



UNION BUDGET 2021-22

... towards self-reliant India?

Table of Contents

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

1. Economic Survey

India Outlook FY 2020-21

page 3

2. Rates of Taxes

Tax rates for assesses

page 6

3. Impact on individuals & businesses

Amendments impacting all assessee

page 12

4. Merger & Acquisition

Amendments impacting transactions

page 18

5. Appeals & Assessment

Focus on electronic and faceless assessments

page 20

6. Key Indirect Taxes amendments

GST and Customs

page 23

7. Other Highlights

page 25

8. Annexure

page 27

1

Economic Survey

Analysis of growth of GDP, factors impacting growth, outlook, etc.

1. Economic Survey 2021

India Outlook in FY 20-21

Dashboard

- 1 Economic Survey
- 2 Rates of Taxes
- 3 Impact on Individuals & businesses
- 4 Merger & Acquisition
- 5 Appeals & Assessments
- 6 Indirect Taxes
- 7 Other Highlights
- 8 Annexure

- 11 %

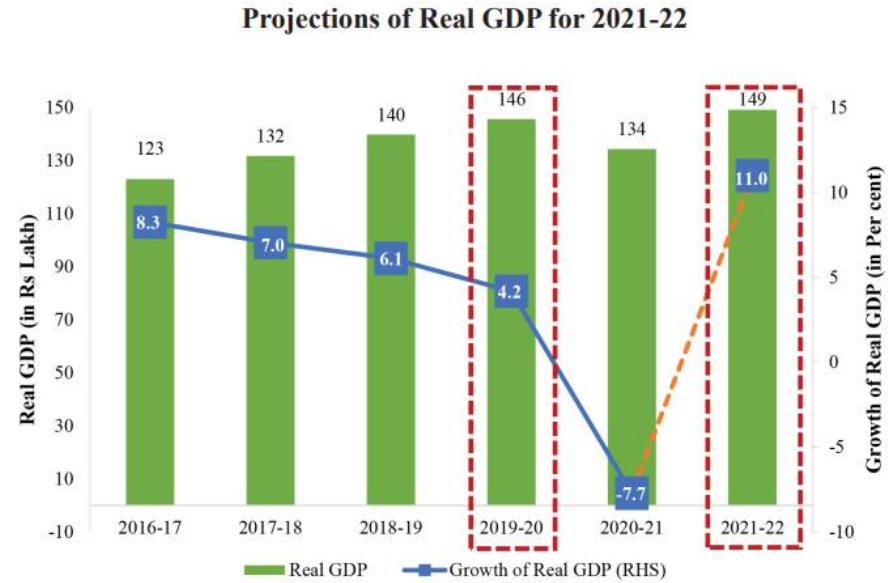
India's economic growth is expected to rebound to 11 - 11.5% in 2021-22
- 6.6 %

Inflation rose to 6.6% in April - December 2020 from 4.8% in 2019
- 69 %

BSE Sensex reached record high to 49,792.12 as on 20th January, 2021 with 69% from 29,468.49 over March end 2020
- 65 %

Gross market borrowing of Central Government for FY21 reached ₹ 10.72 lakh crores from ₹ 6.5 lakh crores in FY20
- 47 %

Tax Revenue for FY21 is ₹ 24.3 Lakh crore as compared to ₹ 16.5 lakh crores in FY20



Source: NSO and Survey Calculations

BBB-

Credit Rating
(As per
Standard & Poor's)

\$586 bn

Foreign Exchange
Reserve all time high as
on January 8, 2021

5th

Largest Economy in World

48th

Rank in Global
Innovation Index
(gained 33 places
since 2015)

1. Economic Survey 2021

Covid-19 impacts and path to recovery

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Adverse impacts

- Disinvestment targeted at ₹ 2.1 lakh crores has only been ₹ 15,220 crore, i.e. 7.2 % of the targeted amount.
- Unemployment rates in urban sector are higher than the rural sector in most of the States/UTs. An estimated 121 million jobs were lost during the period, CMIE had said.
- The industrial sector is expected to record a growth of - 9.6% with an overall contribution in GVA of 25.8 per cent in 2020-21 (FY21). Wholesale and retail trade, hospitality, and arts and entertainment— have seen larger contractions than manufacturing
- The share of agriculture and allied sectors in GVA of the country has declined from 18.2 per cent in 2014-15 to 17.8 per cent in 2019-20
- As on 31st March, 2020 money multiplier was 5.5, slightly lower than 5.6 a year earlier.

Path to recovery

- India initiated a slew of multi-sectoral supply-side structural reforms to lend flexibility and resilience to supply chains as a part of the Atmanirbhar Bharat Mission (ANB)
- Capital expenditure during the last three months of the year 2020 recorded an unprecedented YoY growth of 129 per cent in October, 249 per cent in November and 62 per cent in December.
- Monthly GST collections have crossed the ₹ 1 lakh crore mark consecutively for the last 3 months, reaching its' highest ever in GST) collections have also increased in the second half of the year as the monthly GST collections in December 2020 stood at ₹1.15 lakh crore
- The economy was witnessing a 'V-shaped' recovery that strongly correlates with the stringency of the lockdown.
- The net payroll data of Employees' Provident Fund Organisation (EPFO) as on 20th December, 2020 shows a net increase of new subscribers in EPFO of 78.58 lakhs in 2019-20 as compared to 61.1 lakhs in 2018-19.
- India to log 2% current account surplus; first positive balance in 17 years

2

Rates of Taxes

Tax rates for assesses

2. Rates of Taxes

Taxation of Individuals, HUF, Co-operative, Firms and Local Authorities

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

For Individual Tax Payer (upto 60 years) & HUF :	New Regime (115BAC)*	Old Regime
< ₹ 2.5 Lakhs		0.00%
> ₹ 2.5 Lakhs to < ₹ 5 Lakhs	5.20%	5.20%
> ₹ 5 Lakhs and < ₹ 7.5 Lakhs	10.40%	20.80%
> ₹ 7.5 Lakhs and < ₹ 10 Lakhs	15.60%	20.80%
> ₹ 10 Lakhs and < ₹ 12.5 Lakhs	20.80%	31.20%
> ₹ 12.5 Lakhs and < ₹ 15 Lakhs	26.00%	31.20%
> ₹ 15 Lakhs and < ₹ 50 lakhs		31.20%
> ₹ 50 Lakhs and < ₹ 1 crores		34.32%
> ₹ 1 crores and < ₹ 2 crores		35.88%
> ₹ 2 crores and < ₹ 5 crores		39.00%
> ₹ 5 crores		42.74%

Notes

- The above mentioned rates are effective rates of tax (including applicable tax rate, surcharge (SC), Health and Education cess)
- In Old Regime, the base exemption for senior citizen ie. 60 years to 80 years is ₹ 3,00,000 and for super senior citizen ie. 80 years & above is ₹ 5,00,000/-
- *There are various deduction and benefits which have to be forgone in the New Regime (Refer Annexure I)
- Further, an assessee has an option to choose between the New Regime and Old Regime tax rates
- **If total income only including the income by way of dividend or income under the provisions of section 111A and 112A of the Act exceeds ₹ 2 crores, surcharge at the flat rate of 15% of such income tax would be applicable.**

For Co-operatives, Firms and Local Authorities	Co-operatives*	Partnership Firms and Local Authorities
< ₹ 10,000	10.40%	31.20%
> ₹ 10,000 and < ₹ 30,000	20.80%	
> ₹ 30,000 and < ₹ 1 crores	31.20%	
> ₹1 crores		34.94% (30% + 12% + 4%)

Notes

- *A co-operative society resident in India shall have the option to pay tax at 25.16% for assessment year 2021-22 onwards as per the provisions of section 115BAD, subject to fulfilment of certain conditions

2. Rates of Taxes:

Taxation of Domestic Companies - Summary

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Section	Type of company	Base MAT rate	Normal tax rate	Effective normal tax rate		
				Income upto 1 Cr	Income > 1 Cr but upto 10 Cr	Income > 10 Cr
115BA	Domestic manufacturing company set-up and registered on or after 1 March 2016	15%	25%	26% (Nil SC + 4% cess)	27.82% (7% SC + 4% cess)	29.12% (12% SC + 4% cess)
115BAA	Any domestic company (even if an existing company or engaged in non-manufacturing business)	NA	22%	25.17% (10% SC + 4% cess)	25.17% (10% SC + 4% cess)	25.17% (10% SC + 4% cess)
115BAB	Domestic manufacturing company set-up and registered on or after 1 October 2019 and commences manufacturing upto 31 March 2023	NA	15%	17.16% (10% SC + 4% cess)	17.16% (10% SC + 4% cess)	17.16% (10% SC + 4% cess)
Para E of First Schedule	Domestic companies having turnover of less than INR 400 crores during FY 2018-19	15%	25%	26% (Nil SC + 4% cess)	27.82% (7% SC + 4% cess)	29.12% (12% SC + 4% cess)
	Domestic companies having turnover of more than INR 400 crores during FY 2018-19	15%	30%	31.20% (Nil SC + 4% cess)	33.38% (7% SC + 4% cess)	34.94% (12% SC + 4% cess)

2. Rates of Taxes:

Taxation of Domestic Companies – Comparative Analysis

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Particulars	Section 115BA (existing 25% tax rate)	Section 115BAA (amended 22% tax rate)	Section 115BAB (Amended 15% tax rate)	Domestic companies (Turnover < INR 400 crs)	Domestic companies (Turnover > INR 400 crs)
Coverage	Tax on domestic manufacturing companies	Tax on all domestic companies not claiming certain incentives /exemptions	Tax on new domestic manufacturing (including electricity generating) companies not claiming incentives / exemptions	All domestic companies have annual turnover during FY 18-19 less than ₹ 400 crores	All domestic companies have annual turnover during FY 18-19 more than ₹ 400 crores
Date of set-up condition	On or after 1 March 2016	No condition	On or after 1 October 2019 and has commenced manufacturing on or before 31 March 2023	NA	NA
Rate of tax after including surcharge and cess	26% / 27.82% / 29.12%	25.17%	17.16%	26% / 27.82% / 29.12%	31.2% / 33.38% / 34.94%
Applicability of MAT	Yes	No	No	Yes	Yes
MAT Credit	Available	Not Available	Not Available	Available	Yes
Base / essential conditions	Manufacturing company which is set up after 1 March 2016	Any domestic companies (including trading or service company)	Manufacturing Company which is set up on or after 1 Oct 2019 and commences operations on or before 31 March 2023	NA	NA

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

2. Rates of Taxes:**Taxation of Domestic Companies – Comparative Analysis**

Particulars	Section 115BA (existing 25% tax rate)	Section 115BAA (amended 22% tax rate)	Section 115BAB (Amended 15% tax rate)	Domestic companies (Turnover < INR 400 crs)	Domestic companies (Turnover > INR 400 crs)
Condition of split/reconstruction and second hand machinery	Not Applicable	Not Applicable	Applicable	Irrelevant	Irrelevant
Impact on claim of incentives and losses attributable to incentives	Need to be foregone	Need to be foregone	Need to be foregone	Available	Available
Specified domestic transfer – Transfer pricing	Applicable where certain profit linked deduction is claimed		Applicable on any business transacted by company with related party	Applicable where certain profit linked deduction is claimed	
Is it optional? When the option is to be exercised.	Yes - Option to be exercised during the first year - once opted in, opt out unlikely to apply. The exception provided is only when 115BAB applicable	Yes – Option can be exercised anytime - once opted the choice is irreversible	Yes – Option can be exercised anytime - once opted the choice is irreversible	NA	NA

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

2. Rates of Taxes:

Dividend Distribution Tax

Dividend Distribution Tax Abolished

- Companies declaring dividend were liable to pay Dividend Distribution Tax (DDT) @ 15% on such dividends. Since the recipient should be able to take advantage of his marginal income level, it is proposed to abolish the DDT. Consequently, recipient shall be liable to pay tax on such dividends as per its income level. Dividend to be factored while calculating advance tax only if the dividend is declared.
- Following are the tax rates (excluding cess and surcharge) for each shareholder type:
 - Companies - 22% or 25%
 - LLPs – 30%
 - Individuals – as per slab rates
- Removal of cascading effect: New section 80M has been introduced to remove the cascading effect. Dividend received by a company shall be excluded from its income to the extent that company declares dividend.
- Expenses incurred to earn dividend (upto 20% of the dividend amount) shall be eligible for deduction against dividend income.

Particulars	Company			LLPs
	New domestic manufacturing companies (section 115BAB)	Other domestic companies not availing incentives (section 115BAA)	Existing companies (not opting for section 115BAA)	
Base tax rate	15%	22%	25%	30%
Effective tax rate	17.16%	25.17%	29.12%	34.94%
	(10% SC + 4% cess)	(10% SC + 4% cess)	(12% SC + 4% cess)	(12% SC + 4% cess)
Income of company/ LLP (A)	100	100	100	100
Less: Outflow of Corp. tax (B)	17.16	25.17	29.12	34.94
Net income (C)	82.84	74.83	70.88	65.06
Less: Outflow of DDT	0	0	0	NA
Net amount available to owners (D)	82.84	74.83	70.88	65.06
Tax to shareholder if it is a company @22% (E)	18.22	16.46	15.59	NA
Tax to shareholder if it is an individual	As per tax slab rates			NA
Total tax outflow for shareholder which is a company or LLP (B+E)	35.38	41.63	44.71	34.94

3

Impact on Individuals and Businesses

Amendments impacting all assessee

3. Impact on Individuals and Businesses

Dashboard

- | | |
|---|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Relaxation for certain category of senior citizen from filing return of income-tax

It is proposed to exempt senior citizen, 75 years and above, who only have pension and interest income from filing income tax returns. The paying bank will deduct the necessary tax on their income.

Increase in threshold for Tax Audit:

Presently u/s. 44AB of the Act, a person is required to get his accounts audited if the sales/turnover exceed ₹ 1 crore in any previous year. In order to reduce compliance burden on small and medium enterprises, it was earlier amended to ₹ 5 crores. It is now proposed to increase such limit from ₹ 5 crores to ₹ 10 crores subject to the same following conditions -

- aggregate of all receipts in cash during the previous year does not exceed five per cent of such receipt; and
- aggregate of all payments in cash during the previous year does not exceed five per cent of such payment

Presumptive taxation for professionals under section 44ADA:

Presumptive taxation is applicable to an assessee who is resident in India engaged in profession and whose total gross receipts does not exceed ₹ 50 Lakhs in a previous year and has a profit of minimum 50% of the total gross receipts from such profession.

It is proposed to extend the benefit of presumptive taxation to individuals who are not Indian resident, Hindu Undivided Family (HUF) and Partnership Firms except Limited Liability

Partnership (LLP).

Time limit for filing belated return or revised return u/s. 139(4) and 139(5) of the Act respectively

Presently, an assessee can file a belated or revised return:

- before the end of the relevant assessment year ie 31st March or
- before completion of the assessment,

whichever is earlier.

It is proposed to reduce the time limit for filing of belated or revised return as follows:

- 3 months before the end of the relevant assessment year ie. 31st December or
- before completion of the assessment,

whichever is earlier.

Payment by employer of employee contribution to a fund on or before due date

Employer is supposed to deposit the employee's contribution to a fund by 10th / 15th of the next month. It is now clarified that incase the employer does not deposit the same before the said due date (as per the respective act), then such amount shall be disallowed while calculating it's income. Earlier argument that if the contribution is deposited before the due date of filing of return then such amount should be allowed shall not stand anymore.

3. Impact on Individuals and Businesses

Dashboard

- | | |
|---|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Extension of date of Incentive for affordable rental housing

It has been proposed to extend the outer time limit for getting the affordable housing project approved and sanction of loan from 31st March, 2021 to 31st March, 2022 for following:

- Sec 80 IBA, assessee having gross total income including profit and gain derived from business of developing and building affordable housing project shall be allowed a 100% deduction of profit and gain from such business on fulfilment of one condition that the project is approved by the competent authority after 1st June, 2016 but on or before 31st March, 2021.
- Currently assessee is eligible to claim a deduction of interest of ₹ 1,50,000/- subject to the condition that the loan has been sanctioned during the period 1st April, 2019 to 31st March, 2021. There are further conditions that the stamp duty value of residential house property does not exceed ₹ 45,00,000 and the assessee does not own any residential house property on the date of sanction of loan.

Increase in Safe Harbour Limit u/s 43CA, 50C and 56:

Per the Act, if consideration received as a result of the transfer of land or building or both, is less than the Stamp duty value, the value so adopted shall for the purpose of computing profits and gains from transfer of such assets, be deemed to be the full value of consideration. However, a difference of 10% between the stamp duty value and the transaction value was allowed. It is proposed to increase this threshold from 10% to 20% if the following conditions are satisfied:-

- 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
- The consideration received or accruing as a result of such transfer does not exceed ₹ 2 crores

If the variation between the consideration for which an assessee receives immovable property and the stamp duty is more than 20% (subject to ₹ 50,000) then such difference shall be charged to tax under the head "income from other sources".

Exemption for Leave Travel Concession (LTC) Cash Scheme

LTC is the remuneration paid by an employer for Employee's travel in the country when he is on leave with the family or alone. Due to the pandemic, employees were not able to avail the benefits of the LTC. Therefore, tax free cash allowance in lieu of LTC subject to fulfilment of following conditions is provided:

- Employees exercising option of LTC Fare in Block Year 2018-21.
- Where expenditure is incurred on good & services which are liable to tax at 12% or above under various GST Laws.
- For the period commencing from 12th October, 2020 and ending on 31st March, 2021.
- Amount of exemption shall not exceed ₹ 36,000 per person or one-third of specified expenditure, whichever is less.
- Payment should be made via banking channels.

3. Impact on Individuals and Businesses

Dashboard

- | | |
|---|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Tax Collected at Source (TCS) on sale of goods:

TCS is the tax collected by the seller when goods are being sold to the buyer in addition to the sale amount.

A seller whose turnover from business exceeds ₹ 10 crores during FY 2019-20, shall be liable to collect TCS at the rate of 0.1% (0.075% till 31.03.2021) w.e.f 1st October, 2020 on the sale value exceeding ₹ 50 Lakhs for each buyer in FY 2020-21. The threshold limit of ₹ 50 Lakhs per buyer is to be calculated each year.

If the buyer does not have PAN/Aadhaar, the rate of applicable TCS shall be 1%.

TCS collected by the seller must be deposited before the 7th of each month, for the preceding month and file quarterly return in Form 27EQ on or before the 15th of the next month after the end of the quarter.

TCS shall not be applicable u/s 206C (1H) to the following:

- TCS is applicable under any other sub-section, or TDS is already deductible on it.
- Goods are exported out of India.
- Sale to Central or State Government, Local authority, etc
- Sale to a person importing goods into India or any other person as the Central Government may notify.
- TCS is not applicable to the GST amount levied in the invoice.
- TCS is not applicable to sale of services.
- It is proposed to consequentially amend sub-section (1) of

section 206AA of the Act and insert second proviso to further provide that where the tax is required to be deducted under section 194Q and Permanent Account Number (PAN) is not provided, the TDS shall be at the rate of 5%.

TDS/TCS on non-filer at higher rates

It is proposed to insert a special provision providing for higher rate for TDS/ TCS for the non-filers of income-tax return.

Incase a person has not filed its income tax return for two previous years from the year in which TDS/TCS is liable to be deducted then the deductor is liable to deduct TDS/TCS at the higher of the following rates –

- twice the rate specified in the relevant provision of the Act;
- twice the rate or rates in force (not applicable for TCS);
- the rate of five per cent.

3. Impact on Individuals and Businesses

Dashboard

1 Economic Survey	5 Appeals & Assessments
2 Rates of Taxes	6 Indirect Taxes
3 Impact on Individuals & businesses	7 Other Highlights
4 Merger & Acquisition	8 Annexure

Extension of date of incorporation for eligible start-up for exemption and for investment in eligible start-up

'Start-ups' are eligible to claim 100% deduction of the profits and gains derived from an eligible business for three consecutive years out of ten years.

- Definition of 'eligible business' – a business carried out by an eligible start-up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation

To qualify as an eligible start up, the start up had to be incorporated on or after 1st April, 2016 but before 1st April, 2021. It is now proposed to extend the outer date of incorporation to 1st April, 2022.

Further, currently the capital gains arising from sale of a residential property (a house or plot of land) on or before 31st March, 2021, is exempt if the assessee subscribes to equity shares of an eligible start up before the due date of furnishing income tax return. The start-up is required to utilize this amount for purchase of new asset within one year from the date of subscription in equity shares by the assessee. It is proposed to extend the outer date of transfer of residential property from 31st March, 2021 to 31st March, 2022.

Taxation of Proceeds of High Premium Unit Linked Insurance Policy (ULIP)

Currently, any sum received under life insurance policy shall be exempt from tax subject to certain condition.

It is proposed that this exemption shall not apply with respect to any ULIP issued on or after the 1st February, 2021, if amount of premium payable on one or more ULIP is more than ₹ 2,50,000 in aggregate. However, the exemption continues in case any sum is received on account of death of a person.

Sum received on ULIP shall be treated as redemption and hence shall be taxed under Capital Gains.

Interest earned on Provident Fund now taxable

It is proposed to tax the interest accrued on the Provident Fund balance if the employee contribution to the Provident Fund exceeds ₹ 2,50,000 in the previous year.

Rationalization of the provision concerning withholding on payment made to Foreign Institutional Investors (FIIs)

FIIs are eligible to avail the benefit of lower taxation rate as per the applicable Double Tax Avoidance Agreement (DTAA). After representations made that the benefit of DTAA may be considered at the time of tax deduction on payments to FIIs, it is proposed that tax shall be deducted at the rate of 20% or rate or rates of income-tax provided in such agreement for such income, whichever is lower.

3. Impact on Individuals and Businesses

Dashboard

- | | |
|---|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Rationalization of Minimum Alternate Tax (MAT)

Section 115JB of the Act provides for MAT at the rate of 15% of its book profit, in case tax computed as per Income Tax Act is less than 15% of the book profit. Book profit for this purpose is computed by making certain adjustments to the profit disclosed in the statement of profit and loss prepared by the Company in accordance with the provisions of the Companies Act, 2013.

Due to secondary adjustments made under the transfer pricing provisions, there were instances where additional income of past years would be added to the current year resulting in increase in book profit of the current year.

Also, since dividend income is now taxable in the hand of shareholders, dividend received by a foreign company on its investment in India is required to be excluded for the purposes of calculation of book profit in case the tax payable on such dividend income is less than MAT liability on account of concessional tax rate provided in the Double Taxation Avoidance Agreement (DTAA).

In order to rationalize the above, it is proposed that,

- if an application is made to the assessing officer in this regard, the Assessing Officer shall recompute the book profits of the past year(s) and tax payable, if any. However, the Assessing Officer would only be able to go back 4 years from the year in which such application is made

- Dividend income shall be treated similar to capital gains on transfer of securities, interest, royalty and Fee for Technical Services (FTS) in calculating book profit for the purposes of section 115JB of the Act, so that both specified dividend income and the expense claimed in respect thereof are reduced and added back, while computing book profit in case of foreign companies where such income is taxed at lower than MAT rate due to DTAA.

Exemption of deduction of tax at source on payment of Dividend to business trust in whose hand dividend is exempt

Section 194 of the Act provides for deduction of tax at source (TDS) on payment of dividends to a resident. However the same was not applicable to the income credited to certain insurance companies or insurer. It is further proposed to extend this exemption to business trust or a special purpose vehicle. Accordingly, TDS shall now not be applicable to any dividend income received by INVITs and REITs.

4 Impact on Business Reorganization and Merger & Acquisitions

Amendments impacting transactions

4. Impact on Business Reorganization and M&A

Dashboard

1 Economic Survey	5 Appeals & Assessments
2 Rates of Taxes	6 Indirect Taxes
3 Impact on Individuals & businesses	7 Other Highlights
4 Merger & Acquisition	8 Annexure

Rationalisation of the provision of slump sale

Sale of businesses were structured as an 'exchange' for non-monetary assets (like shares). By doing so, courts in the past have held that such transactions are an 'exchange' and not 'sale' and hence are out of the purview of provisions related to slump sale. In absence of any specific sections covering the taxation of an 'exchange', one could argue that the capital gains in case of an exchange is therefore indeterminable.

It is proposed to amend the definition of slump sale to include all types of transfer.

Depreciation on Goodwill

A long-standing contentious issue of whether depreciation on goodwill is available or not is been settled in this Budget. It has been clarified that depreciation on goodwill shall not be applicable in any of the cases (ie business reorganisation, M&A deals or acquired goodwill). It is a huge clarification and would have major impact in tax planning of business reorganizations and M&A deals.

Transfer of Capital Asset to Partner on Dissolution or Reconstitution:

It is proposed that capital asset transferred to partner on dissolution or reconstitution of a partnership firm shall be taxable in the hands of the Partner. Earlier it was taxed in the hands of the firm.

Capital gains shall arise in case the money or other asset is in excess of the balance in the capital account of such partner in

the books of accounts of the partnership firm at the time of its dissolution or reconstitution.

For the purposes of section 48 of the Act:

- Value of the money or the fair market value of other asset on the date of such receipt shall be deemed to be the full value of the consideration received as a result of the transfer of the capital asset; and
- The balance in the capital account of the specified person in the books of accounts of the specified entity at the time of its dissolution or reconstitution shall be deemed to be the cost of acquisition

Tax Neutral conversion of Urban Cooperative Bank into Banking Company

It is proposed to make conversion of Urban Cooperative Bank into a Banking Company a tax neutral transaction. In this regard amendments are proposed in relevant sections of the Act.

Issuance of Zero Coupon Bond by Infrastructure debt fund

FM proposes to set up a ₹ 20,000 crores Infrastructure Debt Fund which will be able issue zero coupon bonds.

Divestment of Government held entities

Amendments are proposed in relevant sections of the Act, to facilitate the divestment plan of the Government.

5

Assessments and Appeals

Focus on electronic and faceless assessments and appeals

5. Assessments and Appeals

Dashboard

- | | |
|--------------------------------------|------------------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

Faceless ITAT

It is proposed to make the ITAT proceedings faceless similar to assessments and CIT appeals.

Discontinuance of Income-tax Settlement Commission (ITSC)

- ITSC shall cease to operate on or after 1st February, 2021.
- To constitute Interim Board of settlement for pending cases.
- The assessee can withdraw the application within a period of 3 months from the date of commencement of the Finance Act, 2021. Where the assessee exercises the option to withdraw his application, the proceedings with respect to the application shall abate on the date on which such application is withdrawn.

Income escaping assessment and search assessments

Before issuance of notice the Assessing Officer shall conduct enquiries, if required, and provide an opportunity of being heard to the assessee.

After considering his reply, the Assessing Office shall 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.

The Assessing Officer shall, before conducting any such enquiries or providing opportunity to the assessee or passing such order, obtain the approval of specified authority.

However, this procedure of enquiry, providing opportunity and passing order, before issuing notice under section 148 of the Act, shall not be applicable in search or requisition cases.

The time limitation for issuance of notice under section 148 of the Act is proposed to be provided in section 149 of the Act and is as below:

Income	Old Provision	New Provision
Upto ₹ 1 Lakh	4 years from the end of the relevant assessment year	3 years from the end of the relevant assessment year
₹ 1 Lakh - ₹ 50 Lakhs	6 years from the end of the relevant assessment year	10 years from the end of the relevant assessment year
More than ₹ 50 Lakhs	10 years from the end of the relevant assessment year	10 years from the end of the relevant assessment year

*Above timelines are not applicable to search and seizure cases

5. Assessments and Appeals

Dashboard

- 1 Economic Survey
- 2 Rates of Taxes
- 3 Impact on Individuals & businesses
- 4 Merger & Acquisition
- 5 Appeals & Assessments
- 6 Indirect Taxes
- 7 Other Highlights
- 8 Annexure

Illustrative timelines for FY 2021-22

Sr no	Particulars	Non-Corporate Assessee		Corporate Assessee
		Tax Audit	Non-Tax Audit	
1	Financial Year Ending	31st March 2022	31st March 2022	31st March 2022
2	Due date for regular return filing [139(1)]	30th September 2022	31st July 2022	30th September 2022
3	Due date for belated / revised return filing [139(4) / 139(5)]	31st December 2022	31st December 2022	31st December 2022
4	Intimation u/s 143(1) of return filing	31st December 2023	31st December 2023	31st December 2023
5	Scrutiny Notice u/s 143(2)	30th June 2023	30th June 2023	30th June 2023
6	Order u/s 143(3)	30th September 2024	30th September 2024	30th September 2024
7	Scrutiny Notice for income escaping assessment u/s 148			
	- if income escaped is < 50 lacs	31st March 2026	31st March 2026	31st March 2026
	- if income escaped is > 50 lacs	31st March 2033	31st March 2033	31st March 2033
8	Order u/s 147 read with 143(3)			
	- if income escaped is < 50 lacs	30th September 2026	30th September 2026	30th September 2026
	- if income escaped is > 50 lacs	30th September 2033	30th September 2033	30th September 2033

* Please note the above table is only indicative and does not cover all scenarios

6

Key Indirect Tax amendments

GST and Customs

6. Key Indirect Tax Amendments

Dashboard

- 1 Economic Survey
- 2 Rates of Taxes
- 3 Impact on Individuals & businesses
- 4 Merger & Acquisition

5 Appeals & Assessments

- 6 Indirect Taxes
- 7 Other Highlights
- 8 Annexure

GST

Payment of GST and claiming ITC

- ITC may be availed only when the details of Invoices or Debit notes have been furnished by the Supplier in GSTR-1
- Zero-rated supply on payment of IGST is restricted only to a notified class of taxpayers or notified supplies of goods or services and it has been linked with foreign exchange remittance in case of export of goods with refund. Further, it has been proposed to recover the refunds in the context of export of goods if foreign exchange remittance is not received within thirty days after the expiry of the time limit prescribed under the Foreign Exchange Management Act, 1999.

Filing of Return

- Mandatory GST Audit (GSTR 9C) to be removed with respect to the reconciliation statement.
- Liability declared in GSTR 1 but not included in GSTR 3B will be considered as "self-assessed tax" thereby permitting initiation of recovery proceedings without following the process of adjudication.

Appeals and Penalties

- Pre-deposit amount for filing the appeal before the first appellate authority in cases of detention and seizure of goods and conveyance during transit shall be 25% of the penalty amount imposed.
- It has been proposed to release the proceedings relating to detention, seizure and release of goods and vehicle in transit from the proceedings relating to confiscation of goods or vehicle. Further the quantum of penalty u/s 129 has been doubled to 200% of the Tax payable where the owner of the goods comes forward for payment of such penalty. Further Conveyance used for transportation of the goods so seized/detained shall be released on payment of penalty or 1 lakh rupees, whichever is less.

Customs

Procedural aspects

- Mandatory filing of bills of entry before the end of day preceding the day of arrival of goods.
- Digitization: To encourage paperless processing, introduction of a common portal to serve notice, order etc. and the portal to act as a one-point digital interface for the trade to interact with the Customs.
- It is proposed to allow the specified amendments by importer/exporter on self-amendment basis. Till now, all amendments were to be approved by the departmental officer.
- The Customs Act is proposed to be amended to revise the procedure for pre-trial disposal of seized gold for expediting such disposals.

Other new provisions

- A new provision is being proposed that any goods entered for exportation making a wrongful claim of remission or refund shall be liable to confiscation.
- It is proposed to add a new provision in law to prescribe that all conditional exemptions, unless otherwise specified or varied or rescinded, given under Customs Act shall come to an end on 31st March falling immediately two years after the date of such grant or variation.
- A new section 28BB has been added to prescribe a definite time-period of two years subject to certain exceptions, for completion of investigations.

7 Other highlights

7. Other highlights

Dashboard

- 1 Economic Survey
- 2 Rates of Taxes
- 3 Impact on Individuals & businesses
- 4 Merger & Acquisition
- 5 Appeals & Assessments
- 6 Indirect Taxes
- 7 Other Highlights**
- 8 Annexure

Amendment in definition of Small Company:

Particulars	Old Definition	New Definition
Paid up Capital	Not exceeding ₹ 50 Lakhs	Not exceeding ₹ 2 crores
Turnover	Not exceeding ₹ 2 crores	Not exceeding ₹ 20 crores

One Person Company:

It is proposed to reduce the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non Resident Indians (NRIs) to incorporate OPCs in India.

Vivad Se Vishwas

A new scheme, 'Vivad Se Vishwas' scheme, was proposed in the budget of last year, wherein a taxpayer would be required to pay only the amount of the disputed taxes and will get a complete waiver of interest and penalty provided he pays it by 31st March, 2020. The due date of this scheme has been extended to 28th February, 2021.

Dispute Resolution Committee

It is proposed to constitute a Dispute Resolution Committee, which will be faceless to ensure efficiency, transparency and accountability and to reduce litigation for small taxpayers. Assesseees with a taxable income up to ₹ 50 lakh and disputed income up to ₹ 10 lakh shall be eligible to approach the Committee.

Relief to Small Trusts

In order to reduce compliance burden on small charitable trusts running educational institutions and hospitals, the blanket exemption to entities whose annual receipt is upto ₹ 1 crore has been increased to ₹ 5 crores.

Fake invoice / sham transactions

In order to protect the revenue, it is proposed to provide that the penalty proceedings initiated for fake invoices / sham transactions of more than ₹ 2 crores shall also be eligible for provisional attachment of assets.

8 Annexure

8. Annexure I – New Tax Regime for Individuals and HUFs

Dashboard

- | | |
|--------------------------------------|-------------------------|
| 1 Economic Survey | 5 Appeals & Assessments |
| 2 Rates of Taxes | 6 Indirect Taxes |
| 3 Impact on Individuals & businesses | 7 Other Highlights |
| 4 Merger & Acquisition | 8 Annexure |

New Tax Regime for Individual & HUF – Section 115BAC

1. Optional Regime

- If no business income - Can be exercised every year
- If business income - Can be exercised only once in life time

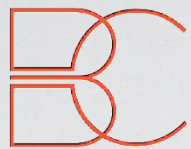
2. Other Conditions

- Return of income to be furnished under section 139(1)
- No Alternate Minimum Tax Shall be levied consequently any brought forward AMT credit to lapse.

3. Allowances pertaining to transport, conveyance and daily allowance to be allowed by amending necessary rules.

assessment year, if such loss or depreciation is attributable clause (d) to (q) below;

- b. Set off of any loss under the head House Property with any other head of the Income
- c. without any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being in force
- d. Leave travel concession as contained in clause (5) of section 10;
- e. House rent allowance as contained in clause (13A) of section 10;
- f. Some of the allowance as contained in clause (14) of section 10;
- g. Allowances to MPs/MLAs as contained in clause (17) of section 10;
- h. Allowance for income of minor as contained in clause (32) of section 10;
- i. Exemption for SEZ unit contained in section 10AA;
- j. Standard deduction, deduction for entertainment allowance and employment/professional tax as contained in section 16;
- k. Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23.
- l. Additional depreciation under clause (iia) of sub-section (1) of section 32;
- m. Deductions under section 32AD, 33AB, 33ABA;
- n. Various deduction for donation for or expenditure on scientific research contained in sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35;
- o. Deduction under section 35AD or section 35CCC;
- p. Deduction from family pension under clause (iia) of section 57;
- q. Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc). However, deduction under sub-section (2) of section 80CCD (employer contribution on account of employee in notified pension scheme) and section 80JJAA (for new employment) can be claimed



BAGARIA
& COMPANY

Bagaria & Company Pvt Ltd

701 Stanford,
Junction of S V Road & Burfiwala Marg,
Andheri West,
Mumbai - 400058
+91 22 26250 5600

bagariaco.com

Assurance | Tax | Transactions

Arun Bagaria

Managing Director
E: arun@bagariaco.com

Pratha Agarwal

Associate
E: pratha@bagariaco.com

Rahul Bagaria

Director
E: rahul@bagariaco.com

Ankita Nemani

E: ankita@bagariaco.com

Ankur Bagaria

Associate
E: ankur@bagariaco.com

 <https://www.linkedin.com/company/bagariacompany>

 <https://www.facebook.com/BagariaCompany/>

 <https://twitter.com/bagariacompany>



Disclaimer.

This material is prepared by Bagaria & Company (a brand of Bagaria & Company Pvt Ltd) and is intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s). Further, the views and opinions expressed herein are the subjective views and opinions of Bagaria & Company based on such parameters and analyses which in its opinion are relevant to the subject.

The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. Neither Bagaria & Company nor its affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this material. This material is intended only for the use of the entity/person to whom it is addressed and the others authorized to receive it on their behalf. This document is not and should not be construed as an advertisement or a marketing document in any manner whatsoever and its for private circulation only.

This document can be relied only for the person it is addressed to and it is a confidential document.