

# Union Budget 2021

Adv. (CA) Sanjay Jhanwar



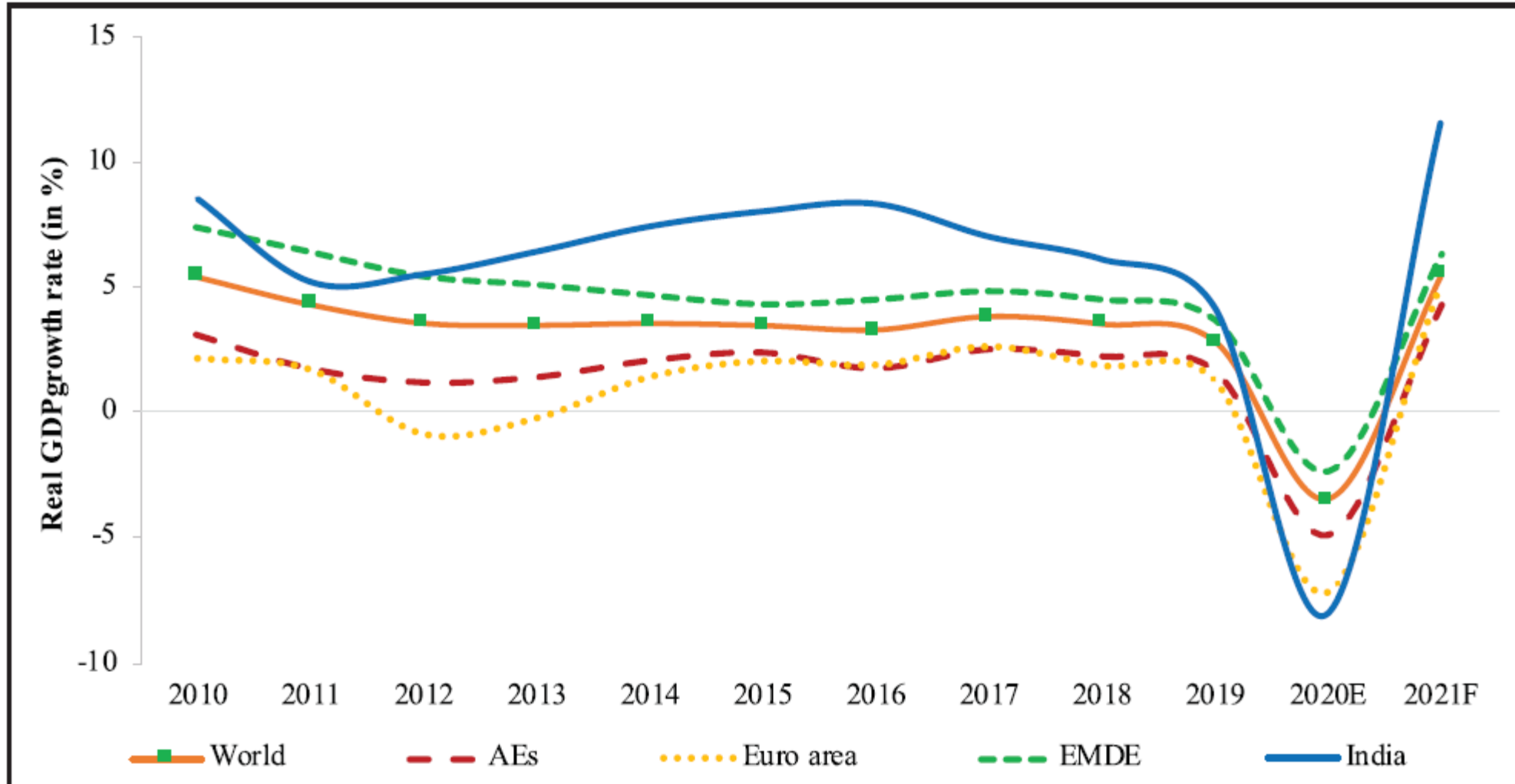
Chir Amrit Corporate School

# Indian Economy & Union Budget

## At A Glance



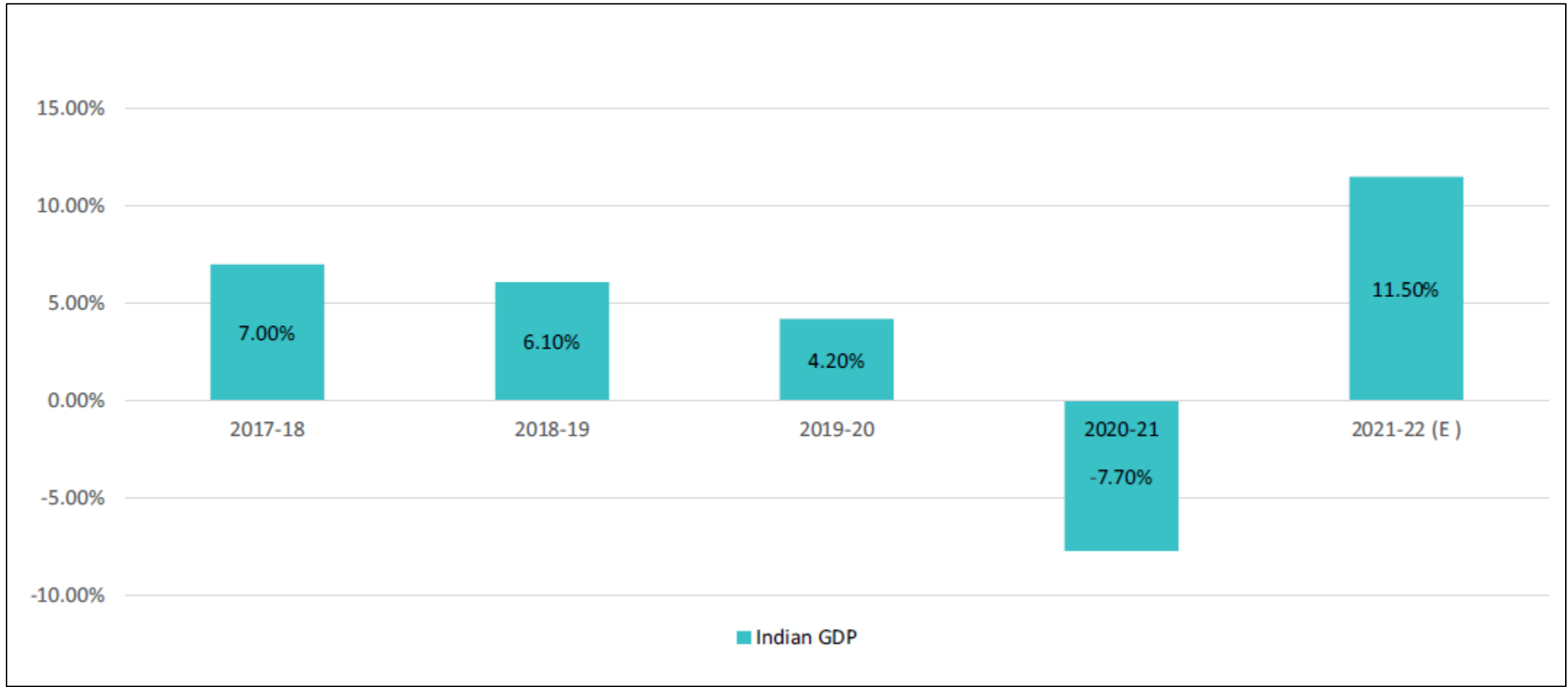
# Trends in GDP Growth



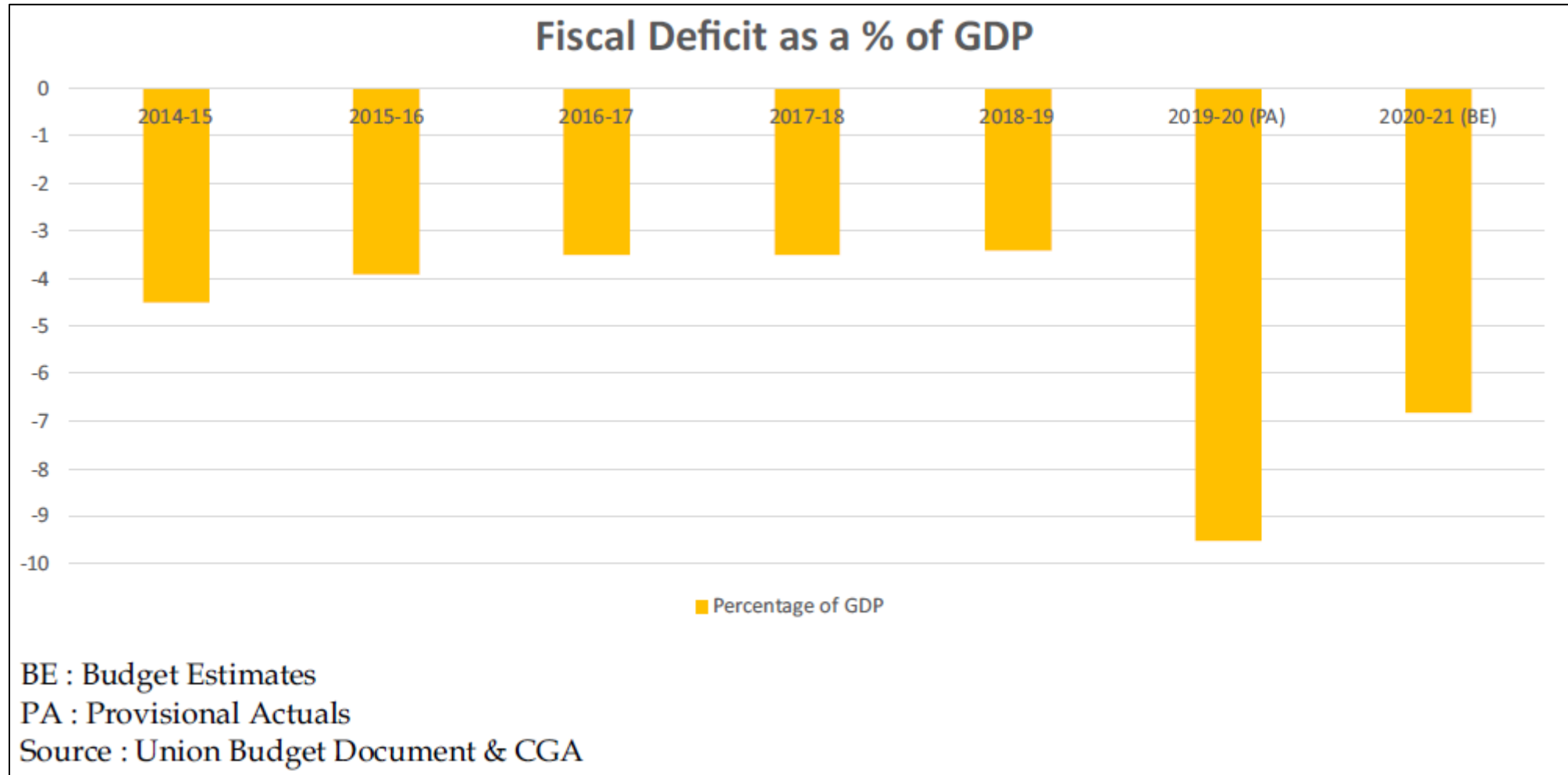
Source: IMF

Note: E is Estimate, F is Forecast

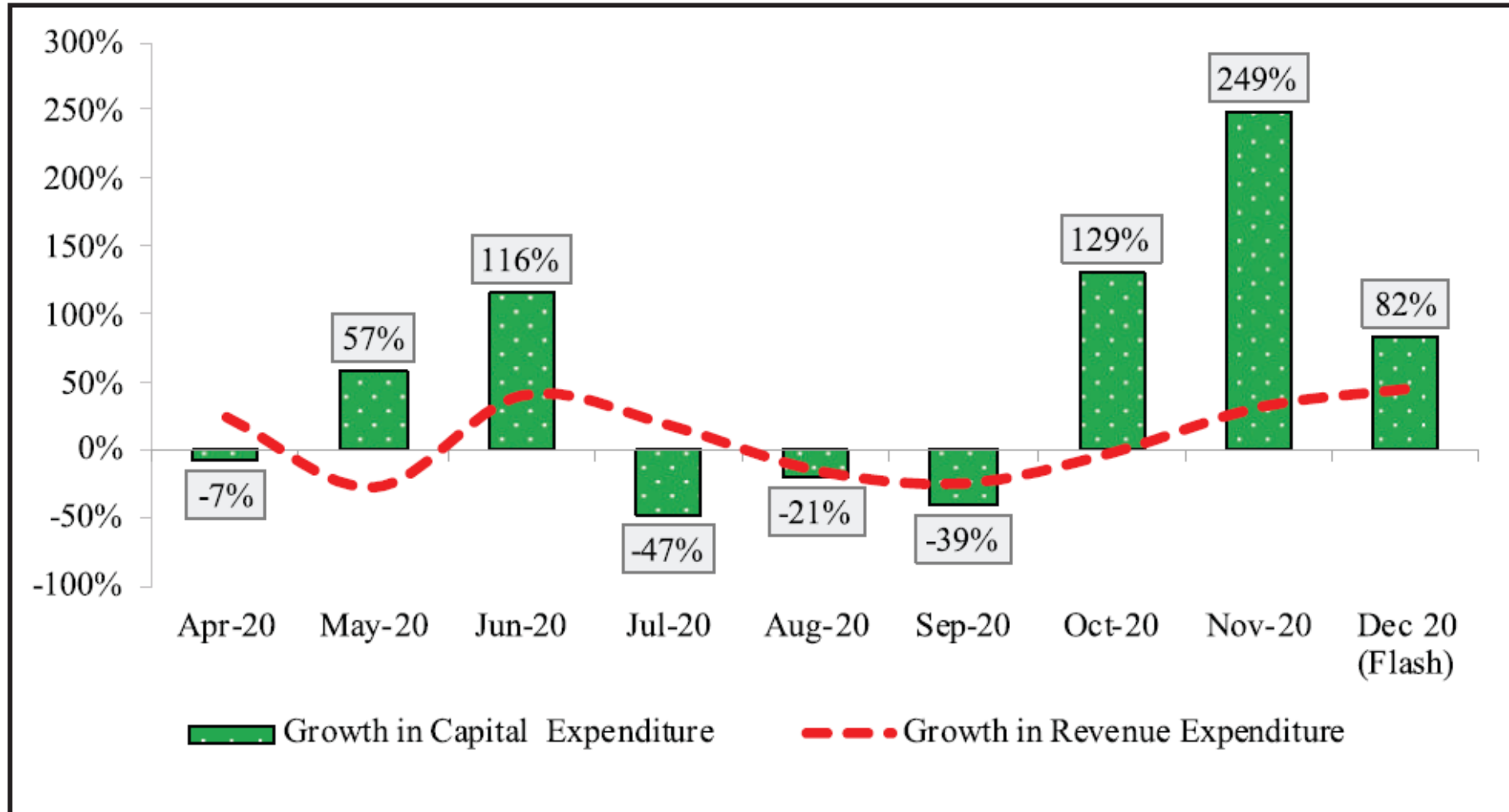
# GDP Growth in India



# Fiscal Deficit – Trends of 5 Years

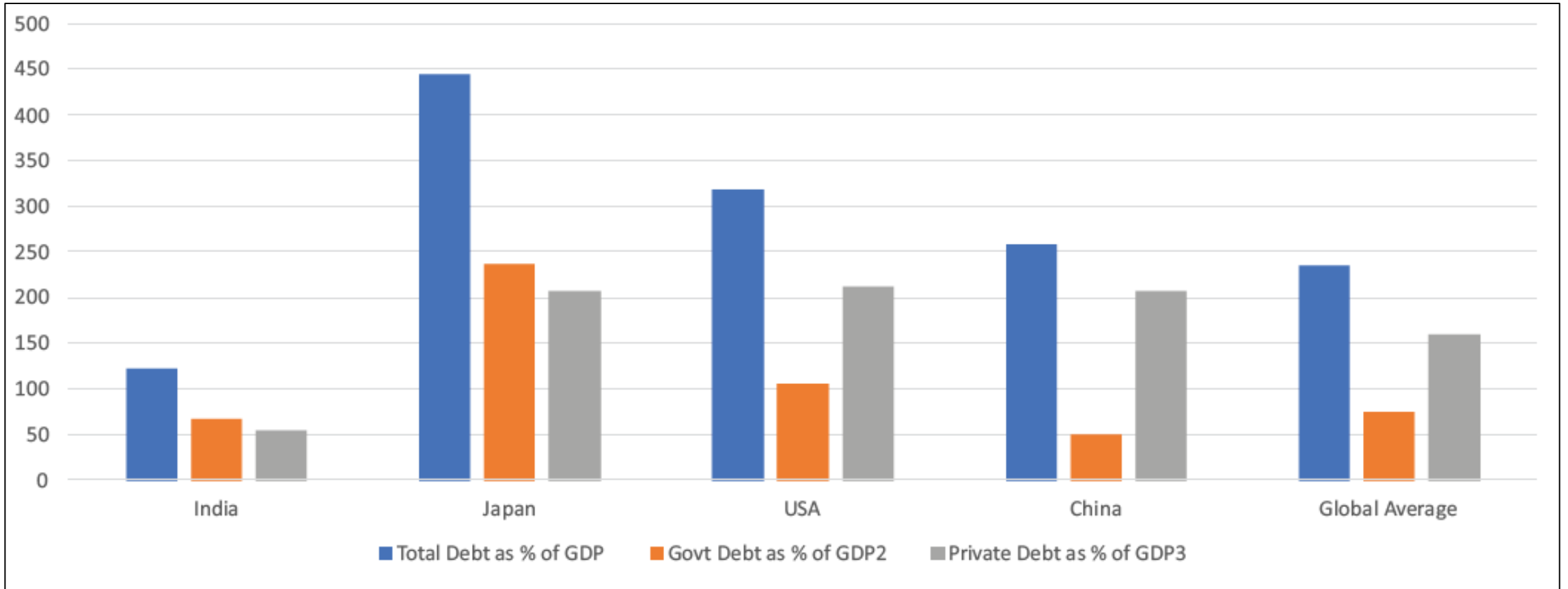


# Central Govt. Expenditure MoM

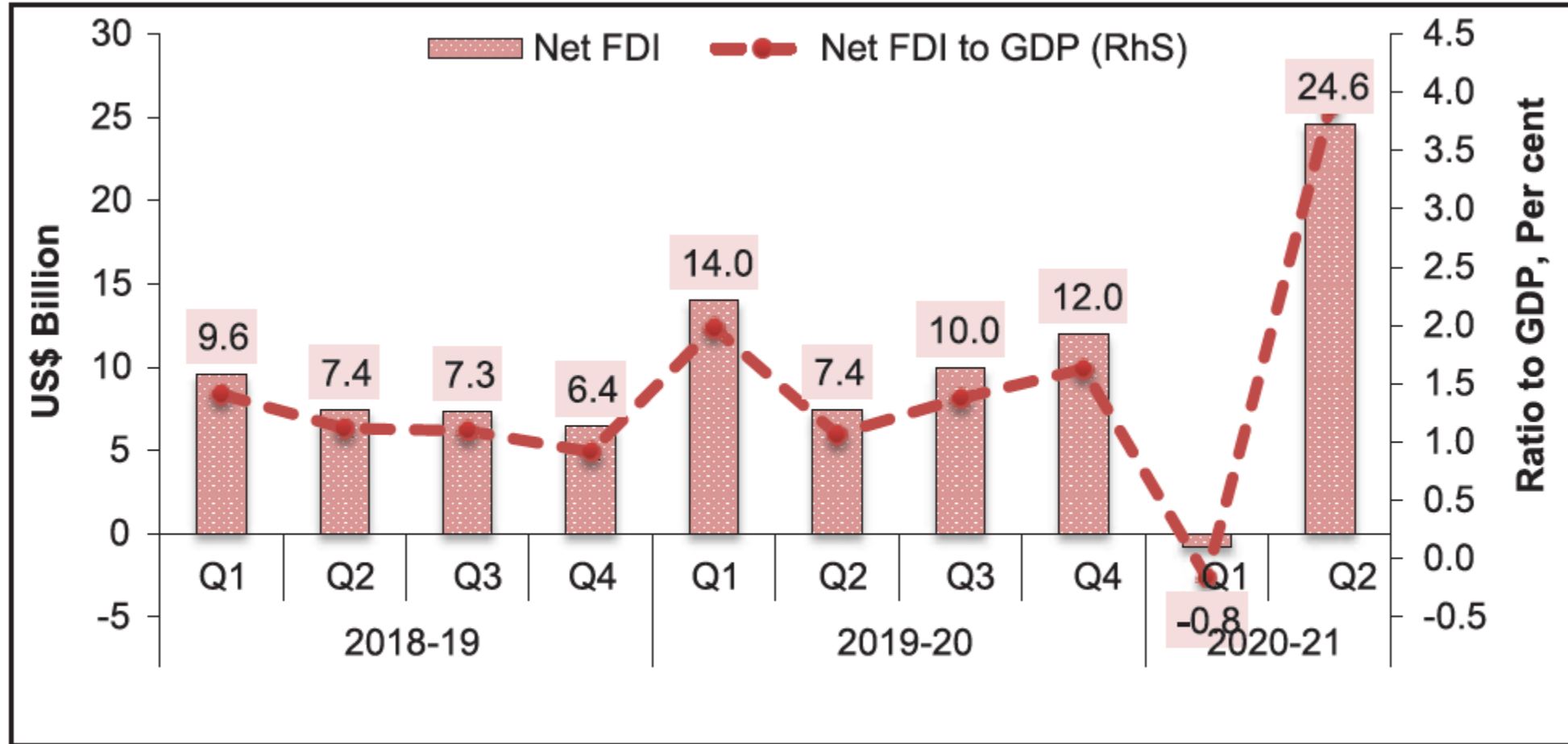


Source: Department of Expenditure

# Debt to GDP Ratio



# Foreign Direct Investment Flow

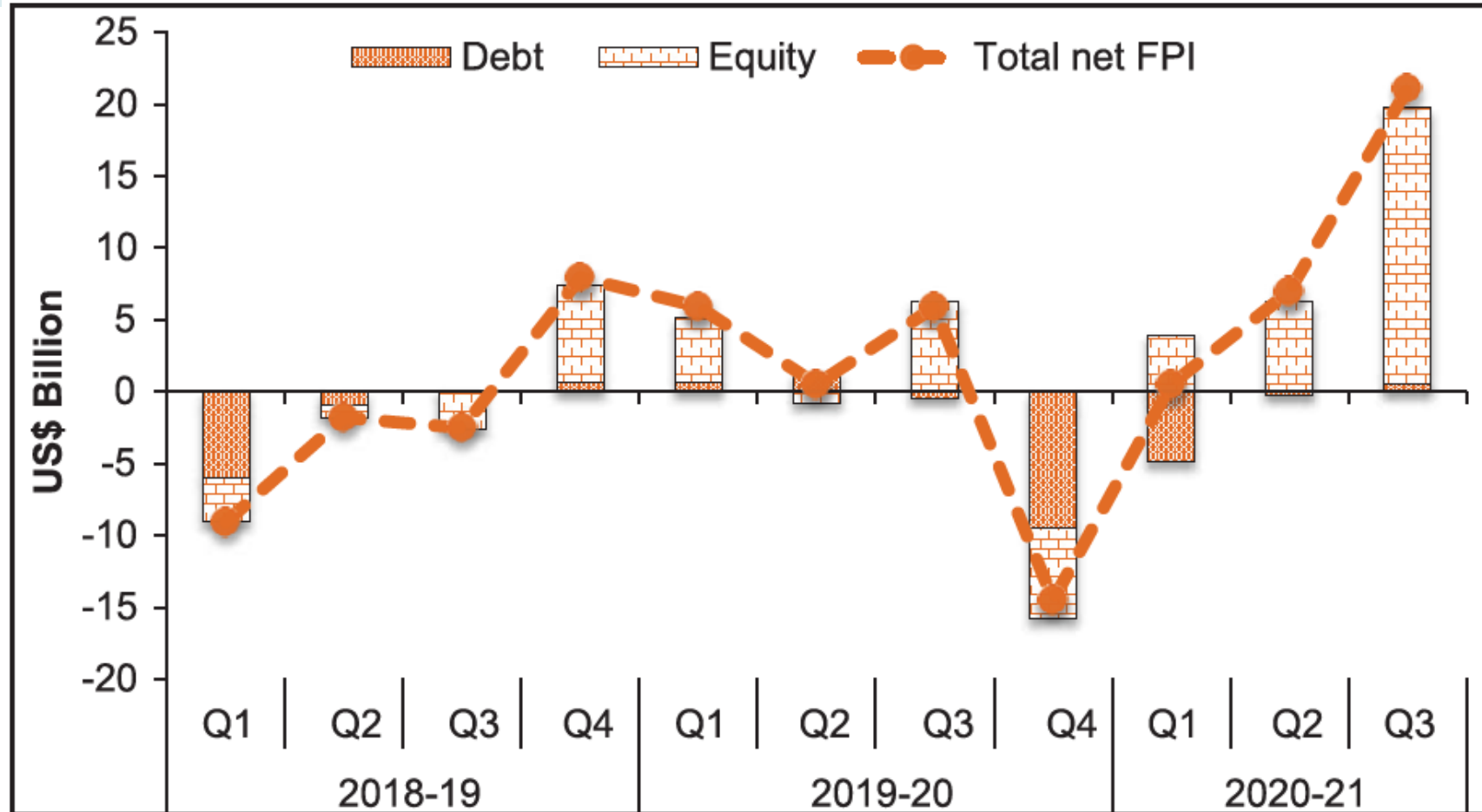


Source: RBI

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



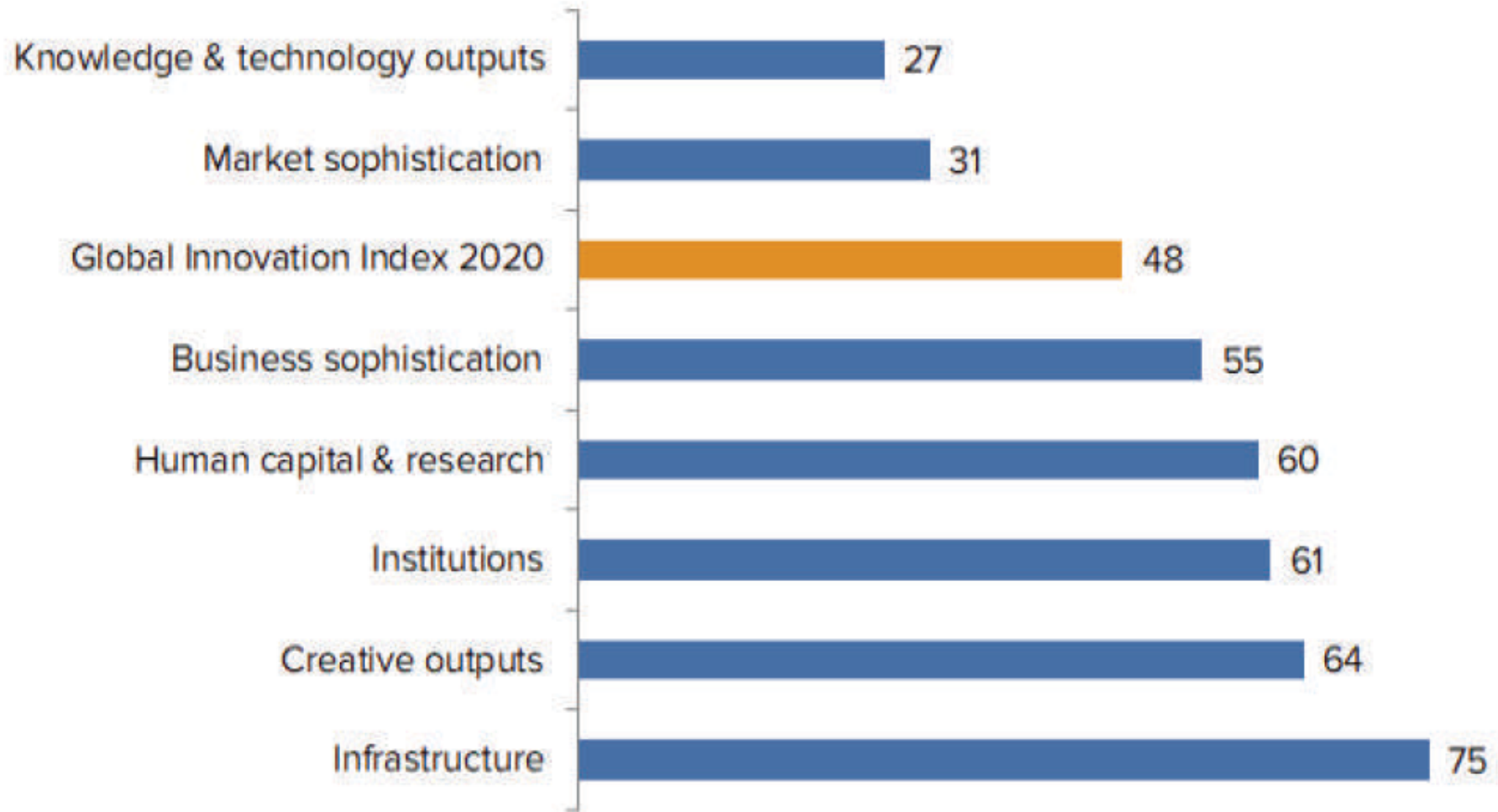
# Foreign Portfolio Investment Flow



Source: National Securities Depository Limited (NSDL).

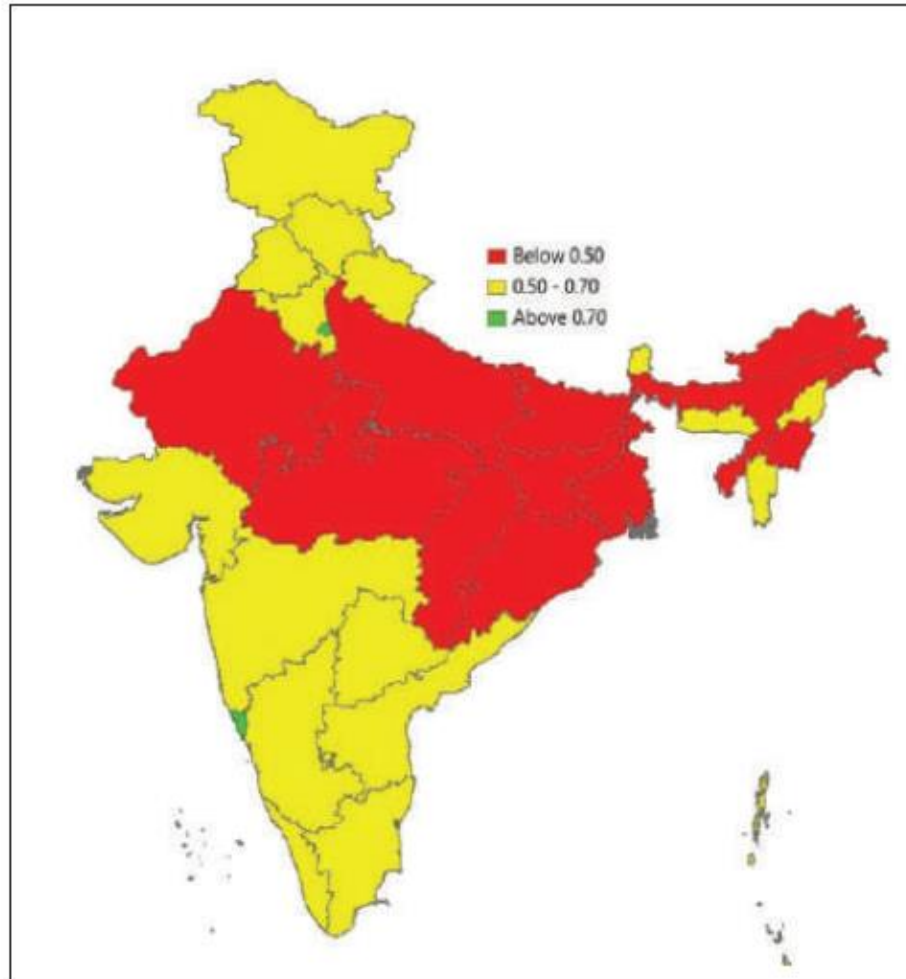
Note: Total net FPI is summation of debt, equity, hybrid and VRR, however, only debt and equity are depicted in above chart as they together account for more than 90 per cents of the total net FPI.

# Global Innovation Index

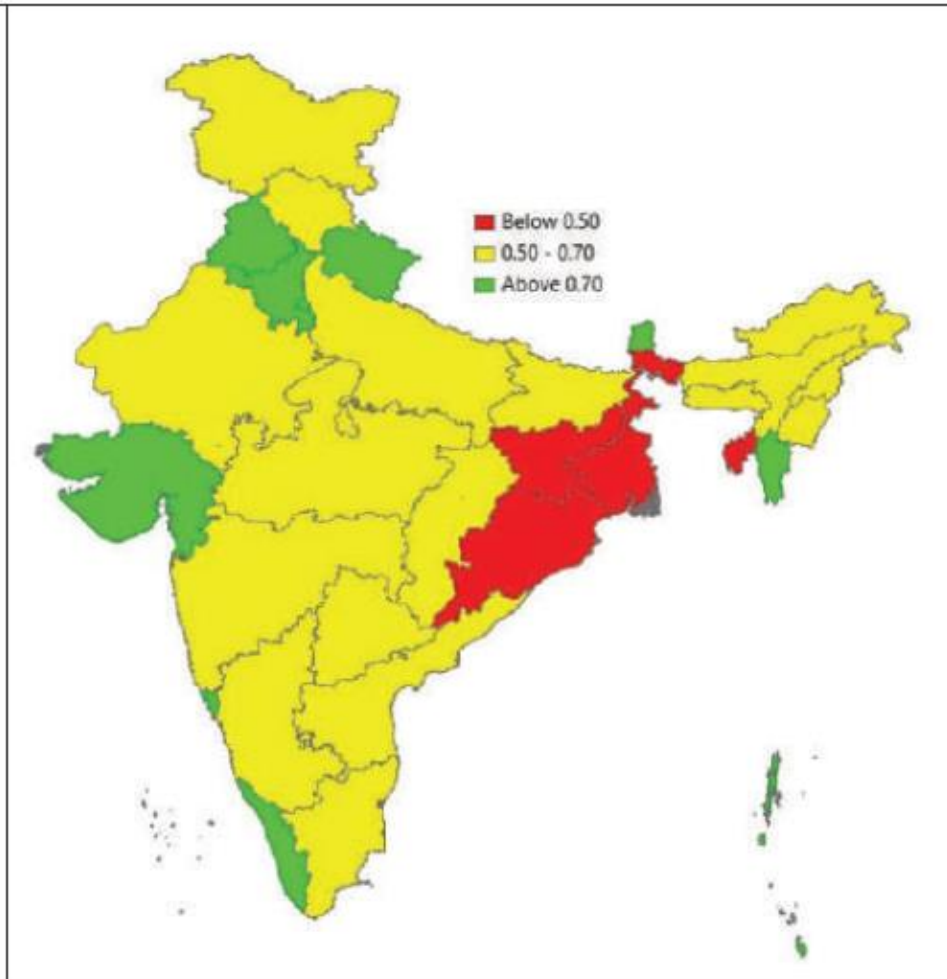


Source: GII 2020 Report

BNI for India (Rural + Urban) 2012

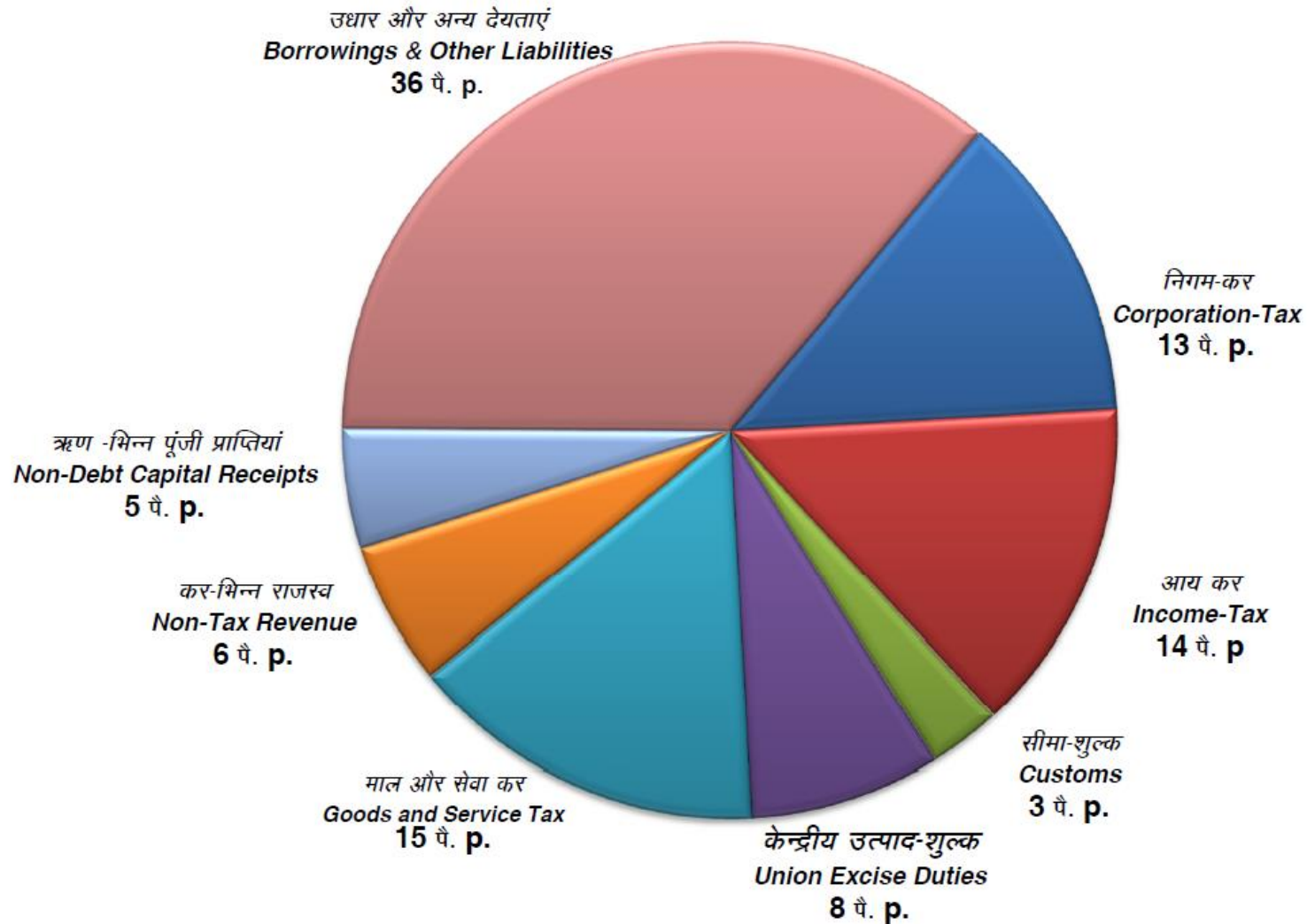


BNI for India (Rural + Urban) 2018

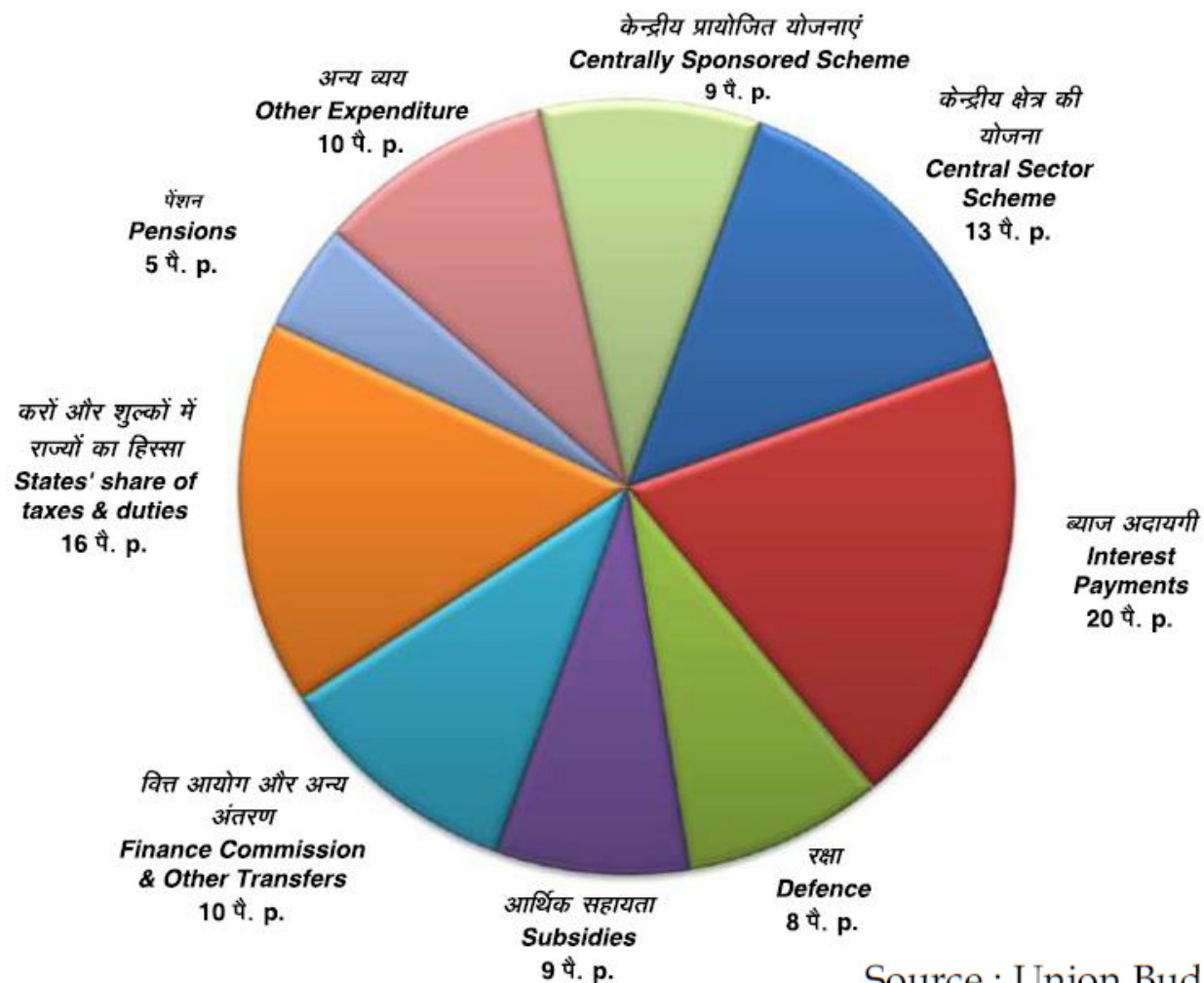


Source: Survey calculations.

# Revenue Sources



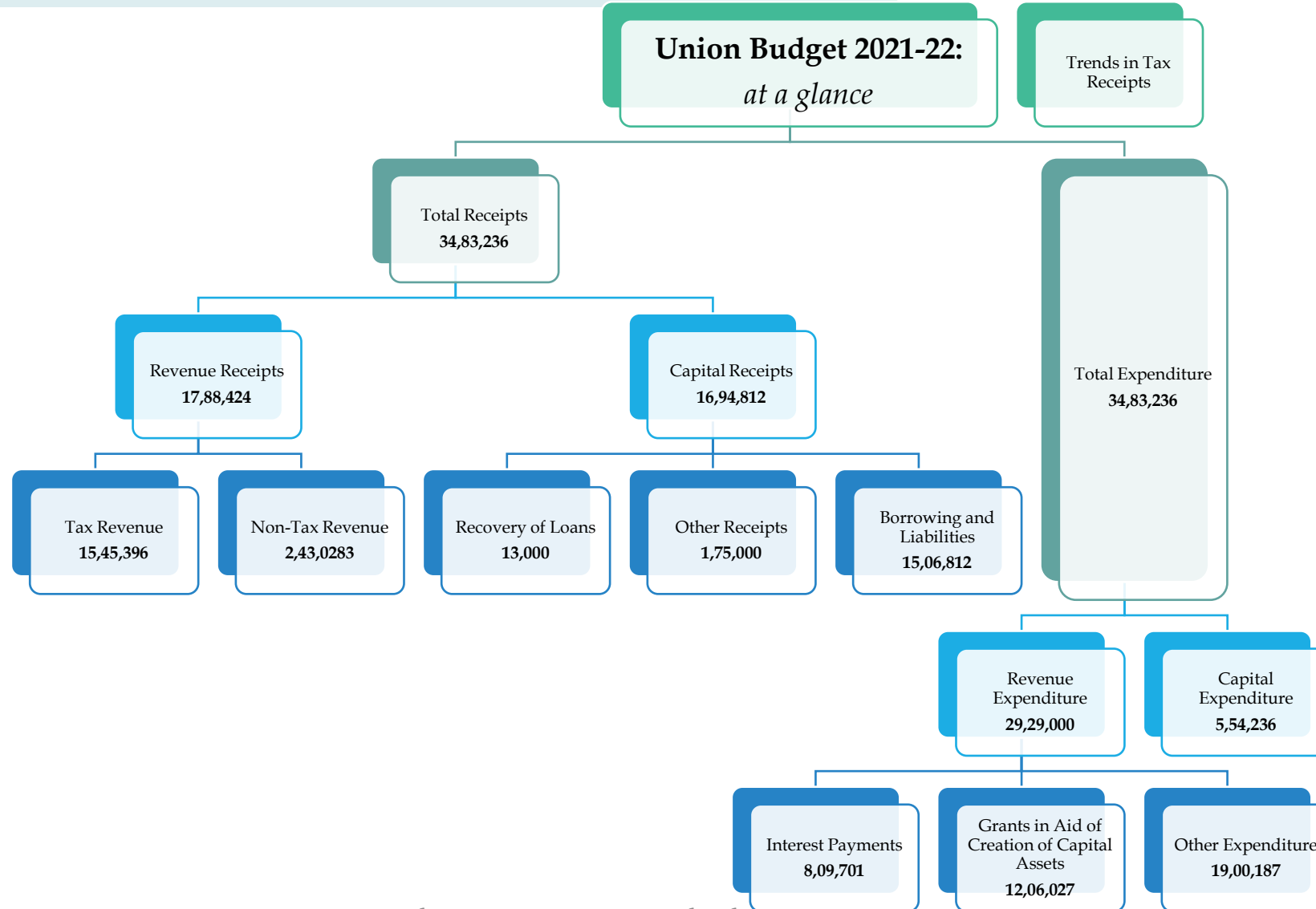
# Expenditure- Application



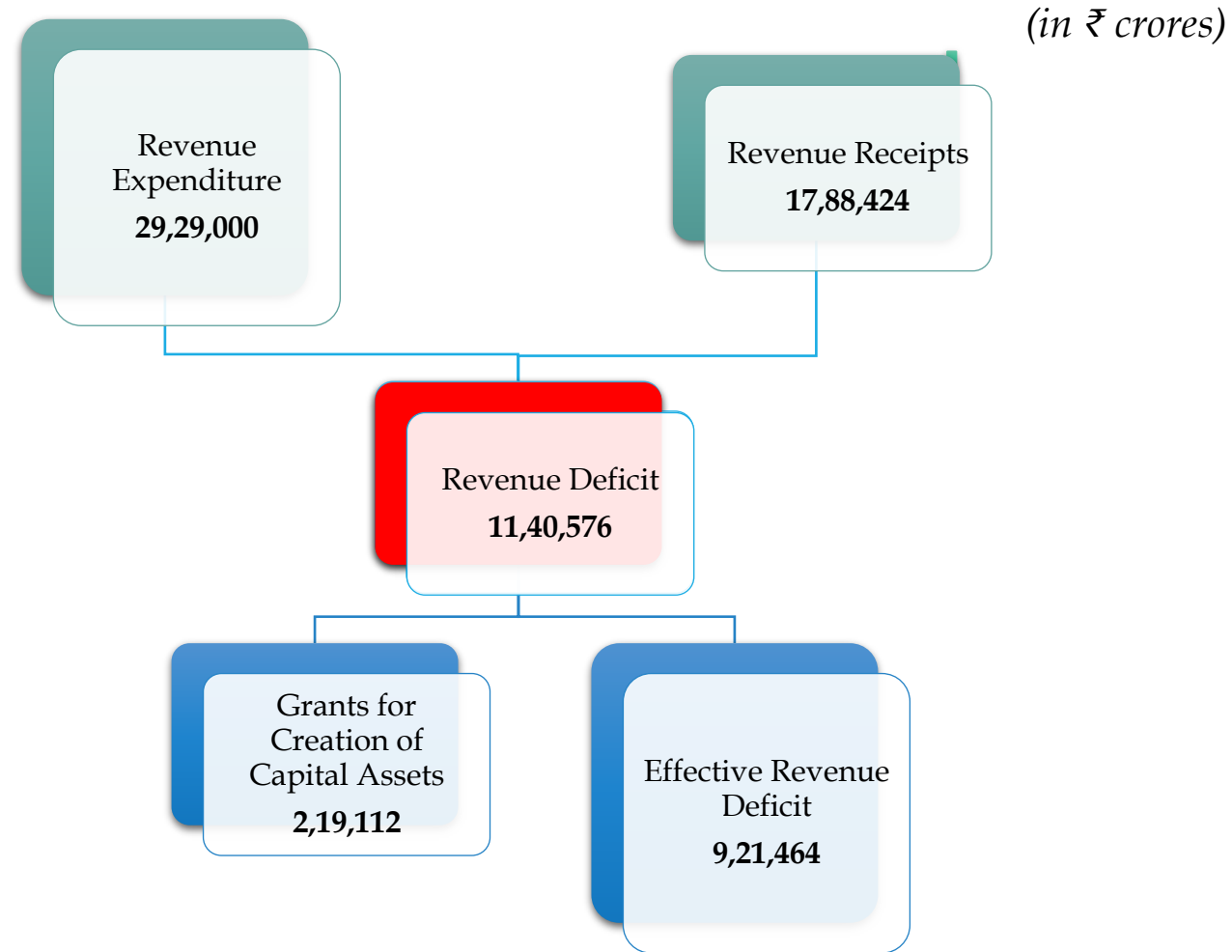
Source : Union Budget 2021-2022

# Budget At A Glance

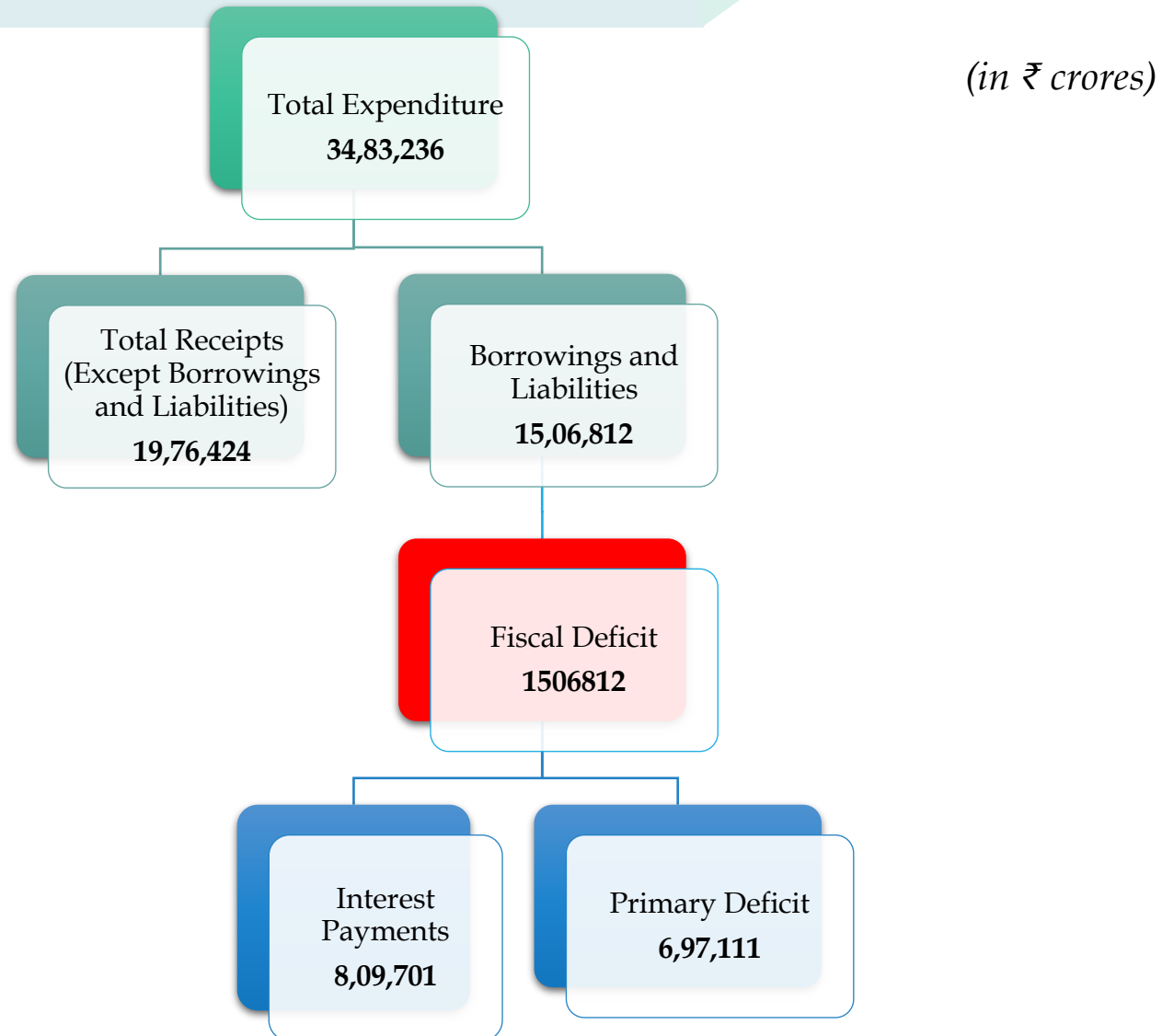
(in ₹ crores)



# Revenue Deficit



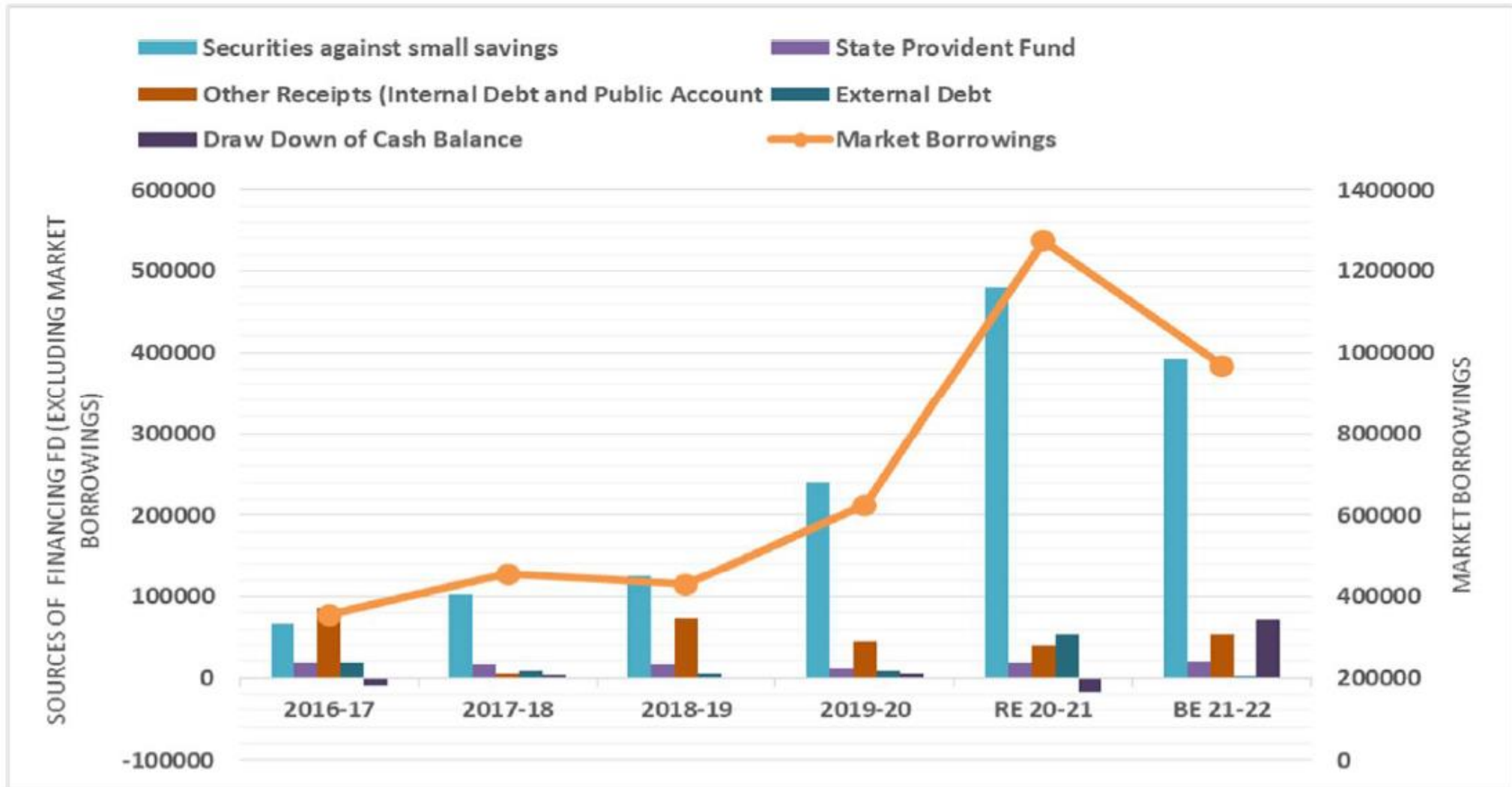
# Fiscal Deficit & Primary Deficit





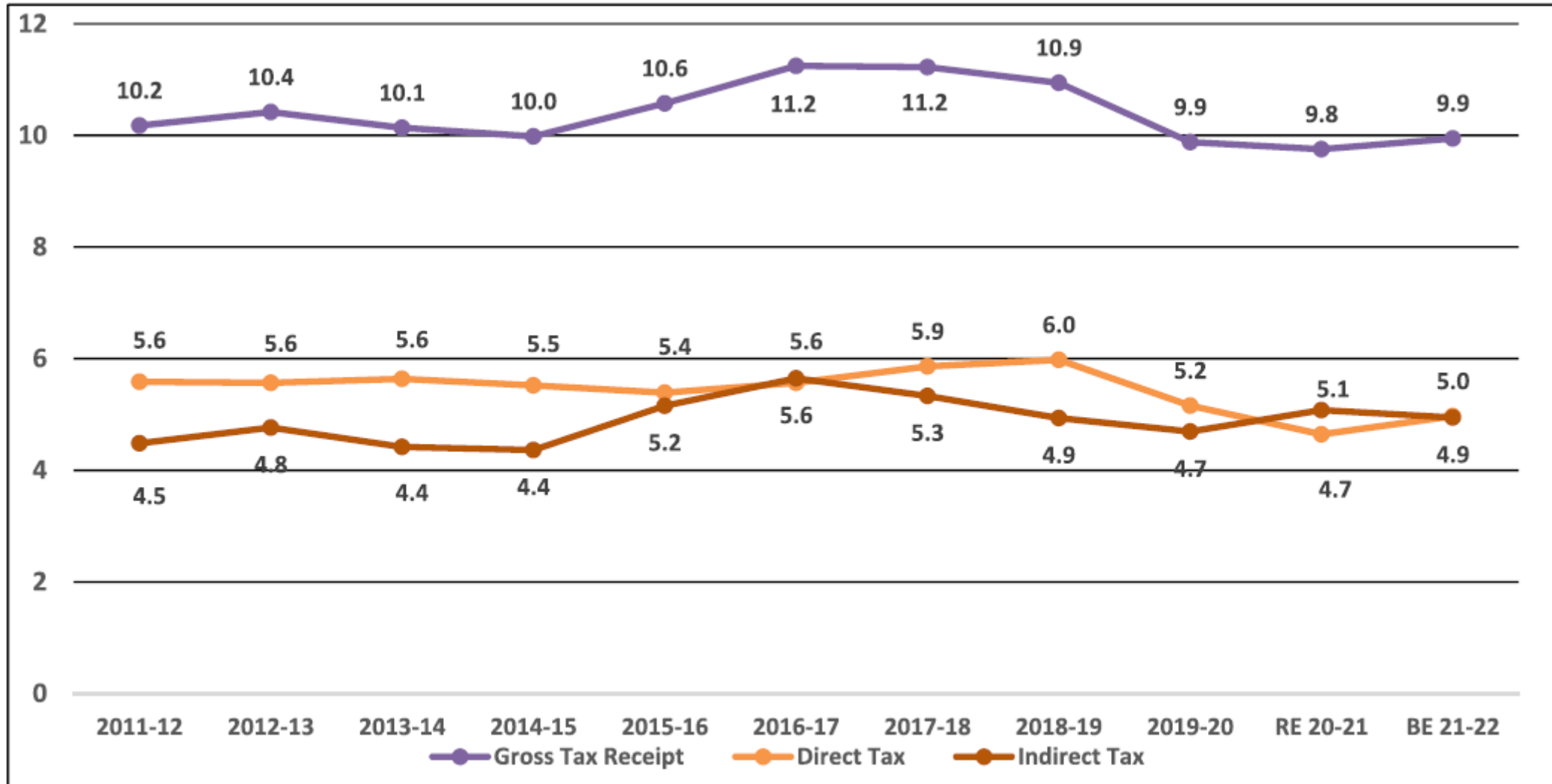
# Sources of Deficit Financing

(in ₹ crores)

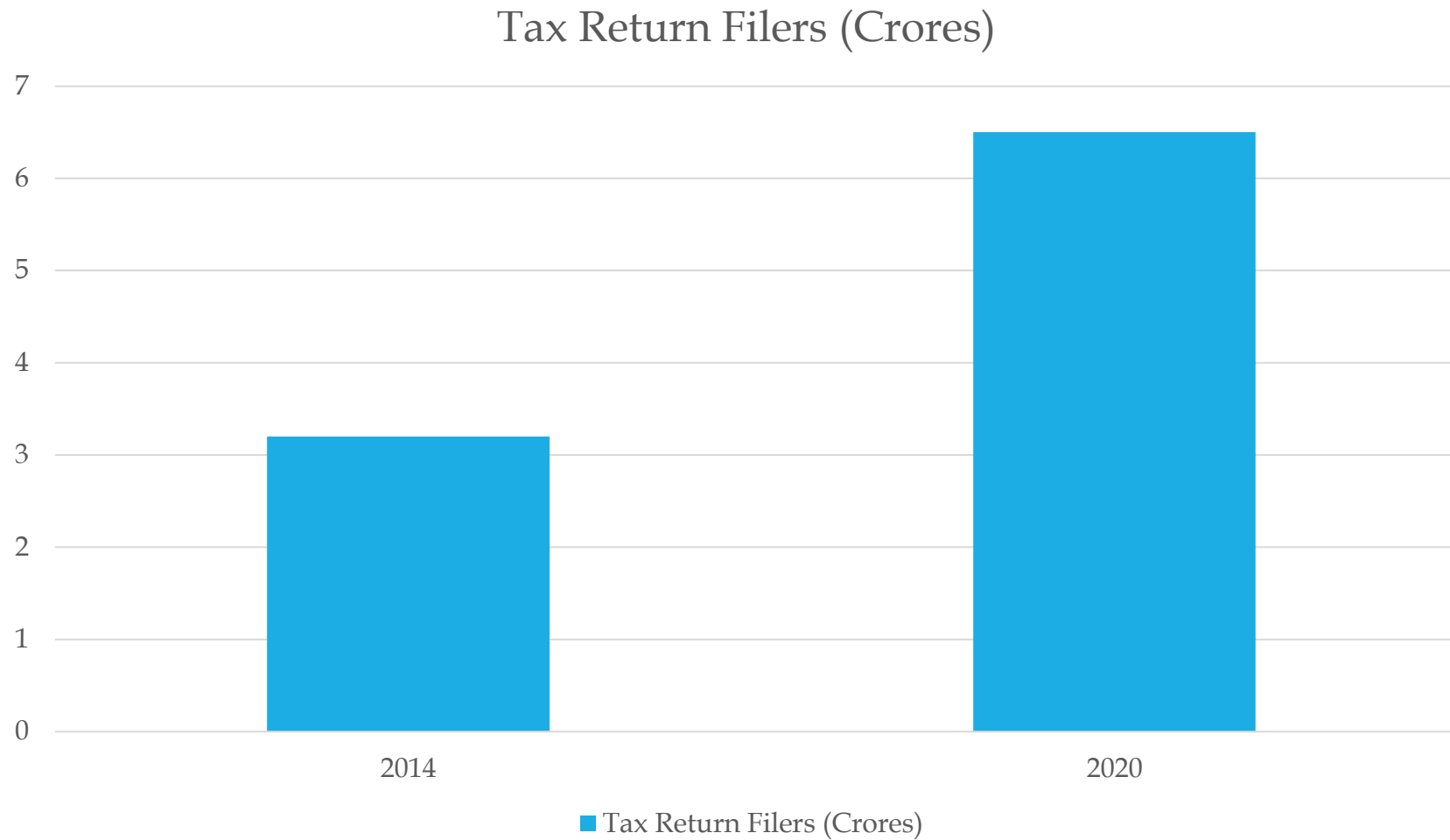


# Trends in Tax Receipts

(% of GDP)



# Tax Return Filers



# Prudent Expenditure

Sectors	2020-21 Budget	2021-22 Budget	% Change
Agriculture	146876	135854	-7.5%
Health	69234	76902	11.08%
Defense	471378	478194	1.45%
Education	99312	93224	- 6.13%
Infrastructure	223079	259587	16.37%
MSME	7572	15700	107.34%

Innovation & Research: Rs. 50000 crores (5 year outlay)

# Multiple Budgets



# One Year – Five Budgets

Budget 2020  
1<sup>st</sup> Feb 2020

Fiscal Package  
27<sup>th</sup> March 2020

1.7 Lakh  
Crores

- Overall economic package

Atma Nirbhar  
Bharat 1.0  
12<sup>th</sup> May 2020

Rs. 20 Lakh  
Crores

- Economic package @10% of GDP
- Collateral free loan
- Moratorium on interest & instalments

Atma Nirbhar  
Bharat 2.0  
12<sup>th</sup> Oct 2020

Rs. 73000  
Crores

- Economic stimulus package
- LTC benefits

Atma Nirbhar  
Bharat 3.0  
12<sup>th</sup> Nov 2020

Rs. 2.65 Lakh  
Crores

- Economic stimulus package
- Benefit to companies if they employ new employees
- Benefits to homebuyer – 20% deviation

# New Policy Direction



# New Policy Direction

**Large Taxpayer**



**Mid Size Taxpayer**

**Savings**



**Expenditure**

**Personal**



**Virtual**

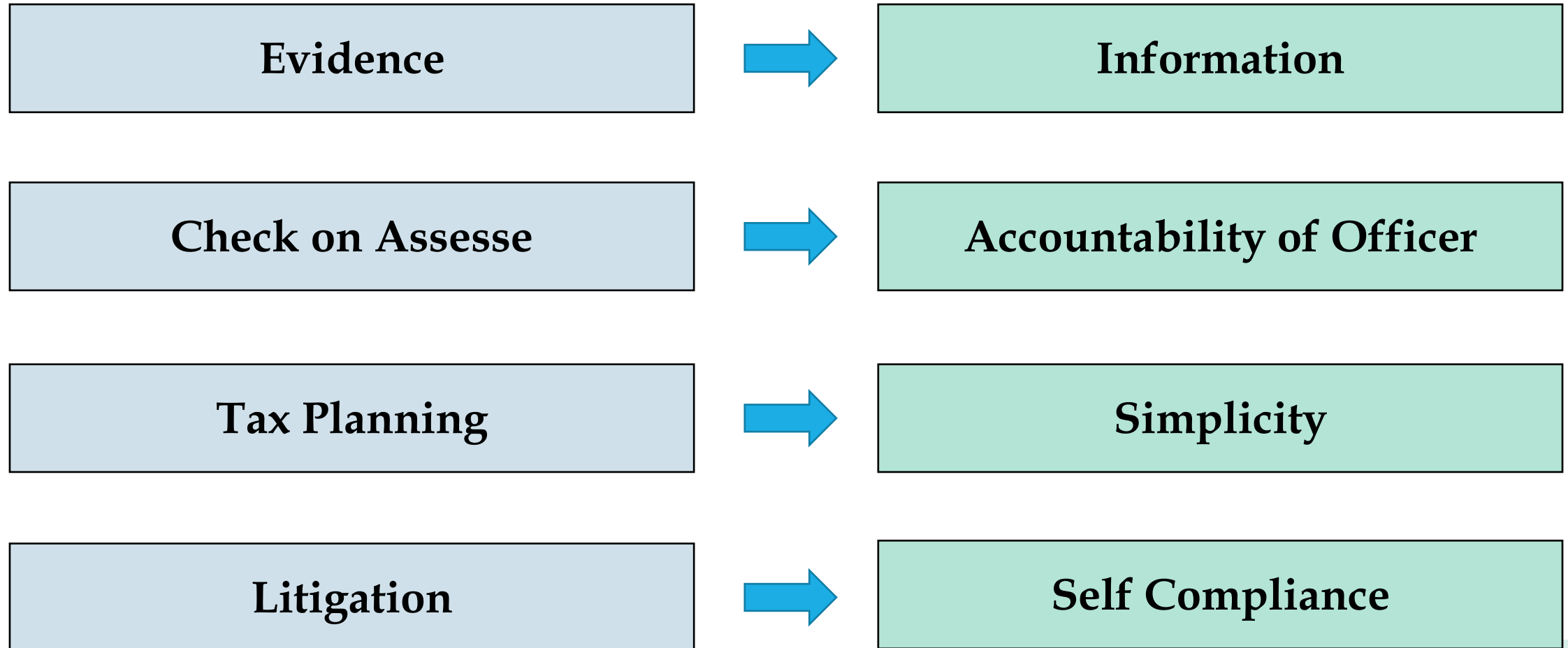
**Time**



**Efficiency**



# New Policy Direction



# Focus on Expenditure



# LTC Cash Scheme → Spend More !

- *w.e.f. 01.04.2021*  
(for AY 2021-22)

## Existing Provision Section 10(5)

Leave travel concession ("LTC"),  
Block year 2018-21



Exempt from tax,



Rule 2B → The important condition is that  
a person must travel to any place in India



COVID??



## Proviso to 10(5) In Lieu of → Claim LTC Cash

**Period of Travel :** 12 Oct 2020 – 31 Mar 2021

**Proof:** > 12% GST Paid Invoice

**Payment Mode:** Bank



**Amount of Exemption :**

Rs. 36,000 or 1/3<sup>rd</sup> the Amount of Expenditure,  
lower



# Focus on Mid Size Tax Payer



# Shut Down of ITSC



# ITSC to shut down from 01.02.2021

w.e.f. 01.02.2021

## Existing Position

ITSC empowered to settle the case



## Proposed Position

ITSC to discontinue  
Interim Board For Settlement  
Commission for Pend'  
Applications



- Pending applications
  - All applications → filed u/s 245C and not declared invalid u/s 245D(2C) and no order u/s 245D(4) was passed on or before 31.01.2021.
  - An application → An order to be passed by ITSC u/s 245(2C) on or before 31.01.2021 to declare the application invalid, but no such order has been passed on or before 31.01.2021.

- Proposed Section 245AA → Central Government to constitute one or more Interim Board of Settlement for settlement of Pending Applications.
  - Interim Board to consist of three members
  - each being member of rank of Chief Commissioner , as may be nominated by the Board.
- For disposal of Pending applications → Interim board to exercise all power as are available to ITSC.
- Board may allot or transfer pending applications from one Interim Board to another Interim Board .



# Withdrawal of Pending Applications

*w.e.f. 01.02.2021*

- New Section 245M → Assessee has option to withdraw application within 3 months.

## Assessee Withdraws

- Proceeding shall abate on date of withdrawal and AO shall dispose off the case as if no application u/s 245C has been made.

## Assessee do not withdraws

- Pending Application deemed received by Interim Board.
- Relevant record shall be transferred.

# Restriction on use of material before ITSC

*w.e.f. 01.02.2021*

## Cannot be used

Material produced by  
Assessee during  
settlement proceedings

## Can be used

Where material and other  
information collected or  
results of the inquiry held  
or evidence recorded by  
the AO under any other  
proceedings

# Miscellaneous Amendments

*w.e.f. 01.02.2021*

Central Government may make a scheme for faceless disposal of pending applications by interim board.

Enabling provisions proposed for Allotment or transfer of pending applications from one Interim Board to another Interim Board.

Consequential amendment has also been made in:

Process on receipt of application,  
Inspection of reports

Power of SC to order provisional attachment, Power and procedure of Settlement Commission

For rectification of order u/s 245(6B), in computation of the time limit, period from 01.02.2021, to end of the month, for constitution of interim board shall be excluded and remaining period shall be extended to 60 days, if it is less than 60 days

# Constitution of DRC



# Dispute Resolution Committee



## Dispute Resolution Mechanism for Small & Medium Taxpayers

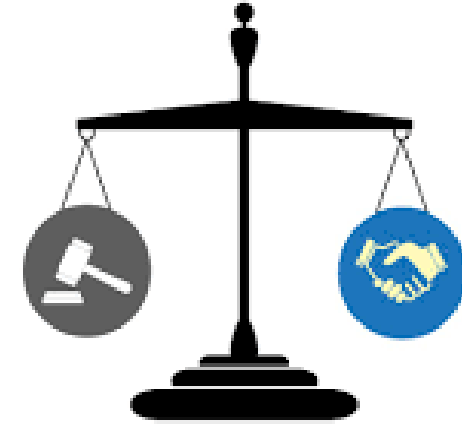
- a) Need for DRC
- b) Proposed Amendments in the IT Act
- c) Constitution & Powers of DRC
- d) Powers of Central Govt.
- e) Who can Opt?
- f) Eligible Disputes
- g) Ineligible Disputes

# Dispute Resolution Committee

*w.e.f. 01.04.2021*

## **Need For DRC**

- To provide early tax certainty to small and medium taxpayers.
- For preventing new disputes and settling issues at the initial stage.



## **Proposed Amendment in the IT Act**

- Inserting a new Chapter XIX-AA comprising of Section 245MA in the IT Act.

# Dispute Resolution Committee



## Constitution & Powers of DRC:

- Constitution:
  - Central Government shall constitute, one or more DRC
- Powers:
  - Reduce or waive any penalty imposable under the IT Act.
  - Grant immunity from prosecution for any offence punishable under the IT Act.

## Powers of the Central Government

Exercise following powers by issuing Notification in the Official Gazette:

- ✓ Eliminate interface to the extent technologically feasible
- ✓ Make a scheme for imparting greater efficiency, transparency and accountability.
- ✓ Provide for necessary directions for giving effect to the aforesaid scheme.

However, no such direction shall be issued after **31.03.2023**

# Dispute Resolution Committee

## Who can Opt?

- ✓ Such persons or class of persons, as may be specified by the Board.
- ✓ assessee shall have the discretion to opt or not for dispute resolution through DRC.
- ✓ Assessee cannot opt in for this scheme if there is detention, prosecution or conviction under various laws as specified.





# Dispute Resolution Committee



## **Eligible Disputes:**

Where the return has been filed for the AY in dispute the returned income does not exceed Rs. 50 lakhs; and

Aggregate sum of variations proposed or made in the order do not exceed Rs. 10 lakhs

## **Ineligible Disputes:**

The scheme shall not be applicable for the Orders based on the following sections of the IT Act -

- ✓ search u/s 132 or
- ✓ requisition u/s 132A in the case of the assessee or any other person or survey u/s 133A or
- ✓ information received under an agreement as in Section 90 or 90A

# Lawyers & Courts



# The Direct Tax Vivad Se Vishwas Act, 2020



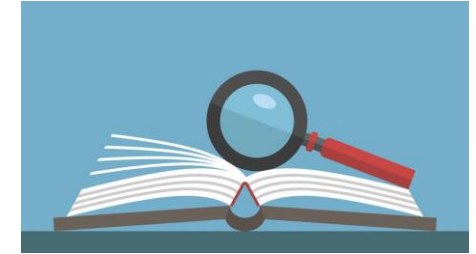
## Scope of the Scheme

- Settlement Commission cases are outside the scope of DTVV Act, whether they have attained finality or not.
- Definition of the terms “appellant”, “disputed tax” and “tax arrear” proposed to be amended to give effect to above.
- Amendment proposed in light of the matter pending before Delhi HC in the case of Mr. Abhishek Manu Singhvi.



# “Liable to Tax” Defined

w.e.f. 01.04.2021  
(A.Y. 2021-22 onwards)



## Definition

- Means that there is a liability of tax on the person under any law for the time being in force in any country.
- Includes a case where subsequent to imposition of tax liability, an exemption has been provided.

# Re-Assessment



## Existing Provisions

- Valid Reasons to Believe



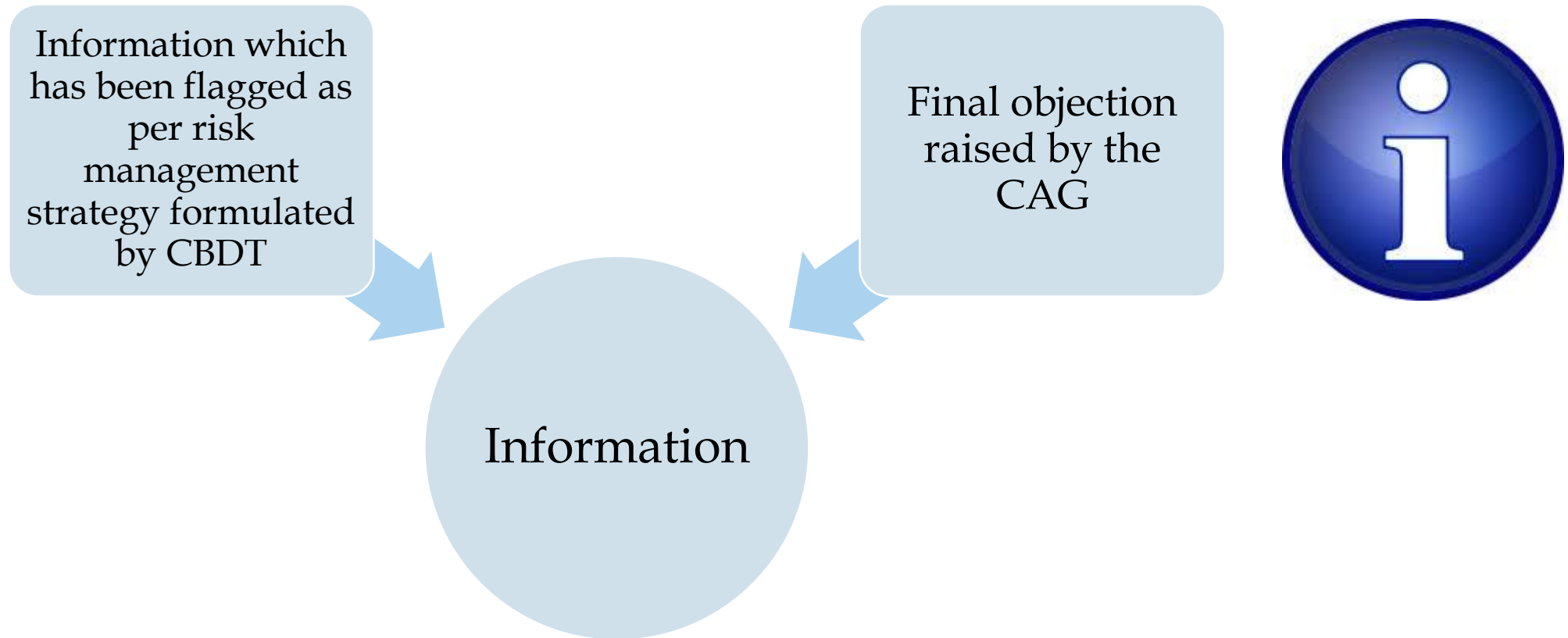
## Proposed Provisions

- Only Information
- Reasons to believe not require



# Meaning of Information

*w.e.f 01.04.2021*



Notice u/s 148 may be issued based on information with prior approval of specified authority u/s 149



Proceedings in case of Assessee

- Search u/s 132 or Requisition u/s 132A on or after 01.04.2021
- Survey u/s 133A has been conducted on or after 01.04.2021

in case of any other person

- where AO is that money, bullion, jewellery seized in case of any other person on or after 01.04.2021 **belongs to assessee**
- that books of accounts, documents seized in case of any other person on or after 01.04.2021 relates to assessee

Relevant Assessment Year: 3 assessment Years immediately preceding the AY of search, survey or requisition action

# Proposed Proceedings of inquiry u/s 148A before issuance of notice u/s 148

*w.e.f 01.04.2021*

## **Inquiry before issuance of notice u/s 148**

Inquiry before issuing notice u/s 148 with approval of specified authority.

Minimum 7 days and Maximum 30 days time shall be provided to assessee to reply.

Order u/s 148A(d) shall be passed by AO.

The said order shall be served along with Notice u/s 148

## No Inquiries u/s 148A required in following cases:

1. Search is initiated u/s 132 or requisitioned is made u/s 132A on or after 01.04.2021.
2. AO is satisfied with prior approval that:
  - a) any money, bullion, jewellery or other valuable article or thing, seized in case of other person on or after 01.04.2021 belongs to assessee or
  - b) books of accounts or documents seized in a search section/s 132 or requisitioned u/s 132A, in the case of any other person on or after 01.04.2021 relates to the assessee

## Time Limit of issuance of notice u/s 148 (Substituted Section 149)

- 3 years from the end of relevant A.Y.
- 10 years from end of relevant A.Y. where income of Rs. 50,00,000/- or more represented in form of asset has escaped assessment.

Under existing provisions, time limit of 4 year or 6 years is provided.

# Complete Reform of Reassessment Proceedings

*w.e.f 01.04.2021*

Necessary sanction from specified authority is required.

Time allowed for filing of reply and stay granted on the proceedings of Section 148A shall be excluded

Miscellaneous  
Amendments  
u/s 149

No notice u/s 148, for proceedings already barred by limitation as provisions as stood immediately before the commencement of the Finance Act, 2021.

Assessment or reassessment or re-computation in the search u/s 132 or requisition u/s 132A cases shall now be conducted under the new procedure.

# Complete Reform of Reassessment Proceedings

*w.e.f 01.04.2021*

## Specified Authority

### **If 3 years or less have been elapsed:-**

Principal Commissioner or Principal Director or Commissioner or Director

### **If more than 3 years have been elapsed:-**

Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General

# Judgment which would lose relevance

Addition for completed assessment prior to search can be made with reference to search material only u/s 153A of the Act

- Principal Commissioner of Income Tax V. Kurele Paper Mills (Pvt) Ltd (2017) 81 Taxmann.com 82 (Delhi) (affirmed by Hon'ble Apex Court)
- Pr. Commissioner of Income Tax, Central-2 vs. Meeta Gutgutia ITA 306, 307, 308, 309 and 310/2017 (SLP Dismissed by SC)
- CIT vs. Kabul Chawla 2016 (380 ITR 573) Delhi
- Jai Steel (India) Vs Asstt Commissioner of Income Tax (2013) 259 CTR (Raj) 281

Procedure to be followed before making reassessment proceedings u/s 147/148

- GKN Driveshafts (India) Ltd. vs. Income Tax Officer and Ors. [2003] 259 ITR 19 (SC)

# Judgment which would lose relevance

Guidelines to streamline the entire procedure to initiating the valid reassessment were laid down

- Sabh Infrastructure Ltd. vs. Asstt. Commissioner of Income Tax [2017] 398 ITR 198 (Delhi)

Application under Vivad Se Vishwas in settlement proceedings

- Abhishek Manu Singhvi V/S Central Board Of Direct Taxes & Anr. W.P.(C)11176/2020&CM APPL. 34868/2020



# Consequential Amendment to Search Assessment

*w.e.f 01.04.2021*

## Existing Provisions u/s Section 153A/ 153C

- Applicable in case where search is initiated u/s 132 or books of accounts, other documents or any assets are requisitioned u/s 132A on or after 31.05.2003.

## Proposed Amendment in Section 153A/153C

- Provisions would apply to search u/s 132 or requisition u/s 132A is made upto 31.03.2021.
- Outer date of search or requisition action proposed.

## Existing Provisions

- 12 months from the end of the assessment year in which the income was first assessable

## Proposed Amendment

- 9 months from the end of the assessment year in which the income was first assessable.

# Issuance of Notice u/s 142(1) by Prescribed Authority

*w.e.f 01.04.2021*

## Section 142

- Inquiry before assessment

## Existing

- Only AO has power to issuance notice for inquiry before assessment.

## Proposed

- Now, besides AO, prescribed income tax authority is also empowered to issue the notice u/s 142(1).

# Faceless ITAT Proceedings

*w.e.f 01.04.2021*

## Section 255(2)

- New Sub-section is proposed to be inserted to empower Central Government to make Scheme.

## Object

- To bring greater efficiency, transparency and accountability in faceless ITAT proceedings.

## Power of CG

- Central Government may direct that any of the provisions of this Act shall not apply to such scheme or shall apply with such exceptions, modifications and adaptations as may be specified in the said notification
- No such direction can be issued after 31.03.2023

# Don't be Over Smart



# Acquired Goodwill : Depreciation not allowed

*w.e.f. 01.04.2021  
(for AY 2021-22)*

## Existing Position

Depreciation on  
Acquired Goodwill ✓



# Donations u/s 11 and 10(23C)

*w.e.f. 01.04.2021  
(for AY 2021-22)*

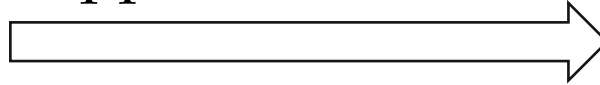
Earlier

Corpus Donation



Not an income

Applied for



Non-Corpus Donation



Benefit of 85% Application of Income



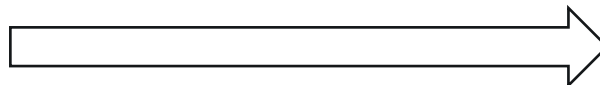
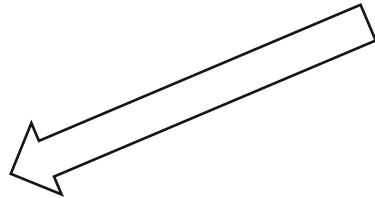
Dual Benefit



Now

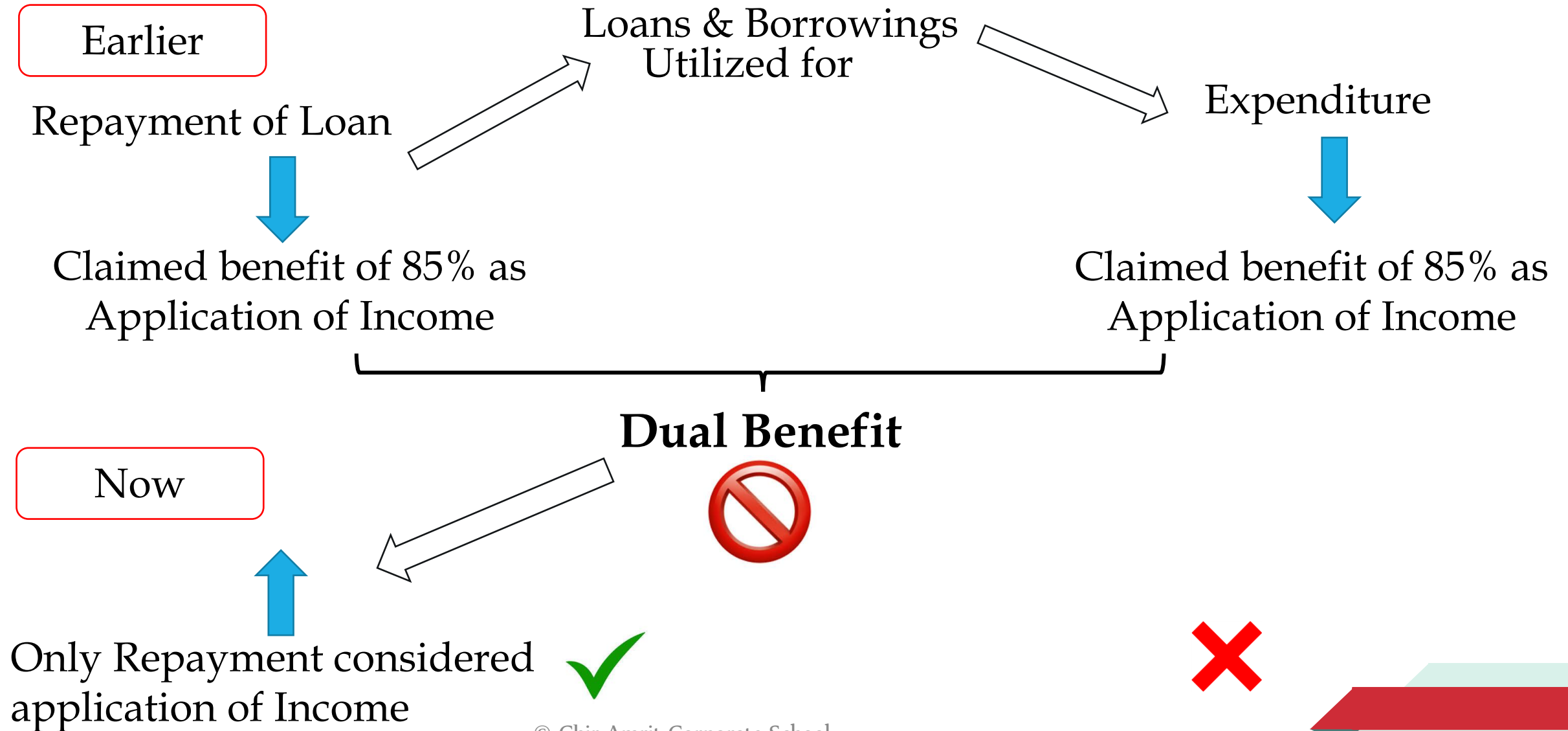


Apply as per 11(5)



# Loan & Borrowings u/s 11 and 10(23C)

*w.e.f. 01.04.2021  
(for AY 2021-22)*





# Slump Sale – Definition clarified

*w.e.f. 01.04.2021  
(for AY 2021-22)*

Earlier Argument

**Sec 2(47) - Transaction of  
Slump Sale**



**Transaction of Exchange**

Now

**Sec 2(47) - Transaction of  
Slump Sale**

**includes all types of 'transfer'  
as defined under Section 2(47)**

# Transfer of Asset to a Partner by Firm u/s 45(4)

*w.e.f. 01.04.2021 (for  
AY 2021-22 onwards)*

Points of difference	Existing Section 45(4)	Proposed Section 45(4)
Event of transfer	Distribution of Capital asset to partner on dissolution of firm	Distribution of Capital asset to partner on <b>dissolution or reconstitution</b> of firm
Capital asset	Capital asset not specifically defined in the Section	Capital asset represents capital balance of the partner reflected in the books of Firm on the date of dissolution
Computation of capital balances	N/A	<b>Increase</b> of capital account due revaluation or self generated assets <b>to be ignored</b>



# Transfer of Asset to a Partner by Firm u/s 45(4)

*w.e.f. 01.04.2021 (for  
AY 2021-22 onwards)*

## Proposed new Section 45(4A) – Deemed Capital gain

### Event of transfer

Transfer of money or other assets > balance in capital account of partner

### Capital asset

Difference between the value of money/ asset and balance in capital account of partner

### Sale consideration

Money value/FMV of the other asset

### Cost of Acquisition

Balance in capital account of partner on the date of dissolution of firm



# Restriction on Exemption u/s 10(10D)

*w.e.f. 01.04.2021  
(for AY 2021-22)*

## Existing Provision

On receipt of sum from life insurance policy, exemption provided **without any cap on premium payable** on ULIP



## Proposed Change

On receipt of sum from life insurance policy, exemption provided **with a cap on premium amount  $\leq$  Rs. 2.5 lakhs** on ULIP

ULIP



# Restriction on Exemption u/s 10(10D)

*w.e.f. 01.04.2021  
(for AY 2021-22)*

**ULIPs with premium amount > Rs. 2,50,000**

Capital asset u/s 2(14) ✓



- Deemed Capital gain u/s 45(1B) on redemption
- Treated as Equity Oriented fund

Exemption u/s 10(10D) ✗



## Sec. 10(11)

- Exemption to any payment from a PF to which the PF Act, 1925 or any fund set up by the CG  
(PPF & SPF)

## Sec. 10(12)

- Exemption to accumulated balance due and becoming payable to an employee participating in a RPF to the extent provided in rule 8 of Part A of the Fourth Schedule

## Current Provision

- Interest is exempt u/s 10(11) and 10(12) without any limit

## Proposed Provision

- No exemption to Interest Income accrued during the previous year 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 Rs. 2,50,000/- in a previous year in that fund, on or after 01.04.2021.
- Computed in such manner as may be prescribed

# Restricted Provident Fund : Interest Exemption

*w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)*

## Illustration

- |                                   |   |
|-----------------------------------|---|
| • Employee's Contribution to RPF: | Rs. 10 Lakh/- during FY 2021-22         |
| • Interest accrued:               | 9.5% of Rs. 10 Lakh/- i.e. Rs. 95,000/- |
| • Exempt Interest:                | Rs. 23,750/- (9.5% on Rs. 2.5 Lakh)     |
| • Taxable Interest:               | Rs. 71,250/- (9.5% on Rs. 7.5 Lakh)     |



# Be Efficient !



# Time Limit for Filing Belated & Revised Return Reduced

*w.e.f. 01.04.2021  
(A.Y. 2021-22 onwards)*

## Current Position

Up till **end of the relevant A.Y.** or completion of assessment, whichever is earlier



## Proposed Amendment

Up till **31st December of the relevant A.Y.** or completion of assessment, whichever is earlier

**Reduced by 3 months**

# Change in Due Dates of ITR u/s 139

*w.e.f. 01.04.2021  
(A.Y. 2021-22 onwards)*

In case of **partner of a firm**, which is required to furnish TP report u/s **92E**

Due date to  
file ITR



30<sup>th</sup> November

In case of a **spouse of partner** of a firm, if **provisions of 5A** is applicable to them.

Due Date to  
file ITR



31<sup>st</sup> October

# Removing Difficulties in case of Defective ITR

*w.e.f. 01.04.2021  
(A.Y. 2021-22 onwards)*

Explanation to Sec. 139(9) lists the conditions in which a certain ITR shall be regarded as defective



Proviso is proposed to be inserted to the said Explanation empowering the Board to issue a notification to provide that the said conditions shall not be applicable on such class of persons as specified in such notification.

## Exemption Limit increased to 5 crores u/s 10(23C)

*w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)*

### Existing Provision

Limit prescribed for Annual receipts of university or educational institutions or hospital or any healthcare institution is **Rs. 1 crore.**



### Proposed Change

Limit increased to **Rs. 5 crores.**

# Proposed changes in Processing of Return u/s 143

w.e.f. 01.04.2021

Points of difference	Existing Section	Proposed amendments
Section 143(1)(a)(iv)	Provides for adjustment on a/c of <b>disallowance of expenditure</b> indicated in the audit report but not taken into a/c in computing total income	Provide for adjustment on a/c of <b>increase in income along with disallowance of expenditure</b> indicated in the audit report but not taken into a/c in computing total income
Time limit of sending Intimation u/s 143(1)	<b>1 year</b> from the end of the FY in which return is furnished	<b>9 months</b> from the end of the FY in which return is furnished
Time limit for issue of notice u/s 143(2)	<b>6 months</b> from the end of the FY in which return is furnished	<b>3 months</b> from the end of the FY in which return is furnished

# Caught Hold @ Source



# New Section : 194P for Specified Senior Citizen

• *for AY 2022-23*

## Specified Bank

- ✓ To compute Total Income
- ✓ Deduct Tax from Interest Income

## Specified Senior Citizen

- ✓ Age of 75 years or more
- ✓ Pension Income + Interest Income
- ✓ A declaration to the specified bank



**No Need to file ITR u/s 139**





# Sec. 194Q: TDS on Purchase of Goods

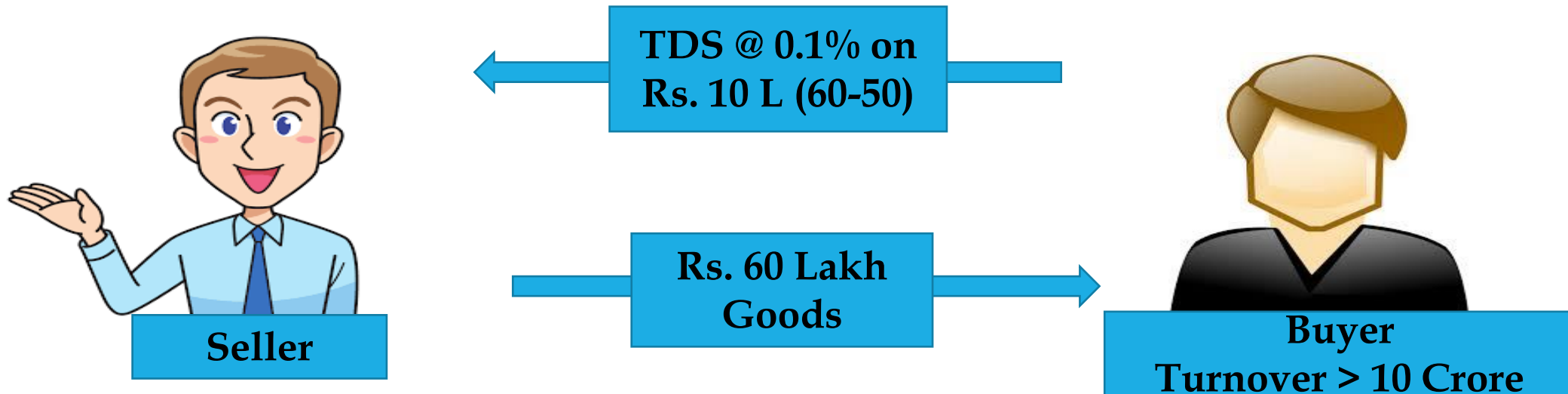


# Sec. 194Q: TDS on Purchase of Goods

w.e.f. 01.07.2021

## Applicability

- TDS by Buyer of Goods @0.1% of the sum exceeding Rs. 50 Lakhs payable to Seller.
- Buyer: Turnover > Rs. 10 Crore during the preceding F.Y.



# Sec. 194Q: TDS on Purchase of Goods

*w.e.f. 01.07.2021*

## 194Q: Not Applicable

- TDS applicable under any other Section
- TCS u/s 206C, except 206C(1H)

## Other Points

- 194Q v/s 206C(1H): 194Q Prevails
- No PAN: TDS @ 5%

# TDS/TCS at Higher Rates



## Sec. 206AB: TDS at higher rate for non-filers of ITR

- **Higher** of the following:
  - 2 \* the rate specified in the relevant provision of the IT Act; or
  - 2 \* the rate or rates in force; or
  - the rate of 5%
- N.A. for TDS u/s 192, 192A, 194B, 194BB, 194LBC or 194N

## Sec. 206CCA: TCS at higher rate for non-filers of ITR

- **Higher** of the following:
  - 2 \* the rate specified in the relevant provision of the IT Act; or
  - the rate of 5%.

## **Specified Person: Non-filer of ITR**

- Not filed ITR for 2 AYs immediately prior;
- Time limit for filing ITR u/s 139(1) has expired for both these AYs;
- Aggregate of TDS/TCS is Rs. 50,000/- or more in each of the 2 previous years; and
- Doesn't include a NR who does not have a PE in India.

# TDS/TCS at Higher Rates for Non-Filers of ITR

*w.e.f. 01.07.2021*

1. TDS

Sec 206AA

Sec 206AB

2. TCS

Sec 206CC

Sec 206CCA

Higher

# Don't Deep Dive





# Safe Harbor For Differential Value u/s 43CA + 56

- w.e.f. 01.04.2021  
(for AY 2021-22)

Actual Transaction  
Value

V/s

Stamp Duty Value

Difference of ~~110%~~ 120% - Ok ✓  
for Sec. 43CA + Sec. 56

“Residential Unit” to mean an independent housing unit with separate facilities for living, cooking and sanitary requirement, distinctly separated from other residential units within the building, which is directly accessible from an outer door or through an interior door in a shared hallway and not by walking through the living space of another household

# LLP Not Eligible for Sec. 44ADA

*w.e.f. 01.04.2021  
(A.Y. 2021-22 onwards)*

## Applicable

- Individual,
- HUF and
- Partnership Firm

## Not Applicable

- LLP

# Rationalization of Provisions



# Section 44AB – Threshold for Audit Increased

- *w.e.f. 01.04.2021  
(for AY 2021-22)*

The threshold limit of tax audit for a person carrying on business whose

- aggregate of all cash receipts during the previous year does not exceed 5% of such receipts; and
- aggregate of all cash payments during the previous year does not exceed 5% of such payments



Threshold of Rs. ~~5 Crore~~ Rs. 10 Crore

# Relief from Interest u/s 234C on Dividend

- *w.e.f. 01.04.2021  
(for AY 2021-22)*

Payment of interest @1% p.m.  
+  
for a period of 3 months on  
+  
the amount of shortfall w.r.t. due dates for advance tax instalments

Interest does not apply in certain cases which are laid down in proviso to Section 234C(1)

✓ Proposed to include dividend income in the proviso

➤ Note: Deemed dividend u/s 2(22)(e) has not been excluded

# Provisional Attachment allowed for Sec 271AAD

- *w.e.f. 01.04.2021*  
(for AY 2021-22)

Earlier Argument

**Section 281B –**  
Powers of Provisional  
Attachment

**Section 271AAD –**  
Penalty on a person  
Make a false entry or omit an entry from his  
books of accounts



Sec 281B not allowed  
where 271AAD Penalty ❌

Mutually Exclusive

Now

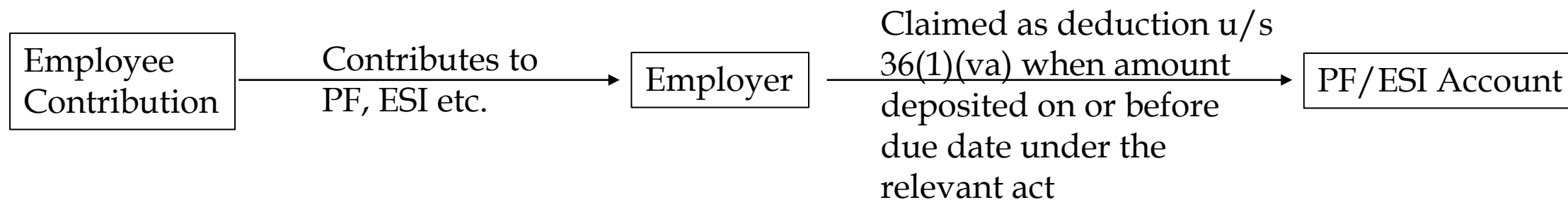
Sec 281B → Allowed where 271AAD  
Penalty, only if  
Penalty amount exceeds Rs. 2 crores



# Due date of Payment of Employees Contribution

w.e.f. 01.04.2021  
(AY 2021-22)

## Existing provision u/s 36(1)(va)



## Proposed clarification

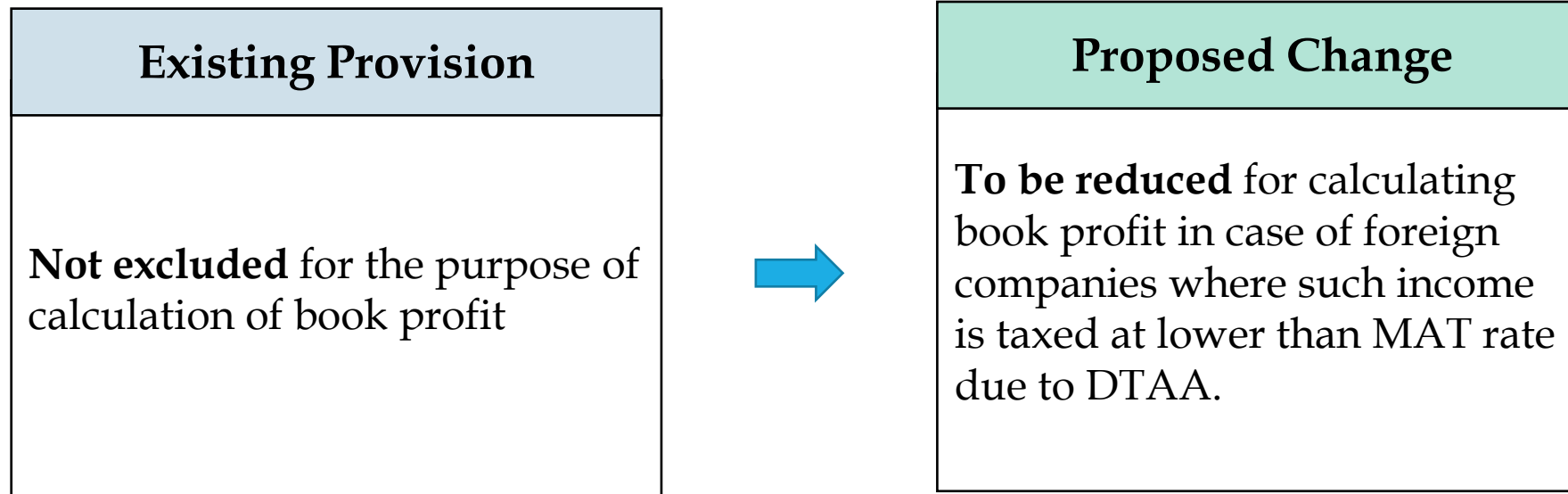
Relaxation u/s Section 43B → not be applicable in case of Employees' Contribution

Employees Contribution must be paid on time as per the due date

# Amendment in MAT u/s 115JB for Foreign Co.

- *w.e.f. 01.04.2021*  
(for AY 2021-22)

1. Dividend income received by a foreign company where tax payable on such dividend income is less than MAT liability i.e 15% due to concessional rate of tax provided in the **Double Tax Avoidance Agreement**





# Amendment in MAT u/s 115JB for Foreign Co.

- *w.e.f. 01.04.2021  
(for AY 2021-22)*

2. Adjustment on account of additional income of past years included in books of accounts of current year due to **secondary adjustment u/s 92CE** or due to **Advance Pricing Agreement u/s 92CC**

Existing Provision
No adjustment in the book profit of current year on account of such adjustments



Proposed Change
<ul style="list-style-type: none"><li>• Assessing Officer shall <b>recompute book profit</b> on an application made by assessee</li><li>• Rectification u/s 154 can be made for the said adjustment</li></ul>



# Infrastructure Debt Fund can now issue ZCB



## Existing Definition of ZCB u/s 2(48)

ZCB can be issued by Infrastructure Capital Company, Infrastructure Capital Fund, Public Sector Company or any scheduled Commercial Bank.



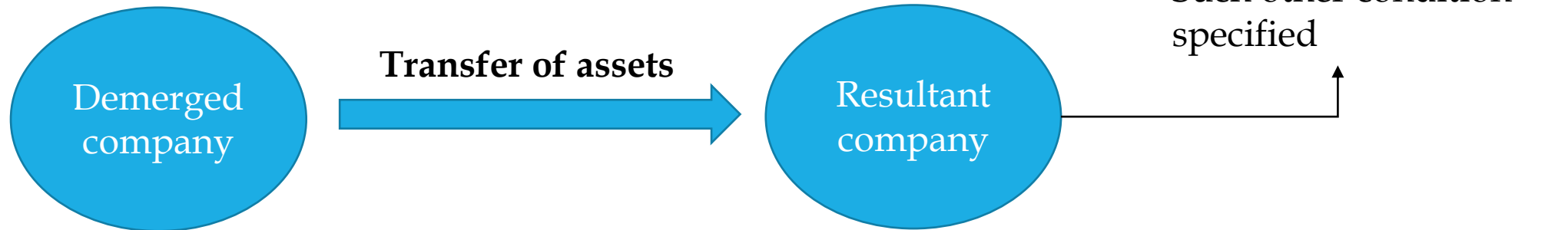
## Proposed change in definition

ZCB can now be issued by **Infrastructure Debt Fund**  
*w.e.f. 01.04.2022*  
*(A.Y. 2022-23 onwards).*

- Corresponding amendment in Section 194A – Issue of ZCB by Infrastructure Debt Fund – **Excluded from applicability of TDS provision** *w.e.f. 01.04.2021.*

## Proposed insertion of Explanation in the definition of “Demerger” -

Reconstruction / splitting up of a public sector company shall be deemed demerger, if -



## Proposed amendments in Section 72A(1) –

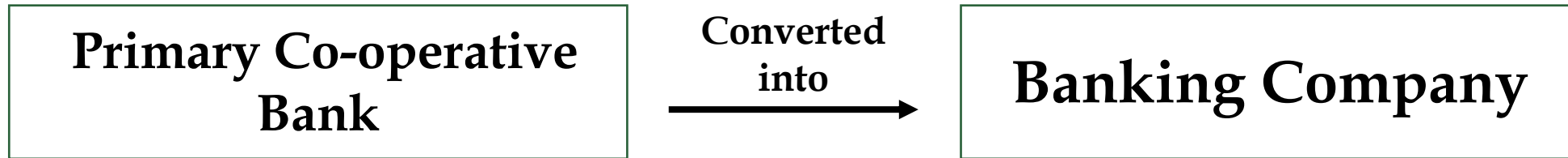
Accumulated loss and unabsorbed depreciation of the Amalgamating → Amalgamated company, if –

- **Clause (c)** if both are –
  - public sector company, and
  - engaged in **business of operation of aircraft** ✗
  - **irrespective of their nature of business** ✓
- Insertion of **clause (d)** to extend benefit to erstwhile public company amalgamating under **strategic disinvestment** if –
  - share purchase agreement restricted **immediate amalgamation**; and
  - amalgamation is carried out **within 5 years** from the end of year in which the restriction ends



# Conversion of Primary Co-operative Bank into Banking Co.

- *w.e.f. 01.04.2021  
(for AY 2021-22  
onwards)*



- **Conversion** covered within the ambit of **Business Reorganization** as per **Section 44DB**
- **Deduction** → Apportioned in the **proportion of number of days**
- **Conversion** → **Excluded from the definition of Transfer u/s 47(vica).**
- **Allotment of shares** to shareholders on conversion → **Excluded from definition of transfer u/s 47(vicb).**

# Relief for Withdrawal from Overseas Retirement Fund

*w.e.f. 01.04.2022  
(for AY 2022-23)*

**Deposited in Overseas Retirement Fund when he was a Non-Resident**



**Withdrawal from Overseas Retirement Fund by a Resident**



**Taxable in Foreign  
on redemption on  
Cash basis**



**Taxable in India  
on Accrual basis**



**Mismatch in taxation of income from such fund**



**New Section 89A has been inserted**

**Income of a specified person from specified account shall be taxed in prescribed manner**

# Extension of Benefits



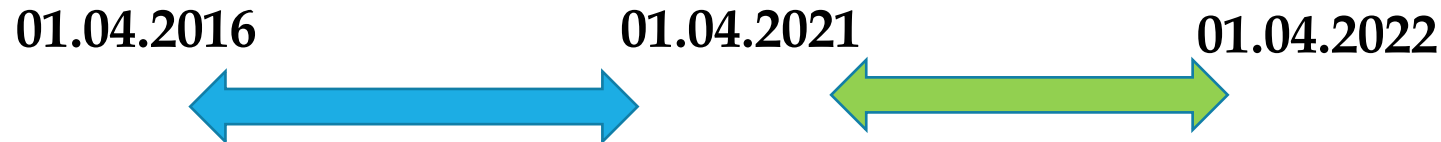
# Extension of Tax Holiday for Start-ups

w.e.f. 01.04.2021

## Extension of Date of Incorporation for Eligible Start-up -

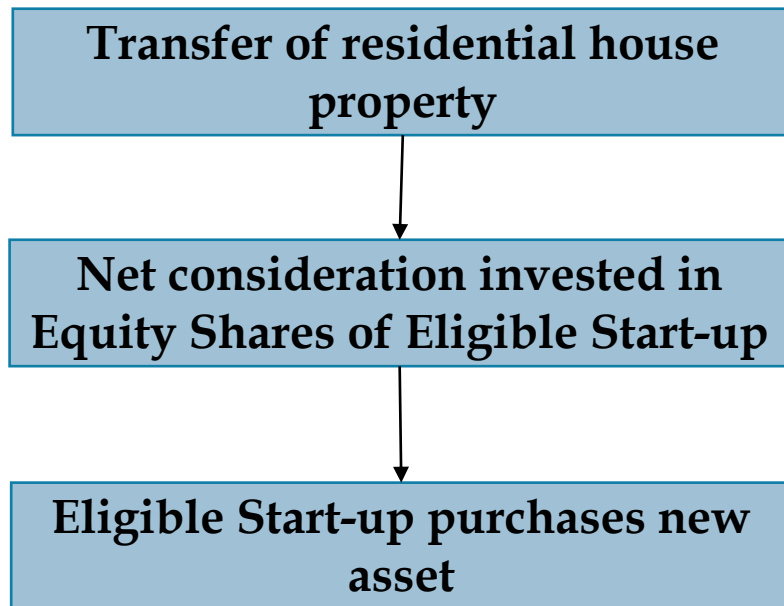
Section 80IAC provides for **100 % deduction of profits** derived by an eligible start-up carrying out an eligible business, subject to –

- Three consecutive AY out of ten years
- Total turnover does not exceed **Rs. 100 crore**
- Incorporated between –





## Extension of Capital Gain Exemption u/s 54GB in case of Investment in Eligible Start-up-



Transfer on or before -

31.03.2021 ❌

31.03.2022 ✅



# Deduction u/s 80-IBA 'Affordable Housing'

*w.e.f. 01.04.2022  
(for AY 2022-23)*

## Condition for claiming exemption

- Approval of Project from competent authority
- Period → 01.06.2016 to ~~31.03.2021~~ 31.03.2022



Now extended to a **Rental housing project** as well

- 100% deduction in respect of profits and gains
- '**Rental housing project**' to be notified by the Central Government

# Deduction u/s 80-EEA 'For Home Loan'

*w.e.f. 01.04.2022  
(for AY 2022-23)*

## Condition for claiming exemption

- Loan should be sanctioned between 01.04.2019 and 31.03.2021
- Period → 01.04.2019 to ~~31.03.2021~~ 31.03.2022



# Prohibition of Benami Property Transaction Act, 1988



## Adjudicating Authority

- Currently, authority appointed u/s 6(1) of the Money-Laundering Act, 2002 is discharging functions under PBPT Act.
- **Now**, authority authorized u/s 5(1) of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 shall be adjudicating authority.



# Income Declaration Scheme



## Current Section 191

- Position before FA (No. 2) Act, 2019: Any excess payment shall not be refundable
- Proviso inserted by FA (No. 2) Act, 2019: Refund of excess payment to persons specified by CBDT

## Proposed Amendment by Finance Bill, 2021

- Amendment in Proviso: Refund of Excess tax, surcharge or penalty paid under IDS without Interest



# Board of Advance Ruling to supersede AAR





# Board to supersede AAR

*w.e.f. 01.04.2021*

## 1. Amendments in the provisions of AAR:

- a) Requirement for change in Authority
- b) Consequential Amendments
- c) Constitution & Composition
- d) Scope of the Board of Advance Rulings
- e) Appeal against the order of the Board
- f) Powers of the Central Government

### List of Abbreviations:

- **Board**- Board for Advance Rulings
- **AAR**- Authority for Advance Rulings



# Board to supersede AAR



## Requirement for change in Authority

- AAR's inability to function in the absence of eligible members, thus resulting in pending applications.

## Consequential Amendments

- 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.

# Board to supersede AAR



## Constitution & Composition

- CG shall constitute Board which shall comprise of:
  - 2 members, each being an officer not below the rank of Chief Commissioner as may be notified by CBDT.
- AAR shall cease to operate from the date notified by the CG.

## Transitional Provisions:

- Pending applications with the AAR shall get transferred to the Board.

## Appeals:

- 60 days time limit
- Extension of 30 days by High Court for bonafied reasons.

# Board to supersede AAR



## Powers of the CG

Exercise the following powers by way of Notification in the Official Gazette:

- Notify the date w.e.f. which the changes proposed shall apply.
- Scheme for eliminating the interface between the Board and the Applicant
- Provide for necessary directions for giving effect to the aforesaid scheme. However, no such direction shall be issued after 31.03.2023

# Equalization Levy



# Equalisation Levy

*w.r.e.f. 01.04.2020*

- Equalisation Levy → @ 2% of the amount of consideration **received or receivable** by an e-commerce operator for providing online services to
  - person resident in India or
  - to a non-resident in the specified circumstances or
  - to a person who buys such good or services or both using IP address located in India.
- Proviso to be inserted → Income Chargeable as **Royalty or Fees for Technical Services** → **Excluded from the amount of consideration received or receivable.**



## Clarifications → Applicability of Equalisation Levy

- **New Proviso** → Expression “**online sale of goods**” and “**online provision of services**” shall include **one or more** of the following online activities -
  - (a) acceptance of offer for sale;
  - (b) placing of purchase order;
  - (c) acceptance of the purchase order;
  - (d) payment of consideration; or
  - (e) supply of goods or provision of services, partly or wholly.
- **New clause** → **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 such goods;
  - ✓ **Consideration for provision of services** irrespective of whether service is provided or facilitated by the e-commerce operator.

## Consequential Exemption u/s 10(50)

*w.e.f. 01.04.2021  
(A.Y. 2020-21 onwards)*

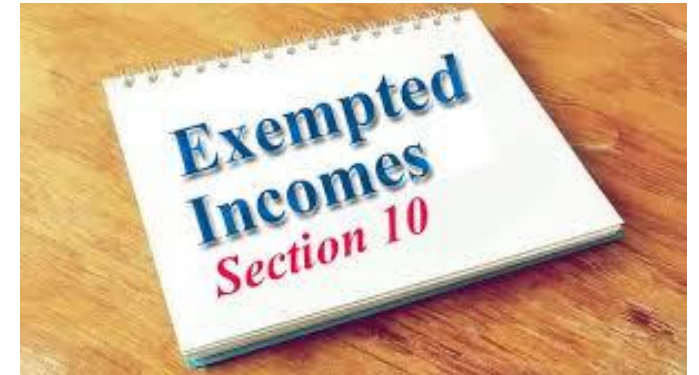
Income arising from  
e-commerce supply or services.



Chargeable to Income tax as Royalty or FTS



Exemption not provided u/s 10(50)





# Incentives to Units in IFSC



# Eligible Investment Fund in IFSC

w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)

- Section 9A – For Eligible Investment Fund,
  - Fund Management Activities → not to be treated as Business Connection in India if certain conditions are satisfied.
- To promote Investment Fund in IFSC →
  - Central Government empowered to provide relaxations → Conditions prescribed u/s 9A
- Benefit to EIF or eligible fund manager, who meet below conditions:
  - i. Fund Manager is located in IFSC
  - ii. Commenced operations on or before 31.03.2024

# Investment Division of Offshore Banking Unit

*w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)*

## Existing Position

- Income of a specified fund on transfer of capital assets in an IFSC is exempt u/s 10(4D)

## Proposed Changes

- Above benefit → be extended to Investment Division of an Offshore Banking Unit
  - ✓ if located in IFSC and
  - ✓ commenced operations on or before 31.03.2024



# Exemption on Royalty & Non-deliverable forward Contract

*w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)*

## Royalty Income

- New Section 10(4F) proposed to be inserted
- Providing exemption on Royalty Income of Non-Resident on lease of Aircraft
  - ✓ If paid by an unit located in IFSC & eligible to claim exemption u/s 80LA
  - ✓ Commenced operations on or before 31.03.2024

## Non-deliverable Forward Contract

- New Section 10(4E) proposed to be inserted
- Providing exemption to the income accrued or arisen, or received to a Non-resident on the transfer of non-deliverable forward contracts
  - ✓ If it meets the conditions to be prescribed

# Relocation of Overseas Funds to an IFSC

*w.e.f. 01.04.2022 (A.Y.  
2022-23 onwards)*

## Income in the hands of Original Fund

- New clause (viiac) proposed to be inserted u/s 47
- Proposing transfer of capital assets by an original fund to relocation fund as non-taxable transfer if certain conditions fulfilled

## Income in the hands of Shareholder or Unit Holder of Original Fund

- New Clause (viiad) proposed to be inserted u/s 47
- Proposing transfer of share or unit of original fund in consideration of share or unit of resultant fund as non-taxable transfer

*Consequential amendments also proposed for cost of acquisition & Carry forward of losses of such fund*

# Exemption to Non-resident on Transfer of Shares

w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)

- **New Clause (23FF)** proposed to be inserted in Section 10
- Providing exemption to any income arising to or received by a **Non-resident** on account of transfer of shares of a resident company **by a resultant fund**
- Conditions:
  - i. Such shares were relocated to resultant fund from the original fund
  - ii. Such capital gain has arisen only because of such relocation of original fund to an IFSC

# Amendment in Section 80LA for IFSC

*w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)*

## Existing Position

- Deduction to a unit in IFSC subject to registration under the Banking Regulation Act, 1949, or SEBI Act, 1992 or under any other law.

## Proposed Changes

- Registered under the IFSC Authority Act, 2019, such unit shall not be required to obtain permission under any other law.

# Extending the benefit of Section 115AD

*w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)*

- Section 115AD provides the concessional rate of tax on the income of specified fund or Foreign Institution Investor from securities or capital gain arising on their transfer
- Above benefit is proposed to be extended to Investment Division of an Offshore Banking Unit
- Conditions:
  - ✓ Benefit limited to the extent of income attributable to the investment division of such banking unit, calculated as per the prescribed manner



# Amendment in TDS provision on Payment to FII on securities

w.e.f. 01.04.2021

- Presently, **Section 196D** provides for TDS at a **specific rate i.e 20%**
- This results in no double taxation relief u/s 90 or 90A.
- Hence, a proviso to Section 196D(1) is proposed to be inserted to deduct tax at the rate lower ↓ of 20% or rate provided in agreement u/s 90 or 90A–
  - Relief to the payee to whom Section 90 or 90A applies, and
  - Such payee has furnished **tax residency certificate**



# Exemption from TDS on Dividend paid to Business Trust

*w.r.e.f. 01.04.2020*

## Existing Position

Section 194 provides for TDS on dividend income

## Exemptions

The income of a business trust as defined u/s 2(13A) by way of interest or dividend, paid by a special purpose vehicle, is exempt u/s 10(23FC).

## Removal of Hardship

It is proposed to remove the requirement of TDS on dividend income paid to a business trust by a SPV or to any other person as notified by the government.



# Rationalisation of provisions related to Sovereign Wealth Fund and Pension Fund



## Section 10(23FE) : Exemption to Specified Person

### Existing Provision Section 10(23FE)

Sovereign Welfare Fund and  
Pension Fund



Invest in an Category I or II AIF  
having 100% Investment in Eligible  
Infrastructure Company.

### Proposed Change

Investment in AIF → 50% instead of  
100%  
and  
Investment is also allowable to  
Infrastructure Investment trust  
(InVIT)

- New Item (d) under clause (iii) has been proposed to be inserted in Section 10 (23FE)
- Allowing specified person to invest through holding company.
- Conditions:
  - Holding company should be a domestic company.
  - Should be set up and registered on or after 1.04.2021.
  - Should have minimum 75% investments in one or more infrastructure companies mentioned in item (b)

- New Item (e) under clause (iii) has been proposed to be inserted in Section 10 (23FE)
- Allowing specified person to invest in Non Banking Finance Company.
- Conditions:
  - It is registered as an Infrastructure Finance Company (“NBFC-IFC”) or
  - It is registered as an Infrastructure Debt Fund (“NBFC-IDF”)
  - And minimum 90% lending in one or more infrastructure entities mentioned in item (b) under clause (iii) of section 10(23FE)

## Section 10(23FE)

*w.e.f. 01.04.2022  
(A.Y. 2022-23 onwards)*

### Existing Position

- PF being specified person is eligible for exemption subject to condition that it is not liable to tax in such foreign country

### Proposed Changes

- Above condition shall not effect eligibility → If PF is getting exemption to tax for all its income has been provided for their home country.

# Miscellaneous Laws



Chir Amrit Corporate School



# New Schemes



# NEW SCHEMES

PM Atma Nirbhar Swasth Bharat Yojana	To develop & strengthen capacities of Health Systems & Institutions; Cater to detection and cure of new and emerging diseases.
Scheme for providing financial incentive	To promote digital modes of payment.
Result-linked Power Distribution Sector Scheme	Revamped to provide assistance to DISCOMS for Infrastructure creation tied to financial improvements
Operation Green Scheme	TOP (Tomato, Onion & Potato) to Total (22 perishable products)

# NEW SCHEMES

Special Scheme for welfare of Tea workers	Especially women and their children in Assam and West Bengal.
Scheme to promote flagging of merchant ships	Providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs.
Scheme for Public Bus Transport	To support augmentation
National Apprenticeship Training Scheme (NATS)	Existing scheme will be realigned for providing post-education apprenticeship, training of graduates and diploma holders in Engineering

# NEW PARKS

## Mega Investment Textiles Parks (MITRA)

- To enable the textile industry to become globally competitive, attract large investments and boost employment generation
- 7 Textile Parks will be established over 3 years.

## Multipurpose Seaweed Park

- To be established in Tamil Nadu to promote seaweed cultivation.

# New Institutions & Organisation

**Central University  
Leh**

**Higher Education  
Commission of  
India**

**National Bank for  
Financing  
Infrastructure and  
Development  
(NaBFID)**

**National  
Commission for  
Allied Healthcare**

**The National  
Nursing and  
Midwifery  
Commission**

# New Terminologies



- **Gig Workers**
  - Gig: A job usually for a specified time (*Webster Dictionary*)
  - Global Gig Economy Index Report
    - India : Top 10
    - 2019: 52% Rise from 2018

# Banking & Finance



# DEPOSIT INSURANCE COVER

## Current Limit: 5 Lakh

- Current Scenario
  - Payable only in case of winding up and liquidation.
- Proposed Scenario
  - Temporary inability to fulfil deposit obligations






# SARFAESI for Smaller Loans of NBFCs



2018

Asset Size >  
500 Cr  
Loan Size >  
1 Cr



2020

Asset Size >  
100 Cr  
Loan Size >  
50 Lakh



2021

Asset Size >  
100 Cr  
Loan Size >  
20 Lakh



## National Bank for Financing Infrastructure and Development Bill, 2021

- Address long term debt financing need of infrastructure.
- Rs. 20,000 Crores allocated to capitalize NaBFID



# Contingency Fund of India Act

50 Crore  
• 1976

500  
Crore  
• 2005

30,000  
Crore  
• 2021



# Stamp Duty



# Stamp Duty Exemption

## Proposed Addition of Section 8G

- Government Companies (*Inter-se*)
  - Strategic Sale
  - Disinvestment
  - Demerger
  - Transfer of Assets



# Capital Market



# Pooled Investment Vehicle

## Pooled Investment Vehicle



AIFs

Mutual  
Funds

Collective  
Investment  
Scheme

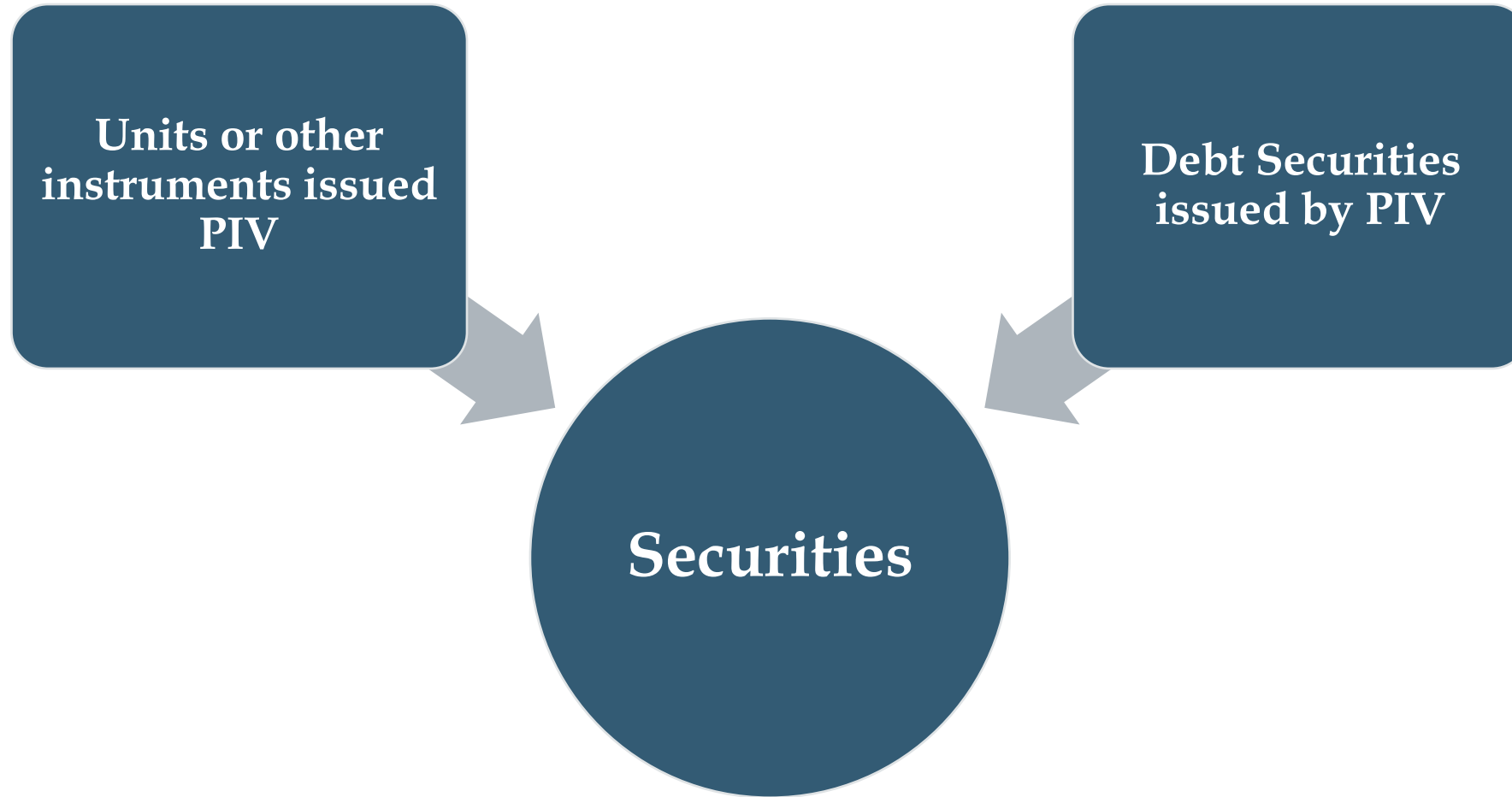
REITs

InvITs

Other  
funds  
raising &  
collecting  
money  
from  
investors

*w.e.f. 01.04.2021*

# Pooled Investment Vehicle



*w.e.f. 01.04.2021*

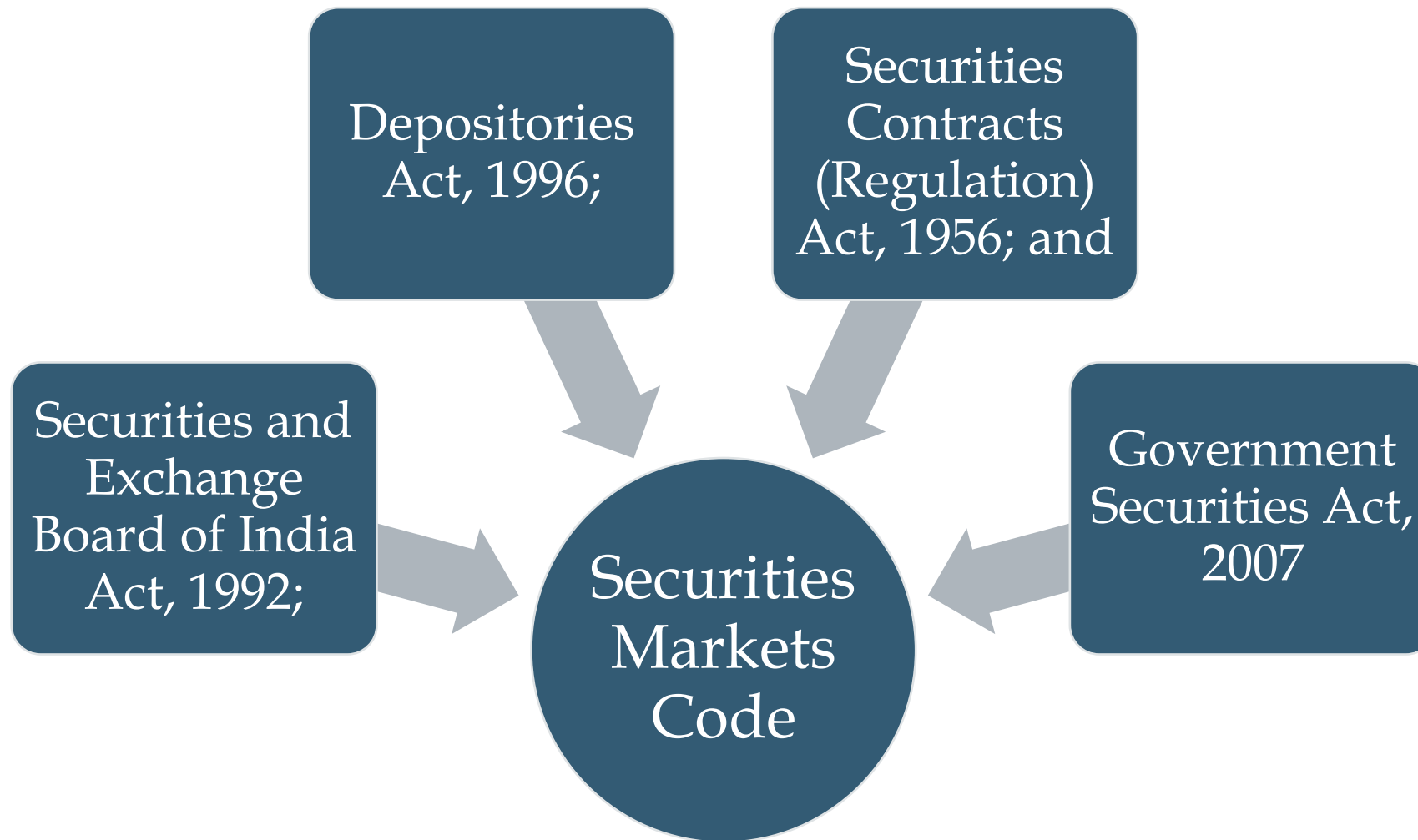


# Borrowings by PIV

- Permission to
  - Borrow
  - Issue Debt Securities
  - Create Security Interest to Lenders
- Lenders eligible to recover under SARFAESI Act
- Lenders can initiating recovery proceedings against the trustee acting on behalf of PIV
- Trustee not personally liable



# Unified Securities Markets Code



# Gold Exchanges

- Regulator : SEBI
- Warehousing Development and Regulatory Authority (WDRA) : Vaulting, Assaying, Logistics



# Insurance



# Increased FDI Limit in Insurance Sector

Existing Limit- 49% → Proposed Limit – 74%

## Foreign Ownership and Control allowed:

- Directors and Key Management Persons to be Indian Residents.
- Atleast 50% Directors to be Independent Directors.
- Specified percentage of the profits to be retained as General Reserve.



# Life Insurance Corporation Act, 1956

- Proposed necessary amendments in the existing LIC Act to facilitate upcoming IPO of the LIC in 2021-22.
- Proposed amendment to align existing LIC Act with the Companies Act, 2013 and relevant listing regulations & writings issued by SEBI.
- Proposed amendments will be effective from the date notified by the central government.



# Education



# Initiatives in furtherance of NEP



- CBSE Board Exam reforms *w.e.f.* 2022-23.
  - a) Phased manner implementation.
  - b) Exams focussed on conceptual clarity, analytical skills and application of knowledge to real life situations.
- National Professional Standards for Teachers (NPST)
- Retired Teacher to mentor school teachers and educators.
- Regulatory mechanism for Dual degrees and joint degrees with foreign institutions.



# Higher Education Commission of India



- Higher Education – Education above school level.
- Union Budget 2020-21 - Proposal to set up HECI introduced.
- Union Budget 2021-22 - Legislation for setting up of HECI to be introduced.

# Labour Laws



# Social Security for Gig & Platform Workers

- Social Security benefits to Gig & Platform Workers.
- Proposal to launch a portal to collect information of gig & platform workers.



# Corporate Laws



# Decriminalizing of Offences

- Decriminalizing of procedural & technical compoundable offences under the LLP Act, 2008.
- Procedural & technical compoundable offences under the Companies Act, 2013 already decriminalized *vide* the Companies (Amendment) Act, 2020.
- Proposed legislative amendments to be made are not a part of the finance bill.



# Widening ambit of Small Companies



- Increasing the thresholds w.r.t. paid up capital & Turnover.
- Facilitate ease of compliance requirements for more than 2 lakh companies.
- Proposed thresholds:
  - Paid-up capital: from existing Rs. 50 Lakhs to Rs. 2 Crores.
  - Turnover: from existing Rs. 2 Crores to Rs. 20 Crores.
- Proposed legislative amendments to be made are not a part of finance bill.
- Benefits available to small companies like reduced penalties, fast track merger/amalgamation, lesser number of board meetings, etc.

# Incentivizing One Person Companies (OPCs)

- Incentivizing OPCs in the following manner:
  - No restriction on paid up capital and turnover on OPCs.
  - Allowing the conversion of OPCs into any other type of company any time.
  - Reduction in the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days.
  - NRIs to be allowed to incorporate an OPC in India.
- Proposed legislative amendments to be made are not a part of finance bill.

