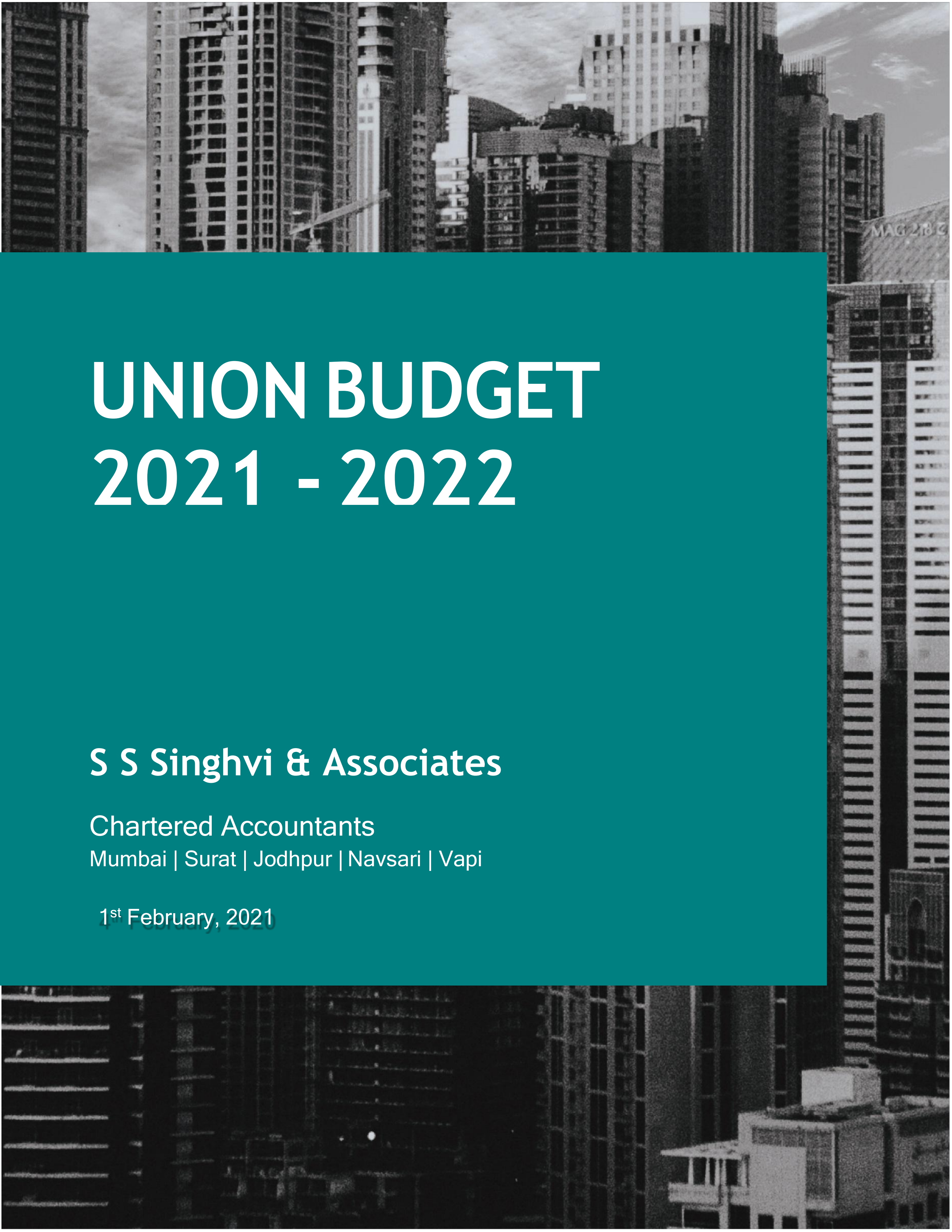

UNION BUDGET 2021 - 2022

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Mumbai | Surat | Jodhpur | Navsari | Vapi

1st February, 2021

Budget Financials

For the Financial Year 2021-22

Budget Financials 2021-22

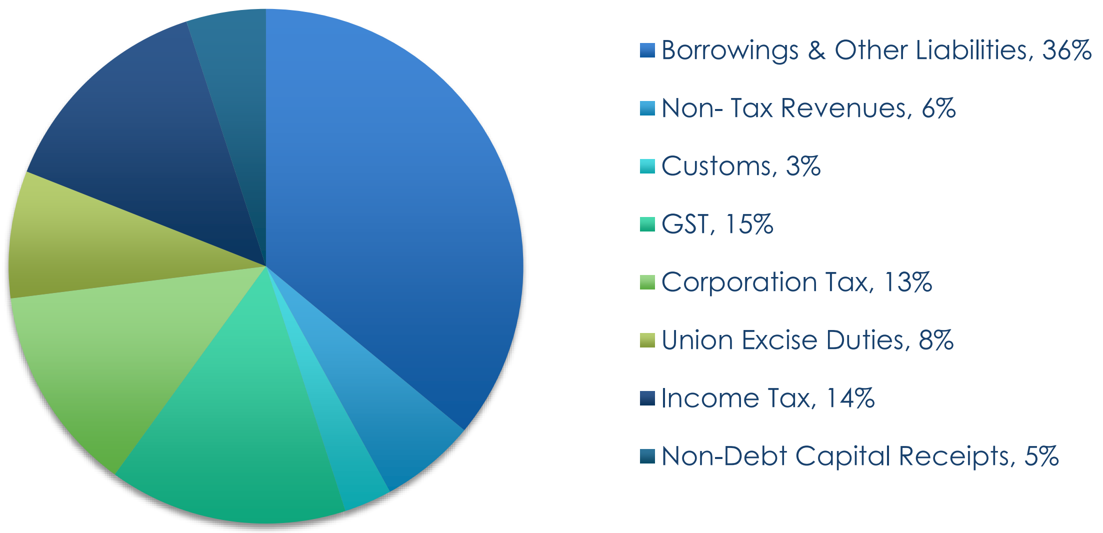
(Rs. In crores)

	Actuals 2019-20	Budgeted 2020-21	Revised 2020-21	Budgeted 2021-22
Revenue expenditure	2,350,604	2,630,145	3,011,142	2,929,000
Capital Expenditure	335,726	412,085	439,163	554,236
Total Expenditure	**2,686,330**	**3,042,230**	**3,450,305**	**3,483,236**
Revenue Receipts	1,684,059	2,020,926	1,555,153	1,788,424
Capital Receipts	68,620	224,967	46,497	188,000
Of which:				
Recoveries of loans	18,316	14,967	14,497	13,000
Other receipts	50,304	210,000	32,000	175,000
Total Receipts without borrowings	**1,752,679**	**2,245,893**	**1,601,650**	**1,976,424**
Revenue Deficits	666,545	609,219	1,455,989	1,140,576
% of GDP	**3.3**	**2.7**	**7.5**	**5.1**
Fiscal Deficit	933,651	796,337	1,848,655	1,506,812
% of GDP	**4.6**	**3.5**	**9.5**	**6.8**
Primary Deficit	321,581	88,134	1,155,755	697,111
% of GDP	**1.6**	**0.4**	**5.9**	**3.1**

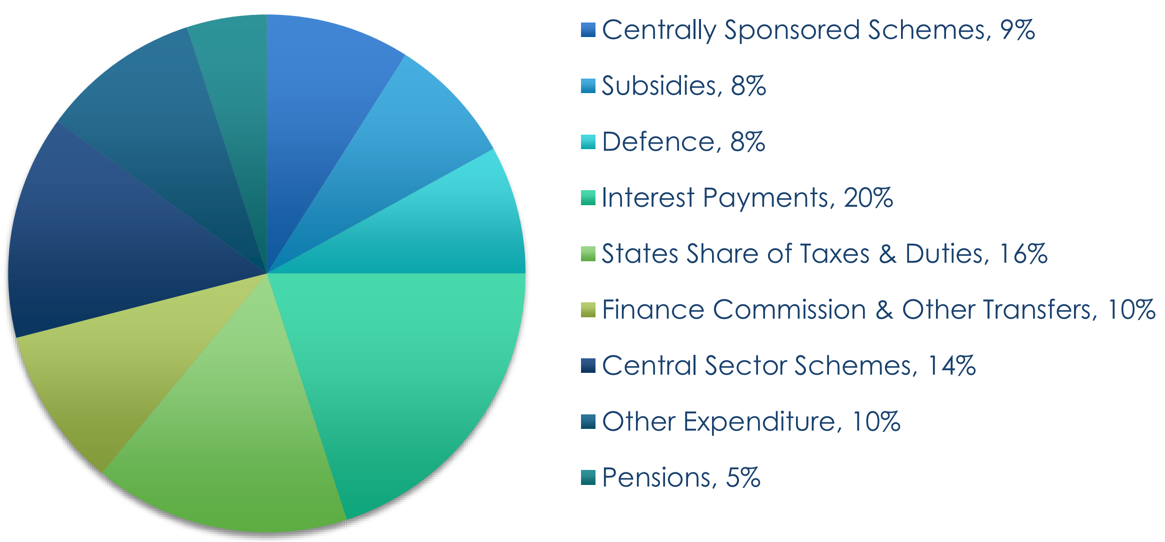
Source: Budget at a Glance, Union Budget Documents 2021-22; PRS

Budget 2021-22

Rupee Comes In



Rupee Goes out



Expenditure on Major Items

(in crores)

Ministry of Housing and Urban Affairs - Rs. 54581

Ministry of Health and Family Welfare - Rs. 73932

Ministry of Railways - Rs. 110055

Ministry of Road Transport and Highways - Rs. 118101

Ministry of Human Resource Development - Rs. 93224

Ministry of Rural Development - Rs. 133690

Ministry of Consumer Affairs, Food & Public Dist. - Rs. 256948

Ministry of Agriculture and Farmers' Welfare - Rs. 131531

Ministry of Home affairs - Rs. 166547

Ministry of Defence - Rs. 478196

6 Pillars of Budget Proposal

In the budget of 2021-22

(PART-A)

The Budget proposals for 2021-22 rests on 6 pillars

1. Health and Wellbeing

2. Physical & Financial Capital, and Infrastructure

3. Inclusive Development for Aspirational India

4. Reinvigorating Human Capital

5. Innovation and R&D

6. Minimum Government and Maximum Governance

1. Health and Wellbeing

- Rs. 2,23,846 crores outlay for Health and Wellbeing in BE 2021-22 as against Rs. 94,452 crores in BE 2020-21 - an increase of 137%
- Focus on strengthening three areas: Preventive, Curative, and Wellbeing.
- Aatmanirbhar Health Scheme launched addition to National Health Mission.
- Will Invest Rs.2.24 Lakhs Crore for health Infrastructure.
- Voluntary vehicle scrapping policy to phase out old and unfit vehicles 1 Fitness tests in automated fitness centers:
- After 20 years in case of personal vehicles.
- After 15 years in case of commercial vehicles.

2. Physical and Financial Capital and Infrastructure

- To help manufacturing companies become an integral part of global supply chains, possess core competence and cutting-edge technology.
- Mega Textile Investment Parks will be launched for Textile Industries- 7 Textile park will be established over 3 years.
- Textile industry to become globally competitive, attract large investments and boost employment generation & exports.

- Company Matters
- To decriminalize the Limited Liability Partnership (LLP) Act, 2008.
- Easing Compliance requirement of Small companies by revising their definition under Companies Act, 2013 by increasing their thresholds for Paid up capital from “not exceeding Rs. 50 Lakh” to “not exceeding Rs. 2 Crore” and turnover from “not exceeding Rs. 2 Crore” to “not exceeding Rs. 20 Cr”.

- Promoting start-ups and innovators by incentivizing the incorporation of One Person Companies (OPCs):
- Allowing their growth without any restrictions on paid up capital and turnover.
- Allowing their conversion into any other type of company at any time.
- Reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days.
- Allowing Non-Resident Indians (NRIs) to incorporate OPCs in India.

- To ensure faster resolution of cases by:
- Strengthening NCLT framework.
- Implementation of e-Courts system.
- Introduction of alternate methods of debt resolution and special framework for MSMEs.

- Launch of data analytics, artificial intelligence, machine learning driven MCA21 Version 3.0 in 2021-22

- It has been Proposed to consolidate the provisions of SEBI Act, Depositories Act, Securities Contract Regulation Act & Govt. Securities Act into a Unified Securities Market Code.

3. Inclusive Development for Aspirational India

- Agriculture
- Ensured MSP at minimum 1.5 times the cost of production across all commodities.
- With steady increase in the procurement, payment to farmers increased as under:

(Rs. In Crore)

	2013-14	2019-20	2020-21
Wheat	33,874	62,802	75,060
Rice	63,928	1,41,930	172,752
Pulses	236	8,285	10,530

- 5 major fishing harbours - Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat to be developed as hubs of economic activity.

- One Nation One Ration Card scheme for beneficiaries to claim rations anywhere in the country.

4. Reinvigorating Human Capital

- Initiatives for partnership with other countries in skilling to be taken forward, similar to partnership:
- With UAE to benchmark skill qualifications, assessment, certification, and deployment of certified workforce.
- With Japan for a collaborative Training Inter Training Programme (TITP) to transfer of skills, technique and knowledge.
- Central University to come up in Leh for accessibility of higher education in Ladakh

5. Innovation and R&D

- Modalities of National Research Foundation announced in July 2019:
- Rs. 50,000 crore outlay over 5 years.
- To strengthen overall research ecosystem with focus on national- priority thrust areas.

- Rs. 1,500 crore for proposed scheme to promote digital modes of payment.

- PSLV-CS51 to be launched by New Space India Limited (NSIL) carrying Brazil's Amazonia Satellite and some Indian satellites.

6. Minimum Government, Maximum Governance

- Measures being undertaken to bring reforms in Tribunals to ensure speedy justice.
- National Commission for Allied Healthcare Professionals already introduced to ensure transparent and efficient regulation of the 56 allied healthcare professions.
- The National Nursing and Midwifery Commission Bill introduced for the same in nursing profession.
- Proposed Conciliation Mechanism with mandate for quick resolution of contractual disputes with CPSEs
- 3,768 crores allocated for first digital census in the history of India.

Tax Proposals

In the budget of 2021-22

(PART-B)

In Part B of the Budget Speech, the Union Minister Smt. Nirmala Sitharaman seeks to further simplify the Tax Administration, Litigation Management and ease the compliance of Direct Tax Administration. The indirect proposal focuses on custom duty rationalization as well as rationalization of procedures and easing of compliance.

Direct Tax

- No changes in Slab rate of taxes of anyone.

- Relief to Senior Citizens:
- Exemption from filing tax returns for senior citizens over 75 years of age and having only pension and interest income; tax to be deducted on the total income of the senior citizen on the basis of rates in force by the paying bank.

- Reducing Disputes, Simplifying Settlement:
- Time limit for re-opening cases reduced to 3 years from 6 years.
- Serious tax evasion cases, with evidence of concealment of income of Rs. 50 lakh or more in a year, to be re-opened only up to 10 years, with approval of the Principal Chief Commissioner.
- Dispute Resolution Committee to be set up for taxpayers with taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh.
- National Faceless Income Tax Appellate Tribunal Centre to be established.

- Relaxation to NRIs:
- Rules to be notified for removing hardships faced by NRIs regarding their foreign retirement accounts.

- Incentivising Digital Economy:
- Limit of turnover for tax audit **increased to 10 crore from Rs. 5 crore** for entities carrying out 95% transactions digitally.

- ## Relief for Dividend:

- Dividend payment to REIT (Real estate investment trusts) / InvIT (Infrastructure investment trusts) exempt from TDS.
- Advance tax liability on dividend income only after declaration/ payment of dividend.
- Deduction of tax on dividend income at lower treaty rate for Foreign Portfolio Investors.

- ## Attracting Foreign Investment for Infrastructure:

- Infrastructure Debt Funds made eligible to raise funds by issuing Zero Coupon Bonds.
- Relaxation of some conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment.

- ## Supporting 'Housing for All:

- Additional deduction of interest, up to Rs. 1.5 lakh, for loan taken to buy an affordable house extended for loans taken till March 2022.
- Tax holiday for Affordable Housing projects extended till March 2022.
- Tax exemption allowed for notified Affordable Rental Housing Projects.

- ## Tax incentives to IFSC in GIFT City:

- Tax holiday for capital gains from incomes of aircraft leasing companies.
- Tax exemptions for aircraft lease rentals paid to foreign lessors.
- Tax incentive for relocating foreign funds in the IFSC.
- Tax exemption to investment division of foreign banks located in IFSC.

- ## Business Deductions:

- Deduction for employees' cont. To PF etc.: To nullify the effect of various judicial pronouncements an explanation has been added to clause (va) in sub-section (1) of section 36 by which it has been provided that no deduction shall be allowed in respect of employees' contribution to provident fund etc. which has been deposited after the due date specified in the respective Act. Similar explanation has been added to section 43B also.

- Special provisions for transfer of assets [S.43 CA]: Where the Transfer of **"a residential unit between 12.11.2020 and 30.06.21"** at a value which is upto the

83.3333% of stamp value, the sale consideration shall be taken as the full value of consideration. In other words, where the value adopted by the stamp value authority is upto 120% of the sale consideration of the residential unit the actual sale consideration shall be taken as the full value of consideration. However, such residential unit the unit which is being transferred should be by way of first allotment of the unit to any person and the consideration of the unit does not exceed 2 crore rupees.

Capital Gain

- **Insertion of Section 45(1B)** [w.e.f. AY 2021-22]

  Any profits and gains arising out of receipt of an amount under a unit linked insurance policy (which is not exempt) shall be chargeable to income-tax under the head "Capital gains".

- **Goodwill or other revaluation amount credited to Partner's Account in a firm:** Amendment of 45(4) and 45(4A) [w.e.f. AY 2021-22]

  In the case of the reconstitution or dissolution of a firm the profits and gains arising from value of the receipt of the capital asset by the specified person, in excess of the balance in his capital account after excluding any credit in partner's capital account on account of revaluation of the assets or self-generated goodwill or self-generated asset, will be taxed as Capital Gains.

Ease of Filing Taxes:

- Details of capital gains from listed securities, dividend income, interest from banks, etc. to be pre-filled in returns.

Relief to Small Trusts:

- Exemption limit of annual receipt revised from ₹1 crore to ₹5 crore for small charitable trusts running educational institutions and hospitals.

- ## Labour Welfare:
- Late deposit of employee's contribution by the employer not to be allowed as deduction to the employer.

- ## No depreciation on Goodwill of any case.

- ## Incentivize start-ups:
- In order to incentivize start-ups in the country, Smt. Sitharaman announced extension in the eligibility for claiming tax holiday for start-ups by one more year till 31st March, 2022. In order to incentivize funding of start-ups, she proposed extending the Capital Gains exemption for investment in start-ups by one more year till 31st March, 2022.
- Tax Holiday for Start Up till 31.03.22
- Exemption from Capital gain till 31.03.22 for Startup.

- ## Time limit for filing belated and revised return reduced to three months – Budget 2021-22
- At present the belated or revised returns could be filed before the end of the assessment year or before the completion of the assessment whichever is earlier.
- Now it has been proposed that the last date for filing of belated or revised returns of income, as the case may be reduced by three months. Thus the belated return or revised return could now be filed three months before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

- ## Interest on EPF contribution above Rs 2.5 lakh to be taxable.
- As per the provisions of the Finance Bill, from April 1, 2021 onwards, the interest on any contribution above Rs 2.5 lakh by an employee to a recognised provident fund is taxable. That is, if the total employee PF contribution (mandatory + voluntary) contribution is more than 2.5 lakh, the interest earned on the excess amount will be taxable as per slab. This restriction shall be applicable only for the contribution made on or after 01.04.2021.

- ## TDS on purchase of goods

- New Section 194Q is proposed to be inserted for deduction of TDS by a person (whose turnover exceeds Rs. 10 crores) who is paying any sum to any resident for purchase of any goods of the value exceeding Rs. 50 lakhs in any previous year. The tax shall be deducted at the rate of 0.1%, which shall be increased to 5% if the seller does not provide his PAN.

- ## Non-filer shall be subject to TDS/TCS at higher rates

- The Finance Bill proposes to insert Section 206AB and Section 206CCA to provide for deduction and collection of TDS and TCS at the higher rates in case of non-filers of the income tax return. The rate of TDS/TCS shall be at the double of the specified rate or 5%, whichever is higher. These provisions shall not be applicable where the tax is required to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act.

Indirect Tax

1. Goods & Service Tax

- ### Audit under GST scrapped

Section 35(5) of the CGST Act, which mandates the registered person to file GSTR-9C after Certification from a Chartered Account, if their turnover is above the specified limit, has been omitted.

- ### Annual Return under GST to include the 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.

- ### Interest on delayed payment of tax to be calculated on Amount debited from cash ledger.

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. This amendment is deemed to be introduced with effect from 1st July 2017. Being a retrospective amendment, this should clear the air with regard to numerous recovery made by the officers claiming the interest on the entire delayed payment

- ### Recovery can be initiated if no tax is paid corresponding to the supplies declared under GSTR-01.

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 of 25% of the Penalty is mandatory for filing appeal against Seizure Order.

If an appeal against a Seizure Order is to be made, then the appellant is required to pay 25% of the Penalty as a pre-requisite.

- ## Power of the officer to collect any information required under the Act.

The earlier provision empowering the officer to collect information for statistical purpose has been removed. Instead, the officer is currently empowered to collect any information from any person for the purpose of this Act. This will mean that the registered person will be deemed to provide any random information about any supplier merely because he is connected with the issue.

2. Custom Duty Rationalisation

- Twin objectives: Promoting domestic manufacturing and helping India get onto global value chain and export better.
- 80 outdated exemptions already eliminated.
- Revised, distortion-free customs duty structure to be put in place from 1st October 2021 by reviewing more than 400 old exemptions.
- New customs duty exemptions to have validity up to the 31st March following two years from its issue date.

- ## Electronic and Mobile Phone Industry:

- Some exemptions on parts of chargers and sub-parts of mobiles has been withdrawn and duty is imposed at 10% with effect from 2nd February, 2021.
- Duty on some parts of mobiles revised to 2.5% from 'nil' rate.

- ## Textiles:

- Basic Customs Duty (BCD) on caprolactam, nylon chips and nylon fiber & yarn reduced to 5%

- ## Iron and Steel:

- Customs duty reduced uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels.
- Duty on steel scrap exempted up to 31st March, 2022.
- Anti-Dumping Duty (ADD) and Counter-Veiling Duty (CVD) revoked on certain steel products.
- Duty on copper scrap reduced from 5% to 2.5%.

OUR TEAM

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