

INDIA BUDGET 2021



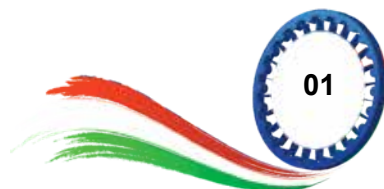
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This booklet summarises the important proposals included in the budget speech made by the Honourable Finance Minister on 1st February, 2021. Whilst every care has been taken in the preparation of this document it may contain inadvertent errors for which we shall not be held responsible. It must be stressed that the Finance Bill may contain proposals which have not been referred to in the budget speech and additionally, the detailed proposals are liable to amendment during the passage of the Finance Bill through Parliament. The information given in this document provides a bird's-eye view on the changes proposed and should not be relied for the purpose of economic or financial decision. Each such decision would call for specific reference of the relevant statutes and consultation of an expert.



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FOREWORD.....

Smt. Nirmala Sitharaman, India's Finance Minister, presented her third Budget on 1st February 2021 for the fiscal year 2021-22.

This Budget was awaited with bated breath as it was presented amidst a challenging year of pandemic and was preceded by numerous 'mini budgets' during the fiscal year 2020-21 in the form of stimulus packages aggregating to almost INR 30 Lakh Crores, concessions, relaxations and extensions to mitigate/reduce the pandemic related hardships being faced by the taxpayers. There were rumours of a stiff "covid-cess" being levied to raise revenues to meet the increased expenditure. There were also doubts as to whether the present Government would agree with the economists' suggestion of going for a high fiscal deficit to give a booster shot to the covid-stricken economy.

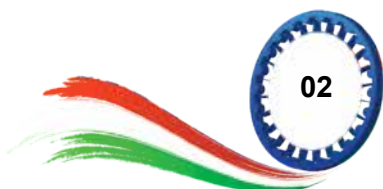
Contrary to these rumours and doubts, the Finance Minister has not only not increased the tax rates but has budgeted for a high fiscal deficit and government borrowings for the proposed huge public spend on health and physical infrastructure in the next five years. The Fiscal Deficit for the year 2021-22 is estimated to be around 6.8%, with a target of reducing it to 4.5% by FY 2025-26 and India aims to achieve the size of \$ 5 Trillion economy by 2025.

The Indian stock market welcomed the budgetary announcements with a 5% rise on the day of the budget followed by another huge rise on the immediately following day.

The major announcements under broad headings are summarised below:

Policies on Fiscal measures

- PM AtmaNirbhar Swasth Bharat Yojana with an outlay of 64,180 Crores for detection and cure of new diseases
- Jal Jeevan Mission with an outlay of 2.87 Lakh Crores over 5 years for water supply and liquid waste management
- Mega Investment Textiles Parks (MITRA) scheme to create world class infrastructure
- Setting up of Development Financial Institution for infrastructure financing
- 'National Monetization Pipeline' of potential brownfield infrastructure assets to be launched for monetizing operating public infrastructure assets
- Announcement of Vehicle Scrappage Policy, initiatives for Railways and Education Proposals for revitalising Financial Sector
- Proposal to consolidate the provisions of SEBI Act, Depositories Act, Securities Contracts (Regulation) Act, and Government Securities Act, 2007 into a Securities Markets Code
- Asset Reconstruction/ Management Company to consolidate and take over stressed debt to manage and dispose of the assets to Alternate Investment Funds/ others
- Recapitalization of public sector banks by INR 20,000 Crores
- Investor Charter as a right of all investors across financial instruments.





- Divestment target for FY22 is INR 1.75 Lakh Crores for various public sector enterprises
- Privatisation of one General Insurance PSU and IPO of LIC proposed
- Proposal to amend the Insurance Act, to hike FDI limit to 74% from 49%

Proposals to amend Direct Tax & Indirect Tax Laws

- Relaxations to specified Senior citizens from filing return of income and improved pre filling of ITR to ease compliance burden
- Setting up of Faceless Income Tax Appellate Tribunal centre and Dispute Resolution Panel for small taxpayers
- Reduction in time limit for re-opening of tax assessments except for serious tax fraud cases followed by a procedure
- Revision in the tax audit Limit to 10 Crores for digital transactions
- Proposal to review 400 old exemptions in Customs duties

Amendments to Corporate Laws

- Decriminalisation of various provisions under LLP Act
- Small Company definition further liberalised
- NRIs to be allowed to set up One Person Company

This Budget has a self-reliant outlook and has covered every section of the society. The budget aims to achieve a fine balance by allocating resources without raising tax, managing fiscal deficit with alternate resource mobilization and creating a robust investment climate. There are a number of measures to ease doing business in India especially for small and medium-sized businesses.

The Budget outlines Government's resolve to offer requisite opportunity to reset the economy and capture the pace that it needs for sustainable growth.

Monday, 1st February 2021

Mumbai

India



Key highlights of the Economic Survey 2021 – A dedication to Covid Warriors!!

1. Once in a century crisis:

- The Covid Pandemic ensued global economic downturn, the most severe one since the Global Financial Crisis.
- India focused on saving lives and livelihoods by its willingness to take short-term pain for long-term gain, at the onset of the COVID-19 pandemic.
- The strategy of an early intense lockdown, although proved to be a win-win strategy for saving lives, resulted in a flattened growth curve. After the September, 2020 peak, the cases started to decline despite increased mobility.
- India was the only country to announce structural reforms to expand supply in the medium-long term and avoid long-term damage to productive capacities.
- Governments and central banks across the globe deployed various policy tools to support their economies such as lowering policy rates, quantitative easing measures, etc.
- India became the **fastest country to roll-out 10 lakh vaccines** in 6 days and also emerged as a **leading supplier of the vaccine** to neighbouring countries and Brazil.
- Initial measures of lockdown, social distancing, travel advisories, practicing hand wash, wearing masks reduced the spread of the disease.
- The nation also acquired **self-reliance in essential medicines**, hand sanitizers, protective equipment including masks, PPE Kits, ventilators, COVID-19 testing and treatment facilities.
- The World's **largest COVID-19 vaccination drive** commenced on 16th January, 2021 using two indigenously manufactured vaccines.

2. India adopted a four pillar strategy of containment, fiscal, financial, and long-term structural reforms. A favourable monetary policy ensured abundant liquidity and immediate relief to debtors while unclogging monetary policy transmission. Fiscal and monetary support was provided, cushioning the vulnerable during the lockdown and boosting consumption and investment while unlocking.

3. The real GDP to grow at 11% in FY 2021-22 and the nominal GDP to grow by 15.4% - the highest since independence.

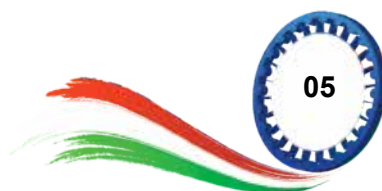
4. The recovery in second half of FY 2020-21 is expected to be powered by government consumption, estimated to grow at 17% YoY.

5. Exports expected to decline by 5.8% and imports by 11.3% in the second half of FY21.





6. India expected to have a Current Account Surplus of 2% of GDP in FY21, a historic high after 17 years.
7. On the supply side, the Gross Value Added (GVA) growth pegged at -7.2% in FY21 as against 3.9% in FY20.
8. The Agro sector is set to cushion the shock of the COVID-19 pandemic on the Indian economy in FY21 with a growth of 3.4%.
9. Industry and services estimated to contract by 9.6% and 8.8% respectively during FY21.
10. India remained a **preferred investment destination** in FY 2020-21 with FDI pouring in amidst global asset shifts towards equities and prospects of quicker recovery in emerging economies. The net FPI inflow recorded an all-time monthly high of US\$ 9.8 billion in November 2020. India was the only country among emerging markets to receive equity FII inflows in 2020.
11. The Sensex and Nifty resulted in India's market-cap to GDP ratio crossing 100% for the first time since October 2010.
12. The reignited inter and intra state movement and record-high monthly GST collections have marked the unlocking of industrial and commercial activity.
13. The **external sector** provided an effective cushion to growth with India recording a **Current Account Surplus of 3.1% of GDP** in the first half of FY21 with strong service exports and high forex reserves.
14. India's mature policy response to the 'once-in-a-century' crisis provides important lessons for democracies to avoid myopic policy-making and demonstrates benefits of focusing on long-term gains.
15. Given India's growth potential, debt sustainability is unlikely to be a problem even in the worst scenarios. The debt sustainability depends on the 'Interest Rate Growth Rate Differential' (IRGD), i.e., the difference between the interest rate and the growth rate. In India, the **interest rate on debt is less than growth rate**.
16. Healthcare takes the center stage, finally!!
 - The Covid pandemic emphasized the importance of healthcare sector and its inter-linkages with other sectors - showcasing how a health crisis transformed into an economic and social crisis.
 - The National Health Mission (NHM) played a critical role in mitigating inequity as the access of the poorest to pre-natal/post-natal care and institutional deliveries increased significantly.
 - Telemedicine needs to be harnessed to the fullest by investing in internet connectivity and health infrastructure.
17. An increase in public healthcare spending from 1% to 2.5-3% of GDP can decrease the out-of-pocket expenditure from 65% to 35% of overall healthcare spending.



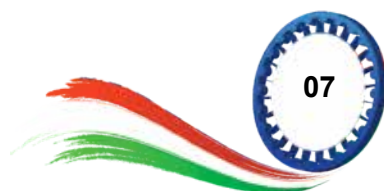


18. A regulator for the healthcare sector must be considered given the market failures stemming from information asymmetry.
19. Mitigation of information asymmetry will help lower insurance premiums, enable the offering of better products and increase insurance penetration.
20. Regulatory Forbearance, an emergency medicine and not a staple diet:
 - Forbearance represents emergency medicine that should be discontinued at the first opportunity when the economy exhibits recovery, not a staple diet that gets continued for years.
 - During the Global Financial Crisis, regulatory **forbearance** helped borrowers tide over temporary hardship.
 - It continued long after the economic recovery, resulting in unintended consequences for the economy.
 - Banks exploited the forbearance window for window-dressing their books and misallocated credit, thereby damaging the quality of investment in the economy.
 - To promote judgement amidst uncertainty, ex-post inquests must recognize the role of hindsight bias and not equate unfavourable outcomes to bad judgement or malafide intent.
 - An Asset Quality Review exercise must be conducted immediately after the forbearance is withdrawn.
 - The legal infrastructure for the recovery of loans needs to be strengthened de facto.
21. Innovation: Trending up but needs thrust:
 - India **entered the top-50 innovating countries for the first time in 2020** since the inception of the Global Innovation Index in 2007, ranking **first in Central and South Asia**, and third amongst lower middle-income group economies.
 - The Gross domestic expenditure on R&D (GERD) is lowest amongst top ten economies.
 - The government sector contributes a disproportionately large share in total GERD at three times the average of top ten economies.
 - For achieving higher improvement in innovation output, India must focus on improving its performance on institutions and business sophistication innovation inputs.
22. Pradhan Mantri Jan Arogya Yojna (PM-JAY) launched in 2018 to provide healthcare access to the most vulnerable sections demonstrates strong positive effects on healthcare outcomes in a short time. By implementing this scheme, significant health improvements were seen in states implementing them. There was an increase in health insurance coverage, and a decline in infant mortality rate. Various metrics for mother and child care improved.





23. Access to bare necessities improved across all states in the country in 2018 as compared to 2012 leading to **improvements in health indicators** such as infant mortality and under-5 mortality rate and also correlates with future improvements in education indicators. There has been an improvement in each of the five dimensions i.e. access to water, housing, sanitation, micro-environment and other facilities.
24. Interstate disparities declined across rural and urban areas as the laggard states have gained relatively more between 2012 and 2018.
25. Monthly GST collections have crossed the ₹ **1 lakh crore** mark consecutively for the last 3 months, reaching its **highest levels in December 2020 ever since the introduction of GST**.
26. Reforms in the tax administration have begun a process of transparency and accountability and have incentivized tax compliance by enhancing honest tax-payers' experience.
27. External Sector:
 - The Forex Reserves are at an **all-time high of US\$ 586.1 billion as on January 08, 2021**, covering about 18 months worth of imports.
 - India is experiencing a Current Account Surplus along with robust capital inflows leading to a Balance of Payment surplus since Q4 of FY2019-20.
 - The merchandise trade deficit was lower at US\$ 57.5 billion in April-December, 2020 as compared to US\$ 125.9 billion in the corresponding period last year.
 - Net Service **receipts** amounting to US\$ 41.7 billion remained stable in April-September 2020 as compared with US\$ 40.5 billion in corresponding period a year ago.
 - At end Sept 2020, the **external debt** placed at US\$ 556.2 billion - a decrease of US\$ 2.0 billion (0.4%) as compared to end-March 2020.
 - The Debt service ratio (principal repayment plus interest payment) increased to 9.7% as at end-September 2020, compared to 6.5% as at end-March 2020.
 - RBI's intervention in the **forex markets** ensured financial stability and orderly conditions, controlling the volatility and one-sided appreciation of the Rupee.
28. The gross NPA ratio of Scheduled Commercial Banks decreased from 8.21% at end-March, 2020 to 7.49% at end-September, 2020.
29. The recovery rate for the Scheduled Commercial Banks through IBC (since its inception) has been over 45%.
30. Inflation ranged from 3.2% to 11% across States/UTs during June-December 2020 compared to (-) 0.3% to 7.6% during the same period last year. Banning of export of onions and easing of restrictions on import of pulses were a few steps taken to stabilise food prices.
31. There was a sharp spike in prices of gold as investors turned to gold as a safe haven investment amid COVID-19 induced economic uncertainties.

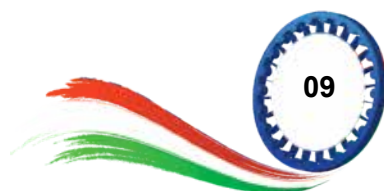
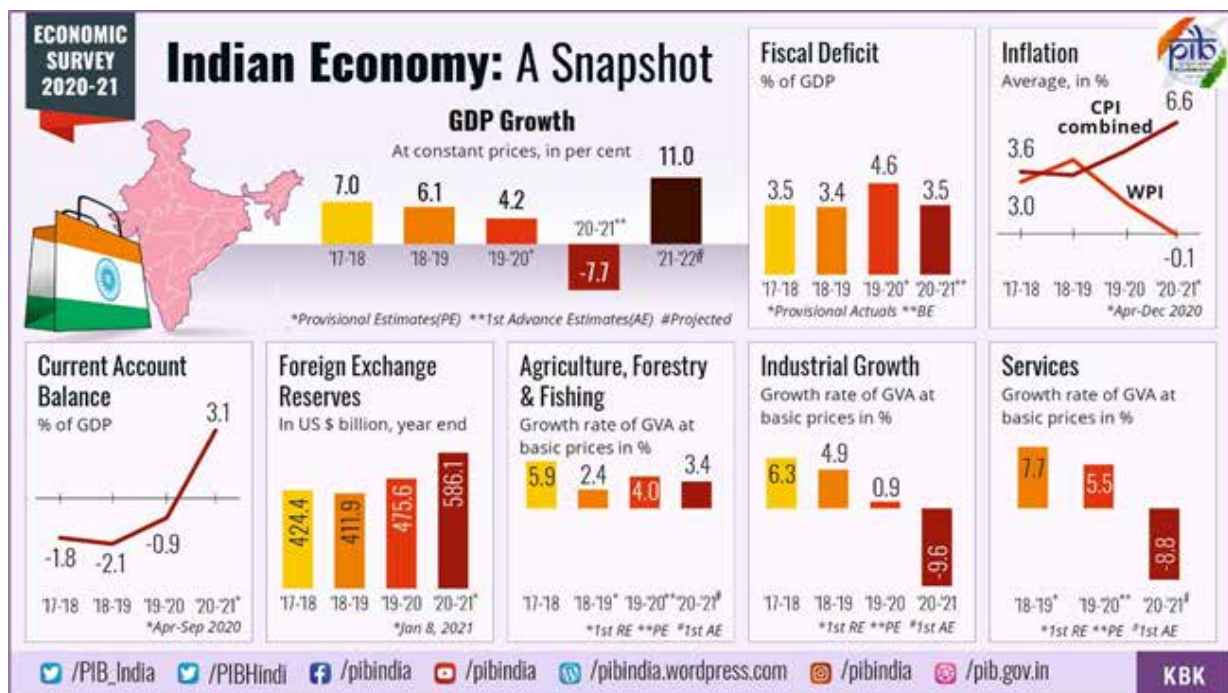




32. Eight National Missions under National Action Plan on Climate Change (NAPCC) focussed on the objectives of adaptation, mitigation and preparedness on climate risks.
33. Despite overall growth in the global bond markets, green bond issuance in the first half of 2020 slowed down from 2019, possibly as a result of the on-going COVID-19 pandemic
34. The International Solar Alliance launched two new initiatives – ‘**World Solar Bank**’ and ‘**One Sun One World One Grid Initiative**’ - poised to bring about solar energy revolution globally.
35. Agriculture and Food Management:
- The Agricultural (and Allied Activities) sector has shown its resilience amid the adversities of COVID-19 induced lockdowns with a growth of 3.4% at constant prices during 2020-21 (first advance estimate).
 - The total food grain production in the country in the agriculture year 2019-20 (as per Fourth Advance Estimates), is 11.44 million tonnes more than than during 2018-19.
 - The actual agricultural credit flow was ₹13,92,469.81 crores against the target of ₹13,50,000 crores in 2019-20. The target for 2020-21 was ₹15,00,000 crores and a sum of ₹ 9,73,517.80 crores was disbursed till 30th November, 2020.
 - An amount of ₹ 18k Crores have been deposited directly in the bank accounts of 9 crore farmer families of the country in December, 2020 in the 7th installment of financial benefit under the PM-KISAN scheme.
 - Fish **production** reached an all-time high of 14.16 million metric tons during 2019-20.
 - The Food Processing Industry sector growing at an Average Annual Growth Rate (AAGR) of around 9.99 % as compared to around 3.12 % in Agriculture and 8.25 % in Manufacturing at 2011-12 prices during the last 5 years ending 2018-19.
 - Under the PM Garib Kalyan Anna Yojna, 80.96 crore beneficiaries were provided foodgrains above NFSA mandated requirement free of cost till November, 2020 resulting into a fiscal outgo of ₹ 75,000 Crores.
36. India’s rank in the **Ease of Doing Business** (EoDB) Index for 2019 has moved upwards to the **63rd position in 2020** from 77th in 2018 as per the Doing Business Report (DBR). In 7/10 indicators, the position has improved.
37. The FDI equity inflows were US\$49.98 billion in FY20 as compared to US\$44.37 billion during FY19, mainly coming from the non manufacturing sector.
38. The Government has announced a Production-Linked Incentive (PLI) Scheme in the 10 key sectors under the aegis of AatmaNirbhar Bharat for enhancing India’s manufacturing capabilities and exports.
39. Despite the disruptions being witnessed globally, FDI inflows into India’s services sector grew robustly by 34% Y-o-Y during April-September 2020 to reach US\$ 23.6 billion.



40. The Indian start-up ecosystem has been progressing well amidst the COVID-19 pandemic, being home to 38 unicorns - adding a record number of 12 start-ups to the unicorn list last year.
41. India has spent about US\$ 1.8 billion on space programmes in 2019-20
42. Space ecosystem is undergoing several policy reforms to engage private players and attract innovation and investment.
43. The combined (Centre and States) social sector expenditure as % of GDP has increased in 2020-21 compared to last year.
44. Life expectancy at birth improved from 69.4 years in 2018 to 69.7 years in 2019.
45. The access to data network, electronic devices such as computer, laptop, smart phone etc. gained importance due to online learning and remote working during the pandemic.
46. An amount of ₹ 500 each was transferred for three months digitally into bank accounts of the women beneficiaries under PM Jan Dhan Yojana, totalling about ₹ 20.64 crores.
47. Free distribution of gas cylinders to about 8 crore families for three months.
48. Limit of collateral free lending increased from ₹ 10 lakhs to ₹ 20 lakhs for **63 lakh women SHGs** which would support 6.85 crore households.





MAJOR BUDGET PROPOSALS

- ✓ Senior citizens (above 75 years of age) earning pension and interest income to be exempt from filing the return of income
- ✓ Reopening time-limit reduced to 3 years from 6 years and for serious tax evasion cases (where there's evidence of concealment of income of INR 50 lakhs or more) - time-limit intact at 10 years subject to PCIT's approval
- ✓ ITAT to go Faceless; Communication between Tribunal and Appellants to be electronic, hearing allowed only through video conferencing
- ✓ Proposes setting up Dispute Resolution Mechanism for small taxpayers
- ✓ Tax audit limit increased for from current INR 5 crores to INR 10 crores (in cases cash receipts/ payments do not exceed 5% of total receipts / payments)
- ✓ Dividend payment to REITS and INVTs exempt from TDS
- ✓ FM proposes TDS on dividend income of NRs at lower treaty rate
- ✓ For ease of compliance, advance tax liability on dividend income to arise only after declaration of dividend
- ✓ Proposes to make notified infra debt funds eligible to raise funds by way of tax efficient zero-coupon bonds
- ✓ Additional interest deduction of INR 1.5 lakh on home loan sanctioned upto March 2022
- ✓ Affordable Housing Projects can avail tax holiday where upto March 2022
- ✓ Proposes tax holiday for aircraft leasing companies in IFSCs & several other incentives for offshore banking units set up in or relocating to IFSCs
- ✓ Tax exemptions on lease rental paid by airlines to foreign lessor
- ✓ ITR to also have pre-filled information on dividend, interest & capital gains to ease compliance
- ✓ Late deposit of employees' contribution to PF, etc. not to be allowed as deduction to the employer
- ✓ Capital Gains exemption for investment in start-ups to be extended by another year
- ✓ Incentives for Start-ups - extends tax holiday eligibility period by one more year
- ✓ Relaxation of conditions for sovereign wealth funds to claim exemption from dividends interest & capital gains
- ✓ Deep Analytics and Artificial Intelligence used to catch fake billers

The proposed amendments are summarised hereafter in greater details under relevant sections in this Publication

RATES OF TAXATION



INDIA
BUDGET
2021

Personal Tax (Old Regime)

The tax rates have remained the same as in the earlier year

(A) For Individuals, HUFs, AOPs, BOIs [not covered in (B) & (C) below]

Total Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Upto ₹ 2,50,000	0.00%	0.00%	0.00%
₹ 2,50,001 to ₹ 5,00,000	5.00%	0.20%	5.20%
₹ 5,00,001 to ₹ 10,00,000	20.00%	0.80%	20.80%
Above ₹ 10,00,000	30.00%	1.20%	31.20%

(B) Resident Senior individuals (Age 60 years or more)

Total Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Upto ₹ 3,00,000	0.00%	0.00%	0.00%
₹ 3,00,001 to ₹ 5,00,000	5.00%	0.20%	5.20%
₹ 5,00,001 to ₹ 10,00,000	20.00%	0.80%	20.80%
Above ₹ 10,00,000	30.00%	1.20%	31.20%

(C) Resident Very Senior individuals (Age 80 years or more)

Total Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Upto ₹ 5,00,000	0.00%	0.00%	0.00%
₹ 5,00,001 to ₹ 10,00,000	20.00%	0.80%	20.80%
Above ₹ 10,00,000	30.00%	1.20%	31.20%



Surcharge for Individuals, HUFs, AOPs, BOIs

Existing Surcharge*		Proposed Surcharge*	
Total Income	Rate of surcharge	Total Income	Rate of surcharge
Upto 50,00,000	0%	Upto 50,00,000	0%
₹ 50,00,001 - ₹ 1,00,00,000	10%*	₹ 50,00,001 - ₹ 1,00,00,000	10%
₹ 1,00,00,001 - ₹ 2,00,00,000	15%*	₹ 1,00,00,001 - ₹ 2,00,00,000	15%
₹ 2,00,00,000 - 5,00,00,000	25%*	₹ 2,00,00,000 - 5,00,00,000	25% ^
5,00,00,000+	37%*	5,00,00,000+	37% ^

[*Note: However, assessee would be entitled to Marginal Relief]

[^ Note: The surcharge shall not exceed 15% in case of:

- i) Dividend Income, and
- ii) Capital Gains taxed u/s 111A and u/s 112A
- iii) Foreign Institutional Investor - for income in the form of Dividends & Capital Gains (referred to in S. 115AD (1)(b))

It is pertinent to note that the benefit of capping the surcharge at 15 % for Dividend & Capital Gains income is not available to non-residents where the said income is taxable under the provisions of section 115A, 115AB, 115AC, 115ACA & 115E, while it continues to apply for income earned by Foreign Institutional Investor where the same is taxed u.s, 115AD.-[The said position is inferred from Memorandum explaining provisions of the Bill, the Finance Bill is silent on the said aspect]

Rebate for Resident Individuals

The rebate u/s 87A will remained changed at INR 12,500/- for resident individuals whose total income is not exceeding INR 5,00,000/-. The amount of rebate will be the actual tax payable or ₹ 12,500/-, whichever is lower



Personal Tax (New Regime - Section 115BAC)

(A) For Individuals and HUFs

Total Income	Rates of Tax (%)		
	Tax Rate (%)	Cess @ 4%(%)	Effective Rates (%)
Upto ₹ 2,50,000	0.00%	0.00%	0.00%
₹ 2,50,001 to ₹ 5,00,000	5.00%	0.20%	5.20%
₹ 5,00,001 to ₹ 7,50,000	10.00%	0.40%	10.40%
₹ 7,50,001 to ₹ 10,00,000	15.00%	0.60%	15.60%
₹ 10,00,001 to ₹ 12,50,000	20.00%	0.80%	20.80%
₹ 12,50,001 to ₹ 15,00,000	25.00%	1.00%	26.00%
Above ₹ 15,00,000	30.00%	1.20%	31.20%

Existing Surcharge*		Proposed Surcharge*	
Total Income	Rate of surcharge	Total Income	Rate of surcharge
Upto 50,00,000	0%	Upto 50,00,000	0%
₹ 50,00,001 - ₹ 1,00,00,000	10%*	₹ 50,00,001 - ₹ 1,00,00,000	10%*
₹ 1,00,00,001 - ₹ 2,00,00,000	15%*	₹ 1,00,00,001 - ₹ 2,00,00,000	15%*
₹ 2,00,00,000 - 5,00,00,000	25%*	₹ 2,00,00,000 - 5,00,00,000	25% ^
5,00,00,000+	37%*	5,00,00,000+	37% ^

[*Note: However, assessee would be entitled to Marginal Relief]

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i) Dividend Income, and

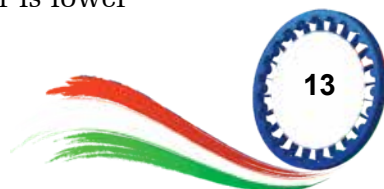
ii) Capital Gains taxed u/s 111A and u/s 112A

iii) Foreign Institutional Investor - for income in the form of Dividends & Capital Gains (referred to in S. 115AD (1)(b))

It is pertinent to note that the benefit of capping the surcharge at 15 % for Dividend & Capital Gains income is not available to non-residents where the said income is taxable under the provisions of section 115A, 115AB, 115AC, 115ACA & 115E, while it continues to apply for income earned by Foreign Institutional Investor where the same is taxed u/s, 115AD - [The said position is inferred from Memorandum explaining provisions of the Bill, the Finance Bill is silent on the said aspect]

Rebate for Resident Individuals

The rebate u/s 87A will remained changed at INR 12,500/- for resident individuals whose total income is not exceeding INR 5,00,000/- . The amount of rebate will be the actual tax payable or ₹ 12,500/-, whichever is lower





Companies

Domestic Companies not opting for any special regime (rates unchanged)

Turnover	Rate of Tax
Less than INR 400 crore in FY 2019-20	25%*
More than INR 400 crore in FY 2019-20	30%*

Income	Rate of Surcharge
Up to INR 1 crore	NIL
Between INR 1 - 10 crore	7%
More than INR 10 crore	12%

Health & Education Cess unchanged @ 4%

MAT unchanged @ 15% (plus surcharge & cess as above).

*Tax on amounts distributed through Buy-Back of shares (listed & unlisted companies) – 20% plus surcharge & cess

Domestic Companies opting for any special regime (rates unchanged)

Opting for Lower Corporate Tax Rate u/s 115BAA

Tax Rate	22%
Surcharge	10%
Health & Education Cess	4%
Effective Tax Rate	25.168%
MAT	Not applicable

Newly setup company engaged in Manufacturing or Electricity Generation (Commencing business before 31st March, 2023) opting for Lower Corporate Tax Rate u/s 115BAB

Tax Rate	15%
Surcharge	10%
Health & Education Cess	4%
Effective Tax Rate	17.16%
MAT	Not applicable

Foreign Companies (unchanged)

Tax Rate	40%
Surcharge	Income up to INR 1 crore – NIL Income between INR 1 crore & 10 crore – 2% Income exceeds INR 10 crore – 5%
Health & Education Cess	4%



Firms (including LLPs)

Rates of tax remain unchanged at 30%.

Surcharge remains unchanged @ 12% for Firms with income exceeding INR 1 crore.

Health & Education Cess unchanged @ 4%

AMT applies at 18.5% (plus surcharge & cess) on adjusted total income if the same exceeds INR 20 lakh

Cooperative Societies

Normal Rates of Tax

Rates remain unchanged at (10% up to INR 10,000; 20% between INR 10,000 to INR 20,000; and 30% in excess of INR 30,000).

Surcharge of 12% applies where income exceeds INR 1 crore.

Health & Education Cess @ 4%

Concessional Rate:

Co-op Societies can opt for special rate of taxation @ 22% plus 10% surcharge & 4% health & education cess @ 4% u/s 115BAD w.e.f. AY 2021-22 onwards, subject to satisfaction of conditions prescribed therein.

Local Authorities

Rates of tax remain unchanged at 30%.



i) Exemption for LTC Cash Scheme announced during Covid-19 lockdown [Section 10(5)]

Section 10(5) of the Act provides for exemption in respect of the value of travel concession or assistance received by or due to an employee from his employer or former employer for himself and his family, in connection with his proceeding on leave to any place in India.

Due to COVID-19 pandemic individuals would not have been able to travel and therefore, it is provided through insertion of a proviso that tax exemption shall be granted to cash allowance in lieu of LTC for block 2017-2021 subject to fulfilment of conditions.

Such conditions are prescribed under Rule 2B of Income-tax Rules, 1962. Memorandum explaining budget proposal explains that conditions to be prescribed for exemption of expenditure incurred by said **individual or his family** on goods/services, shall be:

- a) **GST Rate on such expenditure:** Such expenditure should attract GST of 12% or more;
- b) **Payment for said expenditure:** Payment is either made by Account Payee Cheque, ECS, Bank Draft, mode specified in Rule 6ABBA;
- c) **Period of incurrence:** The Expenditure should have been incurred during 12th October 2020 to 31st March, 2021;
- d) **Limit:** The amount of exemption shall not exceed thirty-six thousand rupees per person or one-third of specified expenditure;
- e) No other person should claim the benefit for the same expenditure.

This amendment will take effect from 1st April 2021 and will apply only in relation to AY 2021-22.

ii) Relief in respect of taxation of income from notified overseas retirement funds [Section 89A]

A new section 89A has been inserted to provide manner of taxation of income of specified person accrued in a specified account. Specified person has been defined to mean a person resident in India who opened a specified account in a notified country while being a non-resident and resident in that country.

“Specified account” is 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 defined as a country that the Central Government will notify in the official gazette for the purposes of this section.

The new provision shall come in effect from 1st April, 2022 and accordingly apply for AY 2022-23 onwards.



iii) Restricting the exemption for high premium Unit Linked Insurance Policy (ULIP) [Section 10(10D)]

Section 10(10D) deals with exemption in respect of sums received under an insurance policy subject to the fulfilment of conditions given therein. This section is amended by insertion of new provisos to revoke the exemption to certain ULIPs.

It is now provided that exemption under section 10(10D) shall not be available for any ULIP issued on or after 1st February 2021, where the amount of premium payable in any previous year during the term of such policy exceeds INR 2,50,000. Further, it is provided exemption under section 10(10D) shall not be available if the premium payable by a person for more than one ULIPs issued on or after 1st February 2021, exceeds INR 2,50,000 in any previous year during the term of any of the policies. However, any sum received as a death benefit shall remain exempt on receipt.

Further, CBDT has been empowered to issue such guidelines with prior approval of central government as may be necessary for removal of difficulty arising in giving effect to these provisions. Such guidelines shall be binding on the taxpayer as well as income tax authorities.

Corresponding amendment is made to the definition of the term capital asset defined under section 2(14) to ULIPs not eligible for exemption u/s 10(10D). Further, section 45 has been amended to provide that profits or gains arising on receipt of amount, including bonus, will be taxed under the head capital gains in the year of receipt. Taxable income shall be calculated as per Rules that may be prescribed.

These amendments come into effect from 1st April 2021, and accordingly would apply in relation to AY 2021-22 and thereafter.

iv) Limiting the interest earned from contribution to Provident Funds [Section 10(11) and section 10(12)]

Presently, any payment from provident fund setup under Provident Funds Act, 1925 or any recognised fund setup by Central Government is exempted under section 10(11). Similarly, any interest accrued/received on accumulated balance of such provident funds is exempt under section 10(12).

It has now been provided that the exemptions shall not be available in respect of interest which relates to an annual contribution made by that person to the provident fund which exceeds INR 2,50,000 anytime on or after 1st April 2021.



BUSINESS, PROFESSION & CORPORATE TAXATION

(i) Modification in threshold limits for applicability of tax audit in certain cases [Section 44AB]

Section 44AB(a) requires every person carrying on business to get its accounts audited, if the total sales turnover or gross receipt exceeds INR 1 crore in any previous year.

However, in case where aggregate of all receipts (including turnover, sales or gross receipts) and aggregate of all payments (including amounts incurred towards expenditure), made in cash during the previous do not exceed 5% of such receipt/payment, the threshold for applicability of tax audit was increased to INR 5 Crore. It is now provided that the threshold limit of turnover/ gross receipts for applicability of tax audit in respect of such cases shall now be increased to INR 10 crores.

This amendment shall become effective from 1st April 2021 and will accordingly apply from AY 2021-22 and onwards.

(ii) Restriction on claim of deduction for amounts relating to employee's contribution not deposited before the due date [Section 36(1)(va) and section 43B]

The deduction in respect of contribution received by the employers from his employees towards any welfare fund were to be allowed only if such sum is credited by the employer to the employee's account in the relevant fund on or before the due date prescribed under the relevant Act. An explanation is inserted to clarify that, provision of section 43B do not apply and shall be deemed to have never been applicable for the purposes of determining the "due date" referred under section 36(1)(va).

Further, section 43B of the Act is amended by inserting an Explanation 5 clarifying that provisions of the said section do not apply and deemed to have never been applicable to a sum received by the assessee from any of his employees to which provisions of section 2(24)(x) of the Act applies.

Accordingly, if the employer fails to deposit the employee's contribution in timely manner as per the relevant Act, the same shall not be allowed as a deduction in any year even if such contributions are deposited subsequently.

This amendment will take effect from 1st April, 2021 and accordingly apply from AY 2021-22 and onwards.

(iii) Widening the scope of 'slump sale' definition – now slump "transfer" [Section 2(42C) and section 2(47)]

"Slump Sale" was defined to mean the transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to individual assets and liabilities in such sales. It is now provided that "slump sale" shall mean the transfer of one or more undertakings, by any means for a lump sum consideration without values being assigned to individual assets and liabilities in such sales.





Further, an explanation has been inserted to clarify that the term “transfer” used for the purpose of defining the term slump sale shall have meaning given to it under section 2(47).

This amendment will take effect from 1st April, 2021 and shall apply from AY 2021-22 and onwards.

(iv) Transfer of capital asset to partner/member on the dissolution of the firm/AOP/BOI taxable as capital gains [Section 45(4) and section 45(4A)]

There was controversy and litigation regarding applicability of section 45(4) to a situation where i) assets are revalued or ii) self-generated assets are recorded in the books of accounts and payment is made to partner or member to include the above amounts.

Section 45(4) of the Act is substituted with a new provision which provides that where a partner/member receives any capital asset at the time of dissolution or reconstitution of the firm/AOP/BOI which represents the balance in his capital account, the profits or gains arising from such receipt shall be taxable as capital gains in the hands of the firm/AOP/BOI in the previous in which such capital asset was received by the specified person.

Similarly, a new sub-section 45(4A) is inserted which provides that where a partner/member receives money or any other asset at the time of dissolution or reconstitution of the firm/AOP/BOI which represents the balance in his capital account, the profits or gains arising from such receipt shall be taxable as capital gains in the hands of the firm/AOP/BOI in the previous in which such capital asset was received by the specified person.

For the purpose of determining capital gains in the hands of the firm/AOP/BOI in these amended provisions, the fair market value of the capital asset/any other asset will be considered as the full value of consideration received by the firm/AOP/BOI. Further, the cost of acquisition shall be determined as per manner prescribed under the provisions of the Act. The “balance in capital account” is to be calculated without considering any increase due to revaluation of any asset including any self-generated goodwill or any other self-generated asset.

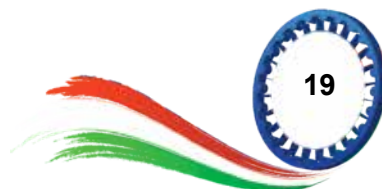
The term “self-generated goodwill” and “self-generated asset” has been defined to mean goodwill or asset, as the case may be, which has been acquired without incurring any cost for purchase or which has been generated during the course of the business or profession.

This amendment will take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.

(v) Depreciation on goodwill [Section 32, section 2(11), section 50(2) and 55(2)(a)]

Goodwill will no longer be eligible for depreciation irrespective of the mode of its acquisition. Following amendments have been made to various sections to ensure that no depreciation can be claimed on goodwill.

Section 32 of the Act is amended to exclude goodwill of a business or profession from the category of depreciable assets.





Section 2(11) of the Act is amended to specifically provide that “block of assets shall not include goodwill” be it acquired or self-generated. A proviso is inserted in 50(2) of the Act, to provide that in a case where goodwill of a business or profession formed part of a block of asset for the assessment year beginning on the 1st April, 2021 and depreciation has been claimed by the tax-payer under the Act, the written down value of that block of asset and short-term capital gain, if any, shall be determined in the manner as may be prescribed.

Section 55(2)(a) has been substituted with a new provision. New provisions provides that for the purpose of sections 48 and 49, “cost of acquisition” means the amount of purchase price for the previous owner in respect of a capital asset being goodwill of business or profession, a trade mark, or brand name associated with a business or profession, or a right to manufacture, produce or process any article or thing, or right to carry on any business or profession, or tenancy rights, or stage carriage permits or looms hour in cases falling under section 49(1)(i) to (iv) and where such asset is acquired from previous owner. It also provides that in any other case, the cost of acquisition shall be considered as Nil.

It is also clarified that in case of goodwill of business or profession acquired by the tax payer by way of purchase from a previous owner (either directly or through modes specified under section 49(1)(i) to (iv)) and any deduction on account of depreciation under section 32 of the Act has been claimed by the tax payer in any previous year preceding the previous year 2020-21, then the cost of acquisition will be the purchase price as reduced by the depreciation so obtained by the tax payer.

This amendment will take effect from 1st April 2021 and shall apply from AY 2021-22 and onwards.

(vi) Limiting applicability of presumptive taxation on profession [Section 44ADA]

Section 44ADA currently applies to all assessee, being resident in India. Considering LLPs & Companies are required to maintain books of accounts under their corporate laws, section 44ADA is amended to apply only to resident individuals, HUFs or firms, other than an LLP.

Therefore, professionals exercising their profession through an LLP will no longer be able to take the benefit of presumptive taxation u/s 44ADA. This amendment will take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.

(vii) Provisional attachment in cases of false entry [Section 281B]

Section 281B provides for the provisional attachment of any property belonging to the tax payer by the AO, with the prior approval of senior authorities, in case of pending assessment or reassessment proceedings so as to protect the interest of revenue.

Section 281B of the Act is amended to permit provisional attachment of property to protect interest of the revenue during pendency of proceeding for imposition of penalty under Section 271AAD of the Act (penalty for false entry or omission of entry in books of accounts to evade tax liability) where the amount or aggregate amounts of penalty likely to be imposed exceeds INR 20 lakhs.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply from AY 2021-22 and onwards.





The Government has been promoting IFSCs to foreign investors. Accordingly, during the past few years, number of benefits have been extended to make IFSCs more attractive as a business enterprise. Following additional tax incentives have been introduced for IFSCs which shall come into effect from April 1, 2022 and accordingly apply in relation to AY 2022-23 and thereafter.

Amendment to Section 9A of the Act

Section 9A of the Act provides a safe harbour (from PE and POEM risks) for offshore funds managed by an onshore fund manager, subject to certain conditions. Section 9A(3) and (4) prescribe the conditions for qualification as eligible investment fund and fund manager for availing benefit of Section 9A of the Act. Amendment has been made to enable central government to relax and modify these condition in sections 9A(3) and (4) of the Act where such fund manager is located in an IFSC (defined under Section 80LA) and has commenced its operations on or before 31st March, 2024.

Amendment to Section 10(4D) of the Act

Section 10(4D) of the Act provides for exemption with respect to capital gains derived by specified fund on transfer of capital asset on recognised stock exchange located in any IFSC.

The exemption from capital gains under section 10(4D) is extended to Investment division of offshore Banking Unit located in IFSC which has been granted a Category III AIF registration by SEBI and has commenced operations on or before 31st March 2024.

Insertion of new clauses (4E) and (4F) under section 10

Section 10(4E) is inserted to provide for exemption to non-resident earning income from transfer of non-deliverable forward contracts entered into with an offshore banking unit of an IFSC which fulfils such conditions as may be prescribed.

In order to promote IFSCs as hubs for global aircraft leasing, section 10(4F) is inserted to provide for exemption to non-residents who earn royalty income from leasing of aircraft from IFSC units which are eligible for deduction under the said section for that year and has commenced operations on or before the 31st March, 2024.

Insertion of new clause (23FF) under section 10 and amendments to section 47

Section 10(23FF) is inserted to provide that capital gains arising or received by non-resident 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 and where capital gains on such shares were not chargeable to tax had the relocation not taken place.

Accordingly, section 47 is also amended whereby two new clauses (viiac) and (viiad) are inserted to provide that any transfer, in relocation, of a capital asset by the original fund to the



resultant fund and any transfer by the shareholder of the original fund, in relocation, being share or unit or interest in the original fund in consideration for share or unit or interest in the resultant fund shall not be treated as transfer for the purpose of capital gains. The terms Original Fund, Relocation and Resultant Fund are defined in Explanation to Section 47(viiac) and 47(viiad). Consequential amendments are made in section 49, 56 and 79 of the Act on account of such relocation.

Amendment to Section 80-LA of the Act

Section 80LA of the Act provides income-based deductions for units located in IFSC from payment of income-tax. The section is amended to extent such income-based deductions to a unit of IFSC registered under International Financial Services Centre Authority Act, 2019.

Further, new clause (d) in sub-section 2 of section 80LA is inserted to provide that income from transfer of aircraft or aircraft engine leased by a IFSC unit to a domestic company (engaged in aircraft business operations), prior to such transfer, shall also be eligible for 100% deduction subject to condition that IFSC unit has commenced operation on or before 31st March, 2024.

Amendment to Section 115AD of the Act

Section 115AD is amended to provide that provision of this section shall be 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 SEBI (FPI) Regulations, 2019 calculated in the prescribed manner.



Incentives for start-ups

Extension of tax holiday by one more year [Section 80IAC]

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 3 out of 10 consecutive assessment years at the option of the tax payer provided that the total turnover of business does not exceed INR 100 crores.

To claim the benefit the eligible start-up was required to be incorporated on or after 1st April, 2016 but before 1st April, 2021. To incentivize start-up in the country the benefit of section 80-IAC is extended to entities incorporated up to 31st March 2022.

Capital gains exemption for investment in start-ups extended by one year [Section 54GB]

For long term capital gains arising from the transfer of residential property, the exemption is provided to the assessee if he utilises the net consideration for subscription of equity shares of an eligible start-up before the due date of filing of his return of income.

The eligible start-up is required to utilise the amounts for purchase of new asset within one year from the date of subscription in equity shares by the tax payer.

Previously the benefit was available only when the residential property is transferred on or before 31st March 2021. Now the exemption for investment in start-ups is extended by one more year till 31st March 2022.

Incentives for Affordable Housing

Extension of date of sanction of loan for affordable residential house property to 31st March 2022 [Section 80EEA]

Section 80EEA provides for a deduction in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property. The deduction allowed is up to INR 150,000 and is subject to following conditions:

- a) Loan has been sanctioned by the financial institution during the period from 1st April, 2019 to 31st March, 2021.
- b) Stamp duty of such residential property does not exceed INR 45 lakhs.

In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution is extended to 31st March 2022.

Increase in safe harbour threshold for certain property purchased/sold during the period 12th November 2020 to 30th June 2021 [Section 43CA]

Currently under section 43CA, a safe harbor of 10% is provided wherein if the stamp duty valuation does not exceed 110% of the consideration declared, the consideration so declared



shall be deemed to be the full value of consideration. Such safe harbor threshold of 10% is now increased to 20% subject to satisfaction of the following conditions:

- i) The transfer of residential unit takes place during the period from 12th November 2020 to 30th June, 2021.
- ii) The transfer is by way of first-time allotment of the residential unit to any person.
- iii) The consideration received or accruing from such transfer does not exceed INR 2 Crore.

Further, an Explanation is inserted to the Sec.43CA to define the expression “residential unit” to mean an independent housing unit with separate facilities for living, cooking and sanitary requirement, distinctly separated from other residential units within the building, which is directly accessible from an outer door or through an interior door in a shared hallway and not by walking through the living space of another household.

Consequential amendment is made in Sec.56(2)(x) to increase 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%.

This amendment shall take effect from 1st April 2021 and will, accordingly, apply for AY 2021-22.

Benefits to affordable rental housing projects & grant of additional time for approval for affordable housing projects [Section 80-IBA]

Section 80-IBA is amended by inserting new sub section 1A to provide benefit of deduction to rental housing project which is notified by the Central Government in the official gazette up to 31st March 2022 and where the project will fulfil such conditions as specified in the said notification.

Further, the approval period for Affordable Housing Projects is extended by one year i.e. till 31st March 2022

Other Incentives

TDS at a concessional rate on Income paid to FIIs [Section 196D]

Section 196D provides for deduction of tax on income of Foreign Institutional Investors from securities as referred to in section 115AD(1)(a) of the Act (other than interest referred in section 194LD of the Act) at the rate of 20%.

It has now been clarified through an insertion of a proviso that in case of a payee to whom an agreement referred to Sec. 90(1) / 90A applies and such payee has furnished the tax residency certificate, then the tax shall be deducted at the rate of 20% or rate or rates of income-tax provided in such agreement for such income, whichever is lower.



This amendment shall take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.

Exemption of deduction of TDS on payment of Dividend to REIT/InvIT [Section 194]

Section 194 is amended to provide for exemption with respect to withholding tax on dividend paid by a SPV to a business trust being a REIT or an InvIT or to any other person as may be notified by the Central Government in the official gazette.

This amendment shall take effect retrospectively from 1st April 2020.

Issuance of zero-coupon bond by infrastructure debt fund [Section 2(48)]

The definition of Zero-Coupon Bond (ZCB) under section 2(48) has been amended to include notified Infrastructure Debt Funds (IDF) within its scope. Currently, Zero-Coupon Bonds only included those issued by infrastructure capital funds or public sector companies & scheduled banks. Necessary amendments to Rule 2F (guidelines to set up an IDF) and Rule 8B (guidelines to notify ZCBs) shall also be made.

This amendment shall take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.



Change in mechanism for taxation in case of certain Senior Citizens [New Section 194P]

A new section 194P is inserted to provide a relaxation from filing the return of income to an individual who is resident in India and is a Senior Citizen (aged 75 years or more). Such relaxation shall be available only to such Senior Citizens who has no income other than pension and interest income from the same specified bank in which he is receiving his pension income; and he/she furnishes a declaration to the specified bank containing particulars, in such form and verified in such manner, as may be prescribed.

Once the declaration is furnished, tax is to be deducted by specified bank after giving effect to the deduction allowable under Chapter VI-A and rebate under Section 87A of the Act.

This amendment will take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.

Advance tax instalment for Dividend Income [Section 234C]

Section 234C provides for payment of interest by a assessee who does not pay or fails to pay on time the advance tax instalments as per section 208. However, proviso to this section provides for relaxation in some cases the accurate determination of advance tax liability is not possible due to the intrinsic nature of the income.

The provision is now amended to include dividend income, other than deemed dividend as per section 2(22)(e), in the above exclusion.

This amendment will take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.

Modifications of due dates for filing return of income [Section 139]

For Spouses to whom the Portuguese Civil Code applies:

Section 5A of the Act provides for taxation of spouses governed by Portuguese Civil Code. The due date of filing of original return of income is extended only for the partner of a firm whose accounts are required to be audited, and not for the spouse. Accordingly, to streamline the said provisions necessary amendment has been made to apply the extended due dates to even spouses where Section 5A applies.

For partners of a firm which is subject to transfer pricing audit [Section 139(1)]

The due dates of filing of return by a partner, in case of a firm to which transfer pricing provisions apply have been extended to 30th November of the Assessment Year (same as that of the firm).

For revision of return of income or filing of belated return [Section 139(4)]

The existing timelines for furnishing of revised returns has been reduced by three months i.e. 31st December 2021 (instead of 31 March 2022).



Relaxations to be provided by CBDT for defective returns [Section 139(9)]

Large number of returns were categorised as defective under section 139(9). In order to deal with the cases of certain categories of defective returns, a new proviso to Explanation 2 to section 139(9) has been inserted to empower CBDT to notify the cases where the return shall not be treated as defective, even though conditions set out in Explanation 2 are satisfied.

Tax neutral conversion of co-operative banks to banking companies [Section 44DB and section 47]

Government has been taking measures for converting co-operative banks into banking companies for proper regulation of such co-operative banks. Enabling provisions were already in place to allow for tax neutral conversions of cooperative banks into banking companies and apportionment of various deductions/allowances between the predecessor co-op bank and successor bank company.

The RBI had permitted voluntary transition of primary co-operative and urban co-operative banks into banking company by way of transfer of assets and liabilities vide Circular in September 2018. Section 44DB and 47(vica) and (vicb) are now amended to include within their scope such conversions to enable the same in tax neutral and efficient manner.

This amendment will take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.

Relaxation/modifications in provisions related to investment by Sovereign Wealth Fund and Pension Fund [Section 10(23FE)]

Currently, Sovereign Wealth Fund (SWF) and Pension Fund (PF) notified under section 10(23FE) were exempted from taxation on interest, dividend, long term capital gains etc. from investment made in India. Now, section 10(23FE) is amended to rationalise and relax certain conditions for the SWFs & PFs to make investments and conduct activities:

- i. The SWFs/ PFs will be allowed to invest up to 50% in non-eligible investments.
- ii. SWFs or PFs were allowed to invest in Category I or II AIFs 50% of their investments in eligible infrastructure companies/investments.
- iii. The Category I & II AIFs receiving investments from SWFs/PFs will be allowed to invest in InvITs.
- iv. The exemption will be determined proportionately where the investment by AIF in infra companies or InvITs is less than 100%.
- v. The SFWs & PFs will now be allowed to invest through holding companies, provided such hold co is a domestic company set up after 1st April 2021 and has minimum investment of 75% in infrastructure companies. However, the exemption shall be determined proportionately where investment is less than 100%.



- vi. SWFs & PFs will now be allowed to invest in NBFCs which are infrastructure debt funds or finance companies, provided such NBFC have minimum 90% lending to one or more infrastructure entities. Here also, the exemption shall be determined proportionately where NBFC's lending is less than 100%.
- vii. The SWFs & PFs were not allowed to have borrowings or loans or deposits to prevent any private person from benefitting from the exempted investments. Now, the prohibition for such funding shall only be with respect to funding for making investments in India.
- viii. The SWFs & PFs are prevented from undertaking any commercial activity or be involved in day-to-day operations of the investee. However, they are permitted now to appoint directors & executive directors in order to monitor their investments, and the same will not be considered being involved in day-to-day operations.

Through insertion of definition of the term “liable to tax”, those PFs whose income is taxable in the country where the PF is established but then it is exempted subsequently, such PF shall also be eligible u/s 10(23FE).

These amendments will take effect from 1st April 2021 and will, accordingly, apply from AY 2021-22 and onwards.

Rationalisation of the provision of Charitable Trust and Institutions [Section 10(23C) and section 11]

Section 10(23C) provides for a blanket exemption to university or educational institution and hospital or institution from making compliances, whose annual receipt does not exceed INR 1 crore. This exemption is now extended to all such small charitable person running educational institutions and hospitals, whose annual receipt does not exceed INR 5 crore.

Also, the following amendments have been made in section 10(23C) and section 11 to provide that –

- Voluntary contribution made with a specific direction that it shall form part of the corpus shall be exempt only if it is invested or deposited in modes specified in section 11(5) of the Act.
- Application of loans and borrowing will not be allowed as application for charitable or religious purposes. However, repayment of loan will be allowed as application in the year of such repayment.
- Excess application of income of earlier years not eligible to set off in calculating exempt income of current year.

These amendments will take effect from 1st April 2022 and will accordingly apply to the AY 2022-23 and onwards.



Scope of Vivad se Vishwas Act, 2020

The Direct Tax Vivad Se Vishwas Act, 2020 ('DTVSV Act') did not intend to cover disputes pertaining settlement as per Chapter XIX-A of the Act (i.e., through the settlement commission).

Accordingly, it has been clarified by inserting a proviso to the definition of 'appellant', 'disputed tax' and 'tax arrears' under the DTVSV Act that any sum payable qua proceedings before the settlement commission/writs pertaining to orders passed by settlement commission cannot be settled under the DTVSV Act.

The said amendments are proposed to take effect retrospectively from the 17th March 2020.

Amendments to Income Declaration Scheme

Presently section 191 of the Finance Act, 2016, provides that any amount of tax, surcharge and penalty paid in pursuance of a declaration made under the Scheme shall not be refundable.

It is now provided 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.



REFORMS IN ASSESSMENT, REASSESSMENT & DISPUTE RESOLUTION MECHANISM

Change in time limits for reopening or reassessment in cases where income has escaped assessment [Section 147, section 148, and new section 148A]

i. Reduction in timelines & increase in monetary thresholds for reassessment/reopening:

Existing provisions	Proposed provisions
Instances where AO has reason to believe that income has escaped assessment: up to 4 years from end of relevant AY	Cases where income has escaped assessment: up to 3 years from end of relevant AY
Cases beyond 4 years, where income has escaped assessment amounts to or is likely to amount to INR 1 lakh or more for that year – up to 6 years from end of relevant AY	Cases beyond 3 years, but where AO has information or evidence that income chargeable to tax (in the form of asset), has escaped or is likely to have escaped assessment is like to amount to INR 50 lakhs or more for that year: up to 10 years from end of relevant AY
In case of income pertaining to any asset (including financial interest in an entity) located outside India having escaped assessment – up to 16 years from end of relevant AY	Part of above 10-year limit, that too where income escaping assessment exceeds or is likely to exceed INR 50 lakhs.

- o Section 149 is also amended to include a proviso to the effect that no notice u/s 148 can be issued for a relevant assessment year beginning on or after 1st April, 2021, if such notice could not have been issued on account of being time barred under the existing provisions of section 149(1)(b).
- o Exclusion in determination of time barring period: time extension given to assessee u/s 148A to respond to show cause notice, period where 148A proceedings are suspended under court order, and if after excluding such periods, the minimum time to pass notice u/s 148A shall be at least 7 days.

ii. New section 148A is inserted which provides that:

- Before issuing notice under section 148, the Assessing Officer (AO) must have information which suggests that income chargeable to tax has escaped assessment and he shall first conduct enquiry, with approval of specified authority;
- With permission of specified authority, AO must also provide opportunity to assessee to be heard, with a show cause notice as to why notice under section 148 should



not be issued. The notice shall be given of minimum 7 days, and maximum 30 days (which may be extended by AO on application by assessee).

- Based on material available, enquiry conducted, and reply furnished by assessee, the AO shall pass order within given time limit whether the same is a fit case or not for issue of notice u/s 148, with prior approval from specified authority
- This provision does not apply to cases of search/survey u/s 132/132A related cases initiated after 1st April 2021 either in case of the assessee or in case of other person & where AO is satisfied (with prior approval of PCIT/CIT) that information, evidence, books of account, pertain or relate to, or money, jewellery, bullion, valuables, etc. seized belong to the assessee.

iii. Modification to section 147 & 148

- Where section 148A applies & notice u/s 148 is passed to furnish return of income of the assessee, the order u/s 148A passed by the AO must accompany such notice.
 - For identifying information suggesting that income may have escaped assessment for the purpose of section 148 & 148A, the CBDT must formulate appropriate risk management strategy. Further, any final objection raised by the C&AG in respect of conduct of assessment in accordance with provisions of the Act shall also constitute such information.
 - In the event of search/survey under section 132/132A initiated after 1st April, 2021 either in case of the assessee or in case of other person & where AO is satisfied (with prior approval of PCIT/CIT) that information, evidence, books of account, pertain or relate to, or money, jewellery, bullion, valuables, etc. seized belong to the assessee, the AO shall be deemed to have information that suggests income has escaped assessment **for 3 AYs immediately preceding the relevant AY** in which such proceedings were initiated
 - If any issue or income comes to the notice of the AO, subsequently during ongoing proceedings under section 147, the AO may assess/reassess the same, even though provisions of section 148A may have not been complied with in respect of such issue or income.
- iv. Assessment u/s 153A and 153C in cases of search & requisition u/s 132 and 132A to be ceased for proceedings initiated after 31st March, 2021 & assessments under such proceedings shall be under the new mechanism.

Reducing Time for Completion of Assessment

The Government in recent years has been reducing the time limit available to the AOs for completing assessments & reassessments. Accordingly, Assessments for AYs 2021-22 onwards will now be required to be completed within 9 months from the end of the relevant AY. For example, for AY 2021-22, the assessment would have to be completed by December 2022.





Rationalization of Processing of ITR & issuance of notice u/s 143(2)

Section 143(1)(a) provides for certain adjustments to be made for ITRs filed u/s 139 or 142(1). The section is amended 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.

The time available for issuing intimation u/s 143(1) is to be reduced from 1 year to 9 months from end of relevant FY. Consequently, the time limit to issue notice u/s 143(2) will be reduced from 6 months to 3 months from end of relevant FY.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply from AY 2021-22 and onward.

Issue of notice u/s 142(1)

Section 142 of the Act provides for conduct of inquiry before assessment. Section 142(1) provides for notice to an assessee who has not submitted ITR to file it. This is necessary to bring into the fold of taxation non-filers or stop filers who have transactions resulting in income. However, only AO can presently issue such notice.

The Government is consciously reducing the interfacing between the taxpayer & department, and as part of this policy, section 142(1) is amended w.e.f. 1st April, 2021 to allow for centralized issuance of notices in an automated manner by any income-tax authority which will be prescribed for the same.

Faceless ITAT scheme

As part of the initiative of reducing interfacing between Department & taxpayer, the Government has already launched the Faceless Assessment & Faceless Appeal scheme to move the assessment & appeal procedure to a digital interface, with reduced direct interaction. Now, the Faceless ITAT scheme is proposed on the same lines as the Faceless Appeals scheme.

Under the Faceless ITAT scheme, the proceedings will be largely faceless, with virtual hearings through video conferencing being held only on application or request of the assessee in order to make submissions before the bench.

Constitution of Dispute Resolution Committee for small and medium taxpayers

The Central Government has introduced several measures as part of the initiative to make proceedings which require interfacing with the taxpayer fully faceless. These include as faceless assessment & faceless appeals, and the proposed faceless appellate tribunals.

Although this is expected to reduce disputes, the same would nonetheless arise. Hence, in order to provide early tax certainty to small and medium taxpayers, a new scheme to prevent new disputes and settle the issue at the initial stage, through the insertion of a new section 245MA.



Under this scheme, the Central Government shall constitute Dispute Resolution Committees ('DRC') which will resolve disputes of specified class of assesseees, with the assessee having the option to opt for or not opt the scheme.

Eligible cases:

- Returned income is INR 50 lakhs or less (if there is a return)
- aggregate variation proposed in specified order is INR 10 lakh or less.

Ineligible cases:

- Orders passed pursuant to proceedings u/s 132 (search) or 132A (requisition) or 133A (survey) or based on information received under Exchange of Information clause under a DTAA.
- Cases involving detention/prosecution/conviction under various specified laws

The DRC, subject to conditions, shall have the powers to reduce or waive any penalty imposable under the Act or grant immunity from prosecution for any offence under this Act.

Discontinuance of Settlement Commission & Institution of a new Settlement Committee

The Income Tax Settlement Commission (ITSC) under Chapter XIXA of the Act is to be abolished immediately (w.e.f. 1st February, 2021) and to not accept any applications u/s 245C on or after this date.

All applications before the ITSC where order was not passed by 31st January, 2021, nor was the application deemed invalid, nor order for invalidation which was to be passed by 31st January, 2021 so passed, shall be treated as "pending applications".

A transitional Interim Board ("IB") is proposed to settle pending applications. Each such IB shall consist of 3 Commissioner ranking members by nomination. All powers of the ITSC shall vest with each such IB.

The time limit for disposal of pending applications shall be extended to 60 days, where the time limit expires in less than 60 days, after excluding period of limitation while the IB is constituted.

Any assessee with a pending application may withdraw the same within 3 months of the date of commencement of Finance Act, 2021, and if not withdrawn, the same shall be deemed to be received by the IB on the date it is transferred or allotted to the IB.

If an assessee withdraws his applications, all settlement proceedings shall abate, and pending proceedings before AO or relevant authority shall dispose the same as if no settlement application was ever made, without using the material or information submitted to or results/evidence from enquiry by ITSC, unless independently obtained by AO/ relevant authority separately.

Several consequential amendments to the Chapter (sections 245A to 245L) and necessary insertion of new provisions are to be made.



Creation of Board for Advance Rulings (“BAR”) in replacement of Authority for Advance Rulings (“AAR”)

The Authority for Advance Rulings (AAR) will be replaced by one or more Boards of Advance Rulings (BAR) for giving advance rulings to be constituted by Central Government from the notified date. BAR shall consist of two members, each being an officer not below the rank of Chief Commissioner of Income-tax, as may be nominated by the CBDT. Accordingly, several other consequential amendments to Chapter XIX-B (sections 245N to 245V) have been made.

The definition of the term ‘applicant’ has been amended to exclude applicants defined under indirect tax laws viz. Customs, Central Excise and Service Tax from the notified date.

It has now been provided that orders of the BAR shall not be binding on either party and if aggrieved, the ruling can be appealed before the High Court by both the parties. Assessing officer can file an appeal against the ruling before High Court on the directions of the Principal Commissioner or Commissioner of Income-tax.

It has also been provided that in case where application has been made before AAR and no order has been passed in respect of such application, the application along with pending records, documents or material on the file of AAR shall be transferred to BAR and shall become records filed before BAR.

General Procedural changes

In order to give effect to the above reforms relating to Faceless ITAT, DRC, ITSC and BAR, the Central Government has been empowered to design necessary schemes to impart greater efficiency, transparency and accountability by eliminating interface to the extent technologically feasible, by optimising utilisation of resources and introducing dynamic jurisdiction.

To give effect to such schemes, the Government has time up to 31st March, 2023 to notify certain provisions of the Act that will not apply, or shall apply with certain conditions or modifications, or otherwise, to the cases or dispute covered under the said scheme. Every such notification shall be laid before each House of Parliament.

INTERNATIONAL TAXATION & EQUALIZATION LEVY



INDIA
BUDGET
2021

Definition of 'Liable to tax'

A new clause (29A) to section 2 of the Act is inserted, which will define the term “liable to tax” to mean a person in relation to whom 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 in relation to a person to mean. The reproduction of the definition of the term ‘Liable to tax’ is as follows:

“a person shall be considered as ‘liable to tax’ in a country, if there is a liability of tax on such person. A person will continue to be considered as liable to tax, even if no tax is payable on account of any exemption”.

This amendment will take effect from 1st April, 2021 and will, accordingly, apply from AY 2021-22 and onwards

Amendment to Equalisation Levy [Sections 163 of Finance Act, 2016]

Section 163(3) deals with application of Equalisation Levy on consideration received or receivable for specified services and for e-commerce supply or services. A proviso has been inserted in sub-section (3) of section 163 to provide that consideration received or receivable for specified services and for e-commerce supply or services shall not include the consideration which are taxable as royalty or fees for technical services in India under the Income-tax Act read with the double tax avoidance agreements notified under section 90 or section 90A.

Clause (cb) of the section 164 defines the term “e-commerce supply or services”. An explanation has been inserted to provide that for the purpose the said definition, the term “online sale of goods” and “online provision of services” shall include one or more of the following online activities, namely:

- a) acceptance of offer for sale; or
- b) placing of purchase order; or
- c) accepting of the purchase order; or
- d) payment of consideration; or
- e) supply of goods or provision of services partly or wholly.

Sub-section (3) of section 165A defined the term “specified circumstances” for the purpose of section 165A(1)(ii). Now, the said definition of the term “specified circumstances” is modified to be brought under clause (a) and a new clause (b) has been inserted.

The newly inserted clause (b) provides that consideration received or receivable from e-commerce supply or services shall include consideration for sale of goods irrespective of whether the e-commerce operator owns the goods, and consideration for provision of services irrespective of whether service is provided or facilitated by the e-commerce operator.

Further, section 10(50) of the Income-tax Act, 1961 has been amended to exclude income arising from e-commerce supply or services made or provided or facilitated on or after the 1st April, 2020 and chargeable to Equalisation Levy, from the scope of total income. Earlier, the exemption was applicable only in respect of e-commerce supply or services provided or facilitated on or after 1st April 2021.





Rationalization of MAT provisions [Amendment to Section 115JB]

Currently, computation of book profit u/s 115JB does not provide for any adjustment for additional income in cases where past year income is included in books of account of current year on account of an APA entered u/s 92CC or a secondary adjustment u/s. 92CE.

To resolve this, a new sub-section 115JB(2D) has been inserted to provide that the AO shall, on an application made 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. It is further clarified that the period of four years specified in section 154(7) shall be reckoned from the end of the FY in which the said application is received by the AO.

Considering that dividend income is no longer exempt in the hands of the shareholders, section 115JB of the Act is amended to provide similar treatment to dividend as already there for capital gains on transfer of securities, interest, royalty and FTS in calculating book profit, 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 AY 2021-22 and onwards.

TDS & TCS RATES



**INDIA
BUDGET
2021**

TDS Rates for Assessment Year 2022-23 (Financial Year 2021-22)

(A) On payments to Residents (subject to notes below)

Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
						Rate (%)**
1	Pre- mature withdrawal from Employee Provident Fund Scheme (Note 1)	Payment in excess of ₹ 50,000/-	192A	-	-	10
2	Interest on Securities (Note 2 & Note 3)	Payment in excess of ₹ 10,000/-	193	10	10	10
3	Dividends distributed by Domestic Company (Note 4)	Payment to a shareholder in excess of ₹ 2,500/- during the financial year.	194	10	10	10
4	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office for Senior Citizens (Note 5 & Note 6)	Payment in excess of ₹ 50,000/- per financial year (For Senior Citizens)	194A	10	10	10
5	Interest on Bank Deposits, Co-operative society carrying on banking business and Deposits with Post Office (For Others) (Note 5 & Note 6)	Payment in excess of ₹ 40,000/- per financial year (For Others)	194A	10	10	10
6	Other Interest (Note 5 & Note 6)	Payment in excess of ₹ 5,000/- per financial year	194A	10	10	10
7	Winnings from Lotteries, crossword, puzzles, card games and other games of any sort	Payment in excess of ₹ 10,000/-	194B	30	30	30



Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
						Rate (%)**
8	Winnings from Horse Race	Payment in excess of ₹ 10,000/-	194BB	30	30	30
9	Payments to Contractors (Note 7 & Note 6)	Payment in excess of ₹ 30,000/- per transaction or ₹ 1,00,000/- per financial year	194C	2	2	1
10	Insurance Commission	Payment in excess of ₹ 15,000/- per financial year	194D	5	5	5
11	Sum received for Life Insurance Policy including bonus [except exempt u/s 10(10D)]	Payment in excess of ₹ 1,00,000/- per financial year	194DA	5	5	5
12	Payments in respect of deposits under National Savings Scheme, etc Central Government Schemes	Payment in excess of ₹ 2,500/- per financial year	194EE	10	10	10
13	Commission on Sale of Lottery Tickets	Payment in excess of ₹ 15,000/-	194G	5	5	5
14	Other Commission/ Brokerage (Note 16)	Payment in excess of ₹ 15,000/- per financial year	194H	5	5	5
15	Rent for Plant & Machinery, Equipments	Payment in excess of ₹ 2,40,000/- per financial year	194-I (a)	2	2	2
16	Rent for Land or Building or Furniture or Fittings	Payment in excess of ₹ 2,40,000/- per financial year	194-I (b)	10	10	10
17	Income by way of Rent from SPV distributed by REITs (Note 8 & Note 6)	No Threshold Limit	194-I	-	-	-
18	Consideration for Transfer of Immovable Property (other than Agricultural Land) (Note 9)	Sale Consideration exceeds ₹ 50,00,000/-	194-IA	1	1	1



Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
						Rate (%)**
19	Income by way of Rent (Note 10 &11)	Rent exceeds ₹ 50,000 p.m. or part thereof	194-IB	5	5	5
20	Monetary Payment in respect of Joint Development Agreement	No Threshold Limit	194-IC	10	10	10
21	Professional Fees / Royalties/ Fees for Technical Services (Note 6)	Payment in excess of ₹ 30,000/- p.a.	194J	10	10	10
22	Professional Fees (for certain payees) (Note 12)	Payment in excess of ₹ 30,000 p.a.	194J	2	2	2
23	Income of units issued by Mutual funds or Unit Trust of India (Note no 13)	Payment in excess of ₹ 1,000 p.a.	194K	10	10	10
23	Consideration for Compulsory Acquisition of Immovable Property (other than Agricultural Land)	Payment in excess of ₹ 2,50,000/-	194LA	10	10	10
24	Interest distributed from SPV distributed by Business Trusts i.e. REITs & INVITs	No Threshold Limit	194LBA	5	5	5
25	Dividend distributed from SPV distributed by Business Trusts i.e. REITs & INVITs	No Threshold Limit	194LBA	10	10	10
26	Income other than business income distributed by an Alternate Investment Fund (Category I and II)	No Threshold Limit	194LBB	10	10	10



Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
						Rate (%)**
27	Income in respect of investment in Securitization Trust	No Threshold Limit	194LBC	30	30	25
28	Payments to Contractors/ Professionals (Other than those covered in 194 C & 194J) (Note: 14)	Payment in excess of ₹ 50,00,000/- or aggregate of such payment exceeding ₹ 50,00,000/-, during a financial year	194M	5	5	5
29	Payment by a banking company / banking institution / co-operative society engaged in banking business / post office.	who is responsible for paying any sum, or, as the case may be, aggregate of sums, in cash, in excess of one crore rupees during the previous year, to any person (herein referred to as the recipient) from an account maintained by the recipient with it shall, at the time of payment of such sum, deduct an amount equal to two per cent. of sum exceeding one crore rupees, as income-tax	194N	2	2	2
30	Payment by a Banking company / Banking Institution / Co-operative society engaged in banking business / post office. (Note 15)	Cash withdrawals or aggregate of such withdrawals in excess of ₹ 1,00,00,000/- from an account maintained by a recipient, during the previous year.	194N	2	2	2



Sr. No.	Payments to Resident Payee	Criteria for Deduction	Section	Company	Partnership Firm	Individual, HUF, AOP, BOI
						Rate (%)**
31	Credit of Amount by E-Commerce Operator to E-Commerce participant in respect of sale of goods/ provision of services facilitated through its platform (Note 16)	Payment in excess of ₹ 5,00,000/- or aggregate of such payment exceeding ₹ 5,00,000/-, during a financial year.	194O	5	5	5
32	ESOP issued by eligible startups	Refer Note : 17	192	At applicable rates		
32	Interest paid by Specified Bank (Note : 18)	Towards sums maintained by a Senior Citizen (above 75 yrs of age) earning only pension income	194P	-	-	Rates in force
33	Payment by Buyer of Goods (Note : 19)	Towards purchase of goods having value (or aggregate value during the Financial Year) exceeding ₹ 50,00,000/-	194Q	0.1	0.1	0.1

Notes

1	TDS to be deducted at maximum marginal rate in case PAN is not furnished by the deductee.
2	In case payment of interest on listed debentures to individuals TDS is required to be deducted on payments in excess of ₹ 5,000/-
3	TDS is required to be deducted for interest on 7.75% Savings (Taxable) Bonds, 2018 exceeding ₹ 10,000/- during the financial year.
4	Previously the TDS requirements were not applicable when the dividend was paid to certain insurance companies or insurers. With effect from Y 2021-22, even the dividends paid to certain business trusts (viz. INVITs & ReITs referred u/s/ 10(23FC)) are now excluded from provisions of S. 194
5	For interest on Bank Deposits and Deposits with Post Office, the threshold limit is ₹ 50,000/- for senior citizens and ₹ 40,000/- for others.
	- Also applicable on payment of Interest on time deposits by co-operative banks to its members and payment of interest on Recurring Deposit
	- Computation of interest income shall be made taking into account income credited or paid by the bank (including all branches) who has adopted core banking solutions.



6	For the purposes of Section 194A/194C, 194H, 194I and 194J, previously, Individual/HUF are liable to deduct TDS where their turnover/gross receipts exceed the following limits: a) INR 1 crore in case of Business b) INR 50 Lakhs in case of Profession during the financial year immediately preceding the financial year in which payment is made under the respective sections.
7	No TDS on payment made to contractor who owns ten or less goods carriage at any time during the year and furnishes PAN.
8	No deduction shall be made under section 194-I of the Act where the income by way of rent is credited or paid to a Real Estate Investment Trust. No TDS is required to be deducted on remittance of Passenger Service Fees by an Airline to Airline Operator (Circular No. 21/2017)
9	The term "Consideration for immovable property" has been defined : "to include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property"
10	Provisions of Section 194-IB are applicable in cases where the deductor is individuals or HUFs other than those covered by Tax Audit u/s 44AB in immediately preceding financial year, subjects to the threshold and other conditions.
11	Deduction u/s 206AA shall not exceed Amount of Rent payable for last month of previous year (March) or last month of tenancy, as the case maybe.
12	TDS is to be deducted u/s 194J @ 2% where the :- a) Payee is only engaged in the business of operation of call centre. b) Fees are for technical services (not being a professional service) Any payments to a director of a company other than those which are "salaries" are specifically covered u/s 194J.
13	The person responsible for making the payment shall, at the time of credit of such income to the account of payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of ten per cent. Further, credit to a suspense account shall also be deemed to be credit to the account of person
14	The provisions of S. 194M shall be applicable only to person, being an individual or a Hindu undivided family (other than those who are required to deduct income-tax as per the provisions of section 194C or section 194J).
15	The provisions of Section 194N has come into effect 01/09/2019. Also the section shall not apply to any payments made to Government, Banking company, Co-operative society engaged in Banking business, Business correspondent/ White label automated teller machine operator of such Banking company or Co-operative society.
16	Threshold shall only apply in case of the electronic participant is Individual/ HUF and where PAN has been furnished by such electronic participant.
17	The employer shall deduct or pay, as the case may be, tax on ESOP issued to employees within fourteen days of the following — (i) after the expiry of forty eight months from the end of the relevant assessment year; or (ii) from the date of the sale of such specified security or sweat equity share by the assessee; or (iii) from the date of which the assessee ceases to be the employee of the person; whichever is the earliest on the basis of rates in force of the financial year in which the said specified security or sweat equity share is allotted or transferred.



18	<p>With effect from AY 2021-22, the interest paid to senior citizen (Aged 75 years or more), where the said individual is in receipt of only pension income & other income comprises of Interest received from amounts maintained by him in the same specified bank shall be covered by S. 194P.</p> <p>The TDS needs to be deducted after giving all deductions and rebates at rates in force.</p>
19	<p>W.e.f. 01.07.2021, the TDS shall be deducted by the buyer towards purchase of any goods of the value (or aggregate value during the financial year) exceeding ₹ 50 lakh rupees at a rate of 0.1%</p> <p>Note: The provisions of this section shall not apply :</p> <p>i) When the total sales, gross receipts or turnover from the business carried on by buyer does not exceed ten crore in preceding Financial Year.</p> <p>ii) Where TDS/ TCS (except collectible u/s 206C(1H)) is deductible/ collectible under the provisions of Act.</p>
**	<p>TDS shall be deducted u/s 206AA @ 20% (5% in case where S. 194Q is applicable) or the higher rate as provided under the Act, if PAN is not furnished by the deductee.</p>
**	<p>W.e.f. 01.07.2021, in case of a person :</p> <p>i) Who has not filed the return of income for both the preceding years immediately preceding the financial year in which tax is to be deducted AND</p> <p>ii) Aggregated of tax deducted at source and tax collected at source in his case exceeds ₹ 49,999/- for each of these years, TDS u/s 206AB shall be deducted at a higher of : 5% "or" "Twice the Rates in Force "or" Twice the rate specified in the act".</p> <p>The said section shall not apply to:</p> <p>i) A Non-resident who does not have a Permanent Establishment in India; or</p> <p>ii) Where TDS is deductible under 192, 192A, 194B, 194BB, 194LBC or 194N or</p> <p>iii) Where TDS deductible u/s 206AA is higher than than S. 206AB</p>
**	<p>No TDS is required to be deducted in case where the payee is an entity whose income is exempt u/s 10 and is not required to file returns as per Section 139. (Circular No. 18/2017)</p>
**	<p>Certificate for deduction at lower rate can be applied for Sections 192, 193, 194, 194A, 194C, 194D, 194G, 194H, 194-I, 194J, 194K, 194LA, 194LBB, 194LBC, 194M.</p>
**	<p>Certificate for nil rate of tax deduction can be applied for Sections 194, 194EE, 192A, 193, 194A, 194DA, 194K, 194-I.</p>
**	<p>No TDS where the deductee furnishes a self- declaration in Form 15G/ 15H for deduction of tax under Sections 194, 194EE, 192A, 193, 194A, 194D, 194DA, 194-I and 194K.</p>
**	<p>As per Section 196, no deduction of tax shall be made by any person from any sums payable to Government, RBI, a Corporation established under Central Act, a Mutual Fund specified under section 10(23D).</p>



(B) On payments to Non-Residents (subject to notes below)

Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	Section	Rate (%)
1	Tax on Short Term Capital Gains	On sale of shares or units of mutual funds where STT is paid	111A*	15
		On sale of shares or units of mutual funds where STT is not paid		
		(a) In case of companies	45	40
		(b) In case of persons other than companies		30
2	Tax on Long Term Capital Gains	Not being long term capital gains referred to section 10(33), 10(36) and 10(38) ie. on listed shares, units of an equity oriented fund, or units of business trust i.e. REITs & Invits [Except for transactions covered u/s 112(1)(c)(iii)]	112	20
		on income by way of long-term capital gains from unlisted securities u/s 112(1)(c)(iii)	112	10
3	Tax on Long Term Capital Gains on Transfer of Equity Share in company or a unit of equity oriented mutual fund or a unit of Business Trust (Note 9)	(i) STT is applicable on acquisition/transfer (except Transfer on a recognised stock exchange located in any International Financial Services Centre and consideration is received in foreign currency), (ii) Tax on Long Term Capital Gains exceeding ₹ 1,00,000/-	112A*	10
4	Winning From Lotteries crossword puzzles, card games and other games of any sort	Payment in excess of ₹ 10,000/-	194B	30
5	Winning From Horse Race	Payment in excess of ₹ 10,000/-	194BB	30
6	Tax on royalty or copyrights or on fees for technical services matters included in industrial policy or under approved agreements by an Indian concern or by Government of India	Agreements made or entered into after 31st March, 1976	115A(1) (b)	10



Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	Section	Rate (%)
7	Tax on Interest	On borrowings in foreign currency:-		
		(a) by an Indian concern or by Government of India other than interest referred in (b) or (c) below	115A(1) (a)	20
		(b) On notified infrastructure debt fund	194LB	5
		(c) By Specified Companies or Business Trusts (REITs & Invits) under a loan agreement or any long term bond : i) On Long-term bond or rupee denominated bond listed only on a recognised stock exchange located in any International Financial Services Centre. (Issued on or after the 1st day of April, 2020 but before the 1st day of July, 2023)	194LC	4
		ii) Other than above	194LC	5
8	Income by way of interest from SPV distributed by Business Trusts (REITS & INVITS)	No Threshold Limit	194LBA	5
9	Income by way of Rent from SPV distributed by REITs	No Threshold Limit	195	-
10	Income other than business income distributed by an Alternate Investment Fund (Category I & II)	No Threshold Limit	194LBB	Rates in Force (Refer Note:5)
11	Income in respect of Investment in Securitization Trust	No Threshold Limit	194LBC	Rates in Force (Refer Note:5)
12	Income by way of interest to FII or QFI	a) On Rupee denominated Bonds of Indian Company and Government Securities. b) On Municipal debt securities (Income arising on or after 01st April, 2020 but before 1st day of July 2023) (Note 8)	194LD	5



Sr. No.	Payments to Non-Resident Payee	Criteria for Deduction	Section	Rate (%)
13	Payments to Non-Resident Sportsmen/Entertainer/Sports Association	Other than to a non-resident being an Indian citizen	194E	20
14	Other income	(a) In case of non-resident companies	-	40
		(b) In case of non-residents other than foreign companies	-	30
15	Dividends distributed by Domestic Company	(Refer Note No. 11 below)		
16	Income of Foreign Institutional Investor (Note -12)	Income other than interest covered above in S. 194D & other than capital gains taxable u/s 115AD	196D	Rates in Force [effectively] (Refer Note-5& 12)
17	Equalisation Levy	(Refer Note No. 6 below)		

Notes

1	Cess @ 4% shall be levied additionally.
2	Treaty rates will differ from Country to Country. Treaty rates will apply only if Tax Residency Certificate is produced.
3	NRI's opting to be taxed under chapter XII-A, tax shall be deductible at the rate of ten percent on long term capital gains referred to in section 115E and twenty percent on investment income.
4	W.e.f. 1st April, 2010, the rate of TDS will be deducted u/s 206AA @ 20% in all cases, if PAN is not quoted by the deductee. However, this condition is not applicable: -in respect of Royalties, FTS, Interest and Capital Gains on compliance of conditions in Rule 37BC -in respect of Interest covered u/s 194LC
5	TDS is to be deducted at "Rate in Force". The term "Rate in force" means rate as per Income Tax Act, 1961 or Relevant DTAA rate, whichever is more beneficial.
6	Equalisation Levy 1.0 has been introduced for online advertisement/ digital advertising space services provided by a non-resident to a resident or a permanent establishment of non-resident in India. The rate for such levy shall be six percent of the consideration. Equalisation Levy 2.0 as introduced by Finance Act, 2020 for the consideration received or receivable by an e-commerce operator from e-commerce supply/services made/ services provided / services facilitated at a rate of 2%.
7	TDS on Interest Payments u/s 194LC will now be available in respect of borrowings made before 1st July, 2023



8	TDS on Interest Payments u/s 194LD will now be available in respect of interest payable before 1st July, 2023																
9	The Long Term Capital Gains shall be computed without giving effect to 1st and 2nd proviso to Section 48.																
10	No tax at source is required to be deducted under section 195 by National Technical Research Organisation ('NTRO') on payments of royalty or fees for technical services paid to non resident or foreign company																
11	2nd Proviso to Section 195 has been deleted, there by distribution distributed and received by a non resident would be covered under the provisions of section 195.																
12	With effect from AY 2021-22 , the provisions of S. 196D is amended to provide treaty benefit to the FIIs, thus the TDS rate subject to satisfaction of treaty eligibility criteria be at a rate of rate of twenty per cent. or rate or rates of income-tax provided in such agreement for such income, whichever is lower.																
*	Certificate for deduction at lower rate can be applied for Section 195.																
**	W.e.f. 01.07.2021 , in case of a person : i) Who has not filed the return of income for both the preceding years immediately preceding the financial year in which tax is to be deducted AND ii) Aggregated of tax deducted at source and tax collected at source in his case exceeds ₹ 49,999/- for each of these years, TDS u/s 206AB shall be deducted at a higher of : 5% "or "Twice the Rates in Force "or" Twice the rate specified in the act". The said section shall not apply to: i) A Non-resident who does not have a Permanent Establishment in India; or ii) Where TDS is deductible under 192, 192A, 194B, 194BB, 194LBC or 194N or iii) Where TDS deductble u/s 206AA is higher than than S. 206AB																
*	Surcharge Applicable (for Incomes:-																
	<table border="1"><thead><tr><th>Sr. No.</th><th>Payee Status</th><th>Deduction Threshold</th><th>Rate (%)</th></tr></thead><tbody><tr><td>(a)</td><td>Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person</td><td>Exceeding ₹ 50 lakhs upto 1crore</td><td>10%</td></tr><tr><td>(b)</td><td>Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person</td><td>Exceeding ₹ 1 crore upto ₹2 crore</td><td>15%</td></tr><tr><td>(c)</td><td>Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person</td><td>Exceeding ₹ 2 crore upto ₹ 5 Crore (excluding income covered under 111A and 112A) [Refer Note Below]</td><td>25%</td></tr></tbody></table>	Sr. No.	Payee Status	Deduction Threshold	Rate (%)	(a)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 50 lakhs upto 1crore	10%	(b)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 1 crore upto ₹2 crore	15%	(c)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 2 crore upto ₹ 5 Crore (excluding income covered under 111A and 112A) [Refer Note Below]	25%
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(d)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 5 crores (excluding Capital Gains covered under section 111A & 112A and Dividend Income & income covered under 115AD (for FIIs)) [Refer Note Below]	37%
(e)	Co-Operative Society	Exceeding ₹ 1 crore	12%
(f)	Foreign Company	Exceeding ₹ 1 crore upto ₹ 10 crores	2%
(g)	Foreign Company	Exceeding ₹ 10 crores	5%

#- Surcharge for Dividend Income & Capital Gains is capped at a rate of 15%.

It is pertinent to note that the benefit of capping the surcharge at 15 % for Dividend & Capital Gains income is not available to non-residents where the said income is taxable under the provisions of section 115A, 115AB, 115AC, 115ACA & 115E, while it continues to apply for income earned by Foreign Institutional Investor where the same is taxed u.s 115AD. ***-[The said position is inferred from Memorandum explaining provisions of the Bill, the Finance Bill is silent on the said aspect]***



TCS

TCS RATES FOR ASSESSMENT YEAR 2022-23 (FINANCIAL YEAR 2021-22)

Sr. No.	Nature of Goods/Contract/Licence /Lease	Criteria for Collection	Rate (%) *
1	Alcoholic Liquor for Human Consumption	No Threshold Limit	1
2	Tendu Leaves	No Threshold Limit	5
3	Timber obtained under a Forest Lease	No Threshold Limit	2.5
4	Timber obtained by any mode other than under a Forest Lease	No Threshold Limit	2.5
5	Any other Forest produce	No Threshold Limit	2.5
6	Scrap	No Threshold Limit	1
7	Minerals, being Coal or Lignite or iron ore	No Threshold Limit	1
8	Motor Vehicle (Note 1)	Payment in excess of ₹ 10,00,000/-	1
9	Cash Sale of Bullion	Payment in excess of ₹ 2,00,000/-	1
10	Cash Sale of any other goods (other than bullion and jewellery) or Providing any service for Cash	Payment in excess of ₹ 2,00,000/-	1
11	Transfer of right or interest in any Parking Lot or Toll Plaza or Mining and Quarrying (other than of mineral oil) under any contract, licence and lease	No Threshold Limit	2
12	Amount received by an Authorised Dealer from Buyer for Remittance out of India under the Liberalised Remittance Scheme of the Reserve Bank of India(Note 2)	Amount, or an aggregate of seven lakh rupees or more in a financial year (other than for repayment of education loan)	5
	Amount received by an Authorised Dealer from Buyer for Remittance out of India under the Liberalised Remittance Scheme of the Reserve Bank of India(Note 2)	Amount, or an aggregate of seven lakh rupees or more in a financial year for the purpose of repayment of loan obtained for the purpose of pursuing any education	0.5



Sr. No.	Nature of Goods/Contract/Licence /Lease	Criteria for Collection	Rate (%) *
13	Amount received by Seller from Buyer in respect of overseas tour program package (Note 2)	No Threshold Limit	5
14	Amount received by Seller as consideration for sale of any goods other than the goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) (Note 3), (Note 4)	Value or aggregate of such value exceeding fifty lakh rupees in any previous year	0.1
Note 1	No TCS shall be collected where the buyer is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; local authority as defined in explanation to clause (20) of Section 10; a public sector company which is engaged in the business of carrying passengers.		
Note 2	The provisions of subsection (1G) shall not apply in case where : (i) Where TDS has to be deducted under any provision and has been deducted (ii) the buyer is Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority as defined in the Explanation to clause (20) of section 10 or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein		
Note 3	The tax shall be collected on Amount exceeding 50 Lakhs.		
Note 4	The provisions of subsection (1H) shall not apply in case where : (i) if the buyer is liable to deduct tax at source under any other provision of this Act and has deducted such amount. (ii) Where the purchaser is the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or a local authority as defined in the Explanation to clause (20) of section 10; or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;		
*	TCS shall be deducted u/s 206CC @ twice the rate applicable or 5% (10% in case of Overseas Tour Package & LRS for other purposes), whichever is higher, if PAN is not furnished by the collectee. For the purpose of Sec 206C(1H), the rate will be 1% instead of 5%		



**	W.e.f. 01.07.2021 , in case of a person who has: i) Who has not filed the return of income for both the preceding years immediately preceding the financial year in which tax is to be collected AND ii) Aggregated of tax deducted at source and tax collected at source in his case exceeds ₹ 49,999/- for each of these years, TCS u/s 206CCA shall be collected at a higher of : 5% "or " Twice the rate specified in the act". The said section shall not apply where : i) TCS collectible u/s 206CC is higher than S. 206CCA			
***	Surcharge Applicable:-			
	Sr. No.	Payee Status	Deduction Threshold	Rate (%)
	(a)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 50 lakhs upto 1crore	10%
	(b)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 1 crore upto ₹2 crore	15%
	(c)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 2 crore upto ₹ 5 Crore (excluding income covered under 111A and 112A) [Refer Note Below]	25%
	(d)	Non-Resident Individual, HUF, AOP, BOI or Artificial Judicial Person	Exceeding ₹ 5 crores (excluding Capital Gains covered under section 111A & 112A and Dividend Income & income covered under 115AD(for FIIs)) [Refer Note Below]	37%
	(e)	Co-Operative Society	Exceeding ₹ 1 crore	12%
	(f)	Foreign Company	Exceeding ₹ 1 crore upto ₹ 10 crores	2%
	(g)	Foreign Company	Exceeding ₹ 10 crores	5%

#- Surcharge for Dividend Income & Capital Gains is capped at a rate of 15%.

It is pertinent to note that the benefit of capping the surcharge at 15 % for Dividend & Capital Gains income is not available to non-residents where the said income is taxable under the provisions of section 115A, 115AB, 115AC, 115ACA & 115E, while it continues to apply for income earned by Foreign Institutional Investor where the same is taxed u.s 115AD. - **[The said position is inferred from Memorandum explaining provisions of the Bill, the Finance Bill is silent on the said aspect]**



CUSTOMS

I. AMENDMENTS IN THE CUSTOMS ACT, 1962

S. No.	Amendment
1.	In Section 2, a new clause 7(B) is being introduced defining a “common portal” (Common Customs Electronic Portal)
2.	Sub-section (3) to section 5 of Customs Act is being amended to empower Commissioner (Appeals) to carry out functions specified under Chapter XV, Section 108 and the new sub-section (1D) of Section 110 of Customs Act
3.	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. 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 (if not specifically extended/ rescinded earlier) on review.
4.	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.
5.	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 proviso 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.
6.	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. Commissioner (Appeals) having jurisdiction, to certify the correctness of inventory of the seized goods and carry out other procedures as prescribed, before the disposal of the gold in a manner as may be determined by the Central Government. Other consequential amendments to give effect to this provision are also being carried out.
7.	Sub-section (ja) is being added to section 113 to provide for the confiscation of any goods entered for exportation under claim of remission or refund of any duty or tax or levy, so as to make a wrongful claim in contravention of the provisions of the Customs Act, 1962 or any other law for the time being in force.
8.	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.



S. No.	Amendment
9.	Explanation to 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.
10.	Section 149 is being amended so as to- a) introduce a second proviso which would allow amendments to be done through the customs automated system on the basis of risk evaluation through appropriate selection criteria. b) introduce a third proviso so that certain amendments, as may be specified by the Board, may be done by the importer or exporter on the common portal.
11.	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.
12.	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.

II. AMENDMENTS IN THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment
1.	Section 8B of the Customs Tariff Act is being amended to incorporate certain technical changes.
2.	Section 9 of the Customs Tariff Act is being amended to include provisions for anti-absorption, retrospective levy from the date of initiation of investigation in anti-circumvention cases, aligning countervailing duty provisions with those in safeguard measures in respect of levy on goods cleared from EOU and SEZ into Domestic Tariff Area, stipulating that when countervailing duty is revoked temporarily, such revocation shall be for a period not exceeding one year at a time and to provide for imposing Countervailing duty on review for period not exceeding 5 years at a time, instead of the 5 years at present
3.	Section 9A of the Customs Tariff Act is being amended to include provisions for anti-absorption, retrospective levy in anti-circumvention cases, aligning anti-dumping duty provisions with those in safeguard measures in respect of levy on goods cleared from EOU and SEZ into Domestic Tariff Area, stipulating that when anti-dumping duty is revoked temporarily, such revocation shall be for a period not exceeding one year at a time and to provide for imposing ADD on review for period not exceeding 5 years at a time, instead of the 5 years at present.



III. AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

AMENDMENTS					
A.	Tariff rate changes for Basic Customs Duty [to be effective from 02.02.2021, unless otherwise specified] * [Clause [95 (i)] of the Finance Bill, 2021]			Rate of Duty	
S. No.	Heading, sub-heading tariff item	Commodity	From	To	
		Chemicals			
1.	2803 00 10	Carbon Black	5%	7.5%	
		Plastic items			
2.	3925	Builder's ware of Plastics	10%	15%	
		Gems and Jewellery Sector			
3.	7104	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	10%	15%	
		Electrical and Electronics Sector			
4.	8414 30 00	Compressors equipment of a kind used In refrigerating	12.5%	15%	
5.	8414 80 11	Compressors of a kind used in air-conditioning equipment	12.5%	15%	
6.	8504 90 90	Printed Circuit Board Assembly [PCBA] of charger or adapter (All goods under this tariff item, other than above, will continue to attract the existing effective rate of BCD at 10%)	10%	15%	
		Parts of Automobiles			
7.	7007	Safety glass, consisting of toughened (tempered) or laminated glass. (All goods under this heading, other than those used with motor vehicles, will continue to attract the existing effective rate of BCD at 10%)	10%	15%	
8.	8512 90 00	Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor Vehicles	10%	15%	
9.	8544 30 00	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%	
10.	9104 00 00	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	15%	



B. Tariff rate changes (without any change in the effective rates of Basic Customs Duty)			Rate of Duty	
S. No.	Heading, sub-heading tariff item	Commodity	From	To
1.	8414 40	Air compressors mounted on a wheeled chassis for towing	7.5%	15%
2.	8414 80 (except 8414 80 11)	Gas Compressors (other than of a kind used in air- conditioning equipment), free-piston generators for gas turbine, turbo charger and other compressors	7.5%	15%
3.	8501 10 to 8501 53	Electric Motors	10%	15%
4.	8536 41 00 and 8536 49 00	Relays	10%	15%
5.	8537	Boards, panels, consoles, etc. for electric control or distribution of electricity	10%	15%
6.	9031 80 00	Other instruments, appliances and machines	7.5%	15%
7.	9032 89	Electronic automatic regulators and other controlling instruments or apparatus	10%	15%
C. New entries added to the First Schedule [Clause 95 (ii) and 95 (iii) of the Finance Bill, 2021]				
1.	Harmonizing the Customs Tariff Act 1975 with the HSN 2022 a) Changes to the first schedule to the Customs Tariff Act are 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. b) The amendments are necessary to adapt to the current trade through the recognition of new product streams, the changing nature of commodities being traded, advent of new technologies and addressing the environmental and social issues of global concern- all with a prime focus on the larger goal of ease of doing business and trade facilitation.			
2.	New tariff lines under the heading 2709 in the Customs Tariff Act, 1975#: 2709 00 10 -- petroleum crude 2709 00 20 – other			

Will come into effect on 1.4.2021.

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



IV. CHANGES IN CUSTOMS RULES

A. Trade Facilitation- Amendment to IGCR rules, 2017

1.	Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 [IGCR Rules] are being amended to provide the following facilities:
a.	to allow job-work of the materials (except gold and jewellery and other precious metals) imported under concessional rate of duty
b.	to allow 100% out-sourcing for manufacture of goods on job-work
c.	to allow imported capital goods that have been used for the specified purpose to be cleared on payment of differential duty, along with interest, on the depreciated value. The depreciation norms would be the same as applied to EOUs, as per Foreign Trade Policy.

V. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN RESPECTIVE NOTIFICATIONS [with effect from 2.2.2021, unless specified otherwise]

S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
		Agricultural Products and By Products		
1.	2207 20 00	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	5%
2.	23	All goods except dog and cat food and shrimp larvae feed	Nil/ 5%/ 10%/ 15%/ 20%/ 30%	15%
		Minerals		
3.	2528	Natural borates and concentrates thereof	Nil/ 5%	2.5%
		Fuels, Chemicals and Plastics		
4.	2710	Naphtha	4%	2.5%
5.	2907 23 00	Bis-phenol A	Nil	7.5%
6.	2910 30 00	Epichlorohydrin	2.5%	7.5%
7.	2933 71 00	Caprolactam	7.5%	5%
8.	3907 40 00	Polycarbonates	5%	7.5%
9.	3908	Nylon chips	7.5%	5%
10.	3920 99 99	Other plates, sheets, films, etc. of other plastics	10%	15%



S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
		Leather		
11	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	Nil	10%
		Textiles		
12.	5002	Raw Silk (not thrown)	10%	15%
13.	5004, 5005, 5006	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	15%
14.	5201	Raw Cotton	Nil	5% + 5% AIDC*
15.	5202	Cotton waste (including yarn waste or garneted stock)	Nil	10%
16.	5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510	Nylon Fibre and Yarn	7.5%	5%
		Gems and Jewellery Sector		
17.	7106	Silver	12.5%	7.5% + 2.5% AIDC*
18.	7106	Silver Dore	11%	6.1% + 2.5% AIDC*
19.	7108	Gold	12.5%	7.5% + 2.5% AIDC*
20.	7108	Gold Dore	11.85%	6.9% + 2.5% AIDC*
21.	7107 00 00, 7109 00 00, 7111 00 00	Base metals or precious metals clad with precious metals	12.5%	10%
22.	7110	Other precious metals like Platinum, Palladium, etc.	12.5%	10%
23.	7112	Waste and scrap of precious metals or metals clad with precious metals	12.5%	10%
24.	7112	Spent catalyst or ash containing precious metals	11.85%	9.17%
25.	7113	Gold or Silver Findings	20%	10%



S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
26.	7118	Coin	12.5%	10%
		Metals		
27.	7204	Iron and steel scrap, including stainless steel scrap [up to 31.03.2022]	2.5%	Nil
28.	7206 and 7207	Primary/Semi-finished products of non-alloy steel	10%	7.5%
29.	7208, 7209, 7210, 7211, 7212, 7225 (except 7225 11 00) and 7226 (except 7226 11 00)	Flat products of non-alloy and alloy steel	10% /12.5%	7.5%
30.	7213, 7214, 7215, 7216, 7217, 7221, 7222, 7223, 7227 and 7228	Long product of non-alloy, stainless and alloy steel	10%	7.5%
31.	7225	Raw materials for use in manufacture of CRGO steel [up to 31.03.2023]	2.5%	Nil
32.	7404	Copper Scrap	5%	2.5%
33.	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%
		Capital Goods		
34.	8430	Tunnel boring machines	Nil	7.5%
35.	8431	Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	2.5%
		IT, Electronics and Renewable		
36.	8544 (other than 8544 70 and 8544 30 00)	Specified insulated wires and cables	7.5%	10%
37.	39, 74 and 85	Former, bases, bobbins, brackets; CP wires; P.B.T.; Phenol resin moulding powder; Lamination/ El silicon steel strips for use in manufacture of transformers (entry at S.No. 198 of 25/1999- Customs)	Nil	Applicable rate
38.	Any Chapter	Inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%



S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
39.	Any Chapter	Inputs or parts for manufacture of camera module of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
40.	Any Chapter	Inputs or parts for manufacture of connectors of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
41.	Any Chapter	Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
42.	Any Chapter	Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones	Nil	10%
43.	8504 90 90 or 3926 90 99	Moulded plastics for manufacture of charger or adapter	10%	15%
44.	Any Chapter	Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	Nil	10%
45.	Any Chapter	Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones	Nil	10%
46.	Any Chapter	Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack (w.e.f. 1.4.2021)	Nil	2.5%
47.	Any Chapter	Parts or components of PCBA of Lithium-ion battery or battery pack (w.e.f. 1.4.2021)	Nil	2.5%
48.	Any Chapter	Inputs or raw materials of following goods: - (i) Other machines capable of connecting to an automatic data processing machine or to a network (8443 32 90) (ii) Ink cartridges, with print head assembly (8443 99 51) (iii) Ink cartridges, without print head assembly (8443 99 52) (iv) Ink spray nozzle (8443 99 53) (w.e.f. 1.4.2021)	Nil	2.5%



S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
49.	Any Chapter	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
50.	Any Chapter	Inputs for use in the manufacture of LED driver or MCPCB (Metal Core Printed Circuit Board) for LED lights or fixtures including LED Lamps	5%	10%
51.	9405 50 40	Solar lanterns or solar lamps	5%	15%
52.	8504 40	Solar Inverters	5%	20%
53.	9503	Parts of Electronic Toys for manufacture of electronic toys	5%	15%
Aviation Sector				
54.	Any Chapter	Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector Units under Ministry of Defence subject to condition specified.	2.5%	0%
Medical devices				
55.	9018-9022	Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	Health Cess @ Nil
Goods imported under Project Import Scheme				
56.	9801	High Speed Rail Projects being brought under project imports	Applicable Rate	5%
57.	8714 91 00, 8714 92, 8714 93, 8714 94 00, 8714 95, 8714 96 00, 8714 99	All goods other than Bicycle parts and components	10%	15%

* Agriculture Infrastructure and Development Cess

VI OTHER MISCELLANEOUS CHANGES

S. No.	Notification Subject
1.	High Speed Rail Projects are being included in list of projects to which Project Imports Scheme is applicable
2.	National High Speed Rail Corporation Ltd. is being nominated as the "Sponsoring Authority" under Project Import Regulations, 1986 for approving the items required to be imported under the Project Imports Scheme for High-Speed Rail Projects





VII PRUNING AND REVIEW OF CUSTOMS DUTY CONCESSIONS/EXEMPTIONS:

A. **Review of concessional rates of BCD prescribed in notification No. 50/2017 – customs dated 30.6.2017:** The BCD exemption hitherto available on certain goods are being withdrawn by omitting following entries of notification No. 50/2017-Customs dated 30.6.2017.

S. No.	Description/ CTH
1.	Diphenylmethane 4, 4-diisocyanate (MDI) for use in the manufacture of spandex yarn
2.	Ink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage, for use in printers for computers
3.	71 items like wax items, wood polish materials, prints for photo frames, velvet fabric/paper, handles/blades for cutlery, jigat, wine tools etc.
4.	35 items like fasteners, zippers, shoulder pads, buckles, rivets, Velcro tape, toggles, stud, elastic cloth and band, bobbin, hooks, anglets etc.
5.	42 items like buckles, buttons, stamping foil, sewing thread, Loop rivets, Glove Liners, shoe laces, inlay cards etc.
6.	18 items like lace, Velcro tape, curtain hooks, Tassel, Beads, Sequins, sewing threads, poly wadding materials, quilted wadding materials etc.

B. **Prescribing the condition of observance of the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules, 2017) for certain conditional entries in notification No. 50/2017-Customs dated 30.06.2017, in lieu of certain exiting conditions. Besides certain other conditions for imports are being rationalized/simplified.**

- Accordingly, the condition Nos. 22, 24, 30, 38, 51, 52, 53, 54, 60, 61 and 74, in the said customs notification have been amended to prescribe condition of IGCR.
- In addition, it has been prescribed that the changed jurisdictional authority under IGCR Rules, 2017, shall also issue the end use certificate for the past period after due verification as per the rules.

C. Customs duty exemptions, including those which have been granted through certain other stand-alone notifications, have also been reviewed by rescinding the notification:

S. No.	Notification Subject
1.	Exemption to all items of machinery, instruments, appliances, components or auxiliary equipment for initial setting up of solar power generation project or facility
2.	This notification provided exemption to tags or labels (whether made of paper, cloth, or plastic), or printed bags (whether made of polyethene, polypropylene, PVC, high molecular or high density polyethene) imported for fixing on articles for export or for the packaging of such articles. Similar exemption exists at S. No.257 of notification No. 50/2017-Cus. These have been merged in the said S. No.257 and notification No 34/2017-Cus has been omitted.
3.	Exemption for goods imported for organizing FIFA Under-17 World Cup, 2017.



VIII. IMPOSITION OF AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS ON IMPORT OF CERTAIN ITEMS [to be effective from 02.02.2021] [Clause [115] of the Finance Bill, 2021]

An Agriculture Infrastructure and Development Cess (AIDC) has been proposed on import of specified goods. To ensure that imposition of cess does not lead to additional burden in most of these items on the consumer, the BCD rates has been lowered. This cess shall be used to finance the improvement of agriculture infrastructure and other development expenditure. The list of items on which cess has been imposed and the applicable duty and AIDC on them would be as follows:

S. No	Heading, sub-heading tariff item	Commodity	Basic customs duty	AIDC
1.	0808 10 00	Apples	15%	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%	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 fermented beverages and nonalcoholic beverages	50%	100%
13.	2208	All goods (Brandy, Bourbon whiskey, Scotch etc.)	50%	100%
14.	2701	Various types of coal	1%	1.5%
15.	2702	Lignite, whether agglomerated or not	1.5%	
16.	2703	Peat, whether agglomerated or not	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%



IX. OTHER CHANGES (INCLUDING CERTAIN CLARIFICATIONS/ TECHNICAL CHANGES BY AMENDING NOTIFICATION NO. 50/2017-CUSTOMS DATED 30.06.2017

S. No.	Description
1.	a) The HS [0713 20 00] was split into [0713 20 10], [0713 20 20] and [0713 20 90] vide notification 22/2018-Cus dated 20.03.2020. However, the transposition of the same has not been done for entry 20 of notification No. 50/2017-Cus. b) It is proposed to specifically mention Kabuli Chana & Bengal gram (desichana) in the exclusions to this entry.
2.	The entry is redundant (was valid only upto 31.12.2020 and is proposed to be omitted.
3.	The entry is redundant (was valid only upto 30.09.2017) and is proposed to be omitted.
4.	Acid grade fluorspar attracts 5% BCD vide serial numbers 120 and S.N. 131 of notification No. 50/2017-Customs dated 30.06.2017. Entry at S.No. being redundant is being omitted.
5.	“Any Chapter” mentioned in the Chapter/heading etc. of this entry is being replaced by the specific entry heading 2501.
6.	An explanation is being inserted in Sr. No. 284 of the notification no. 50/2017-Customs dated 30th June 2017 so as to clarify that the said exemption entry does not cover toy balloons made of natural rubber latex as such toy balloons are classified under customs heading 9503, so as to avoid misclassification.
7.	The language of exemption entries providing concessional rates on newsprint & other uncoated paper conforming to the specifications of newsprint (other than its surface roughness) is being simplified so as to remove any doubts regarding the specification of uncoated papers used for printing of newspapers on which the concessional rates apply.
8.	Clauses (b), (c) and (e) are being omitted as they are redundant.

X. REVIEW OF LEVY OF SOCIAL WELFARE SURCHARGE ON VARIOUS ITEMS.

- A. Notification No. 12/2018-Customs, dated 02.02.2018 prescribing effective rates of 3% on certain items, including gold and silver, is being rescinded.
- B. SWS is also being rescinded on goods falling under heading 2515 11 and 2515 12
- C. SWS is being exempted on the value of AIDC imposed on gold and silver. Accordingly, these items would attract SWS, at normal rate, only on value plus basic customs duty.



XI. OTHER MISCELLANEOUS CHANGES PERTAINING TO ANTI-DUMPING DUTY (ADD)/ COUNTERVAILING DUTY (CVD)/ SAFEGUARD MEASURES

1.	Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 provide for manner and procedure for investigation into dumping of goods that cause injury to domestic industry. Changes are being made in the Rules, to provide that with effect from 01.07.2021, to provide that final findings are to be issued by the designated authority, in review cases, at least three months prior to expiry of the ADD under review. The ADD Rules are also being amended to provide for provisional assessment in cases of anti-circumvention investigation. Certain other changes are being made for bringing clarity in the scope of these rules.
2.	Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 provide for manner and procedure for causing investigation into the cases of imports of subsidized goods that cause injury to domestic industry. Changes are being made in the Rules to provide that with effect from 01.07.2021, the final findings are to be issued by the designated authority, in review cases, at least three months prior to expiry of the CVD under review. The CVD Rules are also being amended to provide for provisional assessment in cases of anti-circumvention investigation. Certain other changes are being made for bringing clarity in the scope of these rules.
3.	Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 (Safeguard Duty being changed to Safeguard Measures) provide for manner and procedure for causing investigation into the cases of imports in increased quantity that cause injury to domestic industry. Changes in the rules are being proposed to elaborate in detailed manner the modalities of implementation of safeguard measure, along with technical modifications consequent to the changes made earlier in section 8B of the Customs Tariff Act vide Finance Act, 2020.
4.	Anti-Dumping duty is being temporarily revoked for the period commencing from 2.2.2021 till 30.09.2021, on imports of the following-
	a) Straight Length Bars and Rods of alloy-steel, originating in or exported from People's Republic of China, imposed vide notification No. 54/2018-Cus (ADD) dated 18.10.2018;
	b) High Speed Steel of Non-Cobalt Grade, originating in or exported from Brazil, People's Republic of China and Germany, imposed vide notification No. 38/2019-Cus (ADD) dated 25.09.2019;
	c) Flat rolled product of steel, plated or coated with alloy of Aluminum or Zinc, originating in or exported from People's Republic of China, Vietnam and Korea RP, imposed vide notification No. 16/2020-Cus (ADD) dated 23.06.2020.
5.	Countervailing duty is being temporarily revoked for the period commencing from 2.2.2021 till 30.09.2021, on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People's Republic of China, imposed vide notification No. 1/2017-Cus (CVD) dated 07.09.2017.



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| 6. | Provisional Countervailing duty is being revoked on imports of Flat Products of Stainless Steel, originating in or exported from Indonesia, imposed vide notification No. 2/2020-Customs (CVD) dated 9.10.2020. |
| 7. | In Sunset Review, anti-dumping duty on Cold-Rolled Flat Products of Stainless Steel of width 600 mm to 1250 mm and above 1250 mm of non bonafide usage originating in or exported from People's Republic of China, Korea RP, European Union, South Africa, Taiwan, Thailand and United States of America has been discontinued upon expiry of the anti-dumping duty hitherto leviable vide notifications no. 61/2015-Customs (ADD) dated 11th December, 2015 and 52/2017-Customs (ADD) dated 24th October, 2017. |



EXCISE

I. AMENDMENT IN THE FOURTH SCHEDULE

S. No.	Amendment
1.	Amendment in Fourth Schedule made by Notification No. 08/2019-CE (T) dated 31.12.2019 shall be made effective w.e.f. 01.01.2020, retrospectively.
2.	New tariff items [2404 11 00] and [2404 19 00] inserted in Chapter 24 in the fourth Schedule of the Central Excise Act, 1944 accordance with upcoming Harmonised System 2022 Nomenclature and to prescribe tariff rate of 81% on these tariff items with effect from 01.01.2022.

II. RETROSPECTIVE AMENDMENT IN CHAPTER 27 OF THE FOURTH SCHEDULE TO THE CENTRAL EXCISE ACT, 1944.

No.	Amendment
1.	(i) It is proposed to specify correct IS “17076” against the tariff item 27101249 and made effective from 01.01.2020, retrospectively.
2.	(ii) It is proposed that tariff rate of 14%+ ₹ 15.00 per litre against tariff item 2710 20 10 and 2710 20 20 may be prescribed and made effective from 01.01.2020, retrospectively.

III. AMENDMENT IN CHAPTER 27 OF THE FOURTH SCHEDULE TO THE CENTRAL EXCISE ACT, 1944.

Tariff items 2709 10 00, 2709 20 00, and the entries are being substituted relating thereto as under: [to be made effective from 01.04.2021] [Clause [96(i)] of the Finance Bill, 2021]			
Tariff Item	Description of goods	Unit	Rate of duty
2709	Petroleum oils and oils obtained from bituminous minerals, crude		
2709 00 10	Petroleum crude	Kg.	Nil
2709 00 20	Other	Kg.

I. IMPOSITION OF AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC) ON PETROL AND DIESEL

An Agriculture Infrastructure and Development Cess (AIDC) as an additional duty of excise has been proposed on Petrol and High speed diesel vide Clause [116] of the Finance Bill, 2021. This cess shall be used to finance the improvement of agriculture infrastructure and other development expenditure. The details of the cess are as under:



S. No.	Commodity	Rate of AIDC [Clause [116] of the Finance Bill, 2021]*
1	Motor spirit commonly known as petrol	₹ 2.5 per litre
2	High speed diesel	₹ 4 per litre

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

II. CHANGE IN EFFECTIVE RATE OF BASIC EXCISE DUTY AND SPECIAL ADDITIONAL EXCISE DUTY ON PETROL AND DIESEL [to be effective from 02.02.2021]

Consequent to imposition of AIDC, the Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) on Petrol and High-speed diesel is being reduced so that consumer does not have to bear any additional burden on account of imposition of AIDC. The revised duty structure on petrol and HSD shall be as follows.

A	Item	BED (Rs/Ltr)	SAED (Rs/Ltr)	AIDC (Rs/Ltr)
1	Petrol (unbranded)	1.4	11	2.5
2	Petrol (branded)	2.6	11	2.5
3	High speed diesel (unbranded)	1.8	8	4
4	High speed diesel (branded)	4.2	8	4

III. EXEMPTIONS FOR M-15, E-20 AND OTHER BLENDED FUELS

S. No.	Amendment to central excise notifications
1.	Exemptions from cesses and surcharges on the lines of other blended fuels (like E- 5 and E-10) if these blended fuels are made of duty paid inputs

IV. AMENDMENTS IN THE SCHEDULE VII OF THE FINANCE ACT 2001 (NCCD SCHEDULE)

1.	New tariff items [2404 11 00] and [2404 19 00] inserted in accordance with upcoming HS 2022 Nomenclature and prescribe NCCD of 25% on these tariff items with effect from 01.01.2022.
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GOODS & SERVICE TAX

PROPOSED CHANGES IN CENTRAL GOODS AND SERVICES TAX ACT, 2017:

S. No.	Amendments in the Central Goods and Services Tax Act, 2017 / Integrated Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017
1	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.
2	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.
3	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.
4	Section 44 of the CGST Act is being substituted so as to remove the mandatory requirement of furnishing a reconciliation statement duly audited by specified professional and to provide for filing of the annual return on self-certification basis. It further provides for the Commissioner to exempt a class of taxpayers from the requirement of filing the annual return.
5	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.
6	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.
7	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.
8	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.
9	A proviso to sub-section (6) of section 107 of the CGST Act is being inserted to provide that no appeal shall be filed against an order made under sub-section (3) of section 129, unless a sum equal to twenty-five per cent. of penalty has been paid by the appellant.



S. No.	Amendments in the Central Goods and Services Tax Act, 2017 / Integrated Goods and Services Tax Act, 2017 / Union Territory Goods and Services Tax Act, 2017
10	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.
11	Section 130 of the CGST Act is being amended to delink the proceedings under that section relating to confiscation of goods or conveyances and levy of penalty from the proceedings under section 129 relating to detention, seizure and release of goods and conveyances in transit.
12	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.
13	Section 152 of the CGST Act is being amended so as to provide that no information obtained under sections 150 and 151 shall be used for the purposes of any proceedings under the Act without giving an opportunity of being heard to the person concerned.
14	Section 168 of the CGST Act is being amended to enable the jurisdictional commissioner to exercise powers under section 151 to call for information.
15	Consequent to the amendment in section 7 of the CGST Act paragraph 7 of Schedule II to the CGST Act is being omitted retrospectively, with effect from the 1st July, 2017.
16	Section 16 of the IGST Act is being amended so as to: <ul style="list-style-type: none">(i) zero rate the supply of goods or services to a Special Economic Zone developer or a Special Economic Zone unit only when the said supply is for authorized operations;(ii) restrict the zero-rated supply on payment of integrated tax only to a notified class of taxpayers or notified supplies of goods or services; and(i) link the foreign exchange remittance in case of export of goods with refund.

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