



UNION BUDGET 2021

ANALYSIS OF TAX PROPOSALS

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FOREWORD:

The provisions of Finance Bill, 2021 (hereafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), Prohibition of Benami Property Transactions Act, 1988 (hereafter referred to as —PBPT Act), Finance (No 2) Act, 2004 and Finance Act, 2016 and the Direct Tax Vivad se Vishwas Act, 2020 to continue reforms in direct tax system through tax-incentives, removing difficulties faced by taxpayers and rationalization of various provisions.

Under the Indirect Taxes front, not many changes are proposed considering the fact that Goods and Services Tax have been enforced four years back and many amendments have been carried out through circulars and notifications. In this budget only the amendments in customs has been brought out.

We have made our best effort to summarise the key changes in simpler manner under this budget highlights. Trust the same would be found useful in understanding the taxation proposals.

Regards,

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EXECUTIVE SUMMARY

Section	Description	Particulars	Reference (Click on the link for detailed analysis)
Rates of income tax	The detailed annexure of rates of income tax for all categories of assessees.	There are no changes in the tax slabs. Same tax rates as applicable for FY 2020-21 will continue for FY 2021- 22. Individual and HUF taxpayers have an option to opt for taxation under section 115BAC.	A
10 (5)	Exemption for LTC Cash Scheme	Income-tax Exemption for payment of deemed LTC fare for FY 2020-21.	A1
10(11) and 10(12)	Taxability of Interest on various funds where income is exempt	Exemption will not apply if the aggregate of amounts of contribution made by the person exceeding Rs. 2.5 lakhs in a previous year in that fund.	A2
44AB	Rationalisation of provisions relating to tax audit in certain cases	For micro, small and medium enterprise (MSMEs)carrying on business, the turnover threshold limit for tax audit is proposed to be increased from INR 5 crore to INR 10 crores, provided the cash transactions are less than 5%	A3
36(1)(va) and 43B	Payment by employer of employee contribution to a fund on or before due date	Late deposit of employees' contribution to various funds not to be allowed as deduction to the employer even if it is paid before filing the return u/s 139(1).	A4
44ADA	Rationalisation of the provision of presumptive taxation for professionals under section 44ADA	Proposed to amend the section to apply only for individual, HUF or partnership firm. LLP registered under the LLP Act will not be eligible.	A5

115JB	Rationalisation of provisions of Minimum Alternate Tax (MAT)	Secondary Adjustment, APA adjustments and Dividend from foreign company to be excluded while computing book profits if the conditions mentioned are satisfied	A6
43CA, 56(2)(x)	Increase in safe harbour limit of 10% for home buyers and real estate developers selling such residential units	Safe harbour is increased to 20% from the existing 10% while comparing the stamp duty value and the actual value of consideration for its taxability in certain cases of transfer of immovable property subject to certain conditions.	A7
2(11) and 32	Depreciation on Goodwill	It is proposed that no depreciation on goodwill to be allowed, however, the amount paid for purchasing goodwill shall be allowed as deduction	A8
163, 164, 165A Finance Act 2016	Rationalisation of the provisions of Equalisation Levy	a. No Equalisation Levy on royalty or FTS b. Exemption in respect of income chargeable to Equalisation Levy	A9
2(42C)	Rationalisation of the provision of slump sale	Proposes to amend the scope of definition of "Slump Sale" u/s. 2(42C) to include all types of transfers within its scope to provide certainty. It proposes that the transfer of one or more undertakings "by any means" would constitute 'slump sale' and explains the word "transfer" at par with Sec. 2(47).	A10
45(4) and 45(4A) read with 48	Rationalisation of provision of transfer of capital asset to partner on dissolution or reconstitution.	Transfer of capital asset to partner/member on the dissolution of the firm/AOP/BOI taxable as capital gains of the firm/AOP/ BOI	A11
10(10D) and 45, 112A	Taxation of proceeds of high premium unit linked insurance policy (ULIP)		A12

139	Relaxation for certain category of senior citizen from filing return of income-tax	Certain relaxation is provided to senior citizens above 75 years if specified conditions are satisfied	A13
139	Extending due date for filing return of income in some cases, reducing time to file belated return and to revise original return and also to remove difficulty in cases of defective returns	The time limit for filing of belated return or revised return is proposed to be reduced by 3 months. Now the belated or revised return can be filed on or before December 31 of the assessment year or before the completion of the assessment, whichever is earlier.	A14
153	Reduction of time limit for completing assessment	9 months from the end of the assessment year in which the income was first assessable	A15
142 (1)	Allowing prescribed authority to issue notice under clause (i) of sub-section (1) of section 142	Power is proposed to be given to prescribed income-tax authority besides the Assessing Officer to issue notice under the said clause.	A16
147 and 148	Income escaping assessment and search assessments	Reduction of time limit in certain cases for reassessment	A17
143(2)	Rationalisation of the provision relating to processing of returned income and issuance of notice under sub-section (2)		A18

	of section 143 of the Act		
196D	Rationalisation of the provision concerning withholding on payment made to Foreign Institutional Investors (FIIs)	Tax rate is proposed to be lower of 20% or the treaty rate subject to availability of Tax residency certificate.	A19
245MA	Constitution of Dispute Resolution Committee for small and medium taxpayers	Proposal for setting up Dispute Resolution Mechanism for small taxpayers and thereby preventing new disputes and settling the issue at the initial stage.	A20
245 series	Constitution of the Board for Advance Ruling	Proposal to discontinue Authority for Advance Ruling and substitute it with a Board for Advance Ruling which would consist of two chief commissioners.	A21
255	Provision for Faceless Proceedings before the Income-tax Appellate Tribunal (ITAT) in a jurisdiction less manner	Proposal to introduce new scheme for faceless proceedings in ITAT	A22
80-IBA	Incentives for affordable rental housing	Time limit extended to 31.03.2022 Deduction is also provided to rental housing project	A23
80EEA	Extension of date of sanction of loan for affordable residential house property	With respect to additional interest deduction of Rs. 1.5 lakh on home loan, it is proposed to extend the outer date for sanction of loan from 31st March 2021 to 31st March 2022.	A24

80-IAC and 54GB	Extension of date of incorporation for eligible start up for exemption and for investment in eligible start-up	Incentives for Start-ups – proposal to extend tax holiday by one more year till 1st April, 2022 u/s 80-IAC; Capital Gains exemption for investment in startups to be extended by another year till 31 st March 2022 u/s 54GB	A25
10(23C)(iiiad) and 10(23C)(iiiie)	Raising of prescribed limit for exemption under sub-clause (iiiad) and (iiiie) of clause (23C) of section 10 of the Act	Limit has been increased to Rs. 5 crores for educational institutions and hospitals.	A26
10(23C) / 11(1)	Rationalisation of the provision of Charitable Trust and Institutions to eliminate possibility of double deduction while calculating application or accumulation	Voluntary contributions for corpus shall be deposited in a separate bank account; Application from corpus shall not be considered as application for charitable purposes; Application from loan shall be considered as application from contribution on repayment of loans	A27
194	Exemption of deduction of tax at source on payment of Dividend to business trust in whose hand dividend is exempt	TDS need not be deducted on income paid to business trust and any other person notified	A28
194Q	Tax Deduction at Source (TDS) on purchase of goods	TDS to be deducted at 0.1% by the purchaser if the aggregate value of purchases exceeds Rs. 50 lakh and the total sales of the purchaser exceeds Rs. 10 crores	A29

234C	Advance tax instalment for dividend income	Dividend Income will be computed for advance tax computation from the date of receipt and shall not apply for earlier instalments. is included in first proviso to section 234(1) as to no interest shall be computed if the tax has been paid fully in subsequent instalments	A30
89A	Addressing mismatch in taxation of income from notified overseas retirement fund	Income of a specified person from specified account shall be taxed in the manner and in the year as prescribed by the Central Government	A31
206AB	TDS on non filer at higher rates	TDS shall be deducted at higher of the below mentioned rates: a. Twice the rate specified in the relevant provision; b. Twice the rates in force; or c. 5% If the payment is made to a person who has not filed income tax returns for 2 years immediately before the current year and the TDS exceeds Rs. 50,000	A32
206CC	TCS on non filer at higher rates	TCS shall be deducted at higher of the below mentioned rates: a. Twice the rate specified in the relevant provision; b. 5% If the payment is made to a person who has not filed income tax returns for 2 years immediately before the current year and the TCS exceeds Rs. 50,000	A32
281B	Provisional attachment in Fake Invoice cases	In case of fake invoices, the Assessing Officer may provisionally attach any property of assessee if the penalty imposable exceeds Rs. 2 crores	A33
Proviso of section 191 of the Finance Act, 2016	Income Declaration Scheme (IDS) amendment	Excess amount of tax, surcharge or penalty paid in pursuance of a declaration made under the Scheme shall be refundable to the	A34

		specified class of persons without payment of any interest.	
Clarification regarding the scope of Vivad se Vishwas Act, 2020	Definitions	Certain clarifications in few definitions viz. 'appellant', 'disputed tax' and 'tax arrear' etc	A35
2(29A)	Definition of the term "Liable to tax"	The term "liable to tax" is newly defined in relation to a person means that there is a liability of tax on that person under the law of any country and will include a case where subsequent to imposition of such tax liability, an exemption has been provided.	A36
Section of the 71 of the PBPT Act ((Prohibition of Benami Property Transactions Act, 1988)	Adjudicating authority under the PBPT Act	Competent Authority constituted under subsection (1) of section 5 of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEMA) shall be the Adjudicating Authority under the PBPT Act ; Proposal to extend the period of limitation for passing the order in certain cases extended to 30th September, 2021	A37
	Tax incentives for units located in International Financial Services Centre (IFSC)	Tax incentives are provided for units located in IFSC	A38
2(19AA) and 72A	Facilitating strategic disinvestment of public sector company	Amendments in sections for public sector companies in order to facilitate strategic disinvestment by the Government	A39
44DB read with 47(vica) and 47(vicb)	Tax neutral conversion of Urban Cooperative Bank into Banking Company	Expanding the scope of business reorganisation to include conversion of a primary co-operative bank to a banking company and the deductions available under section 44DB of the Act shall also be made applicable in relation to such conversion of primary co-operative bank to the banking company.	A40

2(48)	Issuance of zero coupon bond by infrastructure debt fund	Infrastructure Debt Fund is added to the definition of Zero Coupon Bond	A41
245C	Discontinuance of Income-tax Settlement Commission	No application shall be made on or after 1st February, 2021	A42
	Rationalisation of provisions related to Sovereign Wealth Fund (SWF) and Pension Fund (PF)	Rationalisation of provisions related to Sovereign Wealth Fund (SWF) and Pension Fund (PF)	A43
	Customs Duty Changes	Customs Duty Changes	A44
	Central Excise Changes	Central Excise Changes	A45
	Agriculture Infrastructure and Development Cess	Agriculture Infrastructure and Development Cess	A46
	Excise	Excise	A47
	Amendments in Customs Act, 1962	Amendments in Customs Act, 1962	A48
	Amendments in Customs Tariff Act, 1975	Amendments in Customs Tariff Act, 1975	A49
	Amendments in the CGST Act, 2017	Amendments in the CGST Act, 2017	A50

I. RATES OF TAXES – FINANCIAL YEAR 2021-22**A. For Individuals [other than mentioned below], Hindu Undivided Family, Association of Persons, Body of Individuals, Artificial Judicial Person**

Total income	Tax rate
Less than or equal to Rs. 2,50,000	Nil
From Rs. 2,50,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

B. For Resident Individuals who is of the age of 60 years or more but less than 80 years at any time during the previous year

Total income	Tax rate
Less than or equal to Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

C. For Resident Individuals who is of the age of 80 years or more at any time during the previous year

Total income	Tax rate
Less than or equal to Rs. 5,00,000	Nil
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

D. On satisfaction of certain conditions as per the provisions of section 115BAC, an individual or HUF shall, have the option to pay tax in respect of the total income at following rates:

Total income	Tax rate
Up to 2,50,000	Nil
From 2,50,001 to 5,00,000	5%
From 5,00,001 to 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From 12,50,001 to 15,00,000	25%

Above 15,00,000	30%
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Additional Points for A, B and C above:

The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. The rates of surcharge are as under:

Sr. No.	Particulars	Rate of surcharge
1.	If the total income of the person exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore	10% of income tax
2.	If the total income of the person exceeds Rs. 1 crore but does not exceed 2 crores	15% of income tax
3.	If the total income of the person exceeds Rs. 2 crores but does not exceed 5 crores (excluding the income by way of dividend or income under the provisions of section 111A and 112A of the Act)	25% of income tax
4.	If the total income of the person exceeds Rs. 5 crores (excluding the income by way of dividend or income under the provisions of section 111A and 112A of the Act)	37% of income tax

Note:

- For the income by way of dividend or income under the provisions of section 111A and 112A of the Act, the maximum surcharge would be restricted to 15%.
- Health and Education Cess – 4% of income-tax including surcharge.

E. For Cooperative Societies

Total income	Tax rate
Less than or equal to Rs. 10,000	10%
From Rs. 10,001 to Rs. 20,000	20%
Above Rs. 20,000	30%

Additional Points:

- The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. In case the total income of the co-operative society exceeds Rs. 1 crore – 12% of such income-tax.
- Health and Education Cess – 4% of income-tax including surcharge.

Note: A co-operative society resident in India shall have the option to pay tax at 22 per cent for assessment year 2021-22 onwards as per the provisions of section 115BAD, subject to

fulfilment of certain conditions. However, surcharge would be charged at 10% in such cases.

F. For Firm or Local Authority

Total income	Tax rate
On the whole of the total income	30%

Additional Points:

- The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. In case the total income of the firm or local authority exceeds Rs. 1 crore – 12% of such income-tax.
- Health and Education Cess – 4% of income-tax including surcharge.

G. For Companies

Particulars	Basis	Tax Rate
Domestic Company	Where its total turnover or the gross receipt in the financial year 2019-20 does not exceed Rs. 400 crores.	25%
Domestic Company	Companies other than those referred Above	30%
Domestic Company	Companies opting Section 115BAA subject to fulfillment of certain conditions	22%
Domestic Company	New Manufacturing Companies opting Section 115BAB subject to fulfillment of certain conditions	15%
Foreign Company	Total Income	40%
Minimum Alternate Tax	Book Profits	15%

Additional Points:

- The rates of surcharge are as under:

Particulars	Domestic Company	Foreign Company
Total Income less than Rs. 1 crore	0%	0%
Total Income more than Rs. 1 crore but less than Rs. 10 crores	7%	2%
Total Income more than Rs. 10 crores	12%	5%

Companies opting taxation u/s 115BAA and 115BAB (irrespective of the total income)	10%	NA
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- b. Health and Education Cess – 4% of income-tax including surcharge.

DETAILED ANALYSIS

A. INCOME UNDER THE HEAD SALARIES

Exemption for LTC Cash Scheme

- The necessary legislative amendment u/s 10(5) of the Act has been proposed for the LTC cash scheme which was notified through official memorandum in October 2020 by the Central Government.
- The features of this scheme shall be prescribed in the Income-tax Rules in due course and shall, inter alia, be as under:
 - a. The employee exercises an option for the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-21.
 - b. **“specified expenditure”** means expenditure incurred by an individual or a member of his family during the specified period on goods or services which are liable to tax at an aggregate rate of twelve per cent or above under various GST laws and goods are purchased or services procured from GST registered vendors/service providers.
 - c. **“specified period”** means the period commencing from 12th day of October 2020 and ending on 31st day of March 2021.
 - d. the amount of exemption shall not exceed Rs. 36,000/- per person or 1/3rd of specified expenditure, whichever is less.
 - e. the payment to GST registered vendor/service provider is made by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as prescribed under Rule 6ABBA and tax invoice is obtained from such vendor/service provider.
 - f. If the amount received by, or due to an individual as per the terms of his employment, from his employer in relation to himself and his family, for the LTC is more than what is allowable

to such person under the above discussed provisions, the exemption under the proposed amendment would be available only to the extent of exemption admissible under above listed provisions.

- g. This amendment will apply in relation to the **assessment year 2021-2022 only and shall be utilized on or before 31.3.2021.**

Taxability of Interest on various funds where income is exempt

- It has been proposed that the exemption shall not be available for the interest income accrued during the previous year on the recognized and statutory provident fund in the account of the person to the extent it relates to the contribution made by the employees in excess of Rs. 2,50,000 in a previous year.
- These amendments will take effect from 1st April, 2022 and shall apply to the assessment year 2022-23 and subsequent assessment years.

B. PROFITS AND GAINS FROM BUSINESS OR PROFESSION

Rationalization of provisions relating to tax audit in certain cases

- Under section 44AB of the Act, every person carrying on business is required to get his accounts audited, if his total sales, turnover or gross receipts, in business exceed or exceeds one crore rupees in any previous year.
- In case of a person carrying on profession he is required to get his accounts audited, if his gross receipt in profession exceeds, fifty lakh rupees in any previous year.
- In order to reduce compliance burden, the Finance Act 2020 had increased the above limit of Rs. 1 crore to Rs. 5 crores with a condition of having minimum 95% digital transactions.
- In order to further incentivize non-cash transactions to promote digital economy and to further reduce compliance burden of small and medium enterprises, it is proposed to increase the threshold from Rs. 5 Crores to Rs. 10 crores in cases where;
 - a. aggregate of all receipts in cash during the previous year does not exceed five per cent of such receipt; and
 - b. aggregate of all payments in cash during the previous year does not exceed five per cent of such payment.

- This amendment will take effect from 1st April, 2021 and will accordingly apply for the assessment year 2021-22 and subsequent assessment years.

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

- Delay in deposit of the contribution of employees towards various welfare funds by employers result in permanent loss of interest/income for the employees.
- In order to ensure timely deposit of employees' contribution to these funds by the employers, it is proposed to reiterate that the late deposit of employees' contribution by the employer shall never be allowed as deduction to the employer.
- Accordingly, in order to provide certainty, it is proposed to –
 - a. amend clause (va) of sub-section (1) of section 36 of the Act by inserting another explanation to the said clause to clarify that the provision of section 43B does not apply and deemed to never have been applied for the purposes of determining the 'due date' under this clause; and
 - b. amend section 43B of the Act by inserting Explanation 5 to the said section to clarify that the provisions of the said section do not apply and deemed to never have been applied to a sum received by the assessee from any of his employees to which provisions of sub-clause (x) of clause (24) of section 2 applies.
- These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Rationalization of the provision of presumptive taxation for professionals under section 44ADA

- Section 44ADA of the Act relates to special provision for computing profits and gains of profession on presumptive basis.
- It is proposed to make this position clear in Section 44ADA to clarify that Limited Liability Partnership shall not be eligible for presumptive tax for professionals.
- Hence it is proposed to amend sub-section (1) of section 44ADA of the Act to provide that the provision of this section shall apply to an assessee, being an individual, HUF or partnership firm, not being an LLP as defined 2(1)(n) of the Limited Liability Partnership Act, 2008.
- All other provisions like being a resident in India engaged in a profession referred to in sub-section (1) of section 44AA and whose total gross receipts do not exceed fifty lakh rupees in a previous year, shall remain same.

- This amendment will take effect from 1st April 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Rationalization of provisions of Minimum Alternate Tax (MAT)

- The computation of book profit under section 115JB does not provide for any adjustment on account of additional income of past year(s) included in books of account of current year on account of secondary adjustment under section 92CE or on account of an Advance Pricing Agreement (APA) entered with the taxpayer under section 92CC.
- 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).
- Hence it is proposed to:
 - a. provide that in cases where past year income is included in books of account during the previous year on account of an APA or a secondary adjustment, the Assessing Officer shall, on an application made to him in this behalf by the assessee, recompute the book profit of the past year(s) and tax payable, if any, during the previous year, in the prescribed manner.
 - b. Further, the provision of section 154 of the Act shall apply so far as possible and the period of four years specified in sub-section (7) of section 154 shall be reckoned from the end of the financial year in which the said application is received by the Assessing Officer.
 - c. to provide similar treatment to dividend as already there for 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.
- This amendment will take effect from 1st April 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Increase in safe harbour limit of 10% for home buyers and real estate developers selling such residential units

- In order to boost the demand in the real-estate sector and to enable the real-estate developers to liquidate their unsold inventory at a lower rate to home buyers, it is proposed to increase the safe harbour threshold from existing 10% to 20% under section 43CA of the Act, if the following conditions are satisfied:-
 - a. The transfer of residential unit takes place during the period from 12th November 2020 to 30th June, 2021.
 - b. The transfer is by way of first-time allotment of the residential unit to any person.
 - c. The consideration received or accruing as a result of such transfer does not exceed two crore rupee.
- Further it is proposed to provide the consequential relief to buyers of these residential units by way of amendment in clause (x) of sub-section (2) of section 56 of the Act by increasing the safe harbour from 10% to 20%.
- Accordingly, for these transactions, circle rate shall be deemed as sale/purchase consideration only if the variation between the agreement value and the circle rate is more than 20%.
- These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Depreciation on Goodwill

- The Finance Bill 2021 through its following proposals has attempted to bring clarity to tax treatment of goodwill on acquisition of business:
 - a. The definition of the 'block of assets', to specifically exclude goodwill of a business or profession and thereby excluding such goodwill from the definition of assets eligible for claiming tax depreciation.
 - b. As a corresponding amendment, in cases where depreciation has been claimed on the said goodwill, already forming part of the block of assets for the assessment year beginning on 1 April 2020, the Finance Bill has proposed alteration/adjustment of the written down value of the said block as per a prescribed mechanism, which may give rise to short term capital gain.

- c. Purchase price paid by a taxpayer for acquiring goodwill will be considered as the cost of acquisition for the purpose of computation of capital gains.
 - d. In case where the taxpayer has claimed depreciation on such goodwill in the previous years, then the purchase price of the goodwill will be adjusted to the extent of the depreciation benefit already claimed by the taxpayer, while computing capital gains.
- These amendments will take effect from 1st April 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.
- It is worthwhile to state that the memorandum to Finance Bill 2021 has discussed the ruling in case of Smiff Securities Limited [(2012) 348 ITR 302 (SC)] and has provided following rationale for its proposal:
- a. Goodwill may appreciate based on how a particular business is run; and
 - b. There seems to be no probable justification to provide depreciation on goodwill, as in case of other depreciable assets.

Rationalization of the provisions of Equalization Levy

- It is proposed to exclude the consideration taxable as royalty or FTS under the Act or DTAA, from the ambit of amount received or receivable for e-commerce supply or services u/s 163 of the Finance Act, 2016.
- Explanation to the definition of 'e-commerce supply or services' u/s 164 of the Finance Act to include:
- a. acceptance of offer for sale,
 - b. placing of purchase order,
 - c. acceptance of the purchase order,
 - d. payment of consideration,
 - e. supply of goods or provision of services, partly or wholly.
- Proposed to amend section 165A of the Finance Act, 2016, to provide that consideration received or receivable from e-commerce supply or services shall include:
- a. consideration for sale of goods irrespective of whether the e-commerce operator owns the goods; and
 - b. consideration for provision of services irrespective of whether service is provided or facilitated by the e-commerce operator.

- These amendments will take effect retrospectively from 1st April, 2020.
- It is also proposed to amend section 10(50) of the Act to –
 - a. provide that section 10(50) will apply for the e-commerce supply or services made or provided or facilitated on or after 1st April, 2020.
 - b. clarify that exemption under section 10(50) will not apply for royalty or fees for technical services which is taxable under the Act read with the agreement notified by the Central Government under section 90 or section 90A of the Act.
 - c. define e-commerce supply or services under section 10(50) as the meaning assigned to it in clause (cb) of section 164 of Chapter VIII of the Finance Act,2016.
- This amendment will take effect from 1st April 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

C. CAPITAL GAIN

Rationalization of the provision of slump sale

- To provide certainty, it is proposed to clarify that slump sale shall include all types of transfer and it is proposed to amend the scope of the definition of the term 'slump sale' by amending the provision of clause (42C) of section 2 of the Act so that all types of 'transfer' as defined in clause (47) of section 2 of the Act are included within its scope.
- This amendment will take effect from the 1st April, 2021 and shall accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Rationalization of provision of transfer of capital asset or excessive cash payment to partner on dissolution or reconstitution

- The existing Sec. 45(4) provides for taxation of capital gains in the hands of partnership firm upon transfer of capital asset to partner on dissolution or reconstitution. Further, it provides that the fair market value (FMV) of the asset on the date of such transfer shall be deemed to be the full value of the consideration for the purposes of Sec. 48.
- Finance Bill, 2021 proposes to rationalize the provisions relating to taxation of the assets or amount received by partners from the partnership firm in excess of their capital contribution.

- Considering that there is uncertainty regarding applicability of Sec. 45(4) to a situation where:
 - a. i. assets are revalued or
 - b. ii. self-generated assets are recorded in the books of accounts and payment is made to partner or member which is in excess of his capital contribution,
- Finance Bill proposes to substitute sub-section (4) of Sec. 45.
- Substituted sub-section proposes that in a case where a specified person (i.e. partner or member) receives any capital asset at the time of dissolution or reconstitution of the specified entity (partnership firm or AOP /BOI), the capital gains shall be chargeable to tax in the hands of such specified entity in the previous year in which the capital asset was received by the specified person and the FMV as on the date of receipt will be relevant.
- Further clarifies that the balance in the capital account of the specified person in the books of account of the specified entity is to be calculated without considering increase due to revaluation / self-generated goodwill / asset.
- Also, proposes similar taxability for receipt of money or other asset by way of insertion of new sub-section (4A) to Section 45.
- These amendments will be effective from the 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Taxation of proceeds of high premium unit linked insurance policy (ULIP)

- Section 10(10D) provides exemption in respect of sum received under a life insurance policy if the premium payable for any of the years during the terms of the policy does not exceed 10% of sum assured.
- Considering the instances that high net worth individuals are claiming exemption under said section by investing in ULIP with huge premium, it is proposed that the exemption under section 10(10D) shall not be available with respect to any ULIP issued on or after the 01-02-2021, if the amount of premium payable during the term of the policy in any financial year exceeds Rs. 2,50,000 per annum.
- It is proposed to classify those specified ULIPs as capital asset u/s 2(14).
- It is proposed in section 45 to tax the bonus and profits arising from such ULIPs in the year of receipt calculable as per the method to be prescribed.

- Further, it is also proposed to amend Explanation to Sec. 112A to tax such ULIPs at par with equity oriented fund.
- These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.
- Consequential amendment has also been proposed in Finance (No 2) Act, 2004 to make security transaction tax applicable on maturity or partial withdrawal with respect to unit linked insurance policy issued by insurance company on or after the 1st February, 2021 [to which exemption under clause (10D) of section 10 of the Act does not apply on account of the applicability of the fourth and fifth proviso].
- This amendment will take effect from 1st February 2021.

D. RETURN OF INCOME

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

- In order to provide relief to senior citizens who are of the age of 75 years or above and to reduce compliance for them, it is proposed to insert a new section to provide a relaxation from filing the return of income, if the following conditions are satisfied:
 - a. The senior citizen is resident in India and of the age of 75 or more during the previous year;
 - b. He has pension income and no other income. However, in addition to such pension income he may have also have interest income from the same bank in which he is receiving his pension income;
 - c. This bank is a specified bank. The Government will be notifying a few banks, which are banking company, to be the specified bank; and
 - d. He shall be required to furnish a declaration to the specified bank. The declaration shall be containing such particulars, in such form and verified in such manner, as may be prescribed.
- Once the declaration is furnished, the specified bank would be required to compute the income of such senior citizen after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A of the Act, for the relevant assessment year and deduct

income tax on the basis of rates in force. Once this is done, there will not be any requirement of furnishing return of income by such senior citizen for this assessment year.

- This amendment will take effect from 1st April 2021.

Extending due date for filing return of income in some cases, reducing time to file belated return and to revise original return and also to remove difficulty in cases of defective returns

- Section 139 of the Act contains provisions in respect of the filing of return of income for different persons or class of persons.

- **Original Returns:**

- a. Since the total income of a partner can be determined after the books of accounts of such firm have been finalized, the due dates of partners are already aligned with the due date of the firm. Thus, the due date for filing of original return of income of such partner is 31st October of the assessment year.

- b. However, this relaxation is not there for spouse of such partner to whom section 5A of the Act applies. Therefore, it is proposed that the due date for the filing of original return of income be extended to 31st October of the assessment year in case of spouse of a partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, if the provisions of section 5A applies to them.

- c. Further, in the case of a firm which is required to furnish report from an accountant for entering into international transaction or specified domestic transaction, as per section 92E of the Act, the due date for filing of original return of income is the 30th November of the assessment year. Since the total income of such partner can be determined after the books of accounts of such firm have been finalized, it is proposed that the due date of such partner be extended to 30th November of the assessment year.

- **Belated and Revised Returns:** It is proposed that the last date for filing of belated or revised returns of income, as the case may be, 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.

- **Defective Returns:**

- a. Sub-section (9) of section 139 of the Act lays down the procedure for curing a defective return.

b. It is proposed to empower the Board to relax the rule relating to defective return for a class of taxpayers.

- These amendments will take effect from 1st April 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

E. ASSESSMENT AND APPEALS

Reduction of time limit for completing assessment

- Section 153 of the Act contains provisions in respect of time-limit for completion of assessment, reassessment and re-computation under the Act.
- It has been proposed that the time limit for completion of assessment proceedings may be reduced further by 3 months. Thus, the time for completing of assessment is proposed to be 9 months from the end of the assessment year in which the income was first assessable, for the assessment year 2021-22 and subsequent assessment years.
- This amendment will take effect from 1st April, 2021.

Allowing prescribed authority to issue notice under clause (i) of sub-section (1) of section 142

- Section 142 of the Act provides for conduct of inquiry before assessment.
- At present, this power can be currently invoked only by the Assessing Officer.
- In order to further Government's policy of making all the processes under the Act fully faceless and to enable centralized issuance of notices etc. in an automated manner, it is proposed to amend the provisions of clause (i) of the sub-section (1) of the section 142 to empower the '**prescribed income-tax authority**' besides the Assessing Officer to issue notice under the said clause.
- This amendment will take effect from 1st April 2021.

Income escaping assessment and search assessments

- It is proposed inter-alia to amend Sec.149 to provide that in normal cases, no notice shall be issued if 3 years have elapsed from the end of the relevant AY. Notice beyond the period of three years from the end of the relevant AY can be taken only in a few specific cases.

- In specific cases of tax evasion, where the Assessing Officer has in his possession, evidence which reveal that the income escaping assessment, represented in the form of asset, amounts to or is likely to amount to Rs.50 lakhs or more, notice can be issued beyond the period of 3 year but not beyond the period of 10 years from the end of the relevant Assessment year.
- A new Sec.151 is proposed to provide that for the purpose of Sec.148, specified authority shall be Principal Commissioner of Income-tax or Principal Director of Income-tax or Commissioner of Income-tax or Director of Income-tax, if 3 years or less have elapsed from the end of the relevant Assessment year; Principal Chief Commissioner of Income-tax or Principal Director General of Income-tax or where there is no Principal Chief Commissioner of Income-tax or Principal Director General of Income-tax, Chief Commissioner of Income-tax or Director General of Income-tax, if more than 3 years have elapsed from the end of relevant Assessment year.
- These amendments will take effect from 1st April 2021.

Rationalization of the provision relating to processing of returned income and issuance of notice under sub-section (2) of section 143 of the Act

- The existing provisions of clause (a) of sub-section (1) of section 143 of the Act provides that at the time of processing of return of income made under section 139, or in response to a notice under sub-section (1) of section 142, the total income or loss shall be computed after making the adjustments specified in clauses (i) to (vi) therein.
- It is now proposed to amend sub-clause (iv) to allow for adjustment on account of increase in income indicated in the audit report but not taken into account in computing the total income, sub-clause (v) is proposed to be amended to give consequential effect to amendment carried out in section 80 AC vide Finance Act, 2018.
- It is further proposed to reduce the time limit for sending intimation under subsection (1) of section 143 of the Act from one year to 9 months from the end of the financial year in which the return was furnished and time limit for issue of notice under sub-section (2) of section 143 from 6 months to 3 months from end of financial return in which return is furnished.
- These amendments will take effect from 1st April 2021.

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

- It is proposed to insert a proviso to subsection (1) of section 196D of the Act to provide that in case of a payee to whom an agreement referred to in sub-section (1) of section 90 or sub-section (1) of section 90A applies and such payee has furnished the tax residency certificate referred to in sub-section (4) of section 90 or sub-section (4) of section 90A of the Act, then the tax shall be deducted at the rate of twenty per cent. or rate or rates of income-tax provided in such agreement for such income, whichever is lower.
- This amendment will take effect from 1st April, 2021.

Constitution of Dispute Resolution Committee for small and medium taxpayers

- A new scheme is proposed for setting up of Dispute Resolution Committee (DRC). Taxpayers having a taxable income of up to Rs. 50 lakh and disputed income of up to Rs. 10 lakh shall be eligible to approach the Committee. The assessee would have an option to opt or not to opt for the dispute resolution through the DRC.
- This amendment will take effect from 1st April, 2021.

Constitution of the Board for Advance Ruling

- To provide an alternative method of providing advance ruling which can give rulings to taxpayers promptly, a Board of Advance Ruling is proposed to be constituted. The Authority for Advance Rulings shall cease to operate with effect from the notified date. The Central Government is empowered to notify a scheme to give advance ruling by the Board of Advance Ruling.
- These amendments will take effect from 1st April, 2021.

Provision for Faceless Proceedings before the Income-tax Appellate Tribunal (ITAT) in a jurisdiction less manner

- The Central Government has been empowered to notify a faceless scheme for disposal of appeal by the ITAT. This shall eliminate the interface between the ITAT and parties to the appeal to the extent technologically feasible. All communication between the Tribunal and the Appellant shall be electronic. Where a personal hearing is needed, it shall be done through video-conferencing.
- This amendment will take effect from 1st April, 2021.

F. DEDUCTIONS

Incentives for affordable rental housing

- The existing provision of the section 80-IBA of the Act provides that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing project, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to hundred per cent of the profits and gains derived from such business.
- One of the conditions is that the project is approved by the competent authority after the 1st day of June 2016 but on or before the 31st day of March 2021. It is proposed that the outer time limit for 31st March 2021 in this section for getting the affordable housing project approved be extended to 31st March 2022 and same outer time limit be also provided for the proposed affordable rental housing project.
- This amendment will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

Extension of Date of Sanction of Loan for Affordable Residential House Property

- The existing provision of the section 80EEA of the Act, inter alia, provides a deduction in respect of interest on loan taken for a residential house property from any financial institution up to one lakh fifty-thousand rupees subject to the condition that the loan has been sanctioned during the period beginning on 1st April, 2019 and ending on 31st March, 2021.
- There are further conditions that the stamp duty value of residential house property does not exceed forty-five lakh rupees and the assessee does not own any residential house property on the date of sanction of loan.
- This provision allows deduction to the first-time home buyers, in respect of interest on home loan. In order to help such first-time home buyers further, it is proposed to amend the provision of section 80EEA of the Act to extend the outer date for sanction of loan from 31st March 2021 to 31st March 2022.
- This amendment will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

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

- The existing provisions of the section 80-IAC of the Act, inter alia, provides for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years at the option of the assessee.
- This is subject to the condition that the total turnover of its business does not exceed Rs. 100 crores. The eligible start-up is required to be incorporated on or after 1st day of April, 2016 but before 1st day of April 2021.
- The existing provisions of the section 54GB of the Act, 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.
- Further, it has been provided that benefit is available only when the residential property is transferred on or before 31st March 2021.
- In order to help such eligible start-up and help investment in them:
 - a. it is proposed to amend the provisions of section 80-IAC of the Act to extend the outer date of incorporation to before 1st April 2022; and
 - b. it is proposed to amend the provisions of section 54GB of the Act to extend the outer date of transfer of residential property from 31st March 2021 to 31st March 2022.
- These amendments will take effect from 1st April 2021.

Raising of prescribed limit for exemption under sub-clause (iiid) and (iiiae) of clause (23C) of section 10 of the Act

- Sub-clauses (iiid) of clause (23C) of the section 10 provides for the exemption for the income received by any person on behalf of university or educational institution as referred to in that sub-clause.
- Similarly, sub-clauses (iiiae) of clause (23C) of the section provides for the exemption for the income received by any person on behalf of hospital or institution as referred to in that sub-clause.
- The presently prescribed limit for these two sub-clauses is Rs 1 crore as per Rule 2BC of the Income-tax Rule.
- It is proposed that in order to provide benefit to small trust and institutions the said limit shall be increased to Rs 5 crores for the above-mentioned clauses.

- This amendment will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

Rationalization of the provision of Charitable Trust and Institutions to eliminate possibility of double deduction while calculating application or accumulation

- In order to qualify for exemption u/s. 10(23C) / 11(1) on corpus fund, proposes a specially maintained investment fund as per modes of investments prescribed u/s 11(5) for investing voluntary contribution meant for the corpus fund.
- To ensure that there is no double counting while calculating application or accumulation, it has been proposed that:
 - a. Voluntary contributions made with a specific direction that it shall form part of the corpus shall be invested or deposited in one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus.
 - b. Application out of corpus shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when it is invested or deposited back, into one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus from the income of the previous year, such amount shall be allowed as application in the previous year in which it is deposited back to corpus to the extent of such deposit or investment.
 - c. Application from loans and borrowings shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when loan or borrowing is repaid from the income of the previous year, such repayment shall be allowed as application in the previous year in which it is repaid to the extent of such repayment.
 - d. Clarify in both clause (23C) of section 10 and section 11 that for the computation of income required to be applied or accumulated during the previous year, no set off or deduction or allowance of any excess application, of any of the year preceding the previous year, shall be allowed.
- These amendments will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

G. TDS / TCS

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.
- It is proposed to amend second proviso to section 194 of the Act to provide that the provisions of this section shall also not apply to such income credited or paid to a business trust by a special purpose vehicle or payment of dividend to any other person as may be notified.
- This amendment will take effect retrospectively from 1st April 2020.

Tax Deduction at Source (TDS) on purchase of goods

- Chapter XVIIIB of the Act relates to deduction of tax at source.
- It is proposed to provide for TDS by person responsible for paying any sum to any resident for purchase of goods. The rate of TDS is kept very low at 0.1%.
- It is proposed that the tax is only required to be deducted by those person (i.e “buyer”) whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out.
- Tax is required to be deducted by such person, if the purchase of goods by him from the seller is of the value or aggregate of such value exceeding Rs. 50 lakhs in the previous year.
- It is also proposed to provide that the provisions of this section shall not apply to,-
 - a. a transaction on which tax is deductible under any provision of the Act; and
 - b. a transaction, on which tax is collectible under the provisions of section 206C other than transaction to which sub-section (1H) of section 206C applies.
- This means, if on a transaction a TDS or tax collection at source (TCS) is required to be carried out under any other provision, then it would not be subjected to TDS under this section.
- There is one exception to this general rule. If on a transaction TCS is required under sub-section (1H) of section 206C as well as TDS under this section, then on that transaction only TDS under this section shall be carried out.

- It is also 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%.
- These amendments will take effect from 1st July 2021.

Advance tax instalment for dividend income

- Section 234C of the Act provides for payment of interest by an assessee who does not pay or fails to pay on time the advance tax instalments as per section 208 of the Act.
- The first proviso of the sub section (1) provides for the relaxation that if the shortfall in the advance tax instalment or the failure to pay the same on time is on account of the income listed therein, no interest under section 234C shall be charged provided the assessee has paid full tax in subsequent advance tax instalments.
- Aforesaid relaxation is to insulate the taxpayers from payment of interest under section 234C of the Act in cases where accurate determination of advance tax liability is not possible due to the intrinsic nature of the income.
- Therefore, it is proposed to include dividend income in the above exclusion but not deemed dividend as per sub-clause (e) of clause (22) of section 2 of the Act.
- This amendment will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Addressing mismatch in taxation of income from notified overseas retirement fund

- Representations have been received that there is mismatch in the year of taxability of withdrawal from retirement funds by residents who had opened such fund when they were non-resident in India and resident in foreign countries.
- At present the withdrawal from such funds may be taxed on receipt basis in such foreign countries, while on accrual basis in India.
- In order to address this mismatch and remove this genuine hardship, it is proposed to insert a new section 89A to the Act to provide that the income of a specified person from specified account shall be taxed in the manner and in the year as prescribed by the Central Government.

- “Specified person” is proposed to be defined as a person resident in India who opened a specified account in a notified country while being non-resident in India and resident in that country.
- “Specified account” is proposed to be defined as an account maintained in a notified country which is maintained for retirement benefits and the income from such account is not taxable on accrual basis and is taxed by such country at the time of withdrawal or redemption.
- “Notified country” is proposed to be defined to mean a country notified by the Central Government for the purposes of this section in the Official Gazette.
- This amendment will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

TDS/TCS on non filer at higher rates

- It is proposed to insert a new section 206AB in the Act as a special provision providing for higher rate for TDS for the non-filers of income-tax return.
- Similarly, it is proposed to insert a section 206CCA in the Act as a special provision for providing for higher rate of TCS for non-filers of income-tax return.
- Proposed section 206AB of the Act would apply on any sum or income or amount paid, or payable or credited, by a person (herein referred to as deductee) to a specified person.
- This section shall not apply where the tax is required to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act.
- The proposed TDS rate in this section is higher of the followings rates:-
 - a. twice the rate specified in the relevant provision of the Act; or
 - b. twice the rate or rates in force; or
 - c. the rate of 5%
- If the provision of section 206AA of the Act is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA of the Act.
- Proposed section 206CCA of the Act would apply on any sum or amount received by a person (herein referred to as collectee) from a specified person.

- The proposed TCS rate in this section is higher of the following rates:-
 - a. twice the rate specified in the relevant provision of the Act; or
 - b. the rate of 5%.
- If the provision of section 206CC of the Act is applicable to a '**specified person**', in addition to the provision of this section, the tax shall be collected at higher of the two rates provided in this section and in section 206CC of the Act.
- The specified person is a person who has not filed the returns of income for both the two assessment years relevant to the two previous years which are immediately before the previous year in which tax is required to be deducted or collected, as the case may be. Further the time limit for filing tax return under sub-section (1) of section 139 of the Act has expired for both these assessment years. There is another condition that aggregate of tax deducted at source and tax collected at source in his case is Rs. 50,000/- or more in each of these two previous years. Specified person shall not include a non-resident who does not have a permanent establishment in India.
- This amendment will take effect from 1st July, 2021.

H. **MISCELLANEOUS**

Provisional attachment in Fake Invoice cases

- The Finance Bill, 2021 proposes that Assessing Officer is empowered to provisionally attach the property of assessee during the pendency of proceedings under Section 271AAD (Penalty for Fake Invoices) if the amount or aggregate of amounts of penalty imposable is likely to exceed Rs. 2 crores.
- This amendment will take effect from 1st April, 2021.

Income Declaration Scheme (IDS) amendment

- The Income Declaration Scheme, 2016 (the Scheme) contained in Chapter-IX of the Finance Act, 2016 provided an opportunity to the persons who had not disclosed any income in the past to come clean and make payment of tax, surcharge and penalty as per the provisions of the Scheme.
- A proviso was inserted in section 191 of the Finance Act, 2016 vide Finance (No. 2) Act, 2019 empowering the Board to specify a class of persons to whom such tax paid in excess shall be refundable.

- It is now proposed to amend the proviso of section 191 of the Finance Act, 2016, so as to provide that the excess amount of tax, surcharge or penalty paid in pursuance of a declaration made under the Scheme shall be refundable to the specified class of persons without payment of any interest.
- This amendment will take effect retrospectively from 1st June, 2016.

Clarification regarding the scope of Vivad se Vishwas Act, 2020

- It is proposed to amend the provisions of VsV to clarify the original legislative intent that ITSC provides for an alternate mechanism to a taxpayer who chooses to exit the regular process of assessment, and that the VsV Act was enacted for the resolution of disputed tax and not for the taxes covered by an order in pursuance to the settlement of a case by ITSC. for which the definitions of “appellant” in section 2(1)(a), “disputed tax” in section 2(1)(j) and “tax arrear” in section 2(1)(o), of the VsV are proposed to be amended by way of removal of doubts by this Bill.
- The said amendments are proposed to take effect retrospectively from the 17th March 2020.

Definition of the term “Liable to tax”

- The Act currently does not define the term “liable to tax” though this term is used in section 6, in clause (23FE) of section 10 and various agreements entered into under section 90 or section 90A of the Act.
- Hence, it is proposed to insert clause (29A) to section 2 of the Act providing its definition. The term “liable to tax” in relation to a person means that there is a liability of tax on that person under the law of any country and will include a case where subsequent to imposition of such tax liability, an exemption has been provided.
- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

Adjudicating authority under the PBPT Act

- It is now proposed to provide that the Competent Authority constituted under sub-section (1) of section 5 of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEMA) shall be the Adjudicating Authority under the PBPT Act which shall commence discharging the function from 1st July, 2021.

- As the said Adjudicating Authority under PBPT Act is proposed to commence the discharging the functions from 1st July, 2021, it is proposed to extend the period of limitation under sub-section (7) of section 26 of the PBPT Act to provide that where the time limit for passing order under subsection (7) of section 26 of the PBPT Act expires during the period beginning from 1st July, 2021 and ending on 29th September, 2021, the time limit for passing such order shall stand extended to 30th September, 2021.
- This amendment will take effect from 1st July, 2021.

Tax incentives for units located in International Financial Services Centre (IFSC)

In order to make location in IFSC more attractive, it is proposed to provide the following additional incentives:

- a. It is proposed to amend section 9A of the Act to provide that the Central Government may, by notification in the Official Gazette, specify that any one or more of the conditions specified in clauses(a) to (m) of sub-section(3) or clauses (a) to (d) of sub-section (4) of section 9A of the Act shall not apply (or apply with modification) to an eligible investment fund or its eligible fund manager, if the fund manager is located in an International Financial Services Centre and has commenced operations on or before the 31st day of March, 2024.
- b. It is also proposed to amend clause (4D) of section 10 of the Act so as to provide that the exemption under this clause shall also be available in case of any income accrued or arisen to, or received to the investment division of offshore banking unit to the extent attributable to it and computed in the prescribed manner.
- c. It is also proposed to amend the expression “specified fund” to include under the purview the investment division of offshore banking unit which has been granted a category III AIF registration and fulfils other conditions to be prescribed including the condition of maintaining separate books for its investment division. The investment division of offshore banking unit is proposed to be defined as an investment division of a banking unit of a non resident located in an International Financial Services Centre and which has commenced operation on or before the 31st day of March, 2024.
- d. It is also proposed to insert new clause (4E) in of section 10 of the Act so as to exempt **any income** accrued or arisen to, or received by a non-resident as a result of transfer of non-deliverable forward contracts entered into with an offshore banking unit of International Financial Services Centre which commenced operations on or before the 31st day of Mach, 2024 and fulfils prescribed conditions.

- e. It is also proposed to insert new clause (4F) in of section 10 of the Act so as to exempt any income of a non-resident by way of royalty on account of lease of an aircraft in a previous year paid by a unit of an International Financial Services Centre, if the unit is eligible for deduction under section 80LA for that previous year and has commenced operation on or before the 31st day of the March, 2024.
- f. It is also proposed to insert new clause (23FF) in of section 10 of the Act so as to exempt any income of the nature of capital gains, arising or received by a non-resident, which is on account of transfer of share of a company resident in India by the resultant fund and such shares were transferred from the original fund to the resultant fund in relocation, if capital gains on such shares were not chargeable to tax had that relocation not taken place.
- g. Also defines the terms 'Original fund', 'Relocation' and 'Resultant Fund' in this regard.
- h. It is also proposed to amend section 47 of the Act to insert new clauses in the said section so as to provide that any transfer, in relocation, of a capital asset by the original fund to the resultant fund shall not be considered as transfer for capital gain tax purpose. It is also proposed to provide another clause to provide that any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest held by him in the original fund in consideration for the share or unit or interest in the resultant fund shall not be treated as transfer for the purpose of capital gains.
- i. Consequential amendments shall be proposed in section 49, 56 and 79 of the Act on account of such relocation.
- j. It is also proposed to amend the section 80LA of the Act to:
- ✓ provide that deduction under said section is also available to a unit of International Financial Services Centre if it is registered under the International Financial Services Centre Authority Act, 2019 and thereby removing the earlier requirement of obtaining permission under any other relevant law.
 - ✓ provide that the income arising from transfer of an asset, being an aircraft or aircraft engine which was leased by a unit referred to in clause (c) of sub-section (2) of said section to a domestic company engaged in the business of operation of aircraft before such transfer shall also be eligible for 100% deduction subject to condition that the unit has commenced operation on or before the 31st March 2024.

- ✓ to provide that in case the unit is registered under the International Financial Services Centre Authority Act, 2019 then the copy of permission shall mean a copy of the registration obtained under the International Financial Services Centre Authority Act, 2019.
- k. It is proposed to amend section 115AD to make the provision of this section applicable to investment division of an offshore banking unit in the same manner as it applies to specified fund. However, the provisions of this section shall apply to the extent of income that is attributable to the investment division of such banking unit as a Category-III portfolio investor under the Securities and exchange Board of India (Foreign Portfolio investors) Regulations, 2019 made under the Securities And Exchange Board of India Act, 1992 (15 of 1992), calculated in the prescribed manner.

These amendments will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

Facilitating strategic disinvestment of public sector company

- It is proposed to relax the provisions of Section 2(19AA) and Section 72A for public sector companies in order to facilitate strategic disinvestment by the Government.
- Accordingly, it is proposed to carry out the following amendments-
 - a. It is proposed to amend clause (19AA) of section 2 of the Act to insert Explanation 6 to clarify that the reconstruction or splitting up of a public sector company into separate companies shall be deemed to be a demerger, if
 - ✓ such reconstruction or splitting up has been made to transfer any asset of the demerged company to the resultant company; and
 - ✓ the resultant company is a public sector company on the appointed date indicated in the scheme approved by the Government or any other body authorised under the provisions of the Companies Act, 2013 or any other Act governing such public sector companies in this behalf; and
 - ✓ fulfils such other conditions as may be notified by the Central Government in the Official Gazette.
 - b. It is proposed to amend sub-section (1) of section 72A of the Act,

- ✓ to substitute clause (c) to provide that the provision of subsection (1) of section 72A shall also apply in case of amalgamation of one or more public sector company or companies with one or more public sector company or companies.
 - ✓ to insert clause (d) to provide that the provision of sub-section (1) of section 72A shall also apply in case of amalgamation of an erstwhile public sector company with one or more company or companies, if
 - the share purchase agreement entered into under strategic disinvestment restricted immediate amalgamation of the said public sector company; and
 - the amalgamation is carried out within five year from the end of the previous year in which the restriction on amalgamation in the share purchase agreement ends.
 - ✓ to insert a proviso to sub-section (1) to provide that the accumulated loss and the unabsorbed depreciation of the amalgamating company, in case of an amalgamation referred to in clause (d), which is deemed to be loss or, as the case may be, allowance for unabsorbed depreciation of the amalgamated company shall not be more than the accumulated loss and unabsorbed depreciation of the public sector company as on the date on which the public sector company ceases to be a public sector company as a result of strategic disinvestment;
 - ✓ to insert an Explanation to sub-section (1) to define the followings:-
 - A. "Control" shall have the same meaning as assigned to in clause (27) of Section 2 of the Companies Act, 2013;
 - B. "Erstwhile public sector company" means a company which was a public sector company in earlier previous years and ceases to be a public sector company by way of strategic disinvestment by the Government.
 - C. "Strategic disinvestment" shall mean sale of shareholding by the Central Government or any State Government in a public sector company which results in reduction of its shareholding to below 51%, along with transfer of control to the buyer.
- These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Tax Neutral Conversion of Urban Cooperative Bank into Banking Company

- The Reserve Bank of India (RBI) has permitted voluntary transition of primary cooperative bank [urban co-operative banks (UCB)] into a banking company by way of transfer of Assets and Liabilities vide Circular reference no. DCBR.CO.LS.PCB. Cir.No.5/07.01.000/2018-19 dated September 27, 2018.
- Section 44DB of Act provides for computing deductions in the case of business re-organization of cooperative banks.
- Further, the said section, inter alia, provides that where such business reorganization of co-operative banks takes place, the deductions under sections 32, 35D, 35DD and section 35DDA will be apportioned between the predecessor co-operative bank and the successor cooperative bank in the proportion of the number of days before and after the date of business reorganization.
- Further transfer of a capital asset by the predecessor cooperative bank to the successor co-operative bank, as well as transfer of shares by the shareholders in the predecessor co-operative bank, in a case of business reorganization under section 47 of the Act, is also not regarded as transfer.
- It is proposed to expand the scope of business reorganization to include conversion of a primary co-operative bank to a banking company and the deductions available under section 44DB of the Act shall also be made applicable in relation to such conversion of primary co-operative bank to the banking company.
- Further it is also proposed that transfer of a capital asset by the primary co-operative bank to the banking company as a result of conversion shall not be treated as transfer under section 47 of the Act. Consequently, the allotment of shares of the converted banking company to the shareholders of the predecessor primary co-operative bank shall not be treated as transfer under the said section of the Act.
- Necessary amendments to this effect have been proposed in section 44DB and in clause (vica) and clause (vicb) of section 47 of the Act.
- These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

Issuance of zero coupon bond by infrastructure debt fund

- Clause (48) of section 2 of the Act provides for definition of zero coupon bond.

- In order to enable infrastructure debt fund [which are notified by the Central Government in the Official Gazette under clause (47) of section 10 of the Act] to issue zero coupon bond necessary amendments are proposed in clause (48) of section 2 of the Act. Rules 2F and 8B of Income-tax Rules shall be amendment subsequently after the Finance Bill 2021 is enacted.
- This amendment will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.
- Consequential amendment has also been proposed in clause (x) of sub-section (3) of section 194A of the Act which will take effect from 1st April, 2021.

Discontinuance of Income-tax Settlement Commission

- Income-tax Settlement Commission (ITSC) is proposed to be discontinued with effect from 01-02-2021 and an Interim Board of Settlement is to be constituted for pending cases. The Central Government is empowered to notify a scheme for settlement in respect of pending applications by the Interim Board.
- These amendments will take effect from 1st February, 2021.

Rationalization of provisions related to Sovereign Wealth Fund (SWF) and Pension Fund (PF)

- Clause (23FE) of section 10 of the Act provides for the exemption to specified persons from the income in the nature of dividend, interest or long-term capital gains arising from an investment made by it in India.
- Specified persons are SWF or PF which fulfils conditions prescribed therein and are specified for this purpose by the Central Government through notification in the Official Gazette.
- The followings amendments are proposed in the Bill:
 - ✓ Allowing Alternate Investment Fund (AIF) to invest up to 50% in non-eligible investments
Presently SWF/PFs may invest in a Category-I or Category-II Alternative Investment Fund, having 100% investment in eligible infrastructure company. It is proposed to:
 - a. relax the condition of 100% to 50%.
 - b. allow the investment by Category-I or Category-II AIF in an Infrastructure Investment Trust (InvIT).
 - c. Exemption under this clause shall be calculated proportionately, in case if aggregate investment of AIF in infrastructure company or companies or in InvIT is less than 100%.

✓ Investment through holding company

Presently, SWF/PFs are not allowed to invest through holding company. It is proposed to allow the same subject to the following conditions:

- a. Holding company should be a domestic company.
- b. It should be set up and registered on or after 1st April, 2021.
- c. It should have minimum 75% investments in one or more infrastructure companies.
- d. Exemption under this clause shall be calculated proportionately, in case if aggregate investment of holding company in infrastructure company or companies is less than 100%.

✓ Investment in NBFC- IDF/IFC (non-banking finance company-infrastructure debt fund/Infrastructure finance company)

Presently, SWF/PFs are not allowed to invest in NBFC-IFC/IDF. It is proposed to allow the same subject to the following conditions:

- a. NBFC-IDF/IFC should have minimum 90% lending to one or more infrastructure entities.
- b. Exemption under this clause shall be calculated proportionately, in case if aggregate lending of NBFC-IDF or NBFC-IFC in infrastructure company or companies is less than 100%.

✓ Loan or borrowings by SWF/Pension Fund

Presently, SWF/PFs are not allowed to have loans or borrowings or deposit or investments as there is a condition that no benefit should enure to private person. It is proposed to provide that there should not be any loan or borrowing for the purpose of making investment in India. It is also proposed to provide that the condition regarding no benefit to private person and assets going to government on dissolution would not apply to any payment made to creditor or depositor for loan taken or borrowing other than for the purpose of making investment in India.

✓ Commercial activity

Presently, SWF/PFs are not allowed to undertake any commercial activity. This condition is proposed to be removed and replaced with a condition that SWF/PFs shall not participate in day to day operation of investee. However, appointing director and executive director for monitoring the investment would not amount to participation in day to day operation. The term "investee" is proposed to define to mean a business trust or a company or an enterprise or an entity or a category I or II Alternative Investment Fund or an Infrastructure Investment Trust or a domestic company or an Infrastructure Finance Company or an Infrastructure Debt Fund, in which the SWF or PF, as the case may be, has made the investment, directly or indirectly, under the provisions of this clause.

✓ Liable to tax

Presently, some PFs are liable to tax in their country though given exemption subsequently. It is proposed to amend this sub-clause to provide that if pension fund is liable to tax but exemption from taxation for all its income has been provided by the foreign country under whose laws it is created or established, then such pension fund shall also be eligible.

✓ Rules to prescribe the method of calculation

It is also proposed to provide that the Central Government may prescribe the method of calculation of 50% or 75% or 90% referred above.

- This amendment will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

INDIRECT TAX AMEDEMEMENTS

Unless otherwise stated, all changes in rates of duty take effect from the midnight of 1st February/2nd February, 2021. The remaining legislative changes would come into effect only upon the enactment of the Finance Bill, 2021.

CUSTOMS DUTY CHANGES

- A technical change has been made in the S. No. 20 of notification No. 50/2017-Customs to specifically elaborate in the exclusion the description of various chickpeas (i.e. Chickpeas, Kabuli Chana and Bengal Gram).
- AIDC is being imposed on peas, falling under subheading 0713 10, Kabuli Chana falling under tariff item 0713 20 10, Bengal Gram falling under tariff item 0713 20 20, Chickpeas falling under tariff item 0713 20 90 and Lentils (Mosur) falling under tariff item 0713 40 00.

AIDC is being imposed on Apples, falling under tariff item 0808 10 00. Simultaneously, BCD on this item has been reduced.

- AIDC is being imposed on Crude Soya-bean Oil, falling under tariff heading 1507 10 00, Crude Palm Oil, falling under tariff heading 1511 10 00 and Crude Sunflower Seed Oil, falling under tariff heading 1512 11 10. Simultaneously, BCD on these items has been reduced.
- AIDC is being imposed on alcoholic beverages and spirits, falling under tariff headings 2204, 2205, 2206 and 2208. Simultaneously, BCD on these items has been reduced.

- Denatured ethyl alcohol (ethanol) falling under tariff item 2207 20 00 will now attract 5% BCD.
- Duty rate structure on tariff items under chapter 23 is being rationalized and simplified. The goods falling under this chapter shall attract BCD as follows:-

HSN	Description	Rate
2309 10 00	Dog and Cat food	20%
2309 90	Shrimp Larvae Feed	5%
Chapter 23	All other goods	15%

- Social Welfare Surcharge is being exempted on Marble and travertine, Crude or roughly trimmed (tariff item 2515 11 00) and on Marble and travertine Blocks (tariff item 2515 12 10).
- Customs is being amended to prescribe BCD rate of 2.5% on all goods under CTH 2528. As a result, boron ore and concentrate would uniformly attract BCD at a uniform rate of 2.5%.
- Acid grade fluorspar would continue to attract BCD rate of 5%.
- AIDC is being imposed on Coal, Lignite and Peat falling under tariff headings 2701, 2702 and 2703 respectively. Simultaneously, BCD on these items have been reduced.
- Customs is being amended to decrease BCD on Naphtha from 4% to 2.5%.
- BCD on Carbon blacks (Tariff item 2803 00 10) is being increased from 5% to 7.5%, by increasing the tariff rate.
- Bis-phenol A and Epichlorohydrin will now attract 7.5% BCD.
- Diphenylmethane 4,4-diisocyanate (MDI) will now attract 7.5% BCD.
- BCD on Caprolactam is being reduced from 7.5% to 5%.
- AIDC is being imposed on fertilizers namely Urea, Ammonium Nitrate, Muriate of Potash and Diammonium Phosphate falling under tariff items 3102 10 00, 3102 30 00, Chapter 31 and 3105 30 00 respectively. Simultaneously, BCD on these items have been reduced.
- BCD on all goods falling under tariff heading 3925 (Builder's ware of plastics, not elsewhere specified or included) is being increased from 10% to 15% by increasing the tariff rate.
- Polycarbonates will now attract 7.5% BCD.

- BCD on Nylon chips is being reduced from 7.5% to 5%.
- The specified parts of mobile under the tariff item 3920 99 99 except specified parts of cellular mobile phones like back cover, battery cover etc were attracting 15% BCD by tariff.
- Toy balloons are classified under customs tariff heading 9503 and attract a basic customs duty of 60%.
- 'Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid' falling under Chapter 41 will now attract 10% BCD.
- Entry at S. No. 293A and S. No. 293B of notification No. 50/2017-Customs are being merged. These entries provide concessional rate to Newsprint and other uncoated paper. The merged entry is for providing clarity to the scope of this exemption that exemption is available to newsprint and other uncoated paper conforming to the specifications of newsprint (other than its surface roughness).
- BCD on Raw Silk (not thrown) falling under CTH 5002 is being increased from 10% to 15%.
- BCD on Silk Yarn falling under CTH 5004, 5005, 5006 is being increased from 10% to 15%.
- BCD on Cotton, not carded or combed falling under CTH 5201 is being increased from nil to 5%.
- BCD on Cotton Waste falling under CTH 5202 is being increased from Nil to 10%.
- The BCD on Nylon fibre and yarn is being reduced from 7.5% to 5%.
- Tariff rate on all goods falling under heading 7007 is being increased from 10% to 15%.
- BCD on all goods under heading 7007, other than those used in motor vehicles, is being retained at 10%. Consequently, goods falling under heading 7007 when used for motor vehicles will attract the tariff rate of 15%.
- Tariff rate on all goods falling under tariff item 7104 90 90 (cut and polished synthetic stones) is being increased from 10% to 15%.
- Cut and polished synthetic stones falling under tariff item 7104 90 90 will now attract 15% BCD.

- On Silver, including Silver Dore falling under tariff heading 7106 and Gold, including Gold Dore falling under tariff heading 7108, AIDC is being imposed. Simultaneously, BCD on these goods has been reduced.
- Gold, including Gold Dore and Silver and Silver Dore will now attract SWS at 10% of BCD payable.
- SWS on value representing Agriculture Infrastructure and Development Cess [AIDC] on Gold, including Gold Dore and Silver, including Silver Dore is being exempted.
- BCD rate on Spent catalyst or ash containing precious metals has been reduced from 11.85% to 9.17%.
- BCD rate on all goods falling under tariff items 7107 00 00, 7109 00 00 and 7111 00 00 and tariff headings 7110, 7112 and 7118 has been reduced from 12.5% to 10%.
- BCD rate on Gold or Silver findings reduced from 20% to 10%.
- Duty rate structure on tariff items under chapter 72 is being reduced and rationalized. In the following manner:

HSN	Description	Rate	S. No. of Notfn. No. 02/2021 – Customs, dated 1st February, 2021
7204	Scrap of iron or steel including stainless steel and alloy steel	Nil (up to 31.03.2022)	54
7206, 7207	Primary / Semi-finished products of iron or non-alloy steel	7.5%	62
7208, 7209, 7210, 7211, 7212, 7225 (except 7225 11 00), 7226 (except 7226 11 00)	Flat Products of iron or non- alloy steel and alloy steel	7.5%	62
7213, 7214, 7215, 7216, 7217, 7221, 7222, 7223, 7227, 7228	Long Products of iron or non- alloy steel, stainless steel and alloy steel	7.5%	62

7225	Specified inputs for manufacturing CRGO steel mentioned against S. Nos. 374 and 375 of notification No. 50/2017 – Customs dated 30.06.2017	Nil (subject to end use condition and up to 31.03.2023)	59 and 60
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- Imposing anti-dumping duty or countervailing duty on certain products of steel are being temporarily revoked for the period 02.02.2021 to 30.09.2021:

Sl. No.	Notification No.	Product	Exporting Country
1	54/2018-Cus(ADD) dated 18.10.2018	Straight length Bars and Rod of alloy Steel	China PR
2	38/2019-Cus(ADD) dated 25.09.2019	High Speed Steel of Non Cobalt Grade	China PR, Brazil, Germany
3	16/2020 – Cus (ADD) dated 23.06.2020	Flat rolled products of steel, (Al or Zinc coated)	China PR, Vietnam, and Korea RP
4	1/2017-Cus(CVD) dated 07.09.2017	Hot rolled and cold rolled stainless steel flat products	China PR

- Provisional countervailing duty imposed vide notification No. 02/2020-Cus(CVD) dated 09.10.2020 on Flat rolled products of stainless steel originating in or exported from Indonesia, is being revoked.
- In Sunset Review, anti-dumping duty on Cold-Rolled Flat Products of Stainless Steel of width 600mm to 1250mm and above 1250mm of non-bonafide usage originating in or exported from People's Republic of China, Republic of Korea, European Union, South Africa, Taiwan, Thailand and United States of America is being discontinued upon expiry of the anti- dumping duty hitherto leviable vide notifications No. 61/2015 – Customs (ADD) dated 11th December, 2015 and 52/2017.
- BCD on Screws, bolts, nuts etc. under heading 7318 is being increased to 15%.
- BCD on copper waste and scrap under heading 7404 is being reduced to 2.5%.
- BCD exemption on 'tunnel boring machines (TBMs)' (heading 8430) has been withdrawn. Consequently, it will now attract BCD of 7.5 %. Also, 'parts & components for manufacture of TBMs' falling under heading 8431 will now attract 2.5% BCD with actual-user conditions.
- Tariff rate on all goods falling under sub-heading 8414 40 and 8414 80 is being increased to 15%. However, the effective BCD on all goods under these sub-headings, except for tariff item 8414 80 11, is being retained at 7.5%.

- BCD on compressors of Refrigerators falling under tariff item 8414 30 00 and compressors of Air Conditioners falling under tariff item 8414 80 11, is being increased from 12.5% to 15% by increasing the tariff rate.
- Tariff rate on all goods falling under sub-heading 8501 10 to 8501 53 is being increased from 10% to 15%.
- Basic customs duty on Solar Inverters (sub-heading 8504 40) is being raised to 20%.
- All items of machinery, including prime movers, instruments, apparatus and appliances, control gear and transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for the initial setting up of a solar power generation project or facility will attract applicable BCD.
- BCD on parts of all goods under tariff item 8512 90 00 (parts of electrical lighting or signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for motor vehicles) is being increased from 10% to 15% by increasing the tariff rate.
- Tariff rate on all goods falling under tariff items 8536 41 00 and 8536 49 00 is being increased from 10% to 15%.
- All parts for use in the manufacture of LED lights, fixtures including LED lamps, LED drivers and MCPCB of LED lights, will attract 10% BCD.
- All goods falling under heading 8544 (except USB Cable and goods falling under tariff item 8544 30 00 and sub-heading 8544 70) will attract 10% BCD.
- BCD on Ignition wiring sets and other wiring sets of a kind used in vehicles falling under tariff item 8544 30 00 is being increased from 10% to 15%.
- BCD on inputs, parts, sub-parts and raw materials of following specified parts of cellular mobile phone, is being increased as detailed below: -

Sr. No. of notification No.	Description	From	To	Effective date
57/2017 Customs	-			
6A	Printed circuit board assembly (PCBA)	Nil	2.5%	01.04.2021

6B	Camera Module	Nil	2.5%	01.04.2021
6C	Connectors	Nil	2.5%	01.04.2021
7	Items mentioned against the said entry such as wired headset, USB Cable, microphone and receiver, etc.	Nil	2.5%	01.04.2021

- Metal Shield will now attract BCD as applicable.
- Camera Lens will now attract BCD as applicable.
- Inputs or raw materials [other than PCBA and Moulded Plastics] for use in the manufacture of charger or adapter of cellular mobile phone will now attract 10% BCD.
- BCD on PCBA of charger or adapter is being increased from 10% to 15%.
- Moulded Plastics of charger or adapter will now attract 15% BCD.
- Inputs or parts of PCBA and Moulded Plastic of charger or adapter of cellular mobile phone will now attract applicable BCD.
- BCD on inputs or raw materials [other than Lithium-Ion Cell and PCBA] for use in manufacture of Lithium-ion battery and battery pack, is being increased from Nil to 2.5% with effect from 1.4.2021.
- BCD on inputs, parts or sub-parts for use in manufacture of PCBA of Lithium-ion battery and battery pack, is being increased from Nil to 2.5% with effect from 1.4.2021.
- Specified parts like bobbins, wire etc. for manufacture of transformers, will now attract BCD as applicable.
- BCD on specified auto parts (other than Bicycle parts and components) is being increased from 10% to 15%.
- BCD on components or parts, including engines, of aircraft of heading 8802 imported for manufacture of such aircrafts and manufacture of parts of such aircrafts by Public Sector Units under Ministry of Defence, is being reduced to Nil.
- Health Cess exemption is given on medical devices imported by international/diplomatic organization.

- Tariff rate on all goods falling under tariff item 9031 80 00 (other measuring or checking instruments, appliances and machines) is being increased from 10% to 15%.
- BCD on Instrument panel clocks and clocks of a similar type for vehicles, aircraft, spacecraft or vessels falling under tariff item 9104 00 00 is being increased from 10% to 15%.
- Solar lanterns or solar lamps will now attract 15% BCD.
- Parts of electronics toys for manufacture of electronic toys falling under heading 9503 (as per the chapter Note 3 of chapter 95), will now attract 15% BCD subject to the end use condition.
- High Speed Projects would attract effective BCD of 5%.
- BCD exemption to items falling under S. Nos. 229, 311, 312 and 313 of notification No. 50/2017 shall be withdrawn with effect from 1st April, 2021 and they would attract applicable BCD rates.
- Ink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage, for use in printers for computer, will now attract BCD as applicable.
- The list of notifications that are being rescinded are as follows:

Sr. No.	Notification No.	Notification Subject
1	34/2017-Customs dated 30th June, 2017	Exemption to tags, labels and printed bags imported for fixing on articles for export or for the packaging of such articles.
2	75/2017-Customs dated 13th September, 2017	Exemption for goods imported for organizing FIFA Under-17 World Cup, 2017.

- At present, there are certain end-use based exemptions in notification No. 50/2017- Customs which are presently being administered without the need to follow the procedure set out under the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules, 2017). To provide uniformity of enforcement of end-use provisions, the condition of IGCR Rules is being provided for the entries listed below in the manner as specified in the column (3) of the Table below:

Sr. No.	S. No. of Notfn	Description
(1)	(2)	(3)
1.	237	(a) Existing condition 22 for the entry is being amended so as to remove the requirement of furnishing an undertaking to Deputy

		Commissioner / Assistant Commissioner of Customs as per part (b) of the said condition. (b) In addition, with the existing condition (as amended), IGCR Rules, 2017 is being prescribed to avail the concession under said entry.
2.	254, 255, 380, 406 and 497	(a) Existing condition 24 for the entry is being amended so as to remove the requirement of furnishing an undertaking to Deputy Commissioner/Assistant Commissioner of Customs as per part (b) of the said condition. (b) In addition, with the existing condition (as amended), IGCR Rules, 2017 is being prescribed to avail the concession under said entry.
3.	292	(a) Existing Condition 30 of the entry is being substituted by IGCR Rules, 2017. (b) In addition, Deputy Commissioner of Customs or Assistant Commissioner of Customs having jurisdiction under IGCR Rules, 2017, is also being empowered to issue the end use certificate for the past period after due verification as per the rules.
4.	333	Existing condition 38 of the entry is being substituted by IGCR Rules, 2017.
5.	408	(a) Existing condition 51 for the entry is being amended so as to remove the requirement of furnishing an undertaking to Deputy Commissioner/Assistant Commissioner of Customs as per part (3) of the said condition. (b) In addition, with the existing condition (as amended), IGCR Rules, 2017 is being prescribed to avail the concession under said entry.
6.	410	IGCR Rules, 2017 is being prescribed in addition with the Condition 52 for the entry.
7.	413	(a) Existing condition 53 for the entry is being amended so as to remove the requirement of furnishing an undertaking to Deputy Commissioner/Assistant Commissioner of Customs as per part (iii) of the said condition.

		(b) In addition, with the existing condition (as amended), IGCR Rules, 2017 is being prescribed to avail the concession under said entry.
8.	414	(a) Existing condition 54 for the entry is being amended so as to remove the requirement of furnishing an undertaking to Deputy Commissioner/Assistant Commissioner of Customs as per part c.(iii) of the said condition. (b) In addition, with the existing condition (as amended), IGCR Rules, 2017 is being prescribed to avail the concession under said entry.
9.	430	(a) Existing condition 60 for the entry is being amended to remove the requirement of furnishing the end use certificate regarding use of imported goods to the Deputy Commissioner/Assistant Commissioner of Customs at the Port of import. (b) IGCR Rules, 2017 is also being prescribed in addition with the condition 60 as amended. (c) In addition, Deputy Commissioner of Customs or Assistant Commissioner of Customs having jurisdiction under IGCR Rules, 2017, is also being empowered to issue the end use certificate for the past period after due verification as per the rules.
10.	431	(a) Existing condition 61 for the entry is being amended to remove the requirement of furnishing the end use certificate regarding use of imported goods to the Deputy Commissioner/Assistant Commissioner of Customs at the Port of import. (b) IGCR Rules, 2017 is also being prescribed in addition with the condition 61 as amended. (c) In addition, Deputy Commissioner of Customs or Assistant Commissioner of Customs having jurisdiction under IGCR Rules, 2017, is also being empowered to issue the end use certificate for the past period after due verification as per the rules.
11.	534	IGCR Rules, 2017 is being prescribed in addition with the Condition 74 for the entry.
12.	559	The Explanation in the said entry is being amended to replace the Assistant/Deputy Commissioner of either Central GST or State GST, as the case may be with

		Deputy Commissioner of Customs or Assistant Commissioner of Customs having jurisdiction under IGCR Rules, 2017.
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CENTRAL EXCISE CHANGES

- The Fourth Schedule to the Central Excise Act, 1944, is being amended with effect from 01.01.2022 to prescribe the rates following tariff items. [Clause 96 (ii) of the Finance Bill, 2021 refers]:

Tariff Item	Description of goods	Unit	Rate of Duty
(1)	(2)	(3)	(4)
2404 11 00	Products intended for inhalation without combustion, containing tobacco or reconstituted tobacco	Kg.	81%
2404 19 00	Products intended for inhalation without combustion, Other	Kg.	81%

- The Seventh Schedule of the Finance Act 2001, is being amended with effect from 01.01.2022 to insert the following tariff items.

Tariff Item	Description of goods	Unit	Rate of Duty
(1)	(2)	(3)	(4)
2404 11 00	Products intended for inhalation without combustion, containing tobacco or reconstituted tobacco	Kg.	25%
2404 19 00	Products intended for inhalation without combustion, Other	Kg.	25%

- Agriculture Infrastructure and Development Cess (AIDC) is being imposed on Petrol and High speed diesel falling under CETH 2710 at the rate of Rs. 2.5 per litre and Rs. 4 per litre respectively. Simultaneously, Basic Excise Duty and Special Additional Excise Duty on Petrol and High speed diesel are being calibrated.

- Exemptions from Special Additional Excise Duty (SAED) and Road and Infrastructure Cess (RIC) is being provided to new category of blended fuels namely, 15% Methanol blended Petrol (M-15 fuel) and 20% ethanol blended Petrol (E-20 fuel), provided appropriate excise duty on Petrol and appropriate GST on ethanol/methanol and cosolvents has been paid.
- The Exemptions available to blended fuels, 5% ethanol blended petrol, 10% ethanol blended petrol, 20% bio-diesel blended High speed diesel from Basic Excise Duty, Special Additional Excise Duty and Road and Infrastructure Cess is being amended to include the reference to the AIDC in the definition of appropriate duty of excise on petrol/diesel being blended.

AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC):

An Agriculture Infrastructure and Development Cess (AIDC), as duty of customs has been proposed [Clause 115 of the Finance Bill, 2021 refers]. Enabling provisions has been made for levy of this cess on all imported goods at the rate not exceeding the rate specified in the First Schedule to the Customs Tariff Act, 1975. However, it would be levied only on specified goods as detailed below. All other items are being exempted from this Cess. Further, the BCD rates have been simultaneously lowered on items on which cess is being imposed.

- The list of items on which cess has been imposed and the applicable duty and AIDC on them with effect from 02.02.2021, is as follows:

Sr. No	Heading, sub-heading tariff item	Commodity	Basic customs duty	AIDC
1	0808 10 00	Apples	15% / 35%*	35%
2	1511 10 00	Crude Palm Oil	15%	17.5%
3	1507 10 00	Crude Soya-bean oil	15%	20%
4	1512 11 10	Crude Sunflower seed oil	15%	20%
5	0713 10	Peas (Pisum sativum)	10%	40%
6	0713 20 10	Kabuli Chana	10%	30%
7	0713 20 20	Bengal Gram (desichana)	10%	50%
8	0713 20 90	Chick Peas (garbanzos)	10%	50%
9	0713 40 00	Lentils (Mosur)	10% / 30%*	20%
10	2204	All goods (Wine)	50%	100%
11	2205	Vermouth and other wine of fresh grapes, flavoured	50%	100%
12	2206	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or	50%	100%

		fermented beverages and nonalcoholic beverages		
13	2208	All goods (Brandy, Bourbon whiskey, Scotch etc.)	50%	100%
14	2701	Various types of coal	1%	1.5%
15	2702	Lignite, whether or not agglomerated	1%	1.5%
16	2703	Peat, whether or not agglomerated	1%	1.5%
17	3102 10 00	Urea	Nil	5%
18	3102 30 00	Ammonium nitrate	2.5%	5%
19	31	Muriate of potash, for use as manure or for the production of complex fertilisers	Nil	5%
20	3105 30 00	Diammonium phosphate, for use as manure or for the production of complex fertilisers	Nil	5%
21	5201	Cotton (not carded or combed)	5%	5%
22	7106	Silver (including imports by eligible passengers)	7.5%	2.5%
23	7106	Silver Dore	6.1%	2.5%
24	7108	Gold (including imports by eligible passengers)	7.5%	2.5%
25	7108	Gold Dore	6.9%	2.5%

- For the purpose of calculating the AIDC, the import value of such goods shall be calculated in the same manner as the value of goods is calculated under the provisions of section 14 of the Customs Act, 1962.
- Social Welfare Surcharge (SWS) would be levied on AIDC. However, exemption from SWS on AIDC has been given to gold and silver.
- Further, goods imported under customs duty exemptions available under FTA and EOU as well as under advance authorization schemes are being exempted from AIDC.

EXCISE

An agriculture Infrastructure and Development Cess (AIDC) of Rs 2.5 per litre has been imposed on petrol and Rs 4 per litre on diesel as an additional duty of excise [Clause 116 of the Finance Bill, 2021 refers]. Accordingly, Basic Excise Duty and the Special Additional Excise Duty have been calibrated so

that there would be no additional burden on the consumer. The table below summarizes the change in various duties applicable to Petrol and Diesel:

Commodity	Duty rates applicable with effect from 02.02.2021 (Rs. per litre)				
	BED	SAED	RIC	AIDC	Total
Petrol (unbranded)	1.40	11	18	2.5	32.90
Petrol (branded)	2.60	11	18	2.5	34.10
Diesel (unbranded)	1.80	8	18	4.0	31.80
Diesel (branded)	4.20	8	18	4.0	34.10

BED: Basic Excise Duty; SAED: Special Additional Excise Duty; RIC: Road and Infrastructure Cess; AIDC: Agriculture Infrastructure and Development Cess.

AMENDMENTS IN CUSTOMS ACT, 1962

- Section 25 of the Customs Act is being amended 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. Further, all existing conditional exemptions in force as on the date on which the Finance Bill 2021 receives the assent of the President unless having a prescribed end date, shall come to an end on 31st March, 2023 on review.
- A new section 28BB is being introduced prescribing a two-year time-limit, further extendable by one year by the Commissioner, for completion of any proceedings under this act which would culminate in issuance of a notice under section 28 of the Customs Act, 1962.
- Sub section (3) of section 46 is being amended so as to-
 - A. Mandate filing of bill of entry before the end of the day preceding the day (including holidays) of arrival of goods.
 - B. A new provision is being introduced therein, to enable the Board to notify the time period for presenting bill of entry in certain cases as it may deem fit.
- Section 110 of the Customs Act is being amended so as to revise the procedure for pre- trial disposal of seized gold, in any form as notified.

- A new section 114AC is being inserted in Customs Act to prescribe penalty in specific case where any person has obtained any invoice by fraud, collusion, willful misstatement or suppression of facts to utilize Input Tax Credit on the basis of such invoice for discharging any duty or tax on goods that are entered for exportation under claim of refund of any duty or tax.
- Section 139 of Customs Act is being amended so as to include inventories, photographs and lists certified by the Commissioner (Appeals) under the new sub-section (1D) to the documents within the meaning of that section to give evidentiary value to such documents.
- Section 153 is being amended so as to insert a new clause '(ca)' under sub section (1) thereof so as to enable service of order, summons, notice, etc. by making it available on the common portal.
- Chapter XVII is being amended so as to insert a new section 154C for notification of a common portal for facilitating registration, filing of bills of entry, shipping bills, any other document or form prescribed under this act or under any other law for the time being in force or the rules and regulations made thereunder, payment of duty and for carrying out such other functions and for such purposes as may be specified.

AMENDMENTS IN CUSTOMS TARIFF ACT, 1975

- Customs Tariff Act is being proposed that are to come into effect from 01.01.2022. This is in accordance with HSN 2022, which proposes 351 amendments to the existing harmonized nomenclature, covering a wide range of goods moving across borders.
- It is being proposed to make the following amendments in the provision relating to ADD, CVD, Safeguard measures [sections 8B, 9 and 9A of the Customs Tariff Act and respective Rules] to provide for:
 - A. Imposition of duty from the date of initiation of anti-circumvention investigation.
 - B. Anti-absorption provisions to counter situation where, by reduction of export prices or otherwise, the ADD/CVD levied is sought to be absorbed, diluting the intended impact of such ADD/CVD.
 - C. Imposition of these duties on review for period upto 5 years at a time.
 - D. Uniform provisions for imposition ADD/CVD on account of inputs (attracting ADD or CVD) used by EoUs and SEZs for manufacture of goods that are cleared to Domestic Tariff Area.
 - E. Whenever any particular ADD or CVD is temporarily revoked, such temporary revocation shall not exceed one year at a time.

- F. Final findings are to be issued in ADD/CVD, in investigation in review proceedings, by the designated authority, at least three months prior to expiry of the ADD under review (with effect from the 1st Jul, 2021).
- G. Provisional assessment in anti-circumvention investigation and make some other technical changes in ADD/CVD Rules.
- H. Manner of application of safeguard measure, including tariff-rate quota in the Safeguard Duty (name changed to Safeguard Measures) Rules.

AMENDMENTS IN THE CGST ACT, 2017

- A new clause (aa) in sub-section (1) of Section 7 of the CGST Act is being inserted, retrospectively with effect from the 1st July, 2017, so as to 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. This is applicable for Clubs/Associations.
- A new clause (aa) to sub-section (2) of the section 16 of the CGST Act is being inserted to provide that input tax credit on invoice or debit note may be availed only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note.
- Sub-section (5) of section 35 of the CGST Act is being omitted so as to remove the mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professional. 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.
- Section 50 of the CGST Act is being amended, retrospectively, 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 being amended so as make seizure and confiscation of goods and conveyances in transit a separate proceeding from recovery of tax.
- An explanation to sub-section (12) of section 75 of the CGST Act is being inserted to clarify that “self-assessed tax” shall include the tax payable in respect of outward supplies, the details of which have been furnished under section 37, but not included in the return furnished under section 39.

- Section 83 of the CGST Act is being amended so as to provide that 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.
- Section 129 of the CGST Act is being amended to delink the proceedings under that section 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.
- Section 151 of the CGST Act is being substituted to empower the jurisdictional commissioner to call for information from any person relating to any matter dealt with in connection with the Act.
- Section 16 of the IGST Act is being amended so as to:
 - ✓ 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 authorised operations;
 - ✓ 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
 - ✓ Link the foreign exchange remittance in case of export of goods with refund.

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About Us:

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Started in the year 1994 as audit firm in Bangalore with an ambition to provide services in the area of accountancy and audit our legacy of vast experience and exposures to different types of industries made us rapidly adaptable to the changing needs of the time and technology by not only increasing our ranges of services but also by increasing quality of service.

With diversification, our professional practice is not only limited to Bangalore but has crossed over to the other parts of India with a motto to provide “One Stop Solutions” to all our clients.

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