

**SVSR & ASSOCIATES**



# **BUDGET HIGHLIGHTS**

**DIRECT AND INDIRECT TAX PROPOSALS**

**2021**

## **INTRODUCTION:**

- The **Union Budget 2021-22** was presented by the Hon'ble Finance Minister Nirmala Sitharaman on 1st February 2021 in the Parliament.
- This year's Budget lays focus on the seven pillars for reviving the economy –
  - Health, Wellbeing, Physical,
  - Financial Capital,
  - Infrastructure,
  - Development for Aspirational India,
  - Reinvigorating Human Capital,
  - Innovation and R&D, and
  - Minimum Government Maximum Governance.

## **DIRECT TAX PROPOSALS:**

- ★ Limit for tax audits (Sec 44AB) has been increased from Rs **5 crs** to Rs **10 crs**.
- ★ **Section 194P** - Newly inserted to enforce the banks to deduct tax on senior citizens (>75 yrs) who have a pension and interest income from the bank.
- ★ Senior Citizen (>75 yrs) has been **exempt from filing ITR** if pension and interest are the only income.
- ★ Except in cases of serious tax evasion, assessment proceedings in the rest of the cases shall be reopened only up to **3 yrs** instead of 6 yrs.
- ★ **Section 245MA** (Dispute Resolution Committee )- Assessed with a taxable income of up to Rs.50 lakh and any disputed income of Rs. 10 lakh to prevent and settle the issue at the initial stage.
- ★ National Faceless Income Tax Appellate Tribunal Centre - Provision is made for faceless proceedings before the Income Tax Appellate Tribunal (ITAT) in a jurisdiction less manner.
- ★ **Tax incentives** to start-ups extended by one more year to **31st March 2022**.
- ★ Pre-filing will be allowed for salary, tax payments, TDS, etc. Further, details of capital gains from listed securities, dividend income, etc. will be prefilled.
- ★ **Advance Tax on dividend income** only applicable after **declaration**. Tax holidays are proposed for aircraft leasing and rental companies.
- ★ **Disallowance of PF** contribution if not deposited and the same is not being allowed as a deduction for the employer.

- ★ **Section 43CA** - Stamp duty value (SDV)- 120% of Consideration transfer of “residential unit” made between 12th November 2020 and 30th June 2021.
- ★ **Section 44ADA** - Applies only to the resident individual, Hindu Undivided Family (HUF) or a partnership firm, other than LLP.
- ★ **Section 80EEA** - Affordable housing additional deduction was extended till 31st March 2022.

#### **INDIRECT TAX PROPOSALS:**

- Revised Customs Duty rates- Applicable from 2nd February 2021:
  - copper scrap from **5% to 2.5%**
  - solar inverters from **5% to 20%**
  - solar lanterns from **5% to 15%**
- New tariff items under **2404 11 00** and **2404 19 00** have been inserted in accordance with upcoming **HS 2022** nomenclature.
- NCCD of **25%** is prescribed on these tariff items with effect from 1st January 2022.
- Agriculture Infrastructure and Development Cess (AIDC) has been newly imposed on **petrol** and **diesel** at **Rs 2.5** and **Rs.4** per litre respectively.
- The customs duty is **increased** on cotton, silks, alcohol, etc.
- Exemption of Social Welfare Surcharge on the value of **AIDC imposed** on gold and silver.
- The exemption on import of leather will be withdrawn.
- **Turant Customs'** will be introduced for faceless, paperless, and contactless customs measures.
- Amendments in CGST Act
  - **Section 16** – Claiming input tax credit based on GSTR-2A and GSTR-2B.
  - **Section 50** - Amended to provide for a retrospective charge of interest on net cash liability with effect from the 1st July 2017.
  - **Section 35 and 44** –
    - Furnishing the GST reconciliation report signed by the specified professional is relaxed by allowing the filing of annual return on a self-certification basis.
  - The Commissioner can exempt a class of taxpayers from the requirement of filing the annual return.