8 Trillion) to INR 12 lac crore (INR 12 Trillion).

A. RATES OF INCOME TAX

Individual Income Tax Rates

No changes in income tax slab rates have been proposed in the budget.

With no change in the basic exemption limit, income tax slabs and rates, an individual tax payer will continue to pay the tax at the same rates applicable in FY 2020-21.

As proposed by the government in Finance Budget 2020, a salaried individual has to choose between the old and new tax regimes. This new tax system has been made optional and continues to co-exist with the old/existing one which comprises three tax rates and various tax exemptions and deductions available to a taxpayer.

Individuals with a net taxable income of up to INR 0.50 Million in a financial year will be able to avail tax rebate of INR 12,500 under section 87A in both the existing/old and new concessional tax regimes. Effectively, individual taxpayers with net taxable income of up to INR 0.50 Million will continue to pay zero tax in both the tax regimes.

Slab rate applicable to an Individual and HUF going for new scheme as same as those specified for AY 2021-22.

Total Income	Rate
Up to INR 2,50,000 (INR 0.25 Million)	Nil
INR 2,50,001 to INR 5,00,000 (INR 0.25 Million to INR 0.50 Million)	05%
INR 5,00,001 to INR 7,50,000 (INR 0.50 Million to INR 0.75 Million)	10%
INR 7,50,001 to INR 10,00,000 (INR 0.75 Million to INR 1.00 Million)	15%
INR 10,00,001 to INR 12,50,000 (INR 1.00 Million to INR 1.25 Million)	20%
INR 12,50,001 to INR 15,00,000 (INR 1.25 Million to INR 1.50 Million)	25%
Above INR 15,00,000 (INR 1.50 Million & above)	30%

Slab rate applicable for the individual going in the existing scheme is same as was specified in the AY 2021-22.

Total Income	Rate
Up to INR 2.50 lac (INR 0.25 Million)	Nil
INR 2.50 lac to INR 5.00 lac (INR 0.25 to INR 0.50 Million) if TI < 5 lac	0%
INR 2.50 lac to INR 5.00 lac (INR 0.25 to INR 0.50 Million)	05%
INR 5.00 lac to INR 10.00 lac (INR 0.50 to INR 1 Million)	20%
Above INR 10.00 lac (INR 1 Million)	30%

Rates of Surcharge

No change in the applicable rates of surcharge, applicable for individual, HUF, AOP, BOI, AJP (including non-residents). They remain unchanged.

Total Income	Rate	Effective%
Exceeding INR 50 lac (INR 5 Million) to INR 1 crore (INR 10 Million)	10%	34.32%
Exceeding INR 1 crore (INR 10 Million) to INR 2 crore (INR 20 Million)	15%	35.88%
Exceeding INR 2 crore (INR 20 Million) to INR 5 crore (INR 50 Million)	25%	39.00%
Exceeding INR 5 crore (INR 50 Million)	37%	42.74%

Co-operative societies/ Firms/ Local authorities

The rates of tax continue to be the same as that specified for AY 2021-22.

Companies

The rates of tax continue to be same as that specified for AY 2021-22.

Type of Company	TI < INR 1 crore (10 million)	TI INR 1 to 10 crore (INR 10 to 100 million)	TI> INR 10 crore (INR 100 million)
Section 115BAB Company		17.16%	
Section 115BAC Company		25.17%	
Domestic Company (Turnover not exceeding INR 400 crores (INR 4 billion)	26.00%	27.82%	29.12%
Domestic Company (Compliant with conditions of section 115BA)	26.00%	27.82%	29.12%
Domestic Company (Others)	31.20%	33.38%	34.94%
Foreign Company	41.60%	42.43%	43.68%

TAX INCENTIVES

Exemption for LTC Cash Scheme

In view of the COVID-19 pandemic, in order to provide tax exemption to cash allowance in lieu of LTC, it is proposed to insert second proviso in clause 5 of section 10, so as to provide that, for the AY beginning on the April 1, 2021, the value in lieu of any travel concession or assistance received by, or due to, an individual shall also be exempt under this clause subject to fulfilment of conditions to be prescribed. It is also proposed to clarify by way of an Explanation that where an individual claims and is allowed exemption under the second proviso 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 the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-21;
- Specified expenditure means expenditure incurred by an individual or a member of his family during the specified period on goods or services which are liable to tax at an aggregate rate of 12% or above under various GST laws and goods are purchased or services procured from GST registered vendors/service providers;
- Specified period means the period commencing from October 12, 2020 and ending on March 31, 2021;
- The amount of exemption shall not exceed INR 36,000 per person or one-third of specified expenditure, whichever is less;
- The payment to GST registered vendor/service provider is made by an account payee cheque drawn on a bank or account payee bank draft, or use of electronic clearing system through a bank account or through such other electronic mode as prescribed under Rule 6ABBA and tax invoice is obtained from such vendor/ service provider;

- If the amount received by, or due to an individual as per the terms of his employment, from his employer in relation to himself and his family, for the LTC is more than what is allowable to such person under the above discussed provisions, the exemption under the proposed amendment would be available only to the extent of exemption admissible under above listed provisions.

This amendment will take effect from April 1, 2021 and will, apply in relation to the AY 2021-2022 only.

VKC Insight

The LTC cash incentive scheme allows tax-free payout on purchase of goods and services in lieu of holiday travel which could not be undertaken owing to the COVID-19 pandemic situation.

Incentives for affordable rental housing

The existing provision of the section 80-IBA of the Act provides that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing project, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to 100% of the profits and gains derived from such business. One of the conditions is that the project is approved by the competent authority after the June 1, 2016 but on or before the March 31, 2021.

To help migrant labourers and to promote affordable rental, it is proposed to allow deduction under section 80-IBA of the Act also to such rental housing project which is notified by the Central Government in the Official Gazette and fulfils such conditions as specified in the said notification.

Further, it is also proposed that the outer time limit for March 31, 2021 in this section for getting the affordable housing project approved be extended to March 31, 2022 and same outer time limit be also provided for the proposed affordable rental housing project.

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

Government has establishment a world class financial services centre. Units located in IFSC enjoy some concession. In order to make location in IFSC more attractive, it is proposed to provide the following additional incentives:

- It is proposed to amend section 9A of the Act to provide that the Central Government may, by notification in the Official Gazette, specify that any one or more of the conditions specified in clauses(a) to (m) of sub-section(3) or clauses (a) to (d) of sub-section (4) of section 9A of the Act shall not apply (or apply with modification) to an eligible investment fund or its eligible fund manager, if the fund manager is located in an IFSC and has commenced operations on or before the March 31, 2024.
- It is also proposed to amend clause (4D) of section 10 of the Act so as to provide that the exemption under this clause shall also be available in case of any income accrued or arisen to, or received to the investment division of offshore banking unit to the extent attributable to it and computed in the prescribed manner.
- It is also proposed to amend the expression "specified fund" to include under the purview the investment division of offshore banking unit which has been granted a category III AIF registration and fulfils other conditions to be prescribed including the condition of maintaining separate books for its investment division. The investment division of offshore banking unit is proposed to be defined as an investment division of a banking unit of a non-resident located in an IFSC and which has commenced operation on or before the March 31, 2024.
- It is also proposed to insert new clause (4E) in of section 10 of the Act so as to exempt any income accrued or arisen to, or received by a non-resident as a result of transfer of non-deliverable forward contracts entered into with an offshore banking unit of International Financial Services Centre which commenced operations on or before the March 31, 2024 and fulfils prescribed conditions.
- It is also proposed to insert new clause (4F) in of section 10 of the Act so as to exempt any income of a non-resident by way of royalty on account of lease of an aircraft in a PY paid by a unit of an International Financial Services Centre, if the unit is eligible for deduction under section 80LA for that PY and has commenced operation on or before March 31, 2024.
- It is also proposed to insert new clause (23FF) in of section 10 of the Act so as to exempt any income of the nature of capital gains, arising or received by a non-resident, which is on account of transfer of share of a company resident in India by the resultant fund and such shares were transferred from the original fund to the resultant fund in relocation, if capital gains on such shares were not chargeable to tax had that relocation not taken place.

For the purpose of the section, terms "Original Fund", "Relocation" & "Resultant Fund" have been separately defined.

It is also proposed to amend section 47 of the Act to insert new clauses in the said section so as 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. It is also proposed to provide another clause to provide that 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. Consequential amendments shall be proposed in section 49, 56 and 79 of the Act on account of such relocation.

It is also proposed to amend the section 80LA of the Act to:

- Provide that deduction

under said section is also available to a unit of IFSC if it is registered under the International Financial Services Centre Authority Act, 2019 and thereby removing the earlier requirement of obtaining permission under any other relevant law.

Provide that the income arising from transfer of an asset, being an aircraft or aircraft engine which was leased by a unit referred to in clause (c) of sub-section (2) of said section 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 March 31, 2024.

- To provide that in case the unit is registered under the International Financial Services Centre Authority Act, 2019 then the copy of permission shall mean a copy of the registration obtained under the International Financial Services Centre Authority Act, 2019.

Issuance of zero-coupon bond by infrastructure debt fund

Clause (48) of section 2 of the Act provides for definition of zero-coupon bond, as a bond issued by any infrastructure capital company or infrastructure capital fund or public sector company or scheduled bank and in respect of which no payment and benefit is received or receivable before maturity or redemption. These are required to be notified by the Central Government in the Official Gazette.

In order to enable infrastructure debt fund [which are notified by the Central Government in the Official Gazette under clause (47) of section 10 of the Act] to issue zero coupon bond necessary amendments are proposed in clause (48) of section 2 of the Act. Rules 2F and 8B of Income Tax Rules shall be amendment subsequently after the Finance Bill 2021 is enacted.

Consequential amendment has also been proposed in clause (x) of sub-section (3) of section 194A of the Act which will take effect from April 1, 2021

Tax neutral conversion of Urban Cooperative Bank into Banking Company

The Bill proposes to expand the scope of business reorganization to include conversion of a primary co-operative bank to a banking company and the deductions available under section 44DB of the Act shall also be made applicable in relation to such conversion of primary co-operative bank to the banking company. Further it is also proposed that transfer of a capital asset by the primary co-operative bank to the banking company as a result of conversion shall not be treated as transfer under section 47 of the Act. Consequently, the allotment of shares of the converted banking company to the shareholders of the predecessor primary co-operative bank shall not be treated as transfer under the said section of the Act.

Necessary amendments to this effect have been proposed in section 44DB and in clause (vica) and clause (vicb) of section 47 of the Act.

These amendments will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Extension of date of sanction of loan for affordable residential house property

Section 80EEA provides tax benefits up to INR 1.50 lac (0.15 Million) on the interest paid on loans taken for Residential House Property for affordable housing. The benefit is over and above the tax benefit of INR 2 lac available under section 24(B) of the Income Tax Act on interest on Housing Loan on both self-occupied and rented properties.

It is proposed to extend the time period for taking loans to buy such houses from March 31, 2021 to March 31, 2022.

Extension of date of incorporation for eligible start up for exemption and for investment in eligible start-up

The existing provisions of the section 80-IAC of the Act, inter alia, provides for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive AYs out of ten years at the option of the assessee. This is subject to the condition that the total turnover of its business does not exceed INR 100 crore (INR 1 Billion). The eligible start-up is required to be incorporated on or after April 1, 2016 but before April 1, 2021.

It is proposed to grant relief to the start-up by extending the tax holiday by one year i.e. upto March 31, 2022.

Accordingly, the capital gain exemption for investment has also been extended by one year. The existing provisions of the section 54GB of the Act, inter alia, provide for exemption of capital gain which arises from the transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the eligible assessee. The assessee is required to utilise the net consideration for subscription in the equity shares of an eligible start-up, before the due date of furnishing of return of income under sub-section (1) of section 139 of the Act. The eligible start-up is required to utilise this amount for purchase of new asset within one year from the date of subscription in equity shares by the assessee. Further, it has been provided that benefit is available only when the residential property is transferred on or before March 31, 2021. Now the same has been extended to March 31, 2022.

These amendments will take effect from April 1, 2021.

VKC Insight:

This is a much-needed post-pandemic boost. With this new proposal the government aims to incentivise setting-up of more start-ups in the country.

REMOVING DIFFICULTIES FACED BY TAXPAYERS

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

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

- The transfer of residential unit takes place during the period from November 12, 2020 to June 30, 2021.
- The transfer is by way of first-time allotment of the residential unit to any person.
- The consideration received or accruing as a result of such transfer does not exceed two crore rupees.

Further it is proposed to provide the consequential relief to buyers of these residential units by way of amendment in clause (x) of sub-section (2) of section 56 of the Act by increasing the safe harbour from 10% to 20%. Accordingly, for these transactions, circle rate shall be deemed as sale/purchase consideration only if the variation between the agreement value and the circle rate is more than 20%.

These amendments will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Relaxation for certain category of senior citizen from filing return of Income Tax

In order to provide relief to senior citizens who are of the age of 75 year or above and to reduce compliance for them, it is proposed to insert a new section to provide a relaxation from filing the return of income, if the following conditions are satisfied:

- The senior citizen is resident in India and of the age of 75 or more during the PY;
- He has pension income and no other income. However, in addition to such pension income he may have also have interest income from the same bank in which he is receiving his pension income;
- This bank is a specified bank. The Government will be notifying a few banks, which are banking company, to be the specified bank; and
- He shall be required to furnish a declaration to the specified bank. The declaration shall be containing such particulars, in such form and verified in such manner, as may be prescribed.

Once the declaration is furnished, the specified bank would be required to compute the income of such senior citizen after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A of the Act, for the relevant AY and deduct income tax on the basis of rates in force. Once this is done, there will not be any requirement of furnishing return of income by such senior citizen for this AY.

This amendment will take effect from April 1, 2021.

Rationalisation of provisions related to Sovereign Wealth Fund (SWF) and Pension Fund (PF)

Clause (23FE) of section 10 of the Act provides for the exemption to specified persons from the income in the nature of dividend, interest or long-term capital gains arising from an investment made by it in India. Specified persons are SWF or PF which fulfils conditions prescribed therein and are specified for this purpose by the Central Government through notification in the Official Gazette. This provision was introduced through the Finance Act, 2020 to encourage investments of SWF and PF into infrastructure sector of India. Subsequent to enactment, a notification was also issued to enlarge the scope of infrastructure activities eligible for investments. One SWF has already been notified under this provision. In order to rationalise the provision of this clause and to remove the difficulties in meeting some of the conditions, the followings amendments are proposed in the Bill:

- Allowing Alternate Investment Fund (AIF) to invest up to 50% in non-eligible investments

Presently SWF/PFs may invest in a Category-I or Category-II Alternative Investment Fund, having 100% investment in eligible infrastructure company. It is proposed to:

  * Relax the condition of 100% to 50%.
  * Allow the investment by Category-I or Category-II AIF in an Infrastructure Investment Trust (InvIT).
  * Exemption under this clause shall be calculated proportionately, in case if aggregate investment of AIF in infrastructure company or companies or in InvIT is less than 100%.

- Investment through holding company
  Presently, SWF/PFs are not allowed to invest through holding company. It is proposed to allow the same subject to the following conditions:
  * Holding company should be a domestic company.
  * It should be set up and registered on or after April 1, 2021.
  * It should have minimum 75% investments in one or more infrastructure companies.
  * Exemption under this clause shall be calculated proportionately, in case if aggregate investment of holding company in infrastructure company or companies is less than 100%
- Investment in NBFC- IDF/IFC (non-banking finance company-infrastructure debt fund/Infrastructure finance company)
  Presently, SWF/PFs are not allowed to invest in NBFC-IFC/IDF. It is proposed to allow the same subject to the following conditions:
  * NBFC-IDF/IFC should have minimum 90% lending to one or more infrastructure entities.
  * Exemption under this clause shall be calculated proportionately, in case if aggregate lending of NBFC-IDF or NBFC-IFC in infrastructure company or companies is less than 100%.
- Loan or borrowings by SWF/Pension Fund
  Presently, SWF/PFs are not allowed to have loans or borrowings or deposit or investments as there is a condition that no benefit should ensure to private person. It is proposed to provide that there should not be any loan or borrowing for the purpose of making investment in India. It is also proposed to provide that the condition regarding no benefit to private person and assets going to government on dissolution would not apply to any payment made to creditor or depositor for loan taken or borrowing other than for the purpose of making investment in India.
- Commercial activity
  Presently, SWF/PFs are not allowed to undertake any commercial activity. This condition is proposed to be removed and replaced with a condition that SWF/PFs shall not participate in day to day operation of investee. However, appointing director and executive director for monitoring the investment would not amount to participation in day to day operation. The term "investee" is proposed to define to mean a business trust or a company or an

enterprise or an entity or a category I or II Alternative Investment Fund or an Infrastructure Investment Trust or a domestic company or an Infrastructure Finance Company or an Infrastructure Debt Fund, in which the SWF or PF, as the case may be, has made the investment, directly or indirectly, under the provisions of this clause.

- Liable to Tax
  Presently, some PFs are liable to tax in their country though given exemption subsequently. It is proposed to amend this sub-clause to provide that if pension fund is liable to tax but exemption from taxation for all its income has been provided by the foreign country under whose laws it is created or established, then such pension fund shall also be eligible.
- Rules to prescribe the method of calculation
  It is also proposed to provide that the Central Government may prescribe the method of calculation of 50% or 75% or 90%referred above.

This amendment will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Addressing mismatch in taxation of income from notified overseas retirement fund

Representations have been received that there is mismatch in the year of taxability of withdrawal from retirement funds by residents who had opened such fund when they were non-resident in India and resident in foreign countries. At present the withdrawal from such funds may be taxed on receipt basis in such foreign countries, while on accrual basis in India.

In order to address this mismatch and remove this genuine hardship, it is proposed to insert a new section 89A to the Act to provide 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. It is also proposed to define the expression "specified person", as a person resident in India who opened a specified account in a notified country while being non-resident in India and resident in that country. "Specified account" is proposed to be defined as an account maintained in a notified country which is maintained for retirement benefits and the income from such account is not taxable on accrual basis and is taxed by such country at the time of withdrawal or redemption. "Notified country" is proposed to be defined to mean a country notified by the Central Government for the purposes of this section in the Official Gazette.

Rationalisation of provisions of Minimum Alternate Tax (MAT)

Section 115JB of the Act provides for MAT at the rate of 15% of its book profit, in case tax on the total income of a company computed under the provisions of the Act is less than the 15% of book profit. Book profit for this purpose is computed by making certain adjustments to the profit disclosed in the profit and loss account prepared by the company in accordance with the provisions of the Companies Act, 2013.

Representations were received that the computation of book profit under section 115JB does not provide for any adjustment on account of additional income of past year(s) included in books of account of current year on account of secondary adjustment under section 92CE or on account of an Advance Pricing Agreement (APA) entered with the taxpayer under section 92CC. Representation has also been received that since dividend income is now taxable in the hand of shareholders, dividend received by a foreign company on its investment in India is required to be excluded for the purposes of calculation of book profit in case the tax payable on such dividend income is less than MAT liability on account of concessional tax rate provided in the Double Taxation Avoidance Agreement (DTAA). Hence it is proposed to:

- Provide that in cases where past year income is included in books of account during the PY on account of an APA or a secondary adjustment, the Assessing Officer shall, on an application made to him in this behalf by the assessee, recompute the book profit of the past year(s) and tax payable, if any, during the PY, in the prescribed manner. Further, the provision of section 154 of the Act shall apply so far as possible and the period of four years specified in sub-section (7) of section 154 shall be reckoned from the end of the FY in which the said application is received by the Assessing Officer.
- To provide similar treatment to dividend as already there for capital gains on transfer of securities, interest, royalty and Fee for Technical Services (FTS) in calculating book profit for the purposes of section 115JB of the Act, 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.

This amendment will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Exemption of deduction of tax at source on payment of Dividend to business trust in whose hand dividend is exempt

Section 194 of the Act provides for deduction of tax at source (TDS) on payment of dividends to a resident. The second proviso to this section provides that the provisions of this section shall not apply to such income credited or paid to certain insurance companies or insurers. It is proposed to amend second proviso to section 194 of the Act to further provide that the provisions of this section shall

also not apply to such income credited or paid to a business trust by a special purpose vehicle or payment of dividend to any other person as may be notified.

This amendment will take effect retrospectively from April 1, 2020.

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

Section 196D of the Act provides for deduction of tax on income of FII from securities as referred to in clause (a) of sub-section (1) of section 115AD of the Act (other than interest referred in section 194LD of the Act) at the rate of 20%. Since the said section provides for TDS at a specific rate indicated therein, the deduction is to be made at that rate and the benefit of agreement under section 90 or section 90A of the Act cannot be given at the time of tax deduction. The situation is different in cases where the provision mandates TDS at rate in force. This is for the reason that the definition of the expression "rate in force", in clause (37A) of section 2 of the Act, allows benefit of agreement under section 90 or section 90A in determining the rate of tax at which the tax is to be deducted at source. This principle of tax deduction has also been upheld by Hon'ble Supreme Court in the case of PILCOM vs. CIT West Bengal (Civil Appeal No. 5749 of 2012).

Representations have been received requesting that the benefit of agreements under section 90 or section 90A of the Act may be considered at the time of tax deduction on payments to FIIs. Accordingly, it is proposed to insert a proviso to sub- section (1) of section 196D of the 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 Act, then the tax shall be deducted at the rate of 20% or rate or rates of Income Tax provided in such agreement for such income, whichever is lower.

This amendment will take effect from April 1, 2021.

Rationalisation of provisions relating to tax audit in certain cases

Under section 44AB of the Act, every person carrying on business is required to get his accounts audited, if his total sales, turnover or gross receipts, in business exceed or exceeds INR 1 crore (INR 10 Million) in any PY. In case of a person carrying on profession he is required to get his accounts audited, if his gross receipt in profession exceeds, INR 50 lac (INR 5 Million) in any PY. In order to reduce compliance burden on small and medium enterprises, through Finance Act 2020, the threshold limit for a person carrying on business was increased from INR 1 crore (INR 10 Million) to INR 5 crore (INR 50 Million) in cases where:

- Aggregate of all receipts in cash during the PY does not exceed 5% of such receipt and
- Aggregate of all payments in cash during the PY does not exceed 5% of such payment.

In order to incentivise non-cash transactions to promote digital economy and to further reduce compliance burden of small and medium enterprises, it is proposed to increase the threshold from INR 5 crore (INR 50 Million) to INR 10 crore (INR 100 Million) in cases listed above.

This amendment will take effect from April 1, 2021 and will accordingly apply for the AY 2021-22 and subsequent AYs.

Advance tax installment for dividend income

Section 234C of the Act provides for payment of interest by an assessee who does not pay or fails to pay on time the advance tax installments as per section 208 of the Act. The assessee is liable to pay a simple interest at the rate of 1% per month for a period of three months on the amount of shortfall calculated with respect to the due dates for advance tax installments.

The first proviso of the sub-section (1) provides for the relaxation that if the shortfall in the advance tax installment or the failure to pay the same on time is on account of the income listed therein, no interest under section 234C shall be charged provided the assessee has paid full tax in subsequent advance tax installments. These exclusions are:

- The amount of capital gains; or
- Income of the nature referred to in sub-clause (ix) of clause (24) of section 2; or
- 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; or
- Income of the nature referred to in sub-section (1) of section 115BBDA.

Aforesaid relaxation is to insulate the taxpayers from payment of interest under section 234C of the Act in cases where accurate determination of advance tax liability is not possible due to the intrinsic nature of the income. Therefore, after considering various representations favourably, it is proposed to include dividend income in the above exclusion but not deemed dividend as per sub-clause (e) of clause (22) of section 2 of the Act.

This amendment will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

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

Clause (23C) of section 10 of the Act provides for exemption of income received by any person on behalf of different funds or institutions etc. specified in different sub-clauses.

Sub-clauses (iiiad) of clause (23C) of the section 10 provides for the exemption for the income received by any person on behalf of university or educational institution as referred to in that sub-clause. The exemptions under the said sub-clause are available subject to the condition that the annual receipts of such university or educational institution do not exceed the annual receipts as may be prescribed. Similarly, sub-clauses (iiiae) of clause (23C) of the section provides for the exemption for the income received by any person on behalf of hospital or institution as referred to in that sub-clause. The exemptions under the said sub-clause are available subject to the condition that the annual receipts of such hospital or institution do not exceed the annual receipts as may be prescribed. The presently prescribed limit for these two sub-clauses is INR 1 crore (INR 50 Million) as per Rule 2BC of the Income Tax Rule.

In order to provide benefit to small trust and institutions, it has been proposed that the exemption under sub-clause (iiiad) and (iiiae) shall be increased to INR 5 crore (INR 50 Million) and 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 sub-clause (iiiad) as well as from hospital or hospitals or institution or institutions as referred to in sub-clause (iiiae).

Extending due date for filing return of income in some cases, reducing time to file belated return and to revise original return and also to remove difficulty

Section 5A of the Act provides for taxation of spouses governed by Portuguese Civil Code. On account of this provision any income earned by a partner of a firm whose accounts are required to be audited shall be apportioned between the spouses and included in their total income, if the section 5A applies to them.

Since the total income of a partner can be determined after the books of accounts of such firm have been finalised, the due dates of partners are already aligned with the due date of the firm. Thus, the due date for filing of original return of income of such partner is October 31 of the AY. However, this relaxation is not there for spouse of such partner to whom section 5A of the Act applies. Therefore, it is proposed that the due date for the filing of original return of income be extended to October 31 of the AY in case of spouse of a partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, if the provisions of section 5A applies to them.

Further, in the case of a firm which is required to furnish report from an accountant for entering into international transaction or specified domestic transaction, as per section 92E of the Act, the due date for filing of original return of income is November 30 of the AY. Since the total income of such partner can be determined after the books of accounts of such firm have been finalised, it is proposed that the due date of such partner be extended to November 30 of the AY.

Sub-sections (4) and (5) of section 139 of the Act contain provisions relating to the filing of belated and revised returns of income respectively. The belated or revised returns under sub-sections (4) and (5) respectively of the said section at present could be filed before the end of the AY or before the completion of the assessment whichever is earlier. It is proposed that the last date for filing of belated or revised returns of income, as the case may be, be reduced by three months. Thus, the belated return or revised return could now be filed three months before the end of the relevant AY or before the completion of the assessment, whichever is earlier.

Sub-section (9) of section 139 of the Act lays down the procedure for curing a defective return. It provides that in case a return of income is found to be defective, the Assessing Officer will intimate the defect to the assessee and give him a period of 15 days or more to rectify the said defect and if the defect is not rectified within the said period, the return shall be treated as an invalid return and the assessee will be considered to have never filed a return of income. The Explanation to the sub- section lists the conditions in which a certain return of income shall be considered to be defective. Representations have been received that the aforesaid conditions create difficulties for both the taxpayer and the Department, as a large number of returns become defective by application of the said conditions. This has resulted in a number of grievances. It has been represented that the conditions given in the said Explanation may be relaxed in genuine cases. Therefore, it is proposed that a proviso be inserted to the said Explanation empowering the Board to specify, vide notification that any of the above conditions shall not apply for a class of assessee or shall apply with such modifications, as maybe specified in such notification.

These amendments will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

RATIONALISATION OF VARIOUS PROVISIONS

Payment by employer of employee contribution after due date to be disallowed

Clause (24) of section 2 of the Act provides an inclusive definition of the income. Sub-clause (x) to the said clause provide that income to include any sum received by the assessee from his employees as contribution to any provident fund or superannuation fund or any fund set up under the provisions of ESI Act or any other fund for the welfare of such employees.

Section 36 of the Act pertains to the other deductions. Sub-section (1) of the said section provides for various deductions allowed while computing the income under the head "Profits and gains of business or profession".

Clause (va) of the said sub-section provides for deduction of any sum received by the assessee from any of his employees to which the provisions of sub-clause (x) of clause (24) of section 2 apply, if such sum is credited by the assessee to the employee's account in the relevant fund or funds on or before the due date. Explanation to the said clause provides that, for the purposes of this clause, "due date" to mean the date by which the assessee is required as an employer to credit an employee's contribution to the employee's account in the relevant fund under any Act, rule, order or notification issued there-under or under any standing order, award, contract of service or otherwise.

Section 43B specifies the list of deductions that are admissible under the Act only upon their actual payment. Employer's contribution is covered in clause (b) of section 43B. According to it, if any sum towards employer's contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of the employees is actually paid by the assessee on or before the due date for furnishing the return of the income under sub-section (1) of section 139, assessee would be entitled to deduction under section 43B and such deduction would be admissible for the accounting year. This provision does not cover employee contribution referred to in clause (va) of sub-section (1) of section 36 of the Act.

Though section 43B of the Act covers only employer's

contribution and does not cover employee contribution, some courts have applied the provision of section 43B on employee contribution as well. There is a distinction between employer contribution and employee's contribution towards welfare fund. It may be noted that employee's contribution towards welfare funds is a mechanism to ensure the compliance by the employers of the labour welfare laws. Hence, it needs to be stressed that the employer's contribution towards welfare funds such as ESI and PF needs to be clearly distinguished from the employee's contribution towards welfare funds. Employee's contribution is employee own money and the employer deposits this contribution on behalf of the employee in fiduciary capacity. By late deposit of employee contribution, the employers get unjustly enriched by keeping the money belonging to the employees. Clause (va) of sub-section (1) of Section 36 of the Act was inserted to the Act vide Finance Act 1987 as a measure of penalizing employers who mis-utilize employee's contributions.

Accordingly, in order to provide certainty, it is proposed to –

- Amend clause (va) of sub-section (1) of section 36 of the Act by inserting another explanation to the said clause to clarify that the provision of section 43B does not apply and deemed to never have been applied for the purposes of determining the "due date" under this clause; and
- Amend section 43B of the Act by inserting Explanation 5 to the said section to clarify that the provisions of the said section do not apply and deemed to never have been applied to a sum received by the assessee from any of his employees to which provisions of sub-clause (x) of clause (24) of section 2 applies.

These amendments will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Constitution of Dispute Resolution Committee for small and medium taxpayers

The Central Government has consciously adopted a policy to make the processes under the Act, which require interface with the taxpayer, fully faceless. In this backdrop, new schemes for faceless assessment, for faceless appeal at the level of Commissioner (Appeals) and for faceless imposition of penalty have already been made operational. Further, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 has empowered the Central Government to introduce similar schemes for other functions being performed by the Income Tax authorities.

It is expected that with these reforms, there would be lesser number of disputes. However, some disputes would still be there. Government has always been striving to reduce disputes and provide tax certainty. Vivad se Vishwas scheme was launched last year to settle pending disputes. Indications are there that the scheme has been a great success. While pending disputes are being resolved or adjudicated, it is important that in future there is less number of disputes from fresh assessments. Hence, in order to provide early tax certainty to small and medium taxpayers, it is proposed to introduce a new scheme for preventing new disputes and settling the issue at the initial stage.

The new scheme is proposed to be incorporated in a new section 245MA and has the following features

- The Central Government shall constitute one or more Dispute Resolution Committee (DRC).
- This committee shall resolve disputes of such persons or class of person which shall be specified by the Board. The assessee would have an option to opt for or not opt for the dispute resolution through the DRC.
- Only those disputes where the returned income is INR 50 lac (INR 5 Million) or less (if there is a return) and the aggregate amount of variation proposed in specified order is INR 10 lac (INR 1 Million) or less shall be eligible to be considered by the DRC.
- If the specified order is based on a search initiated under section 132 or requisition made under section 132A or a survey initiated under 133A or information received under an agreement referred to in section 90 or section 90A, of the Act, such specified order shall not be eligible for being considered by the DRC.
- Assessee would not be eligible for benefit of this provision if there is detention, prosecution or conviction under various laws as specified in the proposed section.
- Board will prescribe some other conditions in due course which would also need to be satisfied for being eligible under this provision.
- The DRC, subject to such conditions as may be prescribed, shall have the powers to reduce or waive any penalty imposable under this Act or grant immunity from prosecution for any offence under this Act in case of a person whose dispute is resolved under this provision.
- The Central Government has also been empowered to make a scheme by notification in the Official Gazette for the purpose of dispute resolution under this provision. The scheme shall impart greater efficiency, transparency and accountability by eliminating interface to the extent technologically feasible, by optimising utilisation of resources and introducing dynamic jurisdiction. The Central Government may, for the purposes of giving effect to the scheme, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. However, no such direction shall be issued after the March 31, 2023. Every such notification shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

This amendment will take effect from April 1, 2021

Constitution of the Board for Advance Ruling

With a view to avoiding dispute in respect of assessment of tax liability and to provide tax certainty, a scheme of Advance Rulings was incorporated in the Act vide the Finance Act, 1993 by inserting a new Chapter XIX-B. Under these provisions the Authority for Advance Rulings (AAR) pronounces rulings on the applications of the non-resident/ residents and such rulings are binding both on the applicants and the tax department. AAR consists of a Chairman and various Vice-Chairman, revenue members and law members. There are three benches of the Authority. The principal bench consists of Chairman, one revenue member and one law member. The other benches consist of one Vice-Chairman, one revenue member and one law member, each. A bench cannot function if the post of Chairman or Vice-Chairman is vacant. As per section 245-O of the Act, persons eligible for appointment as Chairman of AAR are retired judges of the Supreme Court, retired Chief Justice of a High Court or retired Judge of a High

Court who has served in that capacity for at least seven years. Similarly, the persons eligible for appointment as Vice-Chairman are retired judges of a High Court. As per past experience, the posts of Chairman and Vice-Chairman have remained vacant for a long time due to non-availability of eligible persons.

This has seriously hampered the working of AAR and a large number of applications are pending since last many years. There is, therefore, a need to look for an alternative method of providing advance ruling which can give rulings to taxpayers in timely manner. Hence, it is proposed to constitute a Board of Advance Ruling and to make the following amendments in the existing provisions of AAR:

- The Authority for Advance Rulings shall cease to operate with effect from such date, as may be notified by the Central Government in the Official Gazette (hereinafter referred to as the notified date).
- It is proposed that the Central Government shall constitute one or more Board for Advance Rulings for giving advance rulings under the said Chapter on and after the notified date. Every such Board shall consist of two members, each being an officer not below the rank of Chief Commissioner. Advance rulings of such Board shall not be binding on the applicant or the Department and if aggrieved, the applicant or the Department may appeal against the ruling or order passed by the Board before the High Court.
- Since the work of Authority shall be carried out by the Board for Advance Rulings on and after the notified date, amendments are proposed to be made to the various provisions of the Chapter to this effect.
- Section 245N is proposed to be amended to incorporate the definitions of the Board of Advance Rulings, notified date, Member of the Board of Advance Rulings and change in the definition of Authority to include the Board for Advance Rulings.
- Section 245-O is proposed to be amended to provide that the Authority constituted under the said section shall cease to operate on or after the notified date.
- Section 245-OB shall be inserted to provide for the constitution of the Board of Advance Rulings.
- Section 245P is proposed to be amended to provide that on or from the notified date, the provisions of the said section shall have effect as if for the words “Authority”, the words “Board for Advance Rulings” had been substituted.
- Section 245Q (which deals with filing of application) is proposed to be amended to provide that the pending application with the Authority i.e. in respect of which order under section 245R(2) or section 245R(4) has not been passed before the notified date shall be transferred to the Board for Advance Rulings along with all records, documents or material, by whatever name called and shall be deemed to be records before the Board for all purposes.
- Section 245R (which deals with the procedure) is proposed to be amended to provide that on or from the notified date, the provisions of the said section shall have effect as if for the words “Authority”, the words “Board for Advance Rulings” had been substituted and the provisions of the said section shall apply mutatis mutandi to the Board for Advance Rulings as they apply to the Authority.
- Section 245U is proposed to be amended to provide that on or from the notified date, the powers of the “Authority” under the said section shall be exercised by the “Board for Advance Ruling” and the provisions of the said section shall apply mutatis mutandi to the Board for Advance Rulings as they apply to the Authority.
- Section 245V is proposed to be amended to provide that nothing contained in the said section shall apply on and after the notified date
- A new section 245W is proposed to be inserted to provide for appeal to High Court against the order passed or ruling pronounced by the Board for Advance Ruling.
- References to Customs Act, 1962, Central Excise Act, 1944 and Finance Act, 1994 in the definition of applicant in section 245N and in section 245Q relating to application for advance ruling is proposed to be omitted.

These amendments will take effect from April 1, 2021

Amendments to provisions of Income escaping & search assessments and revised time for issue of notice

Under the Act, the provisions related to income escaping assessment provide that if the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any AY, he may assess or reassess or re- compute the total income for such year under section 147 of the Act by issuing a notice under section 148 of the Act. However, such reopening is subject to the time limits prescribed in section 149 of the Act.

In cases where search is initiated under section 132 of the Act or books of account, other documents or any assets are requisitioned under section 132A of the Act, assessment is made in the case of the assessee, or any other person, in accordance with the special provisions of sections 153A, 153B, 153C and 153D, of the Act that deal specifically with such cases. These provisions were introduced by the Finance Act, 2003 to replace the block assessment under Chapter XIV-B of the Act. This was done due to failure of block assessment in its objective of early resolution of search assessments. Also, the procedural issues related to block assessment were proving to be highly litigation-prone. However, the experience with this procedure has been no different. Like the provisions for block assessment, these provisions have also resulted in a number of litigations.

Due to advancement of technology, the department is now collecting all relevant information related to transactions of taxpayers from third parties under section 285BA of the Act (statement of financial transaction or reportable account). Similarly, information is also received from other law enforcement agencies. This information is also shared with the taxpayer through Annual Information Statement under section 285BB of the Act. Department uses this information to verify the information declared by a taxpayer in the return and to detect non-filers or those who have not disclosed the correct amount of total income. Therefore, assessment or reassessment or re-computation of income escaping assessment, to a large extent, is information-driven.

In view of above, there is a need to completely reform the system of assessment or reassessment or re-computation of income escaping assessment and the assessment of search related cases.

The Bill proposes a completely new procedure of assessment of such cases. It is expected that the new system would result in less litigation and would provide ease of doing business to taxpayers as there is a reduction in time limit by which a notice for assessment or reassessment or re-computation can be issued. The salient features of new procedure are as under:

- The provisions of section 153A and section 153C, of the Act are proposed to be made applicable to only search initiated under section 132 of the Act or books of accounts, other documents or any assets requisitioned under section 132A of the Act, on or before March 31, 2021.
- Assessments or reassessments or in re-computation in cases where search is initiated under section 132 or requisition is made under 132A, after March 31, 2021, shall be under the new procedure.
- Section 147 proposes to allow the Assessing Officer to assess or reassess or re-compute any income escaping assessment for any AY (called relevant AY).
- Before such assessment or reassessment or re-computation, a notice is required to be issued under section 148 of the Act, which can be issued only when there is information with the Assessing officer which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant AY. Prior approval of specified authority is also required to be obtained before issuance of such notice by the Assessing Officer.
- It is proposed to provide that any information which has been flagged in the case of the assessee for the relevant AY 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.
- Further, a final objection raised by the Comptroller and Auditor General of India to the effect that the assessment in the case of the assessee for the relevant AY 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.
- Further, in search, survey or requisition cases initiated or made or conducted, on or after April 1, 2021, it shall be deemed that the Assessing officer has information which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the three AYs immediately preceding the AY relevant to the PY 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 that before issuance of notice the Assessing Officer shall conduct enquiries, if required, and provide an opportunity of being heard to the assessee. After considering his reply, the Assessing Office shall decide, by passing an order, whether it is a fit case for issue of notice under section 148 and serve a copy of such order along with such notice on the assessee. The Assessing Officer shall before conducting any such enquiries or providing opportunity to the assessee or passing such order obtain the approval of specified authority. However, this procedure of enquiry, providing opportunity and passing order, before issuing notice under section 148 of the Act, shall not be applicable in search or requisition cases.
- The time limitation for issuance of notice under section 148 of the Act is proposed to be provided in section 149 of the Act and is as below:
  * In normal cases, no notice shall be issued if three years have elapsed from the end of the relevant AY. Notice beyond the period of three years from the end of the relevant AY can be taken only in a few specific cases.
  * In specific cases where the Assessing Officer has in his possession evidence which reveal that the income escaping assessment, represented in the form of asset, amounts to or is likely to amount to INR 50 lac (INR 5 Million) or more, notice can be issued beyond the period of three year but not beyond the period of ten years from the end of the relevant AY;
  * Another restriction has been provided that the notice under section 148 of the Act cannot be issued at any time in a case for the relevant AY beginning on or before April 1, 2021, if such notice could not have been issued at that time on account of being beyond the time limit prescribed under the provisions of clause (b), as they stood immediately before the proposed amendment.
  * Since the assessment or reassessment or re-computation in search or requisition cases (where such search or requisition is initiated or made on or before March 31, 2021) are to be carried out as per the provision of section 153A, 153B, 153C and 153D of the Act, the aforesaid time limitation shall not apply to such cases.
  * It is also proposed that for the purposes of computing the period of limitation for issue of section 148 notice, the time or extended time allowed to the assessee in 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 Assessing Officer for passing order, about fitness of a case for issue of 148 notice, is less than seven days, the remaining time shall be extended to seven days.
- 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 three years or less than three years have elapsed from the end of the relevant AY;
  * 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 three years have elapsed from the end of the relevant AY.
- Once assessment or reassessment or re-computation has started the Assessing officer 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.

These amendments will take effect from April 1, 2021.

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

Section 142 of the Act provides for conduct of inquiry before assessment. Clause (i) of sub-section (1) of the said section empowers only the Assessing Officer to serve notice to an assessee, who has not submitted a return of income, requiring him to file return of income.

Under the conscious policy of making all the processes under the Act fully faceless and in order to enable centralized issuance of notices etc. in an automated manner, it is proposed to amend these provisions to empower the prescribed Income Tax authority besides the Assessing Officer to issue notice under the said clause.

This amendment will take effect from April 1, 2021.

Provision for Faceless Proceedings before ITAT in a jurisdiction less manner

In order to impart greater efficiency, transparency and accountability to the assessment process, appeal process and penalty process under the Act, a new faceless assessment scheme, faceless appeal scheme and faceless penalty scheme have already been introduced. Further, vide Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 the Central Government has been empowered to notify similar schemes in respect of many other processes under the Act that require a physical interface with the taxpayers.

In order to ensure that the reforms initiated by the Department to reduce human interface from the system reaches the next level, it is imperative that a faceless scheme be launched for ITAT proceedings on the same line as faceless appeal scheme. This will not only reduce cost of compliance for taxpayers, increase transparency in disposal of appeals but will also help in achieving even work distribution in different benches resulting in best utilisation of resources.

This amendment will take effect from April 1, 2021.

VKC Insight

Clause 78 of the Bill seeks to amend the section 255 of the Income Tax Act relating to procedure of Appellate Tribunal. Pertinent to note that format of Form 36 was revised in 2018 and in June 2020, it was announced that ITAT's appeal E-filing portal was ready for launch and awaiting compliance under the mandatory security audit. The E-filing portal is yet to be implemented. ITATs function under aegis of the Ministry of Law and Justice and not under control of the Ministry of Finance to ensure independence of Tribunals who are the highest appellate forums to entertain questions of fact. Making disposal of appeals by ITAT will accelerate dynamic jurisdiction of the appellate system.

Discontinuance of Income Tax Settlement Commission

It is proposed to discontinue ITSC and to constitute Interim Board of settlement for pending cases. The various amendments proposed are as under:

- ITSC shall cease to operate on or after February 1, 2021
- No application under section 245C of the Act for settlement of cases shall be made on or after February 1, 2021
- All applications that were filed under section 245C of the Act and not declared invalid under sub-section (2C) of section 245D of the Act and in respect of which no order under section 245D(4) of the Act was issued on or before January 31, 2021 shall be treated as pending applications
- Where in respect of an application, an order, which was required to be passed by the ITSC under section 245(2C) of the Act on or before January 31, 2021 to declare an application invalid but such order has not been passed on or before January 31, 2021, such application shall be deemed to be valid and treated as pending application
- The Central Government shall constitute one or more Interim Board for Settlement, as may be necessary, for settlement of pending applications. Every Interim Board shall consist of three members, each being an officer of the rank of Chief Commissioner, as may be nominated by the Board. If the Members of the Interim Board differ in opinion on any point, the point shall be decided according to the opinion of majority
- On and from February 1, 2021, the provisions related to exercise of powers or performance of functions by the ITSC viz. provisional attachment, exclusive jurisdiction over the case, inspection of reports and power to grant immunity shall apply mutatis mutandi to the Interim Board for the purposes of disposal of pending applications and in respect of functions like rectification of orders for all orders passed under sub-section (4) of section 245D of the Act. However, where the time-limit for amending any order or filing of rectification application under section 245(6B) of the Act expires on or after February 1, 2021, in computing the period of limitation, the period commencing from February 1, 2021 and ending on the end of the month in which the Interim Board is constituted shall be excluded and the remaining period shall be extended to 60 days, if less than 60 days
- With respect to a pending application, the assessee who had filed such application may, at his option, withdraw such application within a period of 3 months from the date of commencement of the Finance Act, 2021 and intimate the Assessing Officer, in the prescribed manner, about such withdrawal
- Where the option for withdrawal of application is not exercised by the assessee within the time allowed, the pending application shall be deemed to have been received by the Interim Board on the date on which such application is allotted or transferred to the Interim Board
- The Board may, by an order, allot any pending application to any Interim Board and may also transfer, by an order, any pending application from one Interim Board to another Interim Board
- Where the pending application is allotted to an Interim Board or transferred to another Interim Board subsequently, all the records, documents or evidences, with whatever name called, with the ITSC shall be transferred to such Interim Board and

shall be deemed to be the records before it for all purposes

- Where the assessee exercises the option to withdraw his application, the proceedings with respect to the application shall abate on the date on which such application is withdrawn and the Assessing Officer, or, as the case may be, any other Income Tax authority before whom the proceeding at the time of making the application was pending, shall dispose of the case in accordance with the provisions of this Act as if no application under section 245C of the Act had been made.

These amendments will take effect from February 1, 2021.

Reduction of time limit for completing assessment

Clause 41 of the Bill seeks to amend Section 153, containing provisions in respect of time-limit for completion of assessment, re-assessment, and re-computation under the Act. The time limit for completion of assessment proceedings under sections 143 or 144 of the Act was reduced to 18 months for AY 2018-19 and 12 months for AY 2019-20 and subsequent AYs vide the Finance Act, 2017.

It is proposed to further reduce this time limit by three months. Thus, with effect from April 1, 2021, the time for completing of assessment would be 9 months from end of the AY in which the income was first assessable, for AY 2021-22 and subsequent AYs.

Rationalization of provision of Charitable Trust and Institutions to eliminate possibility of double deduction while calculating application or accumulation

Exemption to funds, institutions, trusts etc. carrying out religious or charitable activities is provided under clause (23C) of section 10, sections 11 and 12 of the Act. Section 12A of the Act, inter alia, provides for procedure to make application for the registration of the trust or institution to claim exemption under section 11 and 12 under the new Section 12AB which comes into effect from April 1, 2021.

Instances have come to the notice where entities receiving corpus donations, claim its corresponding tax exemption and at the same time claim their application as part of the mandatory 85% application from income other than such corpus. This results in a situation where the corpus income has been exempted and its application has been claimed as application against the mandatory 85% application of non-corpus income. Instances have also come to the notice where these entities take loans or borrowings and make application for charitable or religious purposes out of the proceeds of loans and borrowings. Such loans or borrowings when repaid, are again claimed as application. This results in unintended double deduction. Both these situations, at times, also result in paper loss which is claimed by the assessee as carry forward resulting in unintended short application (less than 85%) in following years.

To ensure that there is no double counting while calculating application or accumulation, it is proposed that:

- Voluntary contributions made with a specific direction that it shall form part of the corpus, shall be invested or deposited in one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus.
- Application out of corpus shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when it is invested or deposited back, into one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus from the income of the PY, such amount shall be allowed as application in the PY in which it is deposited back to corpus to the extent of such deposit or investment.
- Application from loans and borrowings shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when loan or borrowing is repaid from the income of the PY, such repayment shall be allowed as application in the PY in which it is repaid to the extent of such repayment.
- Clarify in both clause (23C) of section 10 and section 11 that for the computation of income required to be applied or accumulated during the PY, no set off or deduction or allowance of any excess application, of any of the year preceding the PY, shall be allowed

VKC Insight

Prior to this amendment, if asset acquired was through borrowed capital, some taxpayers claimed acquisition of asset as application, while others as repayment of borrowed fund as application in the past. While the Budget mandates removal of acquisition cost from CAPEX financed via loans & borrowings and allowability of repayment of loan from application, how transition from old approach followed in the past to this new approach will happen, needs clarity. Pertinent to note that amendment is prospective, being applicable from AY 2022-23. However, whether this necessitates the herculean task of recasting and reworking of previous financial statements or application of repayment of loans will prospectively be allowed from the amendment coming into force (irrespective of whether taken as application in PYs) needs clarity.

Taxation of proceeds of high premium ULIP

Clause (10D) of section 10 provides for exemption for sum received under a life insurance policy, including the sum allocated by way of bonus on such policy where premium payable for any of the years during the terms of the policy does not exceed 10% of actual capital sum assured.

Under the existing provisions, there is no cap on the amount of annual premium being paid by any person during the term of the policy. Instances have come to the notice where high net worth individuals are claiming exemption under this clause by investing in ULIP with huge premium. Allowing such exemption in policy/policies with huge premium defeats the legislative intent of this clause. The intention was to provide benefit to small and genuine cases of life insurance.

The Budget proposes to insert the following provisions in Section 10:

- Explanation 3 to clause (10D) to define ULIP as a life insurance policy which has components of both investment and insurance and is linked to a unit as defined in clause (ee) of regulation (3) of the Insurance Regulatory and Development Authority of India (Unit Linked Insurance Products) Regulations, 2019 dated July 8, 2019.
- Fourth proviso to provide that the exemption under this clause shall not apply with respect to any ULIP issued on or after February 1, 2021, if the amount of premium payable for any of the PY during the term of the policy exceeds INR 2 lac (INR 0.2 Million) and INR 50,000.
- Fifth proviso to provide that, if premium is payable by a person for more than one ULIPs, issued on or after February 1, 2021, exemption under this clause shall be available only with respect to such policies aggregate premium whereof does not exceed the amount of INR 2.5 lac (INR 0.25 Million), for any of the PYs during the term of any of the policy.
- Sixth proviso providing that the provisions of fourth and fifth provisos shall not apply to any sum received on the death of a person.
- Seventh proviso to enable CBDT to issue guidelines with the approval of Central Government for the purpose of removing the difficulty and to lay every guideline issued by the Board before each House of Parliament and to make it binding on the Income Tax authorities and the assessee.
- To provide that a ULIP, to which exemption under clause (10D) does not apply on account of the applicability of the fourth and fifth proviso:
  - * Is a capital asset under clause (14) of section 2 of the Act.
  - * Provide for the deemed taxation of profit and gains from the redemption of ULIP as capital gains by inserting new sub-section (1B) in section 45 and to take power to prescribe rules for calculation of such capital gains.
  - * Include such ULIPs in the definition of equity oriented fund in section 112A so as to provide them same treatment as unit of equity oriented fund. Thus provisions of section 111A and 112A would apply on sale/ redemption of such ULIPs.

These amendments will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Consequential amendment proposed in Finance (No 2) Act, 2004 to make security transaction tax applicable on maturity or partial withdrawal with respect to unit linked insurance policy issued by insurance company on or after February 1, 2021.

Rationalization of the provision of slump sale

Section 50B of the Act contains special provision for computation of capital gains in case of slump sale. Sub-section (42C) of section 2 of the Act defines “slump sale” to mean the transfer of one or more undertakings as a result of sale for lump sum consideration without value being assigned to individual assets and liabilities in such cases. This has been interpreted by some courts that other means of transfer listed in sub-section (47) of section 2 of the Act, in relation to definition of the word “transfer” in relation to capital asset like exchange, relinquishment etc, are excluded.

Hon’ble Supreme Court in CIT vs. R.R. Ramakrishna Pillai [(1967) 66 ITR 725 SC] enunciated cases where a transaction of “sale” may be disguised as “exchange” by the parties to the transaction. Hon’ble SC in the case of Artex Manufacturing Company [(1997), 227 ITR 260] held that the sale of business on a going concern for a lump-sum non-monetary consideration was transfer by way of sale on the ground that the slump price was determined by the value on the basis of itemized assets, though this price was not mentioned in the agreement. Similarly, Hon’ble SC in the case of Dhampur Sugar Mills [(2006) 147 STC 57] considered the case of a dealer who took a sugar mill on long term lease for an agreed amount of license fee and in satisfaction therefore, the dealer was required to give the entire quantity of molasses to the owner of the sugar mill. It was held that the said transaction “in effect and substance” involved passing of monetary consideration and was accordingly liable to sales tax.

Going substance over form and in order to make the intention clear, the Bill proposes to amend the scope of the definition of the term “slump sale” by amending the provision of clause (42C) of section 2 of the Act so that all types of “transfer” as defined in clause (47) of section 2 of the Act are included within its scope.

This amendment will take effect from the April 1, 2021 and shall accordingly apply to the AY 2021-22 and subsequent AYs.

VKC Insight

Slump sale, governed by section 50B, provides for sale by transfer of one or more undertakings for lump sum consideration being values assigned to individual assets and liabilities. The above clarification comes in consonance with judicial precedents distinguishing transfer of assets and indirect itemized sale of assets from slump sale. Some aspects still requiring clarity and adjudicated by appellate forums in case of dispute with department, are as under:

Where liabilities are more than value of assets, will net worth be zero or negative?

Can defunct assets or properties can be left out from calculation of net worth?

Will actual asset be reduced by depreciation even if not claimed by assessee?

Are deeming provisions of section 50C, 43CA, 56(2)(x) applicable in case of slump sale?

Rationalization of provision of transfer of capital asset to partner on dissolution or reconstitution

The existing provisions of section 45 of the Act inter alia, provides that any profits or gains arising from the transfer of a capital asset shall be chargeable to Income Tax under the head Capital gains and shall be deemed to be the income of the PY in which such transfer takes place. Further sub-section (4) of the said section, provides that the profits or gains arising from the transfer of a capital asset by way of distribution of capital assets on the dissolution, shall be chargeable to tax as the income specified entity in PY in which transfer takes place.

To combat uncertainty regarding applicability of section in case of recording of revalued or self-generated assets in books, it is proposed to substitute the existing sub-section (4) of section 45 of the Act with a new sub-section (4) and also insert a new sub-section (4A) to this section.

New proposed sub-section (4) of section 45 of the Act applies in a case where a specified person who receives during the PY any capital asset at the time of dissolution or reconstitution of the specified entity. The capital asset represents the balance in the capital account of such specified person in the books of the specified entity at the time of its dissolution or reconstitution. In this situation, the profit and gains arising from the receipt of such capital asset by the specified person shall be chargeable to Income Tax as income of the specified entity under the head "capital gains" and shall be deemed to be the income of such specified entity of the PY in which the capital asset was received by the specified person. For the purposes of section 48 of the Act, the fair market value of the capital asset on the date of such receipt shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset. The balance in the capital account of the specified person in the books of account of the specified entity is to be calculated without taking into account increase in the capital account of the specified person due to revaluation of any asset or due to self-generated goodwill or any other self-generated asset.

New proposed section sub-section (4A) of section 45 of the Act applies in a case where a specified person receives during the PY any money or other asset at the time of dissolution or reconstitution of the specified entity. The money or other asset is required to be in excess of the balance in the capital account of such specified person in the books of accounts of the specified entity at the time of its dissolution or reconstitution. In this situation, the profits or gains arising from the receipt of such money or other asset by the specified person shall be chargeable to Income Tax as income of the specified entity under the head "Capital gains" and shall be deemed to be the income of such specified entity of the PY in which the money or other asset was received by the specified person. For the purposes of section 48 of the Act,

- Value of the money or the fair market value of other asset on the date of such receipt shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset; and
- The balance in the capital account of the specified person in the books of accounts of the specified entity at the time of its dissolution or reconstitution shall be deemed to be the cost of acquisition.

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

For the purposes of these two sub-sections:

- "Specified person" is proposed to be defined as a person who is partner of a firm or member of other association of persons or body of individuals (not being a company or a cooperative society), in any PY;
- "Specified entity" is proposed to be defined as a firm or other association of persons or body of individuals (not being a company or a cooperative society); and
- "Self-generated goodwill" and "self-generated assets" are proposed to be defined as goodwill or asset, as the case may be, which has been acquired without incurring any cost for purchase or which has been generated during the course of the business or profession.

Consequential amendment is also proposed in section 48 of the Act to provide that in case of specified entity, the amount included in the total income of such specified entity under sub-section (4A) of section 45 which is attributable to the capital asset being transferred, shall be reduced from the full value of the consideration to compute income charged under the head "capital gains". This is to be calculated in the manner to be prescribed later. This is to mitigate the double taxation which may have happened but for this provision in a situation where an asset which was revalued and for which income under the proposed sub-section (4A) of section 45 of the Act was brought to tax is transferred subsequently by the specified entity.

These amendments will be effective from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Provisional attachment in Fake Invoice cases

Section 281B of the Act contains provisions which provide that in cases of assessment or reassessment the Assessing Officer, (with prior approval as specified) may provisionally attach any property of the assessee, if necessary, in order to protect the interest of revenue. Such provisional attachment is valid for a period of 6 months. Further, section allows assessee to furnish a bank guarantee of the value of property so attached, for revocation of the provisional attachment, which is invoked on failure to pay tax demand on time.

The anti-abuse provision, section 271AAD was inserted vide the Finance Act, 2020 to impose penalty on a person or a person who causes such person to make a false entry or omit an entry from his books of accounts. Upon initiation of such penalty proceedings, it is highly likely that the taxpayer may also evade the payment of such penalty, if imposed.

In order to protect the interest of revenue, it is proposed to amend the provision of section 281B of the Act to enable the Assessing Officer to exercise powers under this section during the pendency of proceedings for imposition of penalty under section 271AAD of the Act, if the amount or aggregate of amounts of penalty imposable is likely to exceed INR 2 crore (INR 20 Million).

This amendment will take effect from April 1, 2021.

Rationalization of the provisions of Equalisation Levy

Clause (50) of section 10 provides for exemption for the income arising from any specified service provided on or after the date on which the provisions of Chapter VIII of the Finance Act, 2016 comes into force or arising from any e-commerce supply or services made or provided or facilitated on or after the April 1, 2021 and chargeable to Equalisation Levy under that Chapter.

Recognizing need for clarification to correctly reflect the intention of various provisions concerning this levy, the Bill proposes following amendments in the Finance Act, 2016:

- Insert an Explanation to section 163 of the Finance Act, 2016, clarifying that consideration received or receivable for specified services and consideration received or receivable for e-commerce supply or services shall not include consideration which are taxable as royalty or fees for technical services in India under the Income Tax Act read with the agreement notified by the Central Government under section 90 or section 90A of the Income Tax Act.
- Insert an Explanation to clause (cb) of section 164 of the Finance Act, 2016, providing that for the purposes of defining e-commerce supply or service, "online sale of goods" and "online provision of services" shall include one or more of the following activities taking place online:
    - 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
- Amend section 165A of the Finance Act, 2016, to provide that 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; and
    - Consideration for provision of services irrespective of whether service is provided or facilitated by the e-commerce operator.

These amendments will take effect retrospectively from April 1, 2020.

It is also proposed to amend section 10(50) of the Act to -

- Provide that section 10(50) will apply for the e-commerce supply or services made or provided or facilitated on or after April 1, 2020.
- Clarify that exemption under section 10(50) will not apply for royalty or fees for technical services which is taxable under the Act read with the agreement notified by the Central Government under section 90 or section 90A of the Act.
- Define e-commerce supply or services under section 10(50) as the meaning assigned to it in clause (cb) of section 164 of Chapter VIII of the Finance Act, 2016.

This amendment will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Depreciation on Goodwill

It is seen that Goodwill of a business or a profession has not been specifically provided as an asset either in the definition under clause (11) of section 2 of the Act or in section 32 of the Act. The question whether goodwill of a business is an asset within the meaning of section 32 of the Act and whether depreciation on goodwill is allowable under the said section, is an issue which came up before Hon'ble Supreme Court in the case Smiff Securities Limited [(2012)348 ITR 302 (SC)], where the Court answered the question in affirmative.

It is seen that Goodwill, in general, is not a depreciable asset and in fact depending upon how the business runs; goodwill may see appreciation or in the alternative no depreciation to its value. Therefore, there may not be a justification of depreciation on goodwill in the manner there is a need to provide for depreciation in case of other intangible assets or plant & machinery. Hence there appears to be little justification for depreciation on goodwill. However, in some other cases (like that of acquisition of goodwill by purchase) there could be valid claim of depreciation on goodwill in accordance with the decision of Hon'ble Supreme Court holding goodwill of a business or profession as a depreciable asset.

In view of above discussion, it has been decided to propose that goodwill of a business or profession will not be considered as a depreciable asset and there would not be any depreciation

on goodwill of a business or profession in any situation. In a case where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be considered as cost of acquisition for the purpose of computation of capital gains under section 48 of the Act subject to the condition that in case depreciation was obtained by the assessee in relation to such goodwill prior to the AY 2021-22, then the depreciation so obtained by the assessee shall be reduced from the amount of the purchase price of the goodwill.

Therefore, to give effect to the above decision, it has been proposed to,

- Amend clause (11) of section 2 of the Act to provide that "block of asset" shall not include goodwill of a business or profession;
- Amend clause (ii) of sub-section (1) of section 32 of the Act to provide that goodwill of a business or profession shall not be considered as an asset for the purpose of the said clause and therefore not eligible for depreciation. Further, it is also proposed to amend Explanation 3 to sub-section (1) of the said section to provide that goodwill of a business or profession shall not be considered as an asset for the said sub-section.
- Amend section 50 of the Act to provide that in a case where goodwill of a business or profession formed part of a block of asset for the AY beginning on the April 1, 2020 and depreciation has been obtained by the assessee under the Act, the written down value of that block of asset and short term capital gain, if any, shall be determined in the manner as may be prescribed.
- Amend section 55 of the Act by substituting clause (a) of sub- section (2) to provide that in relation to a capital asset, being goodwill of a business or profession, or a trade mark or brand name associated with a business or profession, or a right to manufacture, produce or process any article or thing, or right to carry on any business or profession, or tenancy rights, or stage carriage permits, or loom hours:
    - In the case of acquisition of such asset by the assessee by purchase from a previous owner, means the amount of the purchase price; and
    - In the case falling under sub-clause (i) to (iv) of sub-section (1) of section 49 and where such asset was acquired by the previous owner (as defined in that section) by purchase, means the amount of the purchase price for such previous owner; and
    - In any other case, shall be taken to be nil
- Provide that in case of goodwill of business or profession acquired by the assessee by way of purchase from a previous owner (either directly or through modes specified under sub-clause (i) to (iv) of sub-section (1) of section 49) and any deduction on account of depreciation under section 32 of the Act has been obtained by the assessee in any PY preceding the PY relevant to the AY commencing on or after the April 1, 2021, then the cost of acquisition will be the purchase price as reduced by the depreciation so obtained by the assessee before the PY relevant to AY commencing on April 1, 2021.

These amendments will take effect from April 1, 2021 and will accordingly apply to the AY 2021-22 and subsequent AYs.

Rationalization of the provision relating to processing of returned income and issuance of notice under sub-section (2) of section 143 of the Act

The existing provisions of clause (a) of sub-section (1) of section 143 of the Act provides that at the time of processing of return of income made under section 139, or in response to a notice under sub-section (1) of section 142, the total income or loss shall be computed after making the adjustments specified in clauses (i) to (vi) therein.

It is proposed to amend the following provisions of sub-section (1) of section 143 of the Act:

- Amend sub-clause (iv) of clause (a) of sub-section (1) of the section 143 of the Act, to allow for the adjustment on account of increase in income indicated in the audit report but not taken into account in computing the total income.
- Amend sub-clause (v) of clause (a) of sub-section (1) of the section 143 of the Act so as to give consequential effect to amendment carried out in section 80AC vide Finance Act, 2018.
- Amend the provisions of section 143 to reduce the time limit for sending intimation under sub-section (1) of section 143 of the Act from one year to 9 months from the end of the FY in which the return was furnished.

Consequently, it is also proposed to reduce the time limit for issue of notice under sub-section (2) of section 143 of the Act from 6 months to 3 months from the end of the FY in which the return is furnished.

These amendments will take effect from April 1, 2021

Adjudicating authority under the PBPT Act

Section of the 71 of the PBPT Act, inter alia, provides that the Central Government may, by notification, provide that until the Adjudicating Authorities are appointed and the Appellate Tribunal is established under the PBPT Act, the Adjudicating Authority appointed under sub-section (1) of section 6 of the Prevention of Money-Laundering Act, 2002 (hereinafter referred to as the PMLA) and the Appellate Tribunal established under section 25 of the PMLA may discharge the functions of the Adjudicating Authority and the Appellate Tribunal, respectively, under the PBPT Act for such period and in respect of such cases or class of cases as may be specified in the said notification.

Since there is no appointment of the Adjudicating Authority under the PBPT Act, the Adjudicating Authority under the PMLA is discharging the functions of the Adjudicating Authority under the PBPT Act. It is now proposed to provide that the Competent Authority constituted under sub-section (1) of section 5 of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEMA)

shall be the Adjudicating Authority under the PBPT Act which shall commence discharging the function from July 1, 2021. As the said Adjudicating Authority under PBPT Act is proposed to commence the discharging the functions from July 1, 2021, it is proposed to extend the period of limitation under sub-section (7) of section 26 of the PBPT Act to provide that where the time limit for passing order under sub-section (7) of section 26 of the PBPT Act expires during the period beginning from July 1, 2021 and ending on September 29, 2021, the time limit for passing such order shall stand extended to September 30, 2021.

This amendment will take effect from July 1, 2021.

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

Section 44ADA of the Act relates to special provision for computing profits and gains of profession on presumptive basis. Sub-section (1) of the said section provides that notwithstanding anything contained in sections 28 to 43C, in case of an assessee, being a resident in India engaged in a profession referred to in sub-section (1) of section 44AA and whose total gross receipts do not exceed INR 50 lac (INR 5 Million) in a PY, a sum equal to 50% of the total gross receipts of the assessee in the PY on account of such profession, or as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the assessee, shall be deemed to be the profits and gains of such profession chargeable to tax.

The provisions of presumptive taxation under section 44ADA when introduced via Finance Act 2016, were made applicable to Individual, HUF and partnership firm but not an LLP as defined under clause (n) of sub-section (1) of section 2 of LLP Act, 2008. This is for the reason that LLP are required to maintain books of accounts in any case under LLP Act.

It is proposed to make this position clear in the law. Hence it is proposed to amend sub-section (1) of section 44ADA of the Act to provide that the provision of this section shall apply to an assessee, being an individual, HUF or partnership firm, not being an LLP as defined under clause (n) of sub-section (1) of section 2 of LLP Act, 2008.

This amendment will take effect from April 1, 2021 and will, accordingly, apply in relation to the AY 2021-22 and subsequent AYs.

Definition of the term “Liable to tax”

The Act currently does not define the term “liable to tax” though this term is used in section 6, in clause (23FE) of section 10 and various agreements entered into under section 90 or section 90A of the Act. Hence, it is proposed to insert clause (29A) to section 2 of the Act providing its definition. The term “liable to tax” in relation to a person means that there is a liability of tax on that person under the law of any country and will include a case where subsequent to imposition of such tax liability, an exemption has been provided.

This amendment will take effect from April 1, 2021 and will, accordingly, apply in relation to the AY 2021-22 and subsequent AYs.

Income Declaration Scheme (IDS) amendment

The Income Declaration Scheme, 2016 (the Scheme) contained in Chapter-IX of the Finance Act, 2016 provided an opportunity to the persons who had not disclosed any income in the past to come clean and make payment of tax, surcharge and penalty as per the provisions of the Scheme. The Scheme commenced on June 1, 2016.

Section 187 of the Finance Act, 2016 inter alia, provides that the tax, surcharge and penalty payable under the Scheme shall be paid on or before the specified date and if the declarant failed to pay such amount, the declaration filed by the declarant shall be deemed invalid. Further, section 191 of the Finance Act, 2016, inter alia, provides that any amount of tax, surcharge and penalty paid in pursuance of a declaration made under the Scheme shall not be refundable. A proviso was inserted in section 191 of the Finance Act, 2016 vide Finance (No. 2) Act, 2019 empowering the Board to specify a class of persons to whom such tax paid in excess shall be refundable. It is now proposed to amend the proviso of section 191 of the Finance Act, 2016, so as to provide that the excess amount of tax, surcharge or penalty paid in pursuance of a declaration made under the Scheme shall be refundable to the specified class of persons without payment of any interest.

This amendment will take effect retrospectively from June 1, 2016.

TDS on purchase of goods

Chapter XVIIB of the Act relates to deduction of tax at source. The provisions of this chapter provide for TDS on various payments at rates contained therein. It is proposed to provide for TDS by person responsible for paying any sum to any resident for purchase of goods. The rate of TDS is kept very low at 0.1%. To ensure that compliance burden is only on those who can comply with it, it is proposed that the tax is only required to be deducted by those person (i.e “buyer”) whose total sales, gross receipts or turnover from the business carried on by him exceed INR 10 crore (INR 100 Million) during the FY immediately preceding the FY in which the purchase of goods is carried out. Central Government is proposed to be empowered by notification in the Official Gazette to exempt a person from obligation under this section on fulfilment of conditions as may be specified in that notification. Tax is required to be deducted by such person, if the purchase of goods by him from the seller is of the value or aggregate of such value exceeding INR 50 lac (INR 5 Million) in the PY. It is also proposed to provide that the provisions of this section shall not apply to:

- A transaction on which tax is deductible under any provision of the Act; and
- A transaction, on which tax is collectible under the provisions of section 206C other than transaction to which sub-section (1H) of section 206C applies.

This means, if on a transaction a TDS or TCS is required to be carried out under any other provision, then it would not be subjected to TDS under this section. There is one exception to this general rule. If on a transaction TCS is required under sub-section (1H) of section 206C as well as TDS under this section, then on that transaction only TDS under this section shall be carried out.

Board with the approval of the Central Government has been empowered to issue guidelines for removing difficulty in giving effect to the provisions of this section.

It is also proposed to consequentially amend sub-section (1) of section 206AA of the Act and insert second proviso to further provide that where the tax is required to be deducted under section 194Q and PAN is not provided, the TDS shall be at

the rate of 5%.

These amendments will take effect from July 1, 2021.

TDS/TCS on non-filer at higher rates

Section 206AA and section 206CC provide for higher rate of TDS and TCS respectively for non-furnishing of PAN. It is seen that while these provisions have served their purpose in ensuring obtaining and furnishing of PAN by various person, there is need to have similar provisions to ensure filing of return of income by those person who have suffered a reasonable amount of TDS/TCS.

Hence, it is proposed to insert new sections 206AB as a special provision providing for higher rate for TDS for the non-filers of Income Tax return. This section shall not apply where the tax is required to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act. The proposed TDS rate in this section is higher of the followings rates:

- Twice the rate specified in the relevant provision of the Act; or
- Twice the rate or rates in force; or
- The rate of 5%

If the provision of section 206AA of the Act is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA of the Act.

Similarly, it is proposed to insert a section 206CCA in the Act as a special provision for providing for higher rate of TCS for non-filers of Income Tax return. This section would apply on any sum or amount received by a person (herein referred to as collectee) from a specified person. The proposed TCS rate in this section is higher of the following rates:

- Twice the rate specified in the relevant provision of the Act; or
- The rate of 5%

If the provision of section 206CC of the Act is applicable to a specified person, in addition to the provision of this section, the tax shall be collected at higher of the two rates provided in this section and in section 206CC of the Act.

The specified person is a person who has not filed the returns of income for both of the two AYs relevant to the two PYs which are immediately before the PY in which tax is required to be deducted or collected, as the case may be. Further the time limit for filing tax return under sub-section (1) of section 139 of the Act has expired for both these AYs. There is another condition that aggregate of tax deducted at source and tax collected at source in his case is INR 50,000 or more in each of these two PYs. Specified person shall not include a non-resident who does not have a PE in India.

Consequential amendment is proposed in sub-section (4) of section 194-IB of the Act.

This amendment will take effect from July 1, 2021.

Taxability of Interest on various funds where income is exempt

Clause (11) of section 10 of the Act provides for exemption with respect to any payment from a provident fund to which the Provident Funds Act, 1925 (19 of 1925) applies or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette. Similarly, Clause (12) of this section provides for exemption with respect to the accumulated balance due and becoming payable to an employee participating in a recognized provident fund, to the extent provided in rule 8 of Part A of the Fourth Schedule. Instances have come to the notice where some employees are contributing huge amounts to these funds and entire interest accrued/received on such contributions is exempt from tax under clause (11) and clause (12) of section 10 of the Act. This exemption without any threshold benefits only those who can contribute a large amount to these funds as their share. Accordingly, it is proposed to insert proviso to clause (11) and clause (12) of section 10 of the Act, providing that the provisions of these clauses shall not apply to the interest income accrued during the PY in the account of the person to the extent it relates to the amount or the aggregate of amounts of contribution made by the person exceeding INR 2.5 lac (INR 0.25 Million) in a PY in that fund, on or after April 1, 2021, computed in such manner as may be prescribed.

Indirect Taxes

INDIRECT TAXES

Amendments carried out in the Finance Bill, 2021 will come into effect from the date when the same will be notified, concurrently with the corresponding amendments to the Acts passed earlier by the States and Union Territories with legislature.

GOODS AND SERVICES TAX (GST)

Amendments in the CGST Act, 2017

- A new clause (aa) in sub-section (1) of section 7 of the CGST Act is being inserted, retrospectively with effect from the July 01, 2017, so as to ensure levy of tax 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.

VKC Insights: The amendment intends to include supply of goods or services by clubs or associations to its members and retrospectively from July 1, 2017, for cash, deferred payment or other valuable consideration.

- A new clause (aa) to sub-section (2) of the section 16 of the CGST Act is being inserted to provide that input tax credit on invoice or debit note may be availed only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note.

VKC Insights: ITC would not be available to the recipient if the details of such invoice or debit note has been not furnished by the supplier in GSTR-1. The amendment provides statutory backing to Rule 36(4) of CGST Rules, 2017.

- Sub-section (5) of section 35 of the CGST Act is being omitted so as to remove the mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professional.
- Section 44 of the CGST Act is being substituted so as to remove the mandatory requirement of furnishing a reconciliation statement duly audited by specified professional and to provide for filing of the annual return on self-certification basis. It further provides for the Commissioner to exempt a class of taxpayers from the requirement of filing the annual return.

VKC Insights: The responsibility of reconciliation has been shifted to Taxpayer instead of GST auditors.

- Section 50 of the CGST Act is being amended, retrospectively, to substitute the proviso to sub-section (1) so as to charge interest on net cash liability with effect from the July 01, 2017.
- Section 74 of the CGST Act is being amended so as make seizure and confiscation of goods and conveyances in transit a separate proceeding from recovery of tax.

VKC Insights: Accordingly, conclusion of proceedings under section 73 or 74 will now mean conclusion of proceedings under section 122 and 125 but not proceedings under section 129 and 130 of CGST Act, 2017.

- An explanation to sub-section (12) of section 75 of the CGST Act is being inserted to clarify that 'self-assessed tax' shall include the tax payable in respect of outward supplies, the details of which have been furnished under section 37, but not included in the return furnished under section 39.

VKC Insights: The ambit of the term 'self-assessed tax' is proposed to be widened. Meaning thereby that now recovery can be initiated by the officer even for the outward supply liability shown in the GSTR-1 filled

under section 37.

- Section 83 of the CGST Act is being amended so as to provide that provisional attachment shall remain valid for the entire period starting from the initiation of any proceeding under Chapter XII, Chapter XIV or Chapter XV till the expiry of a period of one year from the date of order made thereunder.

- Proviso to sub-section (6) of section 107 of the CGST Act is being inserted to provide that no appeal shall be filed against an order made under sub-section (3) of section 129, unless a sum equal to 25% of penalty has been paid by the appellant.

VKC Insights: Pre-deposit requirement prior to this amendment was only to the extent of 10% of the disputed tax liability which is now proposed to be 25% of the penalty amount in case of detention and seizure of conveyance and goods during transit.

- Section 129 of the CGST Act is being amended to delink the proceedings under that section relating to detention, seizure and release of goods and conveyances in transit, from the proceedings under section 130 relating to confiscation of goods or conveyances and levy of penalty.

- Section 130 of the CGST Act is being amended to delink the proceedings under that section relating to confiscation of goods or conveyances and levy of penalty from the proceedings under section 129 relating to detention, seizure and release of goods and conveyances in transit.

- Section 151 of the CGST Act is being substituted to empower the jurisdictional Commissioner to call for information from any person relating to any matter dealt with in connection with the Act.

- Section 152 of the CGST Act is being amended so as to provide that no information obtained under sections 150 and 151 shall be used for the purposes of any proceedings under the Act without giving an opportunity of being heard to the person concerned.

- Section 168 of the CGST Act is being amended to enable the jurisdictional Commissioner to exercise powers under section 151 to call for information.

- Consequent to the amendment in section 7 of the CGST Act paragraph 7 of Schedule II to the CGST Act is being omitted retrospectively, with effect from the July 01, 2017.

VKC Insights: This proposed omission is consequent to insertion of new clause (aa) in sub-section (1) of section 7 of the CGST Act, 2017.

Amendments in the IGST Act, 2017

- Section 16 of the IGST Act is being amended so as to:

  * Zero rate the supply of goods or services to a SEZ developer or a SEZ unit only when the said supply is for authorized operations,

  * Restrict the zero-rated supply on payment of integrated tax only to a notified class of taxpayers or notified supplies of goods or services, and

  * Link the foreign exchange remittance in case of export of goods with refund.

VKC Insights: Accordingly, only notified class of taxpayer or notified class of goods/services will be eligible for claiming refund of IGST paid on zero-rated supplies, unlike present provision which allows both options to all person subject to rule 96(10) of the CGST Rules, 2017.

CUSTOMS

Amendments in The Customs Act, 1962

- In section 2, a new clause 7(B) is being introduced defining a 'common portal' (Common Customs Electronic Portal).

- Sub-section (3) to section 5 of Customs Act is being amended to empower Commissioner (Appeals) to carry out functions specified under Chapter XV, section 108 and the new sub-section (1D) of section 110 of Customs Act.

- Section 25 of the Customs Act is being amended to prescribe that all conditional exemptions, unless otherwise specified or varied or rescinded, given under Customs Act shall come to an end on March 31 falling immediately two years after the date of such grant or variation. All existing conditional exemptions in force as on the date on which the Finance Bill 2021 receives the assent of the President unless having a prescribed end date, shall come to an end on March 31, 2023 (if not specifically extended/ rescinded earlier) on review.

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

- Sub-section (3) of section 46 is being amended so as to:

  * Mandate filing of bill of entry before the end of the day preceding the day (including holidays) of arrival of goods.

  * A new proviso is being introduced therein, to enable the Board to notify the time period for presenting bill of entry in certain cases as it may deem fit.

- Section 110 of the Customs Act is being amended so as to revise the procedure for pre-trial disposal of seized gold, in any form as notified. Commissioner (Appeals) having jurisdiction, to certify the correctness of inventory of the seized goods and carry out other procedures as prescribed, before the disposal of the gold in a manner as may be determined by the Central Government. Other consequential amendments to give effect to this provision are also being carried out.

- Sub-section (ja) is being added to section 113 to provide for the confiscation of any goods entered for exportation under claim of remission or refund of any duty or tax or levy, so as to make a wrongful claim in contravention of the provisions of the Customs Act, 1962 or any other law for the time being in force.

- A new section 114AC is being inserted in Customs Act to prescribe penalty in specific case where any person has obtained any invoice by fraud, collusion, willful misstatement or suppression of facts to utilize Input Tax Credit on the basis of such invoice for discharging any duty or tax on goods that are entered for exportation under claim of refund of any duty or tax.

- Explanation to section 139 of Customs Act is being amended so as to include inventories, photographs and lists certified by the Commissioner (Appeals) under the new sub-section (1D) to the documents within the meaning of that section to give evidentiary value to such documents.

- Section 149 is being amended so as to:

  * Introduce a second proviso which would allow amendments to be done through the customs automated system on the basis of risk evaluation through appropriate selection

criteria.

- Introduce a third proviso so that certain amendments, as may be specified by the Board, may be done by the importer or exporter on the common portal.

- Section 153 is being amended so as to insert a new clause (ca) under sub-section (1) thereof so as to enable service of order, summons, notice, etc. by making it available on the common portal.

- Chapter XVII is being amended so as to insert a new section 154C for notification of a common portal for facilitating registration, filing of bills of entry, shipping bills, any other document or form prescribed under this act or under any other law for the time being in force or the rules and regulations made thereunder, payment of duty and for carrying out such other functions and for such purposes as may be specified.

Amendments in The Customs Tariff Act, 1975

- 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 CVD provisions with those in safeguard measures in respect of levy on goods cleared from EOU and SEZ into DTA, stipulating that when CVD is revoked temporarily, such revocation shall be for a period not exceeding one year at a time and to provide for imposing CVD on review for period not exceeding 5 years at a time, instead of the 5 years at present.

- 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 DTA, stipulating that when ADD is revoked temporarily, such revocation shall be for a period not exceeding one year at a time and to provide for imposing ADD on review for period not exceeding 5 years at a time, instead of the 5 years at present.

Amendments in First Schedule to The Customs Tariff Act, 1975					
A.	Tariff rate changes for Basic Customs Duty [to be effective from February 02, 2021] * [Clause [95 (i)] of the Finance Bill 2021]		Rate of Duty		
S No	Heading, sub-heading, tariff item	Commodity	From	To	Change
	Chemicals				
1	2803 00 10	Carbon Black	5%	7.5%	2.5%
	Plastic items				
2	3925	Builder's ware of plastics	10%	15%	5%
	Gems and Jewellery Sector				
3	7104	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	10%	15%	5%
	Electrical and Electronics Sector				
4	8414 30 00	Compressors of a kind used in refrigerating equipment	12.5%	15%	2.5%
5	8414 80 11	Compressors of a kind used in air conditioning equipment	12.5%	15%	2.5%
6	8504 90 90	Printed Circuit Board Assembly [PCBA] of charger or adapter (All goods under this tariff item, other than above, will continue to attract the existing effective rate of BCD at 10%)	10%	15%	5%

	Parts of Automobiles				
7	7007	Safety glass, consisting of toughened (tempered) or laminated glass. (All goods under this heading, other than those used with motor vehicles, will continue to attract the existing effective rate of BCD at 10%)	10%	15%	5%
8	8512 90 00	Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles	10%	15%	5%
9	8544 30 00	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%	5%
10	9104 00 00	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	15%	5%

B.	**Tariff rate changes (without any change in the effective rates of Basic Customs Duty)**		**Rate of Duty**		
SN	**Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**	**Change**
1	8414 40	Air compressors mounted on a wheeled chassis for towing	7.5%	15%	7.5%
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%	7.5%
3	8501 10 to 8501 53	Electric Motors	10%	15%	5%
4	8536 41 00 and 8536 49 00	Relays	10%	15%	5%
5	8537	Boards, panels, consoles, etc. for electric control or distribution of electricity	10%	15%	5%
6	9031 80 00	Other instruments, appliances and machines	7.5%	15%	7.5%
7	9032 89	Electronic automatic regulators and other controlling instruments or apparatus	10%	15%	5%

C.	**New entries added to the First Schedule [Clause 95 (ii) and 95 (iii) of the Finance Bill 2021]**
1	Harmonizing the Customs Tariff Act 1975 with the HSN 2022: i) Changes to the first schedule to the Customs Tariff Act are being proposed that are to come into effect from January 01, 2022. This is in accordance with HSN 2022, which proposes 351 amendments to the existing harmonized nomenclature, covering a wide range of goods moving across borders. ii) The amendments are necessary to adapt to the current trade through the recognition of new product streams, the changing nature of commodities being traded, advent of new technologies and addressing the environmental and social issues of global concern- all with a prime focus on the larger goal of ease of doing business and trade facilitation.
2	New tariff lines under the heading 2709 in the Customs Tariff Act, 1975 will come into effect on April 01, 2021: 2709 00 10 -- petroleum crude 2709 00 20 – other

Will come into effect from April 01, 2021

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

Other proposals involving changes in BCD Rates (with effect from February 02, 2021, unless otherwise specified)

SN	**Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**	**Change**
	Agricultural Products and By Products				
1	2207 20 00	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	5.0%	2.5%
2	23	All goods except dog and cat food and shrimp larvae feed	NIL/5%/10%/ 15%/20%/ 30%	15.0%	15%/10%/ 5%/0%/ (5%)/ (15%)
	Minerals				
3	2528	Natural borates and concentrates thereof	NIL/5%	2.5%	2.5%/(2.5%)

	Fuels, Chemicals and Plastics				
4	2710	Naphtha	4%	2.5%	(1.5%)
5	2907 23 00	Bis-phenol A	NIL	7.5%	7.5%
6	2910 30 00	Epichlorohydrin	2.5%	7.5%	5%
7	2933 71 00	Caprolactam	7.5%	5%	(2.5%)
8	3907 40 00	Polycarbonates	5%	7.5%	2.5%
9	3908	Nylon chips	7.5%	5%	(2.5%)
10	3920 99 99	Other plates, sheets, films, etc. of other plastics	10%	15%	5%
	Leather				
11	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	NIL	10%	10%
	Textiles				
12	5002	Raw Silk (not thrown)	10%	15%	5%
13	5004, 5005, 5006	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	15%	5%
14	5201	Raw Cotton	NIL	5% + 5% AIDC*	5%
15	5202	Cotton waste (including yarn waste or garneted stock)	NIL	10%	10%
16	5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510	Nylon Fibre and Yarn	7.5%	5%	(2.5%)
	Gems and Jewellery Sector				
17	7106	Silver	12.5%	7.5% + 2.5% AIDC*	(5%)
18	7106	Silver Dore	11%	6.1%+2.5% AIDC*	(4.9%)
19	7108	Gold	12.5%	7.5%+2.5% AIDC*	(5%)
20	7108	Gold Dore	11.85%	6.9%+2.5% AIDC*	(4.95%)
21	7107 00 00, 7109 00 00, 7111 00 00	Base metals or precious metals clad with precious metals	12.5%	10%	(2.5%)
22	7110	Other precious metals like Platinum, Palladium, etc.	12.5%	10%	(2.5%)
23	7112	Waste and scrap of precious metals or metals clad with precious metals	12.5%	10%	(2.5%)
24	7112	Spent catalyst or ash containing precious metals	11.85%	9.17%	(2.68%)
25	7113	Gold or Silver Findings	20%	10%	(10%)
26	7118	Coin	12.5%	10%	(2.5%)
	Metals				
27	7204	Iron and steel scrap, including stainless steel scrap [up to March 31, 2022]	2.5%	NIL	(2.5%)
28	7206 and 7207	Primary/Semi-finished products of non-alloy steel	10%	7.5%	(2.5%)
29	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%	(2.5%)/(5%)
30	7213, 7214,7215, 7216,7217, 7221,7222, 7223,7227 and7228	Long product of non-alloy, stainless and alloy steel	10%	8%	-2.50%
31	7225	Raw materials for use in manufacture of CRGO steel [up to March 31, 2023]	2.50%	NIL	-2.50%
32	7404	Copper Scrap	5%	2.50%	-2.50%
33	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%	5%
	Capital Goods				
34	8430	Tunnel boring machines	NIL	7.50%	7.50%
35	8431	Parts and components for manufacture of tunnel boring machines with actual-user condition	NIL	2.50%	2.50%
	IT, Electronics and Renewable				
36	8544 (otherthan 8544 70and8544 30 00)	Specified insulated wires and cables	7.50%	10%	2.50%

37	39, 74 and 85	Former, bases, bobbins, brackets; CP wires; P.B.T.; Phenol resin moulding powder; Lamination/ El silicon steel strips for use in manufacture of transformers (entry at S. No. 198 of 25/1999-Customs)	NIL	Applicable Rate	-
38	Any Chapter	Inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) of cellular mobile phone (w.e.f. April 01, 2021)	NIL	2.50%	2.50%
39	Any Chapter	Inputs or parts for manufacture of camera module of cellular mobile phone (w.e.f. April 01, 2021)	NIL	2.50%	2.50%
40	Any Chapter	Inputs or parts for manufacture of connectors of cellular mobile phone (w.e.f. April 01, 2021)	NIL	2.50%	2.50%
41	Any Chapter	Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone (w.e.f. April 01, 2021)	NIL	2.50%	2.50%
42	Any Chapter	Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones	NIL	10%	10%
43	8504 90 90 or 3926 90 99	Moulded plastics for manufacture of charger or adapter	10%	15%	5%
44	Any Chapter	Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	NIL	10%	10%
45	Any Chapter	Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones	NIL	10%	10%
46	Any Chapter	Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack (w.e.f. April 01, 2021)	NIL	2.50%	2.50%
47	Any Chapter	Parts or components of PCBA of Lithium-ion battery or battery pack (w.e.f. April 01, 2021)	NIL	2.50%	2.50%
48	Any Chapter	Inputs or raw materials of following goods: (i) Other machines capable of connecting to an automatic data processing machine or to a network (8443 32 90) (ii) Ink cartridges, with print head assembly (8443 99 51) (iii)Ink cartridges, without print head assembly (8443 99 52) (iv)Ink spray nozzle (8443 99 53) (w.e.f. April 01, 2021)	NIL	2.50%	2.50%
49	Any Chapter	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%	5%
50	Any Chapter	Inputs for use in the manufacture of LED driver or MCPCB (Metal Core Printed Circuit Board) for LED lights or fixtures including LED Lamps	5%	10%	5%
51	9405 50 40	Solar lanterns or solar lamps	5%	15%	10%
52	8504 40	Solar Inverters	5%	20%	15%
53	9503	Parts of Electronic Toys for manufacture of electronic toys	5%	15%	10%
	Aviation Sector				
54	Any Chapter	Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector units under Ministry of Defense subject to condition specified	2.50%	0%	-2.50%
	Medical devices				
55	9018-9022	Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	Health Cess @ Nil	-5%
	Goods imported under Project Import Scheme				
56	9801	High Speed Rail Projects being brought under project imports	Applicable Rate	5%	5%
57	8714 91 00,8714 92,8714 93,8714 94 00,8714 95,8714 96 00,8714 99	All goods other than Bicycle parts and components	10%	15%	5%

* Agriculture Infrastructure and Development Cess

Amendment in the IGCR Rules, 2017 for Trade Facilitation

- Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 [IGCR Rules] 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.

Review of levy of Social Welfare Surcharge (SWS) on various items

- Notification No. 12/2018-Customs, dated February 02, 2018 prescribing effective rates of 3% on certain items, including gold and silver, is being rescinded.
- SWS is also being rescinded on goods falling under heading 2515 11 and 2515 12.
- SWS is being exempted on the value of AIDC imposed on gold and silver. Accordingly, these items would attract SWS, at normal rate, only on value plus basic customs duty.

Pruning and review of Basic Customs Duty concessions/ exemptions:

A. Withdrawal of concessions /exemptions rates of BCD prescribed in notification No. 50/2017 dated June 30, 2017

S. No.	S. No. of notification	Description
1	209	Diphenylmethane 4, 4-diisocyanate (MDI) for use in the manufacture of spandex yarn
2	230	Ink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage, for use in printers for computers
3	229 [w.e.f April 01, 2021]	71 items like wax items, wood polish materials, prints for photo frames, velvet fabric/ paper, handles/blades for cutlery, jigat, wine tools etc.
4	311 [w.e.f April 01, 2021]	35 items like fasteners, zippers, shoulder pads, buckles, rivets, Velcro tape, toggles, stud, elastic cloth and band, bobbin, hooks, anglets etc.
5	312 [w.e.f April 01, 2021]	42 items like buckles, buttons, stamping foil, sewing thread, Loop rivets, Glove Liners, shoe laces, inlay cards etc.
6	313 [w.e.f April 01, 2021]	18 items like lace, Velcro tape, curtain hooks, Tassel, Beads, Sequins, sewing threads, poly wadding materials, quilted wadding materials etc.
B.	Prescribing the condition of observance of the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules, 2017) for certain conditional entries in notification No. 50/2017-Customs dated June 30, 2017, in lieu of certain exiting conditions. Besides certain other conditions for imports are being rationalized/simplified: i) Accordingly, the condition Nos. 22, 24, 30, 38, 51, 52, 53, 54, 60, 61 and 74, in the said customs notification have been amended to prescribe condition of IGCR. ii) In addition, it has been prescribed that the changed jurisdictional authority under IGCR Rules, 2017, shall also issue the end use certificate for the past period after due verification as per the rules.	

Custom Duty Exemptions

S. No.	Notification No.	Notification Subject
1	1/2011-Customs, dated the January 06, 2011	Exemption to all items of machinery, instruments, appliances, components or auxiliary equipment for initial setting up of solar power generation project or facility
2	34/2017-Customs dated June 30, 2017	This notification provided exemption to tags or labels (whether made of paper, cloth, or plastic), or printed bags (whether made of polyethene, polypropylene, PVC, high molecular or high density polyethene) imported for fixing on articles for export or for the packaging of such articles. Similar exemption exists at S. No.257 of notification No. 50/2017-Customs These have been merged in the said S. No.257 and notification No 34/2017-Customs has been omitted.
3	75/2017-Customs dated September 13, 2017	Exemption for goods imported for organizing FIFA Under-17 World Cup, 2017.

Other Miscellaneous changes

S. No.	Notification No.	Notification Subject
1	42/1996 – Customs dated July 23, 1996	High Speed Rail Projects are being included in list of projects to which Project Imports Scheme is applicable.
2	230/1986 – Customs dated April 03, 1986	National High Speed Rail Corporation Ltd. is being nominated as the 'Sponsoring Authority' under Project Import Regulations, 1986 for approving the items required to be imported under the Project Imports Scheme for High-Speed Rail Projects.

Amendments pertaining to ADD / CVD / Safeguard Measures

- Customs Tariff (Identification, Assessment and Collection of ADD on Dumped Articles and for Determination of Injury) Rules, 1995 provide for manner and procedure for investigation into dumping of goods that cause injury to domestic industry. Changes are being made in the Rules, to provide that with effect from July 01, 2021, to provide that final findings are to be issued by the designated authority, in review cases, at least three months prior to expiry of the ADD under review.

  The ADD Rules are also being amended to provide for provisional assessment in cases of anti-circumvention investigation. Certain other changes are being made for bringing clarity in the scope of these rules.

- Customs Tariff (Identification, Assessment and Collection of CVD on Subsidized Articles and for Determination of Injury) Rules, 1995 provide for manner and procedure for causing investigation into the cases of imports of subsidized goods that cause injury to domestic industry. Changes are being made in the Rules to provide that with effect from July 01, 2021, the final findings are to be issued

by the designated authority, in review cases, at least three months prior to expiry of the CVD under review.

The CVD Rules are also being amended to provide for provisional assessment in cases of anti-circumvention investigation. Certain other changes are being made for bringing clarity in the scope of these rules.

- Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 (Safeguard Duty being changed to Safeguard Measures) provide for manner and procedure for causing investigation into the cases of imports in increased quantity that cause injury to domestic industry.

  Changes in the rules are being proposed to elaborate in detailed manner the modalities of implementation of safeguard measure, along with technical modifications consequent to the changes made earlier in section 8B of the Customs Tariff Act vide Finance Act, 2020.

- ADD is being temporarily revoked for the period commencing from February 02, 2021 till September 30, 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-Customs (ADD) dated October 18, 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-Customs (ADD) dated September 25, 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-Customs (ADD) dated June 23, 2020.

CVD is being temporarily revoked for the period commencing from February 02, 2021 till September 30, 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-Customs (CVD) dated September 07, 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 October 09, 2020.

In Sunset Review, ADD on Cold-Rolled Flat Products of Stainless Steel of width 600 mm to 1250 mm and above 1250 mm of non bonafide usage originating in or exported from People's Republic of China, Korea RP, European Union, South Africa, Taiwan, Thailand and United States of America has been discontinued upon expiry of the ADD hitherto leviable vide notifications no. 61/2015-Customs (ADD) dated December 11, 2015 and 52/2017-Customs (ADD) dated October 24, 2017.

Imposition of AIDC on Import of Certain Items* [Clause [115] of the Finance Bill 2021]

S. No	Heading, sub-heading tariff item	Commodity	From	To
1	0808 10 00	Apples	15%	35%
2	1511 10 00	Crude Palm Oil	15%	17.50%
3	1507 10 00	Crude Soya-bean oil	15%	20%
4	1512 11 10	Crude Sunflower seed oil	15%	20%
5	0713 10	Peas (Pisum sativum)	10%	40%
6	0713 20 10	Kabuli Chana	10%	30%
7	0713 20 20	Bengal Gram (desichana)	10%	50%
8	0713 20 90	Chick Peas (garbanzos)	10%	50%
9	0713 40 00	Lentils (Mosur)	10%	20%
10	2204	All goods (Wine)	50%	100%
11	2205	Vermouth and other wine of fresh grapes, flavoured	50%	100%
12	2206	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages and nonalcoholic beverages	50%	100%
13	2208	All goods (Brandy, Bourbon whiskey, Scotch etc.)	50%	100%
14	2701	Various types of coal	1%	1.50%
15	2702	Lignite, whether or not agglomerated	1%	1.50%
16	2703	Peat, whether or not agglomerated	1%	1.50%
17	3102 10 00	Urea	NIL	5%
18	3102 30 00	Ammonium nitrate	2.50%	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)	7.50%	2.50%
23	7106	Silver Dore	6.10%	2.50%
24	7108	Gold (including imports by eligible passengers)	7.50%	2.50%
25	7108	Gold Dore	6.90%	2.50%

- [To be effective from February 02, 2021]

Other Amendments (Including Certain Clarifications/ Technical Changes)

Notification number 50/2017 – Customs dated June 30, 2017 is amended as under:

S. No.	S. No. of Notification	Description of amended position
1	20	The HS [0713 20 00] was split into [0713 20 10], [0713 20 20] and [0713 20 90] vide notification 22/2018-Customs dated March 24, 2020. However, the transposition of the same has not been done for entry 20 of notification No. 50/2017-Customs. It is also proposed to specifically mention kabuli chana and bengal gram (desi chana) in the exclusions to this entry.
2	21E	The entry is redundant (was valid only up to December 31, 2020) and is proposed to be omitted.
3	44	The entry is redundant (was valid only up to September 30, 2017) and is proposed to be omitted.
4	131	Acid grade fluorspar attracts 5% BCD vide serial numbers 120 and S.N. 131 of notification No. 50/2017-Customs dated June 30, 2017. Entry at S. No. being redundant is being omitted.
5	175	'Any Chapter' mentioned in the Chapter/heading etc. of this entry is being replaced by the specific entry heading 2501.
6	284	An explanation is being inserted in S. No. 284 of the notification no. 50/2017-Customs dated June 30, 2017 so as to clarify that the said exemption entry does not cover toy balloons made of natural rubber latex as such toy balloons are classified under customs heading 9503, so as to avoid misclassification.
7	293A and 293B	The language of exemption entries providing concessional rates on newsprint and other uncoated paper conforming to the specifications of newsprint (other than its surface roughness) is being simplified so as to remove any doubts regarding the specification of uncoated papers used for printing of newspapers on which the concessional rates apply.
8	First Proviso	Clauses (b), (c) and (e) are being omitted as they are redundant.

EXCISE

Amendment in the Fourth Schedule of Central Excise Act, 1944

- Amendment in Fourth Schedule made by notification No. 08/2019-CE (T) dated December 31, 2019 shall be made effective with effect from January 01, 2020, retrospectively.
- New tariff items [2404 11 00] and [2404 19 00] inserted in Chapter 24 in the fourth Schedule of the Central Excise Act, 1944 accordance with upcoming Harmonized System 2022 Nomenclature and to prescribe tariff rate of 81% on these tariff items with effect from January 01, 2022.
- Amendment in Chapter 27 of the Fourth Schedule to the Central Excise Act, 1944:

Tariff items 2709 10 00, 2709 20 00, and the entries are being substituted relating thereto vide clause 96(i) of the Finance Bill, 2021 as under:

Tariff Item	Description of goods	Unit	Rate of Duty
2709	Petroleum oils and oils obtained from bituminous minerals, crude	-	-
2709 00 10	Petroleum crude	Kg.	Nil
2709 00 20	Other	Kg.	-

- Retrospective amendment in Chapter 27 of the Fourth Schedule to the Central Excise Act, 1944:
  * It is proposed to specify correct IS '17076' against the tariff item 27101249 and made effective from January 01, 2020, retrospectively.
  * It is proposed that tariff rate of 14%+ INR 15.00 per litre against tariff item 2710 20 10 and 2710 20 20 may be prescribed and made effective from January 01, 2020, retrospectively.

Imposition of Agriculture Infrastructure and Development Cess (AIDC) on Petrol and Diesel

An Agriculture Infrastructure and Development Cess (AIDC) as an additional duty of excise has been proposed on Petrol and High speed diesel vide clause [116] of the Finance Bill, 2021. This Cess shall be used to finance the improvement of agriculture infrastructure and other development expenditure. The details of the Cess are as under:

S. No.	Commodity	Rate of AIDC (clause [116] of the Finance Bill, 2021)*
1	Motor spirit commonly known as petrol	INR 2.5 per litre
2	High Speed Diesel	INR 4.00 per litre

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

Change in effective rate of Basic Excise Duty and Special Additional Excise Duty on petrol and diesel

Consequent to imposition of AIDC, the Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) on Petrol and High-speed diesel is being reduced so that consumer does not have to bear any additional burden on account of imposition of AIDC. The revised duty structure on petrol and HSD shall be as follows:

S. No.	Item	BED	SAED	AIDC
1	Petrol (unbranded)	1.4	11	2.5
2	Petrol (branded)	2.6	11	2.5
3	High speed diesel (unbranded)	1.8	8	4
4	High speed diesel (branded)	4.2	8	4

Exemptions for M-15, E-20 and other Blended Fuels

Amendment to central excise notifications: Exemptions from cesses and surcharges on the lines of other blended fuels (like E-5 and E-10) if these blended fuels are made of duty paid inputs.

Amendments in the Schedule VII of the Finance Act 2001 (NCCD Schedule)

New tariff items [2404 11 00] and [2404 19 00] inserted in accordance with upcoming HS 2022 Nomenclature and prescribe NCCD of 25% on these tariff items with effect from January 01, 2022.

SECTOR WISE IMPACT

HEALTH SECTOR

- PM Atma Nirbhar Swasth Bharat Yojana to be launched with an outlay of INR 64,180 crore (INR 641.8 Billion) over 6 years
- To merge Supplementary Nutrition Programme and the Poshan Abhiyan and launch the Mission Poshan 2.0 in order to strengthen nutritional content.
- Jal Jeevan Mission (Urban) to be launched for universal water supply in all 4,378 Urban Local Bodies with 2.86 crore household tap connections, as well as liquid waste management in 500 AMRUT cities with an outlay of INR 2,87,000 crore (INR 2,870 Billion) over 5 years.
- Urban Swachh Bharat Mission 2.0 to be implemented with a total financial allocation of INR 1,41,678 crore (INR 1,416.78 Billion) over 5 years.
- Outlay of INR 2,217 crore (INR 22.17 Billion) for 42 urban centres to tackle the problem of air pollution.
- Separate announcement of voluntary vehicle scrapping policy, to phase out old and unfit vehicles to encourage fuel efficient, environment friendly vehicles, thereby reducing vehicular pollution.
- INR 35,000 crore (INR 350 Billion) for Covid-19 vaccine in BE 2021-22.
- Total allocation to Health and Wellbeing to be INR 2,23,846 crore (INR 2,238.46 Billion) in BE 2021-22 as against the BE of 2020-21 of INR 94,452 crore (INR 944.52 Billion) an increase of 137%.

INFRASTRUCTURE SECTOR

- Introduction of a Bill to set up a professionally managed DFI. Allocation of a sum of INR 20,000 crore (INR 200 Billion) to capitalise this institution with an ambition to have a lending portfolio of at least INR 5 lac crore (INR 5 Trillion) for this DFI in three years time.
- For FY 2021-22, increase in capital expenditure to INR 5.54 lac crore (INR 5.54 Trillion) which is 34.5% more than the BE of 2020-21.
- To augment road infrastructure, more economic corridors being planned with an enhanced outlay of INR 1,18,101 crore (INR 1,181.01 Billion) for Ministry of Road Transport and Highways.
- Indian Railways have prepared a National Rail Plan for India – 2030. The Plan is to create a 'future ready' Railway system by 2030 with a record sum of INR 1,10,055 crore (INR 1,100.55 Billion), for Railways of which INR 1,07,100 crore (INR 1071 Billion) is for capital expenditure.
- A new scheme to be launched at a cost of INR 18,000 crore (INR 180 Billion) to support augmentation of public bus transport services. The scheme to facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses.
- Two new technologies i.e., 'MetroLite' and 'MetroNeo' to be deployed to provide metro rail systems at much lesser cost with same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities.
- Central counterpart funding to be provided to number of Metro Railway projects
- A revamped reforms-based result-linked power distribution sector scheme to be launched with an outlay of INR 3,05,984 crore (INR 3,059.84 Billion) over 5 years to provide assistance to DISCOMS for Infrastructure creation.
- Hydrogen Energy Mission to be launched in 2021-22 for generating hydrogen from green power sources.
- 7 projects worth more than INR 2,000 crore (INR 20 Billion) to be offered by the Major Ports on Public Private Partnership mode in FY21-22.
- A scheme to promote flagging of merchant ships in India to be launched by providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs for which an amount of INR 1624 37%.

FINANCIAL SECTOR

- Provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 to be consolidated into a rationalized single Securities Markets Code.
- Amendments proposed in the Insurance Act, 1938 to increase the permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards.
- An 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 Alternate Investment Funds and other potential investors for eventual value realization.
- for NBFCs with minimum asset size of INR 100 crore (INR 1 Billion), the minimum loan size eligible for debt recovery under the SARFAESI Act, 2002 is proposed to be reduced from the existing level of INR 50 lac (INR 5 Million) to INR 20 lac (INR 2 Million).
- Privatization of two Public Sector Banks and one General Insurance company in the year 2021-22
- IPO of LIC to be announced post requisite amendments in FY 2021-21
- Fast forward disinvestment of Public Sector Companies to be carried out and an estimation of INR 175,000 crore (INR 1,750 Billion) as receipts from disinvestment in BE 2021-21

INDUSTRIAL AND CORPORATE SECTOR

- PLI schemes to create manufacturing global champions for an AtmaNirbhar Bharat have been announced for 13 sectors for which the government has committed nearly INR 1.97 lac crore (INR 1.97 Trillion), over 5 years starting FY 2021-22.
- MITRA will be launched in addition to the PLI scheme. This will create world class infrastructure with plug and play facilities to enable create global champions in exports. 7 Textile Parks will be established over 3 years.
- Decriminalization of the LLP Act, 2008.
- Thresholds of paid up capital for Small Companies under the Companies Act, 2013 extended from "not exceeding INR 50 lac (INR 5 Million)" to "not exceeding INR 2 crore (INR 20 Million)" and turnover from "not exceeding INR 2 crore (INR 20 Million)" to "not exceeding INR 20 crore (INR 200 Million)

- Incentives extended for incorporation of OPCs by allowing them to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow NRIs to incorporate OPCs in India.
- NCLT framework to be strengthened, e-Courts system to be implemented and alternate methods of debt resolution and special framework for MSMEs to be introduced.
- Data analytics, artificial intelligence, machine learning driven MCA21 Version 3.0 to be launched.
- Margin money requirement under the scheme of Stand-up India reduced from 25% to 15%.
- INR 15,700 crore (INR 157 Billion) provided to MSMEs.

AGRICULTURE SECTOR

- Amount allocated for wheat producing farmers increased to INR 75,060 crore (INR 750.60 Billion) in 2020-21 as against INR 62,802 crore (INR 628.02 Billion) in FY 2019-20 and similar increase for paddy, pulses and cotton
- SWAMITVA Scheme extended to cover all the states/ UTs during FY 2021-22.
- Agricultural credit target enhanced to INR 16.5 lac crore (INR 16.5 Trillion) in FY 2022 to provide adequate credit to the farmers.
- Allocation to Rural Infrastructure Development Fund enhanced from INR 30,000 crore (INR 3,000 Billion) to INR 40,000 crore (INR 4000 Billion).
- The Micro Irrigation Fund to be augmented by another INR 5,000 crore (INR 50 Billion).
- 'Operation Green Scheme' to be enlarged to include 22 perishable products.
- 1000 more mandis to be integrated with e-NAM.
- The Agriculture Infrastructure Fund to be made available to APMCs.
- One Nation One Ration Card scheme implemented by 32 states and UTs reaching about 69 crore beneficiaries.
- Multipurpose Seaweed park to be established in Tamil Nadu to promote seaweed cultivation.
- Portal launched to formulate Health, Housing, Skill, Insurance, Credit and food scheme for migrant workers.
- Minimum wages to apply to all categories of workers and women will be allowed to work in all categories and also in night shifts.

EDUCATION SECTOR

- 100 new Sanik schools to be set up in partnership with NGOs.
- More than 15000 schools to be qualitatively strengthened.
- Central University to set up in Leh for accessing higher education in Ladakh.
- Unit cost of Eklavya model residential school increased from INR 20 crore (INR 0.2 Billion) to INR 38 crore (INR 0.38 Billion) and to INR 48 crore (INR 0.48 Billion) in hilly and difficult areas.
- Allocation of INR 35,219 crore (INR 352.19 Billion) to benefit 4 crore SC students under the Post Matric Scholarship Scheme.
- Over INR 3,000 crore (INR 30 Billion) will be provided for training of graduates and diploma holders under the scheme National Apprenticeship Training Scheme.

OTHER SECTORS

- Financial incentive of INR 1500 crore (INR 15 Billion) provided to promote digital modes of payment.
- NRF outlay will be of INR 50,000 crore (INR 500 Billion), over 5 years.
- Wealth of government-and-policy to be available on the Internet in major Indian languages under the initiative- NTLM.
- The NSIL, a PSU under the department of space to execute the PSLV-CS51 launch.
- Deep Ocean Mission to be launched with a budget outlay of INR 4000 crore (INR 40 Billion) over 5 years.
- The national nursing and Midwifery commission bill to be introduced to bring reforms in nursing profession.
- Allocation of INR 3,768 crore (INR 37.68 Billion) in the year 2021-22 for the forthcoming Census.
- Grant of INR 300 crore (INR 3 Billion) to the government of Goa for diamond jubilee celebration of the state's liberation from Portuguese rule.
- INR 1,000 crore (INR 10 Billion) provided for the welfare of Tea workers in Assam and West Bengal.

GLOSSARY

AAI Airport Authority of India
AAR Authority for Advance Ruling
AE Advance Estimates
AIDC Agriculture Infrastructure and Development Cess
AIF Alternative Investment Funds
AIIMS All India Institute of Medical Sciences
ALP Arm's Length Price
AMT Alternate Minimum Tax
AO Assessing Officer
AOP Association of Persons
APA Advance Pricing Agreement
APMC Agricultural Produce Market Committee
AY Assessment Year
BC (ATU) Act, 80 Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980
BE Budget Estimate
BEPS Base Erosion and Profit Shifting
BHIM Bharat Interface for Money
BM Act Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
BOD Board of Directors
BOI Body of Individuals
BPL Below Poverty Line
BSE Bombay Stock Exchange
CbC County-By-Country
CBDT Central Board of Direct Taxes
CBU Completely Built Unit
CDT Commodities Transaction Tax
CFPI Consumer Food Price Index
CFS Consolidated Financial Statements
CGST Central Goods and Service Tax
CIF Cost Insurance Freight
CIT Commissioner of Income Tax
CKD Completely Knock Down
COA Cost of Acquisition
COI Cost of Improvement
CPSE Central Public Sector Enterprises
CSI Continental Shelf of India
CTT Commodity Transaction Tax
CVD Counter Vailing Duty
DAVP Directorate of Advertising and Visual Publicity
DDT Dividend Distribution Tax
DEPB Duty Entitlement Pass Book
DFI Development Financial Institution
DGCA Directorate General of Civil Aviation
DIN Document Identification Number
DISCOM Distribution Company (India)
DOT Department of Telecommunications
DRI Differential Rate of Interest
DRP Dispute Resolution Panel
DTA Domestic Tariff Area
DTAA Double Tax Avoidance Agreement
DTC Direct Tax Code
ECB External Commercial Borrowings
ECGC Export Credit and Guarantee Corporation
ECS Electronic Clearing System
EDF Electronic Development Fund
EEFC Exchange Earners' Foreign Currency
EEZ Exclusive Economic Zones
EHTP Electronic Hardware Technology Park
EOU Export Oriented Unit
EPFS Employee's Provident Fund Scheme
ESOP Employee Stock Option Plan
FA Finance Act
FCCB Foreign Currency Convertible Bonds
FCEB Foreign Currency Exchangeable Bonds
FCI Food Corporation of India
FDI Foreign Direct Investment
FEMA Foreign Exchange Management Act
FIF Financial Inclusion Fund
FII Foreign Institutional Investor
FIPB Foreign Investment Promotion Board
FMV Fair Market Value
FPI Foreign Portfolio Investors
FPO Follow-on Public Offer
FTP Foreign Trade Policy
GAAR General Anti Avoidance Rules
GCF Gross Capital Formation
GDP Gross Domestic Product
GDR Global Depository Receipt
GERD Gross Domestic Expenditure on R&D
GIB Act General Insurance Business (Nationalisation) Act, 1972
GST Goods & Services Tax
GSTN Goods & Services Tax Network
GTA Goods Transport Agency
HEFA Higher Education Financing Agency
HSD High Speed Diesel
HUF Hindu Undivided Family
IBC Insolvency and Bankruptcy Code, 2016
ICD Inland Container Depot
ICT Information & Communication Technology
IDR Indian Depository Receipts
IEO Independent Evaluation Officer
IFSC International Financial Services Centre
IGST Integrated Goods and Service Tax
IIFCL India Infrastructure Finance Company Limited
IIM Indian Institute of Management
IISc Indian Institute of Science
IIT Indian Institute of Technology
IMR Infant Mortality Rate
Ind-AS Indian Accounting Standards
INR Indian National Rupee
Invit Infrastructure Investment Fund
IPO Initial Public Offer
IPTV Internet Protocol Television
IRDA Insurance Regulatory and Development Authority
IRGD Interest Rate-Growth Rate Differential
IRS Indian Revenue Service
IT Information Technology
ITA Income Tax Authority
ITAT Income Tax Appellate Tribunal
ITC Input Tax Credit
ITSC Income Tax Settlement Commission
JV/ WOS Joint Venture/Wholly Owned Subsidiary
KCC Kisan Credit Card
LCD Liquid Crystal Display
LLP Limited Liability Partnership
LPG Liquified Petroleum Gas
LTCG Long-term Capital Gain
MAT Minimum Alternate Tax
MCA Ministry of Corporate affairs
MITRA Mega Investment Textiles Parks
MLI Multilateral Instrument
MRP Maximum Retail Price
MSE Micro and Small Enterprises
MSME Micro Small and Medium Enterprises
MSP Maximum Selling Price
MUDRA Micro Units Development Refinance Agency
NABARD National Bank for Agriculture and Rural Development
NCCD National Calamity Contingent Duty
NCD Non-convertible Debentures
NHAI National Highways Authority of India
NHB National Housing Bank
NPS National Pension Scheme
NR Non-Resident
NRI Non-Resident Indian
NSE National Stock Exchange
NSIL New Space India Limited
NTLM National Language Translation Mission
ONGC Oil and Natural Gas Corporation
OPC One person Company
OTS One Time Settlement
PAN Permanent Account Number
PBPT Act Prohibition of Benami Property Transactions Act
PCBA Printed Circuit Board Assembly
PDMA Public Debt Management Agency
PE Permanent Establishment
PLI Production Linked Incentive
PM-JAY Pradhan Mantri Jan Arogya Yojna
POEM Place of Effective Management
PPA Power Purchase Agreement
PPP Public Private Partnership
Pr. CIT Principal Commissioner of Income Tax
PSU Public Sector Undertaking
PY Previous Year
QFI Qualified Foreign Investors
QIB Qualified Institutional Buyer
QIP Qualified institutional Placement
R&D Research & Development
RBI Reserve Bank of India
RE Revised Estimates
REIT Real Estate Investment Fund
RHF Rural Housing Fund
RPF Recognised Provident Fund
RRB Regional Rural Bank
RSE Recognised Stock Exchange
RSP Retail Sale Price
RTE Right to Education
SAD Specific Advaloram Duty
SAF Superannuation Funds
SARFAESI The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SC/ST Scheduled Cast/Scheduled Tribe
SCRA Securities Contract (Regulation) Act, 1956
SEBI Securities & Exchange Board of India
SEBI (FPI-R), 2019 Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI Act Securities and Exchange Board of India (SEBI) Act, 1992
SEP Significant Economic Presence
SETU Self-Employment and Talent Utilization
SEZ Special Economic Zones
SFC State Finance Corporations
SGST State Goods and Service Tax
SHB State Housing Bank
SHG Self Help Groups
SHR Safe Harbour Rules
SIDBI Small Industries and Development Bank of India
SITP Software Information Technology Park
SLBC State Level Bankers Committee
SPV Special Purpose Vehicle
SSI Small Scale Industry
STT Securities Transaction Tax
SUUTI Special Undertaking of the Unit Trust of India
SWF Sovereign Wealth Fund
SWS Social Welfare Surcharge
TAN Tax Collection/ Deduction Account number
TCS Tax Collected at Source
TDS Tax Deducted at Source
TI Total Income
TP Tansfer Pricing
TPO Transfer Pricing Officer
TReDS Trade Receivables Discounting System
UID Unique Identification
UIDAI Unique Identification Authority of India
ULIP Unit Linked Insurance Plan
USD US Dollar
UTGST Union Territory Goods and Service Tax
UTI Unit Trust of India
VCC Venture Capital Company
VCF Venture Capital Funds
VCU Venture Capital Undertaking
VRS Voluntary Retirement Scheme
WPI Wholesale Price Index
WTO World Trade Organization

This document summarises the important provisions of the Budget 2021 proposals as placed before the Parliament.

Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.

Unless otherwise stated, Direct Tax Proposals will be applicable from AY 2022-23. Indirect Tax Proposals will however, be applicable with immediate effect under the Provisional Collection of Taxes Act, 1931.

The proposals are subject to amendment as the Finance Bill passes through the Parliament.

All reasonable care has been taken in preparing this document. M/s Verendra Kalra & Co., Chartered Accountants, accepts no responsibility for any errors, if it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained by the person who relies on it.

This document is not an offer, invitation or solicitation of any kind and is meant for use of clients and firm's personnel.

design and print: ajaxmehta@gmail.com

VERENDRA KALRA & CO

CHARTERED ACCOUNTANTS

- 75/7 Rajpur Road, Dehra Dun - 248001,
  Uttarakhand, INDIA
  T +91.135.2743283, 2747084, 2742026
  F +91.135.2740186
  W www.vkalra.com E info@vkalra.com

- 80/28, Malviya Nagar,
  New Delhi, 110017 INDIA
  W www.vkalra.com
  E info@vkalra.com

For private circulation to clients and associates only. The information contained herein is of general nature and is not intended to address the circumstances of any particular individual or entity. © Copyright: Verendra Kalra & Co