



# UNION BUDGET 2021

JDP & Co  
Chartered Accountants

# Highlights of Budget 2021-22

1. Macro - Fiscal
2. Policy/Schemes
3. Taxation Reforms



## Contents

# MACRO – FISCAL & POLICY

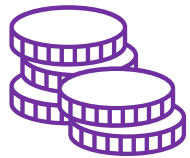
## 1. Macro - Fiscal



Total fiscal deficit is pegged at 9.5 % of GDP and it is funded through Govt borrowing



GDP expected in FY 22 is 6.8% which shows a sharp deviation from the Fiscal Responsibility and Budget Management (FRBM) target of 3%.



Capital expenditure is estimated to increase from 1.6% of GDP in FY20 to 2.3% of GDP in FY21 Revised Estimates (RE) and further to 2.5% of GDP in FY22 Budget Estimates (BE).



The capital expenditure for the year 2021-22 will be 5.54 lakh crore with a 34.5% Y-o-Y growth rate.

## 2. Policy/Schemes (1/2)



- Jal Jeevan Mission with an outlay of 2.87 Lakh Crores aiming to provide full-fledged water supply to all urban local bodies with household tap connections.
- 'Operation Green Scheme' expanded to include additional 22 perishable products
- Integration of 1000 more mandis with e National Agriculture Market



- New scheme of Rs. 18,000 Crore to be launched to support augmentation of public bus transport service
- The Scrapping Policy has been announced in the Budget2021. The voluntary vehicle scrapping policy aims to remove inefficient vehicles in order to reduce vehicular pollution and oil import bills.



- 7 mega textiles parks to be set up over 3 years under the proposed MITRA Scheme
- An amount of Rs.1.47 lakh crores, over a 5-year-period, from 2021 has been assigned for initiatives such as wastewater treatment, reduction in plastic waster, reduction in pollution
- A revamped reforms-based result linked power distribution sector scheme to be launched with an outlay of INR 3,05,984 crores over 5 years
- An independent Gas Transport System Operator to be set up

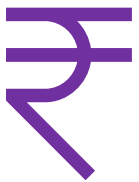


- New tax exemption for the notified Affordable Rental Housing Projects

## 2. Policy/Schemes (2/2)



- Provision of INR 35,000 crores for Covid-19 vaccine in FY 2021-22
- The total budget outlay for healthcare is INR 2.23 lakh crore vs. INR 94,452 crores in FY 20-21 resulting in an increase of 137%
- Health Cess on medical devices imported by international organization and diplomatic missions reduced from 5% to nil



- Allowing Debt financing of Infrastructure Investment Trust ( InvITs ) and Real Estate Investment Trusts (REITs) by Foreign Portfolio Investors (FPIs)
- Consolidation of several securities market laws into a rationalized single Securities Markets Code
- Increase in FDI limit in the insurance sector from 49% to 74% with additional controls and safeguards



- Definition of Small Companies has been amended by increasing the thresholds –
  - For paid up capital from “not exceeding Rs. 50 Lakh” to “not exceeding Rs. 2 Crore”
  - For turnover from “not exceeding Rs. 2 Crore” to “not exceeding Rs. 20 Crore”
- Removing restrictions on One Person Companies relating to paid up capital and turnover
- Launch of MCA21 Version 3.0 with additional modules

# TAXATION REFORMS

## 3. Taxation Reforms (1/9)

### A. Direct Tax Reforms



#### ➤ Corporate Tax (1/2)

- Reduction in time limits for general assessment and processing of Income tax return by three months
- Transfer of assets by PSU to resulting company to be deemed as tax neutral demerger
- Limited Liability Partnership (LLP) not eligible for presumptive tax for professionals
- Provisional attachment assets if penalty proceedings initiated for fake invoice/sham transactions of more than INR 20M
- The definition of intangible asset has been amended to exclude goodwill of business or profession. Further, similar amendment has been made to the Section 32 which deals with depreciation and corresponding amendment in Section 50 and 55 with effect from 01 April 2021.
- Definition of slump sale has been expanded to include exchange of the undertaking.
- Royalty and FTS as defined under the Act read with DTAA are excluded from Equalization levy with effect from AY 2020-21.
- Tax audit limit increased to INR 10 crore from INR 5 crore provided the tax-payer undertakes 95% of transactions through digital modes.
- Due date for setup of start-ups to claim deduction u/s 80-IAC extended to 31 March 2022
- In relation to the income of earlier years accounted in current year profit and loss account on account of APA, rectification rights provided to AO to assess the income under MAT in the respective years



## 3. Taxation Reforms (2/9)



### ➤ **Corporate Tax (2/2)**

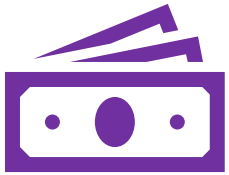
- Due date of belated/revised return has been reduced by 3 months from the end of the relevant AY.
- Section 234C amended to exclude applicability of interest on the amount of dividend income. However, interest under section 234C shall continue to apply on deemed dividend under section 2(22)(e) of the Act.
- A new sub-section in section 255 to be introduced to provide that the Central Government may notify a scheme for the faceless disposal of appeal by the ITAT to impart greater efficiency, transparency and accountability .
- The provisions of section 281B are expanded to include penalty under section 271AAD where the likely penalty exceeds INR 2 crores for provisional attachment of property.



### ➤ **Personal Income Tax**

- Senior citizens who get only pension and interest on income are not required to file ITR.
- Deduction under section 80EEA is to be extended to loans taken up to 31st March 2022.
- Deduction under section 80IAC will be extended up to 31st March 2021.
- In case the PF amount was deducted but not deposited by the employer, it will not be allowed as a deduction for the employer.
- Pre-filing of IT returns – details of capital gains from listed securities, interest from banks/ post office are proposed to be pre-filled in IT returns

## 3. Taxation Reforms (3/9)



### ➤ Relief for Dividend Income

- Advance tax liability in respect of dividend income to be computed after declaration or payment of dividend whichever is earlier
- Withholding Tax exemption granted to dividends paid to Real Estate Investment Trust (REIT) and Investment Trust (InvIT)
- Tax treaty benefits to be available to Foreign Portfolio Investors (FPI)
- Minimum Alternate Tax (MAT) exemption to foreign companies in respect of dividend income if applicable tax rate is less than MAT rate



### ➤ Resolution Reforms

- A National Faceless Income-tax Appellate Tribunal Centre to be established to eliminate human interface during Income Tax Appellate Tribunal (ITAT) proceedings
- Reduction in time limit for re-opening of assessment reduced from six years to three years
- Setting up of Dispute Resolution Committee for taxpayers with income up to Rs. 50 Lakhs and disputed income up to Rs. 10 Lakhs
- Replacement of the Authority for Advance Rulings with a Board for Advance Rulings, to ensure faster disposal of cases.
- It is proposed to constitute a Board of Advance Ruling and cease the operation of AARs.
- Every such Board shall consist of two members, each being an officer not below the rank of Chief Commissioner
- Advance rulings of such Board shall not be binding on the applicant or the Department
- If aggrieved, the applicant or the Department may appeal before the High Court

## 3. Taxation Reforms (4/9)



### ➤ Litigation Timelines (1/2)

- Time limit for issue of intimation u/s 143(1) has been reduced from one year to nine months from the end of the financial year in which the return is filed.
- Time limit for initiating assessment u/s 143(2) has been reduced from six months to three months from the end of the financial year in which the return of income was filed.
- Timeline of completion of assessment for AY 2021-22 have been reduced to nine months from the end of the AY. Accordingly, the due date of passing the assessment order for AY 2021-22 is 31 December 2022. However, where reference is made to the TPO, the time limit of completion of assessment shall be 31 December 2023.
- Separately, the time limit for initiating reassessment proceedings have been revised as under:
  - 3 years from the end of the AY; or
  - 10 years from the end of the AY where the likely escapement of income exceeds INR 50 lakhs and the AO's in possession of evidence revealing income escaping assessment
- A notice u/s 148 can be issued only when there is information with the AO which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year.
- A notice u/s 148 can be issued only when there is information with the AO which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year.

## 3. Taxation Reforms (5/9)



### ➤ Litigation Timelines (2/2)

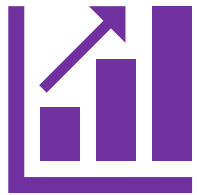
- Any information which has been flagged in the case of the assessee for the relevant assessment year as per risk management strategy formulated by the Board shall be considered as information which suggests that the income chargeable to tax has escaped assessment.
- Objection raised by CAG shall also be considered as information which suggests that the income chargeable to tax has escaped assessment
- Opportunity of being heard to be provided to assessee before issuance of notice u/s 148 by AO
- AO to decide, by passing an order, whether it is a fit case for issue of notice under section 148 and serve a copy of such order along with such notice on the assessee
- Notice under section 148 of the Act cannot be issued at any time in a case for the relevant assessment year beginning on or before 1st day of April 2021, if such notice could not have been issued at that time on account of being beyond the time limit prescribed under the provisions of clause (b), as they stood immediately before the proposed amendment.



### ➤ Penalty for Non-Filing

- Rate of TDS/ TCS shall be double of the specified rate or 5% whichever is higher in case of non-filing of income tax return for last two years and where TDS /TCS is INR 50,000 or more for last two years (Salary income, payment to NR, lottery etc. excluded)

## 3. Taxation Reforms (6/9)



### ➤ **Withholding Provisions**

- Every person, being a Buyer, who pays any amount as consideration on purchase of goods exceeding fifty lakh rupees in any PY, at the time of payment of such amount, will be required to deduct TDS at the rate of 0.1% under section 194Q of the Act from 1 July 2021. However, the provisions of the section would not apply if the taxes have been deducted in any other section (or) taxes have been collected by the seller under section 206C(1H) of the Act. However, where PAN is not available, higher rate of 5% to be applied.
- Section 206AB has been introduced to levy higher withholding tax on specified person (excluding Non-resident who does not have a PE in India) who have not filed ROI for the previous two AY as under
  - at twice the rate specified in the relevant provision of the Act; or
  - at twice the rate or rates in force; or
  - at the rate of five per cent.
- Section 206CCA has been introduced to levy higher collection of tax on specified person who have not filed ROI for the previous two AY as under
  - at twice the rate specified in the relevant provision of the Act; or
  - at the rate of five per cent.

## 3. Taxation Reforms (7/9)

### B. Indirect Taxation Reforms



#### ➤ **Indirect Taxation – Central Goods and Services Tax Act, 2017 ('CGST Act') (1/2):**

- The scope of "Supply" provided under Section 7 has been further widened to include transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or vice-versa, for a consideration. For this purpose, supplier and the recipient shall be deemed as two separate persons. The same is proposed to be retrospectively applied from 1 July 2017.
- An additional condition has been inserted in Section 16 to provide that ITC can be availed only if the invoices/ debit notes are furnished by the supplier in his GSTR-1 and such details have been communicated to the recipient.
- The mandatory requirement provided under Section 35(5) for getting annual accounts audited and the reconciliation statement submitted by specified professional (subject to condition) has been removed.
- Requirement of furnishing Annual return in Form 9 to be replaced with a self-certified reconciliation statement. Due dates to be notified.
- The provision for charging interest on net-cash liability (inserted by the Finance Act 2019) has been retrospectively made applicable from 1 July 2017.
- The proceedings involving seizure and confiscation of goods and conveyances in transit would now be treated as a separate proceeding from the recovery of tax.
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## 3. Taxation Reforms (8/9)



### ➤ **Indirect Taxation – Central Goods and Services Tax Act, 2017 ('CGST Act') (2/2):**

- Provisions relating to detention, seizure and release of goods and conveyances in transit as provided under Section 129 and those relating to confiscation of such goods or conveyances have been de-linked post which proceedings initiated, and penalty imposed under both sections would be identical.
- Jurisdictional Commissioner has been empowered to call for information from any person relating to any matters dealt with in connection with the Act and use of such information would be subject to providing an opportunity of being heard to concerned person.
- The appeal against the order of adjudicating authority in relation to seizure and confiscation of goods and conveyances in transit (provided by Section 129) can be made only if 25% of penalty is paid by the appellant.



### ➤ **Indirect Taxation – Integrated Goods and Services Tax Act, 2017 ('IGST Act'):**

- The option to make zero rated supply on payment of integrated tax would be restricted only to specified class of taxpayers or specified supplies of goods or services, to be notified in due course.
- The foreign exchange remittance in case of export of goods would be linked with refunds claimed on such supplies.
- Zero rating of supplies made to special economic zone would be valid only when such supplies are for authorised operations.

## 3. Taxation Reforms (9/9)



### ➤ **Indirect Taxation – Customs Act, 1962:**

- Sunset clause provided for all conditional exemptions currently in force. The same shall end on 31 March 2023 (unless withdrawn earlier).
- New conditional exemptions shall be valid for two years from the end of financial year during which it was enacted.
- Duty has been reduced – gold and silver, goods of iron and steel, copper scrap and others.
- Duty has been increased – leather, textile goods, compressors, auto-components, tunnel boring machine, parts of cell phones and others.
- Review of more than 400 old customs exemptions has been proposed through extensive consultations from 1st October 2021. A revised customs duty structure is proposed to be placed free of distortions.
- Any new customs duty exemption henceforth will have validity up to the 31st March following two years from the date of its issue.



- J D P & Co is a premier professional services Firm focused on providing high end quality services to our clients in Audit, tax, FEMA and corporate law matters.
- Behind the efficiency of any organization lies the skills of its personnel. As the needs of each client is unique, our professionals are trained to anticipate the same and implement imaginative solutions thereby assisting in achievement of organizational goals.
- The firm represents a combination of specialized skills, which are geared to offers sound financial advice and personalized proactive services.
- Those associated with the firm have regular interaction with industry and other professionals which enables the firm to keep pace with contemporary developments and to meet the needs of its clients.
- The team at J D P & Co has deep industry experience across all sectors including Technology, Manufacturing, Communications, Infrastructure & Real Estate and Pharmaceuticals.

# About Us

- ❑ **Right Team mix**
- ❑ **Industry and technical expertise**
- ❑ **Strong assurance from a fresh and innovative industry specific audit**

# Our Partners

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### Selected professional experience

- Padam is partner at JDP & Co Chartered accountants. JDP & Co is a leading Professional Services firm, offering wide range of services in the tax, audit and regulatory space to clients and is located at Hyderabad.
- Padam has over 7 years of rich experience in assurance, consulting and operating experience in varied settings with an entrepreneurial mindset and creatively advised clients in the areas of IFRS/Ind AS, Business Restructuring, Direct and indirect taxes, Corporate law, RBI & FEMA matters etc.
- He previously worked with S.R. Batliboi & Associates LLP (a member firm of EY) as Manager in Assurance Service line. He has worked on various assignments like statutory audits, limited reviews, group reporting and Ind AS (IFRS) engagements, tax audits, capital market transactions such as IPO, QIP including corporate restructuring and certification work.
- He has served various companies ranging from start-ups to listed companies and has extensive audit and consulting experience spanning across a sector of industries including infrastructure, IT/ITes manufacturing, real estate, and aviation under Indian GAAP, Ind AS/IFRS.
- He has having practical exposure Corporate insolvency and Liquidation matters, he has undergone certified course for IBC.

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### Selected professional experience

- Dikshit is partner at JDP & Co Chartered accountants and has around 4 years of rich experience on tax and regulatory compliances, advisory and representation related assignments like IND AS Normal and MAT impact assessments, set-aside/148/regular assessment and TDS proceedings, international taxation related assignments incl. BEPS, US tax reforms.
- He previously worked with Ernst and Young LLP as a Senior Consultant in the taxation practice.
- He has also advised a number of companies on tax planning, documentation and controversy management strategies.

# THANK YOU

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