

Highlights of Union Budget 2021



Direct Tax

- No change in rate of income tax for companies, individuals or Hindu Undivided Family or Association of persons or Body of individuals (whether incorporated or not) or any Artificial juridical person. Further, no Covid Cess has been introduced in the Budget.
- Senior citizens who are of the age of 75 years or above earning pension income and interest from specified banks [in which the pension income is received] have been provided relaxation from filing their return of income [subject to fulfillment of prescribed conditions].
- In order to reduce compliance burden on small and medium enterprises, Finance Act 2020, increased the threshold limit for getting tax audit done for a person carrying on business from INR 10million to INR 50million in cases where aggregate of all receipts in cash during the previous year does not exceed 5% of such receipts and aggregate of all payments in cash during the previous year does not exceed 5% of such payment. In order to incentivize non-cash transactions to promote digital economy and to further reduce compliance burden of small and medium enterprises, the threshold limit as mentioned above has been increased from INR 50million to INR 100 million in cases listed above.
- Advance tax on dividend income payable only when dividend is declared and income is received (similar to existing provisions in respect of capital gains).
- No deduction to employer shall be allowed if they deposit employee's contribution towards Provident Fund, Employee State Insurance etc. after the prescribed due dates specified in the relevant statute.
- Deduction under section 80-IBA of the Income tax Act, 1961 shall be allowed for one more year. The outer time limit of 31st March 2021 in this section for getting the affordable housing project approved is extended to 31st March 2022 and the same outer time limit will also be provided for the affordable rental housing projects.
- Deduction under section 80EEA of the Income tax Act, 1961 which provides a deduction in respect of interest on loan taken for a residential house property from any financial institution up to INR 150,000 has been extended for 1 more year i.e. from 31st March 2021 to 31st March 2022.





- Section 80-IAC of the Income tax Act, 1961, inter alia, provides for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up. The provisions of section 80-IAC of the Income tax Act, 1961 has been extended for 1 more year and incorporation need to be done before 1st April, 2022.
- Existing provisions of the Income tax Act, 1961 inter alia, provide for exemption of capital gain which arises from the transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the eligible assessee subject to fulfillment of prescribed conditions. The assessee is required to utilize the net consideration for subscription in the equity shares of an eligible start-up. The provisions have been amended to extend the outer date of transfer of residential property from 31st March 2021 to 31st March 2022.
- Income escaping assessment - To reduce assessments and complete compliances at the earliest possible, time limitations to issue notices for income escaping assessments shall be reduced to 3 years (earlier 6 years) from the end of the relevant assessment year. Notice beyond the period of 3 years from the end of the relevant assessment year can be taken only in a few specific cases.
- Reduction in time limit for completion of assessments by 3 months.
- No deduction under section 10(10D) of the Income tax Act, 1961 shall be provided to Unit Linked Insurance Plans if the premium payable for any of the previous year during the term of the policy exceeds INR 2.5 lakhs and the same shall be taxable. This is effective for policies issued on or after 1st February 2021.
- The Central Government shall constitute one or more Dispute Resolution Committee - Only those disputes where the returned income is INR 5 million or less (if there is a return) and the aggregate amount of variation proposed in the specified order is INR 1 million or less shall be eligible to be considered by the Dispute Resolution Committee.
- Extending due date for filing return of income in some specific cases, reducing time to file belated returns and to revise original returns by 3 months and also to remove difficulty in cases of defective returns.
- Certain tax incentives for units located in International Financial Services Centre has been introduced.
- Reduction in compliance burden on small charitable trusts running educational institutions and hospitals in specific cases.
- Goodwill of a business or profession would not be considered as a depreciable asset and there would not be any depreciation on goodwill of a business or profession.

- Proposal for setup of National Faceless Income Tax Appellate Tribunal Centre.
- Proposal to notify rules for removing hardship for double taxation for non-resident individuals.
- Increase in safe harbour limit of 10% for home buyers and real estate developers selling such residential units from existing 10% to 20% under section 43CA of the Income tax Act, 1961 provided that the transfer of residential unit takes place during the period from 12th November, 2020 to 30th June, 2021, the transfer is by way of first time allotment of the residential unit to any person and the consideration received or accruing as a result of such transfer does not exceed INR 20 million.
- Proposal to include tax holidays for Aircraft leasing companies in specific cases.
- Pre-filling of income tax returns i.e. salary income details, tax payments, Tax Deducted at Source, details of Capital gains from listed Securities, dividend income, etc.
- Tax Deduction at Source and Tax Collection at Source would be deducted at higher rates in certain specific cases for non-return filers (would lead to increased compliances).
- Discontinuance of Income-tax Settlement Commission and to constitute Interim Board of settlement for pending cases.
- Vivad Se Viswas Scheme - Last Date of filing extended to 28th February, 2021.

Indirect Tax

Goods and Services Tax Act, 2017

Incorporation of New clause

- A new clause (aa) in section 7(1) of the Central Goods and Services Tax Act (CGST Act) is being inserted, retrospectively with effect from the 1st July, 2017 which ensure levy of tax on activities or transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration. Therefore, now paragraph 7 of Schedule II has been omitted retrospectively with effect from 1st July, 2017.
- A new clause (aa) in section 16(2) of the CGST Act is being inserted. Now assessee can avail input tax credit on invoice or debit note only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies and the same should be communicated to the recipient.



Amendments in GST

- **Section 35 (5)** of the CGST Act has been **omitted** and so now there is no as such mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professional. So Form 9C is not to be submitted from the Financial Year 2020-21 onwards.
- Section 44 of the CGST Act is being substituted so as to remove the mandatory requirement of furnishing a reconciliation statement duly audited by specified professional and to provide for filing of the annual return on self-certification basis. It further provides for the Commissioner to exempt a class of taxpayers from the requirement of filing the annual return.
- Section 50 of the CGST Act has been retrospectively amended, to substitute the proviso to sub-section (1) so as to charge interest on net cash liability with effect from the 1st July, 2017.
- Section 74 of the CGST Act is amended. Now seizure and confiscation of goods and conveyances in transit become a separate proceeding from recovery of tax.





- An explanation to section 75(12) of the CGST Act is inserted which clarify “self-assessed tax”. Self-assessed tax **includes** the tax payable in respect of outward supplies which have been furnished under section 37 but not included in the return furnished under section 39.
- Section 83 of the CGST Act is amended. Now provisional attachment shall remain valid for the entire period starting from the initiation of any proceeding under Chapter XII, Chapter XIV or Chapter XV till the expiry of a period of one year from the date of order made thereunder.
- Appellant has to pay a sum equal to 25% of penalty against order made under section 129(3) before appeal is to be filled under section 107 (6) of CGST Act.
- Amendment made in Section 129. Delinking of the proceedings 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.
- Now under section 151 of the CGST Act give empower to the jurisdictional commissioner to call for information from any person relating to any matter dealt with in connection with the Act.
- Now under section 168 of the CGST Act give empowers to the jurisdictional commissioner under section 151 to call for information.
- Now under section 152 of the CGST Act, information obtained under section 150 and 151 cannot be used for the purposes of any proceedings under the Act without giving an opportunity of being heard to the person concerned.

Amendments in the IGST ACT, 2017:

- Section 16 of the IGST Act is being amended so as to:
 - (i) zero rate the supply of goods or services to a Special Economic Zone developer or a Special Economic Zone unit only when the said supply is for authorized operations;
 - (ii) restrict the zero-rated supply on payment of integrated tax only to a notified class of taxpayers or notified supplies of goods or services; and
 - (iii) link the foreign exchange remittance in case of export of goods with refund.

Excise Act:

- An Agriculture Infrastructure and Development Cess (AIDC) as an additional duty of excise has been proposed on Petrol and High-speed diesel vide Clause [116] of the Finance Bill, 2021.



Sl. No.	Commodity	Rate of AIDC [Clause [116] of the Finance Bill, 2021]*
1	Motor spirit	Rs. 2.5 per liter
2	HSD	Rs. 4 per liter

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

- Consequent to imposition of AIDC, the Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) on Petrol and High-speed diesel is being reduced so that consumer does not have to bear any additional burden on account of imposition of AIDC. [to be effective from 02.02.2021]

Sl. No.	Item	BED (Rs./Ltr)	SAED (Rs./Ltr)	AIDC (Rs./Ltr)
1	Petrol (unbranded)	1.4	11	2.5
2	Petrol (branded)	26	11	2.5
3	High speed diesel (unbranded)	1.8	8	4
4	High speed diesel (branded)	4.2	8	4

TOUCHPOINTS

❖ Kolkata

1. 161, Sarat Bose Road
Kolkata 700 026
Tel: +91 (33) 2419 6000/1/2
Email- Services@singhico.com

2. 1B Old Post Office Street,
Emerald House,
4th Floor, BBD Bagh,
Kolkata, West Bengal 700001
Tel: +91 (33) 2248 4573/4577
Fax No.: +91 (33) 2230 7146
Email- services@singhico.com

❖ Ahmedabad

705 P B Parekh Tower,
Near Diwan Ballubhai School, Kankaria
Ahmedabad – 380022
Tel: +91 (0) 79 - 2547 1562
Email: ahmedabad@singhico.com

❖ Chennai

Unit-11-D, 11th Floor, Ega Trade Centre,
809, Poonamallee High Road, Kilpauk,
Chennai - 600 010
Tel: +91 (44) 4291 8459
Email: chennai@singhico.com

❖ DelhiNCR

Unit No.1704, 17th Floor,
World Trade Tower (Tower-B)
DND Fly Way, C-01, Sector 16,
Noida-201301
Tel. No - 0120-2970005, 9205575996
Email- newdelhi@singhico.com

❖ Hyderabad

5-4-187/3 & 4 Soham Mansion
M. G. Road, Secunderabad - 500 003
Tel: +91 (0)40 2754 2635 / 1015

❖ Mumbai

B2 402B, Marathon Innova,
4th Floor, Off Ganpatrao Kadam Marg
Lower Parel, Mumbai - 400 013
Tel: +91 (0) 22 2495 2881
Email: mumbai@singhico.com

❖ Bengaluru

114/1, Sai Complex, 3rd Floor, M.G. Road,
Bangalore- 560 001
Ph .No. : +91 80 41139278, 25585587,
25584859
Email: bangalore@singhico.com

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