FEB. 2021

UNION BUDGET SYNOPSIS

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Executive Summary: Union Budget 2021

The Hon'ble Finance Minister Ms. Nirmala Sitharaman, presented the Union Budget 2021, being the first budget of the new decade and prepared in circumstances witnessed like never before. The following are some of the key highlights as laid down by her before the Parliament:

Health & Sanitation

- A new scheme, titled PM Atma Nirbhar Swasthya Bharat Yojana, to be launched to develop primary, secondary and tertiary healthcare;
- Operationalisation of 17 new public health units at points of entry;
- Strengthening of Urban Swachh Bharat Mission

Education

- A Central University to come up in Ladakh;
- 100 new Sainik Schools to be set up

Infrastructure

- Vehicle scrapping policy to phase out old and unfit vehicles all vehicles to undergo fitness test in automated fitness centres every 20 years (personal vehicles), every 15 years (commercial vehicles);
- Highway and road works announced in Kerala, Tamil Nadu, West Bengal and Assam;
- National Asset Monetising Pipeline launched to monitor asset monetisation process;

Railways

- 100% electrification of Railways to be completed by 2023;
- Metro services announced in 27 cities, plus additional allocations for Kochi Metro, Chennai Metro Phase 2, Bengaluru Metro Phase 2A and B, Nashik and Nagpur Metros

Gas

- National Hydrogen Mission to be launched to generate hydrogen from green power sources;
- Gas pipeline project to be set up in Jammu and Kashmir;
- Pradhan Mantri Ujjwala Yojana (LPG scheme) to be extended to cover 1 crore more beneficiaries

Economy & Fiscal position

- Fiscal deficit stands at 9.5% of the GDP; estimated to be 6.8% in 2021-22. Target set at 3.5% of GDP by 2025;
- A Unified Securities Market Code to be created, consolidating provisions of the Sebi Act, Depositories Act, and two other laws;
- Proposal to increase FDI limit from 49% to 74% in insurance;
- IPO of Life Insurance Corporation of India to debut this fiscal

Direct Taxes

- **No change in slab rate for personal & corporate tax rates;**
- **Relaxation to Senior Citizens from Filing Income Tax Return**: Proposed to exempt the senior citizens (aged 75 years and above) from filing income tax returns if pension income and interest income are their only annual income source;
- **Reduction in time for IT Proceedings:** Except in cases of serious tax evasion, assessment proceedings in the rest of the cases shall be reopened only up to 3 years, against the earlier time limit of 6 years;
- **Enhanced limit for Tax Audit:** Tax Audit limits enhanced to Rs. 10 Crores from Rs. 5 Crores;
- **Time to go faceless**: The Government is poised to make every proceeding under Income Tax Law faceless, now provision is made for faceless proceedings before the Income Tax Appellate Tribunal (ITAT) in a jurisdiction less manner;
- **Tax incentives to start-ups:** The tax holiday for start-ups has been extended by one more year up to 31st March 2022;
- **Relaxations to NRI: P**roposal to notify rules for removing hardship for double taxation;
- **Disallowance of PF contribution:** In case the employee's PF contribution was deducted but not deposited by the employer, it will not be allowed as a deduction for the employer;
- **Pre-filing of returns to be forefront:** Pre-filling will be allowed for salary, tax payments, TDS, etc. Further, details of capital gains from listed securities, dividend income, etc. will be prefilled.

GST

- Transactions for cash in respect of supply of Goods and services between an Organization and Members deemed to be a supply;
- Mandatory to file GSTR-1 by supplier for Recipient to avail ITC;
- Audit Return under GST Scrapped;
- Interest on Non-payment to be computed on amount paid in cash;
- Recovery proceeding- if no tax paid for supplies declared in GSTR-1

Customs

- Reduced duty on copper scrap from 5% to 2.5%;
- Basic and Special additional excise duty on petrol and high-speed diesel oil (both branded and unbranded) is reduced;
- Increased duty on solar inverters from 5% to 20%;
- Agriculture Infrastructure and Development Cess (AIDC) has been newly imposed on petrol and diesel at Rs2.5 and Rs.4 per litre respectively;
- A new initiative called 'Turant Customs' will be introduced for faceless, paperless, and contactless customs measures

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Macro-Economic Survey 2020-21: Snapshot

The Department of Economic Affairs, Finance Ministry of India released the Economic Survey of India for the year 2020-21. The Indian Economy is showing signs of recovery from the aftermaths of Covid-19 pandemic, considering that scores of lives that have been saved and the **'V-shaped'** economic recovery that is being witnessed – due to the causal impact of the initial lockdown. India focused on saving lives and livelihoods by its willingness to take **short-term pain for long-term gain,** at the onset of the COVID-19 pandemic. The GOI adopted the following **4-step** approach to combat Covid-19 aftermath on the Economy:

Containment of Covid-19 spread by imposing lockdowns

Fiscal Reforms to revive economic slow-down

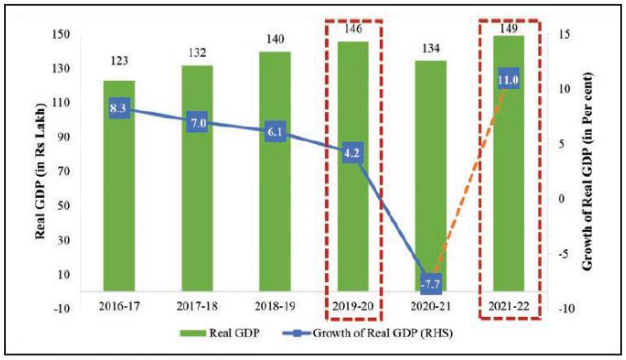
Monetary measures to improve liquidity

Announcement of Sector wise structural reforms

Following are some of the key highlights of Economic Survey 2020-21:

GDP Growth:

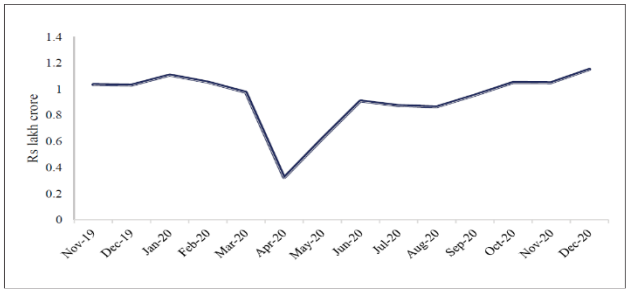
- India's strategy flattened the covid-19 curve, pushed the peak to September, 2020. After the September peak, India has been unique in experiencing declining daily cases despite increasing mobility;
- **'V-shaped'** recovery, as seen in 7.5% decline in GDP in Q2 and recovery across all key economic indicators vis-à-vis the 23.9% GDP contraction in Q1;
- As per the advance estimates by NSO, India's GDP is estimated to grow by (-) 7.7% in FY21 - a robust sequential growth of 23.9% in H2: FY21 over H1: FY21. India's real GDP to record a 11.0% growth in FY2021-22 and **nominal GDP to grow by 15.4% – the highest since independence**.



Source: NSO and Survey Calculations

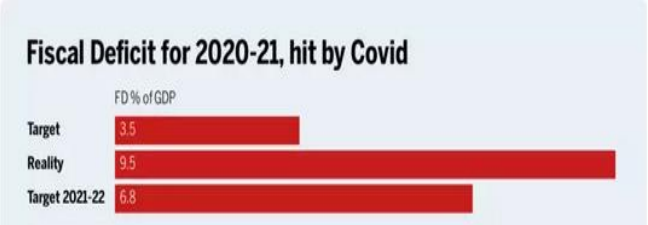
Fiscal Developments:

- Recovery is also evident on the revenue front, as the monthly gross GST collection has crossed the Rs. 1 lakh crore mark consecutively for the last 3 months, reaching its **highest levels in December 2020 ever since the introduction of GST**.



Source: Department of Revenue

- Reforms in tax administration have set in motion a process of transparency, accountability and more importantly, enhancing the experience of a tax-payer with the tax authority, thereby incentivizing tax compliance.
- Regarding fiscal deficit in Revised estimates of 2020-21, it is pegged at 9.5% of the GDP, whereas in Budget estimates of 2021-22 is pegged at 6.8% of the GDP. The government aims to bring fiscal deficit below 5% to 3.5% of GDP by 2025-26.

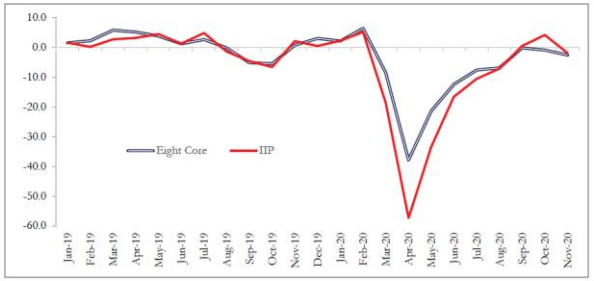


Inflation:

- The rise in inflation was mostly driven by food inflation, which increased to 9.1 per cent during 2020-21 (Apr-Dec). Averaged 6.6% during April-December, 2020 and stood at 4.6% in December, 2020, mainly driven by rise in food inflation (from 6.7% in 2019-20 to 9.1% during April-December, 2020, owing to build up in vegetable prices).

Industry and FDI:

On 24th March 2020, when the 21-day national lockdown was imposed to prevent the proliferation of COVID-19, it was expected that economic activities would freeze except for some essential services. However, considering recovery from second quarter of 2020, a strong V-shaped recovery of economic activity further confirmed by IIP data. The IIP & eight-core index further inched up to pre-COVID levels.



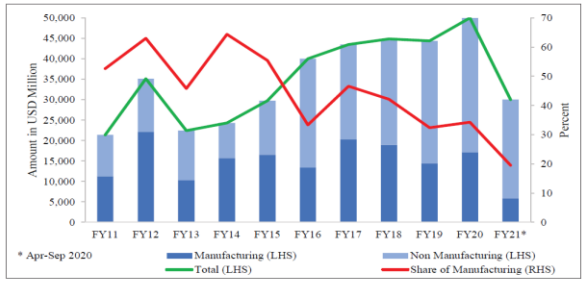
Source: Survey calculations based on MoSPI and Office of Economic Adviser's data.

The broad-based recovery in the IIP resulted in a growth of (-) 1.9 % in Nov-2020 as compared to a growth of 2.1 % in Nov-2019 and a downfall of (-) 57.3 % in Apr-2020.

- Further improvement and firming up in industrial activities are foreseen with the Government enhancing capital expenditure, the vaccination drive and the resolute push forward on long pending reform measures.

- Atmanirbhar Bharat Abhiyan with a stimulus package worth 15 % of India's GDP announced

- FDI equity inflows were US$49.98 billion in FY20 as compared to US$44.37 billion during FY19



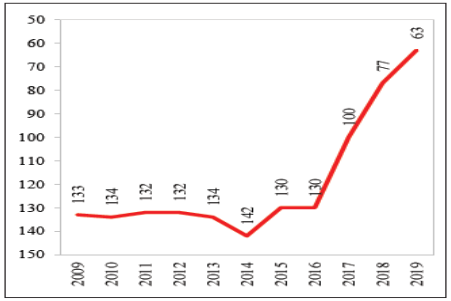
Source: Survey calculations based on DPIIT data.

- The bulk of FDI equity flow is in the non-manufacturing sector.

- Within the manufacturing sector, industries like automobile, telecommunication, metallurgical, non-conventional energy, chemical (other than fertilizers), food processing, petroleum & natural gas got the bulk of FDI.

- With the objective of enhancing India's manufacturing capabilities and exports, the GoI has introduced the Production-Linked Incentive (PLI) Scheme in the 10 key sectors under the aegis of Atmanirbhar Bharat.

Ease of Doing Business in India:



Source: Survey calculations based on EoDB data.

The improvement in the business environment as a result of these reforms is reflected in India's considerably improved ranking to 63rd position among the 190 countries in the World Bank's Doing Business 2020 Report. This is a jump of 14 ranks over its previous rank of 77.

Apart from this, the GOI undertook various initiatives to empower MSME sector to overcome lockdown crisis. One of the key initiatives in this regard is the amended definition of MSME sector, provides small firms the incentives to grow and thereby reap economies of scale, whereby criteria for classification of manufacturing and service enterprises for MSMEs has been merged.

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Key Proposals: Direct Taxes

Changes in Personal & Corporate Tax

There is no change is personal & Corporates tax rates. Slab rates are as under:

For **Individuals/HUF/AOPs/BOI (old regime)**:

Income (INR)	Rate of Tax
Up to INR 250,000*	NIL
INR 250,001 to INR 500,000	5%
INR 500,001 to INR 1,000,000	20%
Above INR 1,000,000	30%

*Basic exemption in case of Senior Citizen (Age 60 Years to 79 Years) is INR 300,000 and very senior citizen (Age 80 Years or more) is INR 500,000.

For Individuals/HUF(Section 115BAC):

Income (INR)	Rate of Tax
Up to INR 250,000	NIL
INR 250,001 to INR 500,000	5%
INR 500,001 to INR 7,50,000	10%
INR 7,50,001 to INR 1,000,000	15%
INR 10,00,001 to INR 12,50,000	20%
INR 12,50,001 to INR 15,00,000	25%
Above INR 15,00,000	30%

a) Rebate under Section 87A remain unchanged for resident individual (whose income does not exceed 5,00,000) the amount of rebate is 100% of tax calculated before cess or 12,500 whichever is less.

b) Surcharge & Education cess remain same as earlier.

Corporate Tax rates:

Corporate Tax rate of 25% is applicable to companies with turnover up to INR 4000 million in financial year 2018-19 and in all other cases rate is 30%. However, two different rates i.e 22% & 15% is also available u/s 115BAA & 115BAB for domestic companies.

Rationalization of provisions of Charitable Trusts and Institutions

In order to simplify computation of application or accumulation of income by Charitable Trusts or Institutions for charitable or religious purposes, the Union Budget in order to avoid double counting proposes the following:

- Voluntary contributions made with a specific direction that it shall form part of corpus shall be invested in one of modes specific in Section 11(5) of Income Tax Act, 1961 ('ITA');
- Application out of corpus shall not be considered for charitable or religious purposes;
- Application from loans or borrowings taken by Charitable Trusts or Institutions shall not be considered as application for charitable or religious purposes
- No set-off or deduction or allowance of any excess application of previous year shall be considered in computing such application or accumulation

These amendments take effect from 01st April 2022 and accordingly apply from Assessment year 2022-23.

Taxation of proceeds of Unit Linked Insurance Plan (ULIP)

Presently, Section 10(10D) of the ITA provides for exemption for sum received under a life insurance policy, including the sum allocated by way of bonus on such policy, where the premium payable under the policy does not exceed 10% of actual sum assured.

Considering that major investments in insurance are based on unit-linked plans, the Budget proposes to bring the proceeds of ULIP into the tax ambit.

Accordingly, the following is proposed:

- Categorization of ULIP as a Life Insurance policy;
- Exemption of proceeds of ULIPs issued after 01st February 2021, if premium payable for any previous year during the policy term does not exceed Rs. 2,50,000

- No sum is taxable when proceeds received on death of life assured;

Further, it is also proposed:

- ULIPs for which exemption under the aforesaid sections 10(10D) of ITA is not available shall be regarded as 'Capital Assets' and accordingly provisions of capital gains shall apply.

- ULIPs for which exemption under the aforesaid sections 10(10D) of ITA is not available, shall also be regarded as units of equity-oriented fund and provisions of computation of capital gains on such fund shall apply.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22.

Dispute Resolution Committee for Small & Medium Taxpayers

In order to ensure speedy disposal of tax disputes of small and medium taxpayers, it is proposed to constitute a Dispute Resolution

Committee (DRC) vide new section 245MA of the ITA.

The following scheme is proposed in this respect:

- Disputes shall be resolved for those class of persons as may be notified by the CBDT;

- Only those disputes proposed to be taken up where returned income is upto Rs. 50 Lacs and aggregate amount of variation proposed is upto Rs. 10 lacs;

- The DRC shall have the power to reduce or waive penalty imposable under the ITA or grant immunity from prosecution for any offence under the ITA, where the dispute is resolved therein.

Scheme shall not apply in following cases:

- In cases of search, survey or information received from an overseas tax authority in respect of the assessee proposing to take benefit of such scheme;

- In cases of detention, prosecution or conviction under various laws initiated upon the Assessee

This amendment will take effect from 1st April, 2021.

Additional considerations in computing book profits for purposes of MAT Liability

The Budget proposes to rationalize MAT provisions to consider the below situations in computing MAT liability:

- In case of income of past year is included in the books of accounts of the Assessee, on account of secondary adjustment made under Transfer Pricing on an application made by the Assessee to the AO in this behalf or as a result of APA, book profit shall be computed taking without into account such income;

- Dividend to be treated at par with Royalties, FTS, capital gains, interest on securities i.e. dividends income and expense claimed thereof not to be considered as part of book profits for computing MAT liability

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22.

Taxability of Interest on various funds where income is exempt

It is proposed that Interest income accrued on balance in provident fund of a person, shall be taxable to the extent it relates to the amount or the aggregate of amounts of contribution made by the person exceeding Rs. 2.5 lacs in a previous year in that fund.

This amendment shall take effect from 01st April 2022 and accordingly apply from Assessment year 2022-23.

Proposed LTC Cash Scheme

It is proposed to allowed the payment of cash allowance in lieu of LTC allowance, subject to below:

- **Maximum of Rs 36,000 per person** as Deemed LTC fare per person (Round Trip). Or 1/3rd of specified expenditure;
- Applicable LTC for **Block year 2018-21**;
- The employee needs to spend amount on goods / services which carry a **GST 12% or more** through digital mode during the period from the 12th of October, 2020 to 31st of March, 2021 and produce the GST Invoice.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22.

Extension in Affordable rental Housing scheme

In order to boost the housing sector under affordable housing scheme, the period of approval of the project by the competent authority is proposed to be extended to 31st March, 2022 which was earlier 31st March 2021 & 31st March 2020. The above scheme is also applicable on rental housing project which is notified by the Central Government in the Official Gazette and fulfils such conditions as specified in the said notification.

Similar sun-set extension is also done in section 80EEA.

These amendments take effect from 01st April 2022 and accordingly apply from Assessment year 2022-23.

Extension of date of incorporation & Investment for eligible start-ups

In order to help eligible start-up and help investment in them,-

- it is proposed to amend the provisions of section 80-IAC of the Act to extend the outer date of incorporation to before 1st April, 2022; and
- it is proposed to amend the provisions of section 54GB of the Act to extend the outer date of transfer of residential property from 31st March 2021 to 31st March 2022.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22.

Increase in Safe Harbour limit for home buyers & Developers for selling residential unit

In order to provide relief to real estate developers and buyers, the Finance Act, 2018, provided a safe harbour of 5%. In order to provide further relief in this matter, Finance Act, 2020 increased this safe harbour from 5% to 10%. Now, it is proposed to increase the safe harbour from 10% to 20% under section 43CA of the ITA, if following conditions are fulfilled:

- The transfer of residential unit takes place between 12th November, 2020 to 30th June, 2021;
- Consideration received or accrued as a result of transfer does not exceed Rs. 2 Crore.
- The transfer is by way of first-time allotment of the residential unit to any person

Consequential relief by increasing the safe harbour from 10% to 20% shall also be allowed to buyers of these residential units under section 56(2)(x) of the ITA for the said period.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22

Relaxation for senior citizen from filing of ITR

Presently section 139 of ITA provides to file Income tax return (ITR) if total income exceeded the maximum amount which is not chargeable to income-tax. Now in order to provide relief to senior citizen(having age 75 or more), it is proposed to not to file ITR, subject to fulfilment of following conditions:

- Assessee has pension income and interest income from same bank in which pension is credited;
- Declaration in specified format, will be deposited in specified bank in which pension is credited;
- Specified bank will compute and deduct Income tax after giving Chapter VI-A and rebate u/s 87A of the ITA.

Advance tax instalment for Dividend Income

Advance tax liability on dividend will arise only after declaration of dividend, in order to provide relaxation of interest u/s 234C.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22.

Clarification of Employee contribution on or before due date

Now it is clarified that there is no deduction allowable to an employer in case of late deposit of Employee' share of PF/ESI fund from the date mentioned in the respective regulation.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22

Rationalisation of Tax audit provision in certain cases

In Finance act 2020, in order to reduce compliance burden on small and medium enterprises Tax Audit thresholds increased from Rs 1 crore to Rs 5 crore with a rider that total receipts and total payments in cash should not exceed 5% of such total receipts and total payments made respectively during the year.

Now, 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 Rs.5 Crore rupees to Rs.10 Crore in cases listed above.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22

Clarification of term "Resident" u/s 44ADA

Now it is clarified that LLP is excluded from the Presumptive taxation u/s 44ADA of the ITA.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22

Time limits for filing Tax Returns

Persons Covered	Existing Due Dates	Proposed due dates
Companies and Non-Company Assessee: i) In case of Tax Audit under the ITA; **or** ii) In case of Tax Audit and Transfer Pricing audit **or** Transfer Pricing audit under the ITA	31st of October 30th November	No change No change
Working Partner of a firm, where the firm is subject to: i) Tax Audit under the ITA; **or** ii) Tax Audit and Transfer Pricing audit **or** Transfer Pricing audit under the ITA	31st October 31st October	No change 30th November
Others	31st July	No change
Belated Return **or** Revised Return	Before the end of relevant AY or completion of Assessment (Whichever is earlier)	3 months before the end of relevant AY or Completion of Assessment (Whichever is earlier)

Time limits for Notices and Tax assessment

Section	Existing Timelines	Proposed Timelines
Issuance of notice by AO u/s 143(2) for commencing scrutiny proceedings	6 months from the end of relevant AY	3 months from the end of relevant AY
Completion of Scrutiny assessment by the AO u/s 143(3)/144	12 months from the end of relevant AY	9 months from the end of relevant AY
Issuance of notice by AO in respect of Re-Assessment proceedings u/s 147	- 4 years from the end of relevant AY (where Income escaping assessment is < Rs. 1 Lacs) - 6 years from the end of relevant AY (where Income escaping assessment is > Rs. 1 Lacs)	3 years from the end of relevant AY
		10 Years where Income escaping assessment is Rs.50 Lacs or more

Faceless ITAT appeal & Notice u/s 142(1)

The Central Government is following a conscious policy of making all the processes under the Act, where physical interface with the assessee is required, fully faceless by eliminating person to

person interface between the taxpayer and the Department. In line with this policy, and in order to enable centralized issuance of notices etc. in an automated manner, it is proposed to amend the provisions of clause (i) of the sub-section (1) of the section 142 to empower the prescribed income-tax authority besides the Assessing Officer to issue notice under the said clause.

Similarly, 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.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22

Provision attachment in fake invoices cases

It is proposed to amend the provision of section 281B of the Act to enable the Assessing Officer to exercise the 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 two crore rupees on a person or a person who causes such person to make a false entry or omit an entry from his books of accounts.

Definition of the term "Liable to tax"

The Act currently does not define the term "liable to tax". Now it is proposed to insert clause 2(29A), to cover 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.

These amendments take effect from 01st April 2021 and accordingly apply from Assessment year 2021-22

Tax Deduction at Source (TDS) on purchase of goods

Earlier Govt. has proposed and implemented 206C(1H) on sale of goods. Now similar provision is proposed to provide for TDS by person 'buyer' responsible for paying any sum to any resident for purchase of goods @0.1% (if PAN not available then 5%):

- whose total sales, gross receipts or turnover from the business carried on by him exceed **ten crore** rupees during the financial year **immediately preceding the financial year** in which the purchase of goods is carried out and the purchase of goods by him from the seller is of the value or aggregate of such value exceeding **fifty lakh rupees** in the **previous year**.

Exceptions to above:

- 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 amendment will take effect from 1st July, 2021

TDS/TCS on non-filer at higher rates

Section 206AA of the Act provides for higher rate of TDS for non-furnishing of PAN. Similarly, section 206CC of the Act provides for higher rate of TCS for non-furnishing of PAN.

Propose to insert a **new section 206AB** as a special provision for providing higher rate of TDS and also a **new section 206CCA** for providing a higher rate of TCS for non-filers as below:

Applicable to (Also known as Specified Person)	- Any person who has not filed tax return for 2 preceding assessment years and time limit for filing the original return has expired; **And** - Aggregate of TDS or TCS (As the case may be) is Rs. 50,000/- or more in each of the preceding 2 assessment years.
Rate of TDS	Higher of: - Twice the rate specified in the relevant provision of the Act; or - twice the rate or rates in force; or - 5%
Rate of TCS	Same rates shall apply as specified in existing provision of Section 206CC of the ITA, as under: Higher of: - Twice the rate specified in the relevant provision of the Act; or - 5%

Not Applicable to	Where payments is subject to TDS deduction under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act Where the non-resident does not have a PE in India
Interplay of sections 206AA / 206 CC (non-furnishing of PAN) **And** Proposed sections 206AB / 206 CCA	Where existing provisions of section 206AA/206CC of the ITA are applicable to a specified person, then TDS / TCS shall be deducted / collected at: - **In case of TDS:** Rates specified in section 206AA or 206AB, whichever is higher - **In case of TCS:** Rates specified in section 206CC or 206CCA, whichever is higher

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

This amendment will take effect from 1st July, 2021.

Rationalisation of the provisions of Equalisation Levy

It is proposed to carry out the following amendments in the Chapter VIII Finance Act, 2016:

- 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.**

- 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:

(a) Acceptance of offer for sale;
(b) Placing the purchase order;
(c) Acceptance of the Purchase order;
(d) Payment of consideration; or
(e) Supply of goods or provision of services, partly or wholly to provide that consideration received or receivable from e-commerce supply or services shall include:
(i) consideration for sale of goods irrespective of whether the e-commerce operator owns the goods; and
(ii) 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 1st April, 2020.

It is also proposed to amend section 10(50) of the ITA to –

- provide that section 10(50) will apply for the e-commerce supply or services made or provided or facilitated on or after 1st April, 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.

This amendment will take effect from 1st April 2021 and will accordingly apply to the assessment year 2021-22.

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Key Proposals: Goods and Service Tax

Transactions between an Organization and Members deemed to be a supply

A new clause(aa) has been inserted in section 7 sub section, so as to ensue levy of tax on any activity with respect to goods and services for cash between an organization like Club and its members is constituted as a supply. Also, an Explanation has been inserted to hold that the 'Organisation' and its members are two distinct persons under GST.

Mandatory to file GSTR-1 by supplier for Recipient to avail ITC

Section 16 has been proposed to be amended by inserting a new clause (aa) in subsection (2), as to provide that the ITC on invoice or debit may be availed only when the details of such invoice or debit note has 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.

Audit Return under GST Scrapped

Section 35(5) is proposed to be omitted so as to remove the mandatory requirement of getting annual accounts
audited and the reconciliation statement submitted by specified professional (Chartered Accountant or Cost Accountant).

However, this does not mean that the activity of reconciling the statements would be done away with.

Annual Return to include reconciliation statement

Section 44 of the CSGT Act has been substituted and the new provision states that the registered person shall file an annual return which includes a Reconciliation statement that reconciles the value of supplies declared in the returns with the values specified in the Audited Financial statement.
By virtue of this amendment the Govt. has submerged the requirement of reconciliation statement, which was there in GST Audit, with Annual return.

Interest on Non-payment to be computed on amount paid in cash

Section 50 of the Central Goods and Services Tax Act amended to substitute the proviso to sub-section (1) so as to charge interest on net cash liability retrospectively with effect from the 1st July, 2017.
In case of delayed payment of tax, as per proposed Section 50, the Interest for such delayed payment shall be calculated on the amount that is debited from the cash ledger and not on the entire amount that is paid belatedly.

Proceeding of search and seizures proposed to made independent of sec 73 and 74

If a notice is issued u/73 or 74 to the main accused and the same is concluded, the proceedings initiated against the other persons under section 129 and 130 in terms of seizure and confiscation continues.

Recovery proceeding- if no tax paid for supplies declared in GSTR-1

The word "Self-assessed" tax under Section 75 has been amended to include the tax payable in respect of details of outward supplies furnished under section 37, but not included in the return furnished under section 39. A mandatory reconciliation of GSTR-3B and GSTR-01 is required to be done to ensure that the officers do not issue recovery notices merely due to any clerical errors.

Pre-Deposit – 25% of penalty

Any appeal made against seizure order would require to pay 25% of the penalty as a pre-requisite. This amount is in addition of the disputed tax amount.

Earlier pre-deposit was mandated only for tax amount.

Detention and Seizure- Amendments

- The payment of tax on the goods to be detained has been done away with. Instead penalty equal to two hundred percentage of the tax amount is required to be paid and in case of exempted goods, payment of an amount equal to two per cent. of the value of goods or twenty-five thousand rupees, whichever is less, has to be made by the owner of the goods if he comes forward to pay the penalty.

- The payment of tax on the goods to be detained has been done away with. Instead penalty equal to fifty percentage of the value of goods or two hundred percentage of the tax amount whichever is higher, is required to be paid and in case of exempted goods, payment of an amount equal to five per cent. of the value of goods or twenty-five thousand rupees, whichever is less, has to be made by the owner of the goods if he does not come forward to pay the penalty.

- The earlier provision of providing Bond/Bank Guarantee equivalent to the tax, interest, penalty is done away with.

- The proper officer has to issue a notice for detention/seizure within 7 days from the date of detention/seizure for penalty and thereafter within a period of 7 days pass order for payment of such penalty.

- The officer can entertain a personal hearing only for the penalty amount so specified in the notice and not for the tax or interest amount calculated thereunder.

- If the person transporting the goods/owner of the goods fails to pay the penalty, within 15 days from the date of receipt of the order, then such goods will be sold/disposed off to recover the same.

- The conveyance can be released on payment of Rs.1 lakh or as per the order whichever is less.

- In case of hazardous items, the time of disposal/sale can be reduced by the officer.

Confiscation provisions no more has overriding effect

Bill seeks to amend section 129 of the Central Goods and Services Tax Act so as 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.

Power to officer to collect any Information required

Section 151 of the Central Goods and Services Tax Act amended so as to empower the jurisdictional commissioner to call for information from any person relating to any matters dealt with in connection with the Act.
This means that the registered person shall be deemed to provide any information about any supplier he is connected with in any sense.

Opportunity of being heard before using above information

Section 152 of the Central Goods and Services Tax Act proposed to be amended so as to provide that no information obtained under sections150 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.

Supply of Goods by unincorporated body to its members excluded from SCH-II

The supply of goods by unincorporated body to its members was treated as a supply of goods.

This has been proposed to be omitted w.e.f. July 1, 2017 as the definition of supply has been amended to include all the activities between the body and members to be a supply.

Changes in Zero rated supply

Amendments has been proposed in section 16 of IGST Act, 2017 so as to make provisions for restricting the zero-rated supply on payment of integrated tax only to specified class of taxpayers or specified supplies of goods or services.

It further provides to link the foreign exchange remittance in case of export of goods with refund and further restricting zero rating of supplies made to special economic zone only when such supplies are for authorized operations.

The concept of Zero-rated supply has been made very restrictive in nature.

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Union Budget 2021: Key Sectoral Impact

Automotive

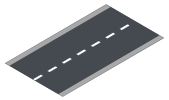
Budget Initiatives

- Finance Minister announced voluntary scrapping policy, to phase out old and unfit vehicles. This will encourage the fuel-efficient vehicles, thereby reducing pollution, Oil Import bill and increase in the demand for newer vehicles;
- A new scheme shall be launched with a budget outlay of **Rs. 18,000 crores** to support lengthening of the Public bus transport services, wherein private sector players will finance, operate and maintain over 20,000 buses. **This will provide the necessary boost for the automobile sector;**
- Government is providing an enhanced outlay of **Rs. 1,18,101 crores** for the Road transport and Highway, this step will attract a spur in demand of vehicle over period.
- The production linked scheme will boost the country's automobile sector with a budget outlay of Rs. 57,042 crores earmarked for five years.

Impact on Customs Duty by Budget

- Raising of custom duty on certain Auto-parts is a step towards achieving the vision of Atmanirbhar Bharat. However, increase in the custom duty will likely to increase the cost of vehicles till self-reliance is achieved.

Infrastructure



Budget Initiatives

- The Government has planned to set up Development Finance Institution (DFI) to act as a provider, enabler and catalyst for infrastructure financing. The Government has allocated Rs. 20,000 for this institution;
- National Infrastructure Pipeline (NIP) is a specific target which the government is committed to achieve in upcoming years. Finance minister has proposed to take steps to increase the funding both from government and Financial sector.

Iron and Steel

Impact on Customs Duty by Budget

- Reduction in the customs duty uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels;
- Relief to metal recyclers in form of an exemption in duty on steel scrap has been provided up to 31st March, 2022
- Revocation of ADD and CVD on certain steel products;
- Relief to copper re-cyclers: Duty on copper scrap reduced from 5% to 2.5%

Chemicals

Impact on Customs Duty by Budget

Government has adjusted the customs duty on various chemicals product;

Customs duty on Carbon black, Bis-phenol A, Epichlorohydrin has been increased to 7.5% and on petrochemical industry product Naphtha the duty has been reduced to 2.5%;

The aim for the adjustment in duty is to encourage domestic value addition and to remove inversions.

Electronics and Telecom

Impact on Customs Duty by Budget

- The Government has proposed to impose import duty on components of mobile phones and charger;
- Finance minister has proposed the review of 400 exemptions in

customs duty including those applicable on the mobile phone segment.

This move was proposed with an objective to enhance domestic value addition and helping India in achieving a position in global value chain and to boost.

Fintech

Budget Initiatives

- Through the Budget, the government has proposed to set up a world-class fintech hub near Gujrat capital Gandhinagar at GIFT City;

- Government is committed to make the International Financial Services Centre (IFSC) in the GIFT CITY and in addition of the tax incentive already provided, Government through budget has proposed to include, among others, tax incentive for relocating foreign funds in the IFSC and to allow tax exemption to the investment division of foreign banks located in IFSC.

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Changes in Customs Tariff: Product wise

	AMENDMENTS			
A.	Tariff rate changes for Basic Customs Duty [to be effective from 02.02.2021, unless otherwise specified] * [Clause [95 (i)] of the Finance Bill, 2021]		Rate of Duty	
S. No.	Heading, sub-heading tariff item	Commodity	From	To
		Chemicals		
1.	2803 00 10	Carbon Black	5%	7.5%
		Plastic items		
2.	3925	Builder ware of Plastics	10%	15%
		Gems and Jewellery Sector		
3.	7104	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	10%	15%
		Electrical and Electronics Sector		
4.	8414 30 00	Compressors of a kind used in refrigerating equipment	12.5 %	15%
5.	8414 80 11	Compressors of a kind used in air-conditioning equipment	12.5 %	15%
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%
		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%
8.	8512 90 00	Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor Vehicle	10%	15%
9.	8544 30 00	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%

10.	9104 00 00	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	15%
B.	**Tariff rate changes (without any change in the effective rates of Basic Customs Duty)**		**Rate of Duty**	
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
1.	8414 40	Air compressors mounted on a wheeled chassis for towing	7.5%	15%
2.	8414 80 (except 8414 80 11)	Gas Compressors (other than of a kind used in air- conditioning equipment), free-piston generators for gas turbine, turbo charger and other compressors	7.5%	15%
3.	8501 10 to 8501 53	Electric Motors	10%	15%
4.	8536 41 00 and 8536 49 00	Relays	10%	15%
5.	8537	Boards, panels, consoles, etc. for electric control or distribution of electricity	10%	15%
6.	9031 80 00	Other instruments, appliances and machines	7.5%	15%
7.	9032 89	Electronic automatic regulators and other controlling instruments or apparatus	10%	15%
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** a) Changes to the first schedule to the Customs Tariff Act are being proposed that are to come into effect from 01.01.2022. 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. b) 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.			

OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN RESPECTIVE NOTIFICATIONS [with effect from 2.2.2021, unless specified otherwise]

S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
		Agricultural Products and By Products		
1.	2207 20 00	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	5%
2.	23	All goods except dog and cat food and shrimp larvae feed	Nil/ 5%/ 10%/ 15%/20%/ 30%	15%
		Minerals		
3.	2528	Natural borates and concentrates thereof	Nil / 5%	2.5%
		Fuels, Chemicals and Plastics		
3.	2710	Naphtha	4%	2.5%
5.	2907 23 00	Bis-phenol A	Nil	7.5%
6.	2910 30 00	Epichlorohydrin	2.5%	7.5%
7.	2933 71 00	Caprolactam	7.5%	5%
8.	3907 40 00	Polycarbonates	5%	7.5%
9.	3908	Nylon chips	7.5%	5%
10.	3920 99 99	Other plates, sheets, films, etc. of other plastics	10%	15%
		Leather		
11	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	Nil	10%
		Textiles		

S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
12.	5002	Raw Silk (not thrown)	10%	15%
13.	5004, 5005, 5006	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	15%
14.	5201	Raw Cotton	Nil	5%+5% AIDC*
15.	5202	Cotton waste (including yarn waste or garneted stock)	Nil	10%
16.	5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510	Nylon Fibre and Yarn	7.5%	5%
		Gems and Jewellery Sector		
17.	7106	Silver	12.5.%	7.5%+ 2.5% AIDC*
18.	7106	Silver Dore	11%	6.1% + 2.5%
				AIDC*
19.	7108	Gold	12.5%	7.5%+ 2.5% AIDC*
20.	7108	Gold Dore	11.85 %	6.9%+ 2.5% AIDC*
21.	7107 00 00, 7109 00 00, 7111 00 00	Base metals or precious metals clad with precious metals	12.5%	10%
22.	7110	Other precious metals like Platinum, Palladium, etc.	12.5%	10%
23.	7112	Waste and scrap of precious metals or metals clad with precious metals	12.5%	10%
24.	7112	Spent catalyst or ash containing precious metals	11.85 %	9.17%
25.	7113	Gold or Silver Findings	20%	10%
26.	7118	Coin	12.5%	10%

S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
		Metals		
27.	7204	Iron and steel scrap, including stainless steel scrap [up to 31.03.2022]	2.5%	Nil
28.	7206 and 7207	Primary/Semi-finished products of non-alloy steel	10%	7.5%
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%
30.	7213, 7214, 7215, 7216, 7217, 7221, 7222, 7223, 7227 and 7228	Long product of non-alloy, stainless and alloy steel	10%	7.5%
31.	7225	Raw materials for use in manufacture of CRGO steel [up to 31.03.2023]	2.5%	Nil
32.	7404	Copper Scrap	5%	2.5%
33.	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%
		Capital Goods		
34.	8430	Tunnel boring machines	Nil	7.5%
35.	8431	Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	2.5%
		IT, Electronics and Renewable		

S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
36.	8544 (other than 8544 70 and 8544 30 00)	Specified insulated wires and cables	7.5%	10%
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. 1.4.2021)	Nil	2.5%
39.	Any Chapter	Inputs or parts for manufacture of camera module of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
40.	Any Chapter	Inputs or parts for manufacture of connectors of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
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. 1.4.2021)	Nil	2.5%
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%
43.	8504 90 90 or 3926 90 99	Moulded plastics for manufacture of charger or adapter	10%	15%
44.	Any Chapter	Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	Nil	10%
45.	Any Chapter	Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones	Nil	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. 1.4.2021)	Nil	2.5%

S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
47.	Any Chapter	Parts or components of PCBA of Lithium-ion battery or battery pack (w.e.f. 1.4.2021)	Nil	2.5%
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. 1.4.2021)	Nil	2.5%
49.	Any Chapter	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
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%
51.	9405 50 40	Solar lanterns or solar lamps	5%	15%
52.	8504 40	Solar Inverters	5%	20%
53.	9503	Parts of Electronic Toys for manufacture of electronic toys	5%	15%
		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 Defence subject to condition specified.	2.5%	0%
		Medical devices		
55.	9018-9022	Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	Health Cess @ Nil
		Goods imported under Project Import Scheme		
56.	9801	High Speed Rail Projects being brought under project imports	Applicable Rate	5%

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