

UNION BUDGET HIGHLIGHTS 2021



- Tax Proposals
 - Direct Tax
 - Indirect Tax
- 6 Pillars of Budget 2021
- Budget Numbers at Glance



Direct Taxes

Significant Proposals

General Proposals impacting the individuals and business entities

- **Pre-Filled Information In Income Tax Return** – Alike Salary Income, Interest on FD, now onwards the details of **Capital Gains on Listed Shares & Securities, Dividend Income** and **Bank Interest Income** will be pre-filled in the income tax returns
Analyzed Impact : The person having nominal share / security transactions will not be able to file ITR 1, as now onwards even nominal capital gain will get auto populated as income
- Citizens of age 75 years and above who have only **Pension** and **Bank Interest income**– **Not required to file Income Tax Returns** (Provided declaration is furnished to bank)
- No Levy of **interest U/s 234C** owing to failure in estimation of Dividend Income (Except Dividend U/s 2(22)(e) provided such tax is paid by way **Advance tax** by **31-Mar** as may be applicable
- The interest earned by an **employee** on his **PF contribution** in **excess of Rs.2.5 lakh p.a.** will be **taxable at the normal tax rates from FY 2021-22**
- **Disallowance of employee contribution** to various funds(PF, ESIC etc.) in case **payment not made within the respective due date**
- As proposed, the Leave Travel Concession exemption shall be allowed during the period of 12-Oct-20 to 31-Mar-21 against submission of travel bills / supporting having GST @12% or above. Besides, there are other 3 to 4 other conditions to be fulfilled to claim LTC benefit
- **Tax Audit Limit** to be increased from **Rs.5 crore** to **Rs.10 crore** where the aggregate cash receipts or payments of an assessee do not exceed 5% of total cash receipts or payments. The tax audit limit will be **Rs.1 crore** in case of an assessee where cash transactions exceeds the limit of 5%

- Relief to Trusts – The threshold limit of total receipts has been increased from Rs.1 crore to Rs.5 crore for Charitable trusts running Hospitals and Educational Institutions willing to claim the income tax exemption under (10 23 C)
- Cost of Goodwill acquisition / self generated will not to be considered as a depreciable asset for the purpose of claiming depreciation under Income Tax Act
- New section 206 AB (TDS) and 206CCA (TCS) has been brought in to penalize the persons in default of filing income tax returns of 2 preceding years for which time limit for filing ITR has been expired. Accordingly, TDS will be applied at higher rates to such non filers (w.e.f. 01-Jul-21)

Analyzed Impact : Any person liable to deduct the TDS will have to check the ITR filing compliance before applying the TDS rates. In case of defaulters the TDS to be applied at Higher of :

1) Twice the rate specified in relevant provision or 2) Twice the rate(s) in force or 3) 5%

- In case of TCS it is either of 1 or 3 above

Income Tax Assessment

- Period for re-opening of Assessment has been reduced to 3 years from 6 years. Only where there is evidence of concealment of Income of Rs. 50 lakh or more – re-opening can be made upto 10 years and only with the approval of Principal CCIT
- Reducing Litigation for small tax payers – Constitution of **Faceless Dispute Resolution Panel (DRC)** for assessee having **Income upto Rs.50 lakh as per ITR** and aggregate amount of proposed variation is Rs.10 lakh or less
- Income Tax Appellate Tribunal to become Faceless – This will eliminate the interface between ITAT and assessee / parties to appeal in course of proceedings to bring in more transparency

Time Limit Extension:

- Affordable Housing – The 1st time house buyer will be eligible to avail the additional interest benefit of Rs.1.5 lakh p.a. for the loans sanctioned up to 31-Mar-22 in place of 31-Mar-21
- In order to provide the Tax Holiday benefit (80 IAC) to eligible Start Ups, the timeline for its incorporation has been extended to 31-Mar-22 from 31-Mar-21

Tax Proposals for Non Residents :

- **Withholding under section 196D of the IT Act** - Benefit of lower treaty rate made available to Foreign Institutional Investors on income from securities
- **Addressing mismatch in taxation of income from notified overseas retirement fund** – Income from withdrawal of overseas retirement fund by an Indian resident who had opened such fund when he was a non-resident shall be subjected to tax in a manner as may be provided to address the double taxability of such withdrawal in India and the foreign country
- **Term ‘liable to tax’ defined for purposes of section 6, section 10(23FE) and various DTAA agreements** – ‘liable to tax’, in relation to a person, means that there is a liability of tax on such person under any law for the time being in force in any country, and shall include a case where subsequent to imposition of tax liability, an exemption has been provided
- **Rationalization of provisions of equalization levy (EL)**
 - EL not applicable on transactions in the nature of royalty or fees for technical services which are taxable under the IT Act read with relevant tax treaty
 - The definition of ‘online sale of goods’ and ‘online provision of services’ is expanded to include additional activities taking place online viz
 - (a) Acceptance of offer for sale; (b) Placing the purchase order; (c) Acceptance of the Purchase order; (d) Payment of consideration; or (e) Supply of goods or provision of services, partly or wholly



Indirect Taxes

Major GST proposals from Finance Bill, 2021

- The question of applicability of interest on Gross or Net GST Liability has been put to rest by amending the section 50 of CGST Act. Accordingly in case of any delay in payment, the interest @18% p.a. will be chargeable on the Net GST liability
- As per Section 16 (2)(aa) of CGST Act, the ITC can be availed only against the invoices or debit notes filed by the recipient of Goods / Services in GSTR-1
- The Section 35 (5) requiring Audit of Annual Accounts and furnishing reconciliation statement in GSTR-9C (GST Audit) has been proposed to be omitted
- Mandatory requirement under section 44 of the CGST Act for furnishing reconciliation statement in GSTR-9C duly audited by specified professional is being substituted by allowing the taxpayer to file the same on the basis of self-certification
- As per section 75 (12), explanation shall be inserted where the Self-assessed tax' shall include the supplies furnished under section 37 (GST1) but not included in the return furnished under section 39 (GSTR3B)

Analysed Impact: The GST liability on sales transactions disclosed in GSTR1 but omitted while filing GSTR3B will also be included in the recovery proceedings as per section 79

- Provisional attachment shall remain valid for the entire period starting from the initiation of any proceedings till the expiry of a period of one year from the date of order made there under (section 83)
- Export with payment of tax available only for notified suppliers for notified supplies. (section 16 of IGST Act) (list of such notified supplier is awaited)





Analysed Impact: Earlier, any tax payer could export with payment of GST either through cash or ITC. The GST paid was subsequently refunded. This benefitted the tax payers to convert the accumulated ITC as cash refund

- The foreign remittance against the export of goods shall be mandatorily linked

Analysed Impact: In case of non-realisation of consideration against the export of goods, any refund shall be paid back along with interest

- The Zero rate benefit was given for all type goods and services supplied to a Special Economic Zone developer or a Special Economic Zone unit. As per amendment of section 16 of IGST Act, now the zero rate supply will be allowed only for the authorised operations

Custom Duty Rate Changes for Major Products

Commodity	Old Rate	Revised Rate	Impact
Chemicals	5%	7.5%	
Plastic Items	10%	15%	
Gems and Jewellery Sector	10%	15%	
Electrical and Electronics Sector	10% / 12.5%	15%	
Parts of Automobiles	10%	15%	
Agricultural Products and By Products	Nil / 2.5%/5% /10%/15%/ 20%/30%	5% / 15%	
Leather	Nil	10%	
Textiles	Nil / 7.5%/ 10%	5%/ 10% / 15%	
Metals	2.5% / 5%/ 10%	Nil / 2.5%/ 7.5%/ 15%	
IT, Electronics and Renewable	Nil / 5%/ 7.5%/ 10%	2.5% / 10%/15%/ 20%	
Aviation Sector (Components)	2.5%	Nil	



AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

An Agriculture Infrastructure and Development Cess (AIDC) has been proposed on import of specified goods and as an additional duty of excise on Petrol & High-speed diesel. **It shall be calculated on value of imported goods**

AIDC rates under Excise

- Petrol: Rs 2.5 per liter
- Diesel: Rs 4 per liter

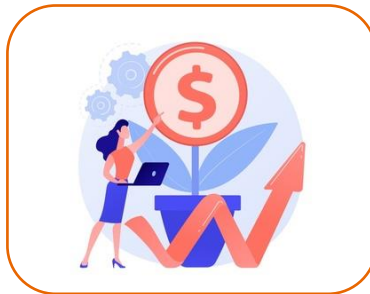
AIDC rates under Customs :

1. Gold: 2.5%
2. Silver: 2.5%
3. Alcoholic beverages: 100%
4. Crude palm oil: 17.5%
5. Crude soyabean: 20%
6. Sunflower oil: 20%
7. Apples (fruit): 35%
8. Coal: 1.5%
9. Ignite & peat: 1.5%
10. Specified fertilizer: 5%
11. Peas: 40%
12. Kabuli chana: 30%
13. Bengal gram: 50%
14. Lentil: 20%
15. Cotton: 5%
16. Urea: 5%

6 Pillars of Budget 2021



Health & Well Being



**Physical & Financial
Capital & Infrastructure**



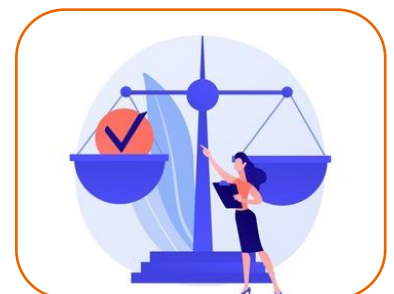
**Inclusive Development
for Aspirational India**



**Reinvigorating
Human Capital**



Innovation & R&D



**Minimum Govt.,
Maximum Governance**

1. Health and Well Being

- Atmanirbhar Health Yojana announced for the people of our nation with an outlay of Rs.64,180 crore over 6 years
- Announced a spend of around Rs.2 lakh crore on healthcare and Rs.35,000 crore for the Covid-19 vaccine
- Government will launch Mission Poshan 2.0 and Jal Jeevan Mission Urban



- As a step towards curbing the pollution and bring in fuel efficiency, Vehicle Scrappage Policy announce - vehicles would undergo the fitness tests in automated fitness centres after 20 years in case of personal vehicles and after 15 years in case of commercial vehicles

2. Physical and Financial Capital and Infrastructure



Textile

- To boost the Textile industry, seven textile parks will be set up over three years under the scheme of mega investment textile parks



Infrastructure

- Infrastructure financing - Development Financial Institution (DFI) – Rs.20,000 crore allocated to capitalize the DFI. Ambition to have lending portfolio of at least Rs.5 lakh crore for this DFI in 3 years time
- Govt. will take following 3 steps to achieve specific target for NIP (National Infrastructure Pipeline)
- Create Institutional Structure
- Monetizing Govt. assets
- Enhance the share of capital expenditure in central and state budgets



Asset Monetisation

- Rs.5,000 crore are transferred to the NHAI INVIT. Transmission asset of a value of Rs.7,000 crore will be transferred to PGCIL INVIT
- Railways will monetise Dedicated Freight Corridor assets for operations and maintenance, after commissioning
- The next lot of Airports will be monetised for operations and management concession



Sharp Increase in Capital Budget

- FY22 capital expenditure provided is up by 34.5% (vs FY21 BE) at Rs.5.54 lakh crore



- Rs.44,000 crore under capital expenditure will be given to Department of Economic Affairs in FY22
- Provide more than Rs.2 lakh crore to States and Autonomous Bodies for their Capital Expenditure



Roads and Highways Infrastructure

More economic corridors are planned to augment road infrastructure which are as follows:-

- 3,500 km of National Highway works in the state of Tamil Nadu
- 1,100 km of National Highway works in the State of Kerala
- 675 km of highway works in the state of West Bengal



Railway Infrastructure

- An allocation of Rs.1,10,055 crore been made
- The eastern and western dedicated freight corridors will be commissioned by Jun-22
- Announced plans for east-coast, east-west and north-south corridors
- 100% electrification of broad-gauge routes will be completed by Dec-23



Urban Infrastructure

- A new scheme will be launched at a cost of Rs.18,000 crore to support augmentation of public bus transport services
- It will facilitate deployment of innovative PPP Models to enable private sector players to finance, acquire, operate and maintain 20,000 buses
- 2 new technologies- **Metro Lite and Metro Neo** to be deployed to provide metro rail systems at much lesser cost within Tier-II cities and peripheral area of Tier-I cities



Power Infrastructure

- Enable electricity connections portability to consumers by introducing competition in the power distribution space
- Allocate Rs.3.05 lakh crore package to revive power distribution companies (discoms)



Ports, Shipping, Waterways

- 7 projects worth more than Rs.2,000 crore will be offered by the Major Ports on Public Private Partnership mode in FY21-22



Financial Capital

- Provide additional capital infusion of Rs.1,000 crore to Solar Energy Corporation of India and Rs.1,500 crore to Indian Renewable Energy Development Agency
- Proposed to consolidate provisions of the SEBI Act, Depositories Act, Securities Contracts Regulation Act and the Government Securities Act
- Introduce an investor charter as a right of all financial investors across all financial products



Increasing FDI in Insurance Sector

- Government aims to amend Insurance Act to allow higher FDI, increasing FDI limit in insurance to 74% from 49% and allowing foreign ownership
- Under new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors and specified percentage of profits being retained as general reserve



Recapitalization of PSBs

- To consolidate the financial capacity of PSBs, further recapitalization of Rs.20,000 crore is proposed in 2021-22



Deposit Insurance

- In case a bank fails or withdrawals from the bank are stopped due to financial pressure on the bank, the depositors will be able to get immediate access to their deposits up to the deposit insurance amount of Rs.5 lakh



Company Matters

- Decriminalization of the Limited Liability Partnership (LLP) Act, 2008
- Following increase in threshold limits for small companies:-

- ❖ For paid up capital – from Rs.50 lakh to Rs.2 crore
- ❖ For turnover – from Rs.2 crore to Rs.20 crore
- Launch new version of MCA 3.0 which will have additional module for e-Scrutiny, e-Adjudication, e-Consultation and Compliance Management



One Person One Co (OPC)

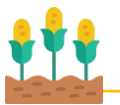
- Removing restrictions on one person companies (OPC) related to paid up capital and turnover
- Allow their conversion to any other type of company at any time
- Reducing time limit for NRI to set up an OPC from 182 days to 120 days



Disinvestment and Strategic Sale

- Disinvestment of Air India, BPCL, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam Limited among others would be completed in 2021-22
- IPO of LIC would be launched soon
- Monetising of land will be taken up, a SPV will be launched to carry out this activity

3. Inclusive Development for Aspirational India



Agriculture

- Propose to double corpus created under NABARD by augmenting it by another Rs.5,000 crore
- 1000 more Agriculture Product Marketing Committees (APMCs) or mandis will be linked to e-national agriculture market (e-NAM)
- The Agriculture Infrastructure Fund would be made available to APMCs for augmenting their infrastructure facilities



Fisheries

- Substantial investments in the development of modern fishing harbours and fish landing centres



- 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat – will be developed as hubs of economic activity
- Propose a multipurpose Seaweed Park to be established in Tamil Nadu



Migrant Workers and Labourers

- 69 crore beneficiaries (86% beneficiaries) were covered under the One-Nation, One-Ration card implemented by 32 states and union territories
- Proposed portal to collect information on GIG workers, building and construction workers
- Minimum wages will apply to all categories of workers and they will all be covered by the Employees State Insurance Corporation
- Women will be allowed to work in all categories and also in the night-shifts with adequate protection



Financial Inclusion

- Propose to reduce the margin money requirement from 25% to 15% and to also include loans for activities allied to agriculture
- Provided Rs.15,700 crore to MSME sector

4. Reinvigorating of Human Capital

- 100 new Sainik schools will be set up in partnership with NGOs / private schools / states
- Set up of Central University in LEH
- Propose to increase the unit cost of 750 Eklavya Model Residential school from Rs.20 crore to Rs.38 crore and for hilly and difficult areas, to Rs.48 crore
- Realign the existing scheme of National Apprenticeship Training Scheme (NATS) for providing post-education apprenticeship, training of graduates and diploma holders in Engineering



5. Innovation and R&D

- To give boost to digital transactions, Rs.15,000 crore is earmarked to promote digital mode of transactions
- Rs.700 crore has been allocated for the New Space India Limited (NSIL)
- India to launch Deep Ocean Mission, with allocation of Rs 4,000 crore over next four years



6. Minimum Government & Maximum Governance

- Allocates Rs.3,726 crore for the forthcoming Census, calling it "the first digital census"
- A grant of Rs.300 crore to the Government of Goa for the celebrations of states liberalization from Portuguese rule
- Provide Rs.1000 crore for the welfare of Tea Workers especially women and their children in Assam and West Bengal



Budget Numbers at Glance



- The fiscal deficit has been pegged at 9.5% of the Gross Domestic Product for the financial year 2020-21 as against budgeted 3.5%
- With the pandemic leading to a sharp contraction in tax revenues, India's fiscal deficit for 2020-21 zoomed to 9.5% of GDP, as against the 3.5% budgeted
- The total receipts for 2020-21 has reduced from initial budgeted figure of Rs.34.5 lakh crore to the revised budgeted figure of Rs.30.95 lakh crore
- The total expenditure for 2020-21 has increased from initial budgeted figure of Rs.30.42 lakh crore to the revised budgeted figure of Rs.34.50 lakh crore
- For the financial year of 2021-22, the central government estimated a fiscal deficit of 6.8% of the GDP

Receipts FY 2020-21	Type of Receipt	Estimate	Revised	Rs. In Crore	
				Increase / Decrease	
				Value	%
	Tax Revenue	16,35,909	13,44,501	-2,91,408	-18%
	Non-Tax Revenue	3,85,017	2,10,653	-1,74,364	-45%
	Capital Receipts	10,74,306	19,12,510	8,38,204	78%
	Total	30,95,232	34,67,664	3,72,432	12%

Sector	Estimate	Revised	Increase / Decrease	
			Value	%
			Interest	7,08,203
Defence	3,23,053	3,43,822	-20,769	-6%
Pension	2,10,682	2,04,393	6,289	3%
Subsidy	2,27,794	5,95,355	-3,67,561	-161%
Agriculture and Allied	1,54,775	1,45,355	9,420	6%
Education & Health	1,66,796	1,67,534	-738	-0.4%
Home Affairs	1,14,387	98,106	16,281	14%
Rural Development	1,44,817	2,16,342	-71,525	-49%
Transport	1,69,637	2,18,622	-48,985	-29%
Transfer to States	2,00,447	2,07,001	-6,554	-3%
Others	6,21,639	5,60,875	60,764	10%
Total	30,42,230	34,50,305	-4,08,075	

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- Team RAMA has wide experience in the field of Risk & Business Advisory, Indirect Taxes, ERP Implementations, Management Assurance and Corporate Finance across varied industries for reputed corporates within India, US and UAE.
- RAMA has an edge of a blended resource pool of CA, MBA, ERP consultants & Subject Matter Experts, which enables to provide comprehensive services beyond the traditional way of auditing & consulting.
- RAMA's IT arm (RAMA Corporate & IT Solutions LLP) is a Microsoft Certified Partner for implementing and managing Microsoft Dynamics products like AX, Navision, D365 and CRM.
- Also, partners with Spine HRMS Suite (an end to end HRMS tool), Eresource ERP, Kockpit BI (Business Intelligence) Tool, Dynamics Mobile and IRIS for GST filings.

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