

# UNION BUDGET 2021-22

## Quick View Direct Tax and Indirect Tax

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**Compiled by**  
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**B. T. Sorathiya & Co. (CA)**

Office No.220, Heera Panna Complex,

Dr. Yagnik Road, Rajkot, Gujarat, India

+91-281-2462838

btsorathiya@gmail.com

www.cabtsc.com

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**DIRECT TAX (INCOME TAX):****1. NO CHANGE IN INCOME TAX RATES****2. CHANGES IN PROVISION RELATED TO SALARY**

- a. Cash allowance received by employee on account of Leave Travel Concession (LTC) from employer for vacation in India, shall be exempted from Tax on satisfaction of condition as mentioned below:
  - Employee or a member of his family should spend by 31st March, 2021;
  - LTC shall be exempted only if such expenses are liable for GST@ 12% or more and goods are purchased or services procured from GST registered vendors / service providers;
  - Payment should be made through Digital Mode;
  - the amount of exemption shall not exceed thirty-six thousand rupees per person or one-third of specified expenditure, whichever is less;
  - The employee exercises an option for the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-21
- b. Any interest received on account of Employees Contribution to the Recognized Provident Fund in excess of Rs. 2,50,000 shall be taxable in that year. Interest is taxable only on the amount contributed by the Employee's Share.

**3. CHANGES RELATED TO GOODWILL**

No depreciation shall be allowed on Goodwill. Block of assets shall not include any Goodwill amount whether it is acquired or self-generated from 01st April, 2021. For calculation of Capital gain on Goodwill, Cost of Acquisition shall be the book value as on 31st March, 2021.

**4. CHANGES IN PROVISION RELATING TO CAPITAL GAIN**

- Slump Sale definition is widen and will include the transfer of Undertaking through exchange or relinquishment, but such exchange has to be an assets and not of undertaking. Undertaking is not a capital asset but is bundle of assets and Liabilities.
- Any amount received by Partners in excess of the balance appearing in the capital account of firm shall be taxable under Capital Gain. Amount paid to partners in excess of capital balance is taxable to firm.
- Unit Linked Insurance Plans shall be taxed as capital gain, if premium in any year exceeds Rs. 2.5 Lacs anytime during the policy period. Currently gain on ULIPS after 5 years is exempted u/s. 10D. It shall be applicable on the ULIPS issued on or after 1st February, 2021.
- Due date extended for claiming Capital Gain Exemption arisen on transfer of residential property u/s. 54GB for investment in Eligible Start- up to 31st March, 2022.

**5. EXEMPTION TO SENIOR CITIZEN FROM FILING IT IN SPECIFIED CASES:**

Senior Citizen of age 75 years and above not required to file Income Tax return, conditions are as under:

- Senior Citizen age of 75 years and above and having only income from Pension;
- Interest Income from the same bank in which receiving Pension Income;
- To furnish a declaration to the Bank;
- Bank to compute the income and deduct TDS after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under section 87A of the Act;
- Who have only pension and interest income and paying bank will deduct applicable tax (TDS) on interest.

**6. NO DEDUCTION IF DELAY IN DEPOSIT OF EMPLOYEE'S CONTRIBUTION:**

Late deposit of contribution of employees towards Provident funds, superannuation funds, and other social security funds will qualify as disallowance of expense to extent of employee contribution to employer.

**7. ADVANCE TAX PAYMENT FOR DIVIDEND:**

Particulars	Existing	Proposed
Requirement of advance income tax on dividend income	Advance income tax is payable on income including dividend on estimated basis	Advance income tax is payable on Dividend income only after declaration / receipt of dividend

**8. HIGHER TDS/TCS FOR NON-FILER OF INCOME TAX RETURN:**

Particulars	Existing	Proposed
Higher rate for TDS for the non-filers of income-tax return: <ul style="list-style-type: none"> <li>➤ Not applicable for TDS u/s 192, 192A, 194B, 194BB, 194LBC or 194N.</li> <li>➤ Condition: Aggregate of TDS and TCS for the same deductee is Rs. 50,000 or more in each of two previous years.</li> <li>➤ This provision is applicable to all the sections of TDS and TCS both</li> </ul>	No such provision	TDS at Higher of: <ul style="list-style-type: none"> <li>(a) Twice the rate specified in Act or</li> <li>(b) Twice the rate or rates in force or</li> <li>(c) 5%</li> </ul> If PAN is not available than higher of above or 20% as per sec. 206AA.

**Notes:**

Non-filer: Non-Filer means person who has not filed the returns of income for both of 2 Assessment Years relevant to last 2 previous years, immediately before the previous year in which tax is required to be deducted/collected and Time limit for filing tax return u/s. 139(1) expired for both these assessment years.

Not include a non-resident who does not have a permanent establishment in India.

Effective from 1st July, 2021

**9. TDS ON PURCHASE OF GOODS (SECTION 194Q):**

Particulars	Existing	Proposed
Any person paying amount for <b>purchase of goods</b> exceeding Rs. 50 Lakh in year shall deduct TDS from 01st July, 2021 Note: Responsibility of deduction shall lie only on the persons whose turnover exceeds Rs. 10 crore in immediately preceding the financial year.	No requirement	Limit of Rs. 50 Lakh TDS @ 0.1 %

**10. TAX AUDIT LIMIT RELAXED:**

Particulars	Existing	Proposed
Turnover Limit: Tax Audit Not required if Cash Receipt and Payment up to 5%	Rs. 5 Crore	Rs. 10 Crore

**11. REDUCED TIME LIMIT FOR BELATED/REVISED ITRS:**

Particulars	Existing	Proposed
Last date for filing of belated or revised returns of income *from the end of the financial year or before the completion of the assessment, whichever is earlier.	12 Month* 31-03-2023	9 Month* 31-12-2022

**12. DUE DATE FOR ITR FILING BY PARTNERS OF THE FIRM COVERED UNDER TRANSFER PRICING AUDIT:**

Particulars	Existing	Proposed
Due date for ITR filing for Partners of the firm, filing transfer pricing report u/s. 92E	31- July (or 31-October if audit)	30-November

**13. APPLICABILITY OF PRESUMPTIVE TAXATION FOR PROFESSIONALS:**

Particulars	Existing	Proposed
Applicability of Presumptive taxation for professionals (Sec. 44ADA)	Resident in India	Individual, HUF or Partnership Firm other than LLP

**14. INTEREST ON LOAN FOR AFFORDABLE HOUSING (SECTION 80EEA):**

Particulars	Existing	Proposed
Additional Deduction Up to Rs. 1,50,000 in respect of Payment of Interest on Loan taken for Affordable Housing	Loan sanctioned up to 31st March, 2021	Loan sanctioned up to 31st March, 2022

**15. PROFIT AND GAIN DERIVED FROM THE BUSINESS OF DEVELOPING OF AFFORDABLE HOUSING PROJECT (SECTION 80IBA)**

Particulars	Existing	Proposed
Profit and Gain derived from the Business of developing of Affordable Housing Project <b>Note:</b> Exemption of 80IBA is also applicable for the Notified affordable rental housing projects.	Project approved before 31st March, 2021	Project approved before 31st March, 2022

**16. DEDUCTIONS TO START UPS (SECTION 80IAC)**

Companies registered before 31st March, 2022 shall be eligible for Start Ups Companies and profits of such registered Start Up Companies are eligible for deduction u/s. 80IAC

**17. REDUCED TIME LIMIT FOR SENDING INTIMATION/NOTICE:**

Particulars	Existing	Proposed
Time limit for sending intimation u/s 143(1) *from the end of the financial year in which return was furnished For example : Income Tax Return for A.Y. 2022-23	12 Month* 31-03-2024	9 Month* 31-12-2023
Time limit for issue of scrutiny notice u/s 143(2) # from the end of the year in which return is furnished For example : Income Tax Return for A.Y. 2022-23	6 Months# 30-09-2023	3 Months# 30-06-2023

**18. REDUCED TIME LIMIT FOR REOPENING ASSESSMENT:**

Existing	Proposed
4/6 years from the end of relevant assessment year	3 years from the end of relevant assessment year
	10 years from the end of relevant assessment year Approval of Principal CIT required

**19. TAX HOLIDAY FOR START-UP AND CAPITAL GAIN EXEMPTION:**

Particulars	Existing	Proposed
Eligibility for claiming tax holiday for start-up: date of incorporation up to	31-03-2021	31-03-2022
Capital gain exemption for date of investment in start-up up to	31-03-2021	31-03-2022

**20. EASY DISPUTE RESOLUTION FOR SMALL TAX PAYERS:**

For Small tax payer:

- Taxable income up to 50 Lakh and
- Disputed income up to 10 Lakh

A separate Dispute Resolution Panel (Committee) to be constituted.

**21. PROVISIONAL ATTACHMENT OF PROPERTY**

Assessing Officer is empowered to Provisionally attach the Property of assessee during the Pendency of Fake Invoice Case Penalty as per the section 271AAD. Attachment of property shall be done in penalty imposable is likely to exceed Rs. 2Cr.

**22. RELIEF TO EDUCATIONAL AND MEDICAL INSTITUTIONS REGISTERED AS TRUST**

Educational and Medical Institution registered as trust, shall be exempted from tax only if Gross Receipts does not exceed Rs. 5 Crores. Previously limit was 1Cr of the gross receipts.

**INDIRECT TAX (GST, CUSTOM etc.):****1. CHANGES IN GOODS & SERVICE TAX (GST):**

Existing	Proposed
<b>1.1 ITC MATCHING</b>	
The conditions for availing Input Tax Credit does not require filing GSTR-1 as pre-condition.	New sub clause added in section 16(2)(aa): ITC can 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.
<b>1.2 GSTR-9C RECONCILIATION STATEMENT</b>	
Mandatory Filing of GSTR 9C Reconciliation Statement for turnover above 5 Crore	<ul style="list-style-type: none"> <li>• Removed the mandatory requirement of GSTR-9C</li> <li>• Filing of the annual return GSTR-9 on self-certification basis</li> </ul>
<b>1.3 INTEREST</b>	
Interest on Net Cash Liability basis not confirmed and was under dispute.	<ul style="list-style-type: none"> <li>• Liability to pay interest shall be computed on the net cash liability</li> <li>• Effective retrospectively from the 1st July, 2017</li> </ul>

<b>1.4 SEIZURE AND CONFISCATION OF GOODS AND CONVEYANCES IN TRANSIT</b>	
Conclusion of the proceedings against the main person as well as some other persons (e.g. transporter) if the main person (e.g. supplier) exercises the option of paying the requisite amount of tax, interest and penalties for concluding the proceedings.	Now it has been proposed to consider seizure and confiscation of goods and conveyances in transit as a separate proceeding from recovery of tax. Therefore the other persons (e.g. transporter) shall not get the closure of the proceedings even if the main person (e.g. supplier) opts to close the proceedings.
<b>1.5 SELF-ASSESSMENT TAX AND RECOVERY</b>	
No such requirement	<ul style="list-style-type: none"> <li>• Liability declared in GSTR 1 but not included in GSTR 3B will be considered as “self-assessed tax”.</li> <li>• Recovery proceedings can be initiated without following the process of adjudication.</li> </ul>
<b>1.6 PROVISIONAL ATTACHMENT OF PROPERTY</b>	
In limited types of assessments	Scope expanded to include any proceeding in the nature of assessment (Chapter XIII), inspection, search, seizure and arrest (Chapter XIV) and demand & recovery (Chapter XV)
<b>1.7 PRE-DEPOSIT FOR APPEAL FILING</b>	
No such requirement	Pre-deposit amount for filing the appeal before the first appellate authority in cases of detention and seizure of goods and conveyance during transit shall be 25% of the penalty amount imposed.
<b>1.8 PENALTY ON SEIZURE AND CONFISCATION OF GOODS AND CONVEYANCES IN TRANSIT. [SECTION 129(1)]</b>	
Penalty equal to 100% of the tax payable (in case of exempted goods, on payment of an amount equal to two per cent. of the value of goods or twenty-five thousand rupees, whichever is less) where the owner of the goods comes forward for payment of such tax and penalty	<ul style="list-style-type: none"> <li>• Further the quantum of penalty u/s. 129(1)(a) has been doubled to 200% of the tax payable where the owner of the goods comes forward for payment of such penalty.</li> <li>• Section 129(1)(b) is amended to change options for release of detained or seized goods and conveyance for taxable goods where owner does not come forward: Penalty equal to 50% of value of goods; or 200% of tax payable on such goods, whichever is higher.</li> <li>• Section 129(2) is amended to provide that goods seized shall not be released on provisional basis upon execution of a bond and furnishing of a security, in such manner and of such quantum. This means that the penalty imposed by the officer will have to be paid in cash by the taxpayer. Earlier the provision was if person does not pay tax and penalty within 14 days of seizure, the conveyance and goods detained were liable for confiscation as per Section 130. But, after this amendment, the goods or conveyance detained or seized shall become liable to be sold or disposed-off in the manner prescribed in case the payment of imposed penalty is not made within 15 days from the date of receipt of copy of the order imposing such penalty.</li> </ul>



**1.9 POWER TO COLLECT INFORMATION**

Limited Power to collect statistics	Power to call for information
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**1.10 REFUNDS ON ACCOUNT OF ZERO-RATED SUPPLIES**

At present Sec. 16(3) provides for two routes for claiming the refund of the accumulated ITC viz.

- (a) making the supplies with payment of IGST and claiming refund thereof and  
(b) making the supplies under LUT without tax and claiming refund of the accumulated ITC based on the formula

Option of making the supply on payment of integrated tax shall only be granted to a notified class of taxpayers or notified supplies of goods or services.

Notes:

- Definition of Zero-rated supply has been proposed to be amended. As per this, only notified class of persons and notified class of goods or services can make zero rated supply with payment of IGST]
- Foreign exchange realization would be mandatory for refund of unutilized ITC for zero rated supply of goods. In case of non-realization, benefit of refund would be deposited along with interest.

**1.11 CLUBS / ASSOCIATIONS**

Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.

- The activities or transactions, by a person, other than an individual, to its members or constituents or vice versa, for cash, deferred payment or other valuable consideration
- Retrospective amendment effective from 1st July, 2017
- Exemption (up to Rs.7,500 per month per member) in respect of housing societies, shall be available

**2. CHANGES IN CUSTOM DUTY:**

Goods/Item	Existing	Proposed
<b>Textiles:</b>	7.50%	5.00%
Nylon Chips, Fiber, Yarn		
<b>Chemicals:</b>		
Caprolactam	7.50%	5.00%
Naptha	4.00%	2.50%
<b>Agriculture products:</b>		
Cotton	0.00%	10.00%
Raw silk and silk yarn	10.00%	15.00%
<b>Gold, Silver</b>	12.50%	7.50%+2.50% AIDC*
<b>Renewable energy:</b>		
Solar Invertors	5.00%	20.00%
Solar Lanterns	5.00%	15.00%
<b>Steel screws and plastic builder wares</b>	10.00%	15.00%
<b>Prawn feed</b>	15.00%	5.00%

\* AIDC means Agriculture Infrastructure and Development Cess. A new cess, Agriculture Infrastructure and Development Cess ('AIDC') has been introduced with effect from February 2, 2021, on the import of goods specified in First Schedule. Simultaneously, BCD has been reduced on some of these items, so as to avoid any additional burden on the consumer. The rate of AIDC varies from 1.5% to 100%.

**3. MISCELLANEOUS**

- FM proposed to review more than 400 old exemptions under the Custom Laws. Further, with effect from October 1, 2021, revised Custom tariff structure would be introduced.
- To ensure timely completion of inquiries/investigations, law has been proposed to be amended to provide that Show Cause Notices for inquiries/investigations is be issued within 2 years from the date of initiation of such inquiry/investigation. However, such time limit of 2 years can be further extended by 1 year by the Commissioner. Notably, provision would apply to fresh proceedings only.
- Provisions relating to confiscation of goods are proposed to be amended to include wrongful claim of any remission/refund of any tax or duty within its scope.
- Penalty provision would be included in the Customs Act where refund has been claimed by way of fraudulent utilization of Input Tax Credit through fake invoices, against any duty or tax on goods exported out of India. In this case penalty would be levied maximum up to 5 times of the refund claimed

**4. CHANGE IN PROVISION OF CENTRAL EXCISE**

AIDC of Rs. 2.5 per litre has been imposed on petrol and Rs. 4 per litre on diesel as an additional duty of excise is proposed under Clause 116 of the Finance Bill, 2021. Accordingly, Basic Excise Duty and the Special Additional Excise Duty have been calibrated so that there would be no additional burden on the consumer.

**RELAXATIONS FOR COMPANIES / LLPS:****ONE PERSON COMPANY (OPC)**

- No Restriction on turnover / paid up capital.
- Conversion to any other type at any time.
- Reducing residency limit for Indian citizen from 182 days to 120 days.
- Allowing NRI to incorporate OPC.

**DEFINITION OF SMALL COMPANIES WIDENED**

Particular	Existing	Proposed
Turnover Limit	Rs. 2.00 Crore	Rs. 20.00 Crore
Paid up capital limit	Rs. 50.00 Lakh	Rs. 2.00 Crore