



# UNION BUDGET 2021-22

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Highlights of Budget by CA Amar Jeet Singh

# H I G H L I G H T S

## A INITIATIVE TAKEN TILL DATE

The Finance Minister started her tax proposals by stressing on the initiative taken in the past to smoothen and simplify the tax system. Few of them are slashing of Corporate Tax Rates drastically, Abolition of DDT & Increase in Rebate for Individuals. She emphasises that due to these measures results in dramatic increase in No. of ITRs to 6.48 crore from 3.31 crore in 2014.

In the Direct Tax administration, she reminded recently introduced the Faceless Assessment and Faceless Appeal and also ensure to take further steps to simplify the tax administration, ease compliance, and reduce litigation. Accordingly on the same line now it is proposed to make the Income Tax Appellate Tribunal proceeding faceless. In case any personal hearing is required that will be through video conferencing.

## B DIRECT TAX PROPOSALS

1

### Relief to Senior Citizen:

To reduce compliance burden for Senior Citizen of age of 75 years or more, it is proposed to do away the filing of ITR for them if they have only interest and pension income. Further paying bank will deduct TDS on their income.

## 2

### Big Relief - Reopening of Assessment Period Reduced

Presently assessment can be reopened under the Income Tax upto 6 Years in normal cases & 10 Years for serious cases i.e. cases where search operations reveal undisclosed income and assets of over Rs 50 lakh.

It is now proposed to divide the reassessment cases in Normal cases and Specific cases as follows:

- i) **in normal cases**, no notice shall be issued if 3 years have elapsed from the end of the relevant assessment year.
- ii) **in specific cases** where the Assessing Officer has in his possession evidence which reveal that the income escaping assessment, represented in the form of asset, amounts to or is likely to amount to Rs. **50 lakh** or more, notice can be issued beyond the period of **3 years** but not beyond the period of **10 years** from the end of the relevant assessment year;

## 3

### Constitution of Dispute Resolution Committee

Earlier Vivad se Vishwas Scheme was announced to reduce the litigation. 1.1L taxpayers have already opted to settle tax disputes of over `85,000 crores of disputes under this Scheme. Now further to reduce litigation, the Dispute Resolution Committee shall be constituted to resolve small disputes for assesses having Taxable income upto 50L and Disputed income upto 10L.

4

#### Proposals for International Tax/NRI/ Foreign Tax Credit

To make the process of giving benefit of foreign tax credit smoother detailed rules will be Notified.

5

#### Tax Audit Limit Further Increased to 10CR

Tax Audit Limit to be increased to Rs.10 crores from Rs.5 crores for those having less than 5% cash transactions.

6

#### Dividend Tax Relief

Last year DDT was Abolished and dividend made taxable in the hands of Taxpayers. Therefore, to reduce the compliance burden on individual recipient of dividend now it is proposed that Dividend will be exempt from TDS. Advance tax liability on dividend income will arise only after declaration or payment of dividend. Moreover, for Foreign Investors – lower treaty rate benefit will be given.

7

#### Benefits for Affordable Housing

Additional Interest deduction (Sec 80EEA) of Rs.1.5 lakhs to be extended for loans taken till 31st March, 2022 for Affordable Housing.

Tax Holiday extended for 1 more years i.e. till 31st March, 2022 for Affordable Housing Projects.

**8**

## **Tax Holiday for Aircraft Leasing Companies**

It is also proposed to insert new clause (4F) in of section 10 of the Act so as to exempt any income of a non-resident by way of royalty on account of lease of an aircraft in a previous year paid by a unit of an International Financial Services Centre, if the unit is eligible for deduction under section 80LA for that previous year and has commenced operation on or before the 31st day of the March, 2024.

It is also proposed to insert new clause (23FF) in of section 10 of the Act so as to exempt any income of the nature of capital gains, arising or received by a non-resident, which is on account of transfer of share of a company resident in India by the resultant fund and such shares were transferred from the original fund to the resultant fund in relocation, if capital gains on such shares were not chargeable to tax had that relocation not taken place.

**9**

## **Relief to Trusts –**

Charitable trusts running Hospitals and Educational Institutions relief increased from Rs.1 crore to Rs.5 crore.

**10**

## **Pre Filled Field in ITR Extended**

Detail of capital gain on listed securities, Dividend income & Interest income will also be available now in prefilled ITR.

## Delhi H.C. Ruling in the matter of Aimil Ltd Overruled by amending the provisions relating to Employee Contribution in PF and Other Funds w.e.f. AY 2021-22.

Employee contribution not paid by employer will not be allowed now if not paid within the due date of respective fund. Accordingly, in order to provide certainty, it is proposed to –

- (i) amend clause (va) of sub-section (1) of section 36 of the Act by inserting another explanation to the said clause to clarify that the provision of section 43B does not apply and deemed to never have been applied for the purposes of determining the —due date under this clause; and
- (ii) amend section 43B of the Act by inserting Explanation 5 to the said section to clarify that the provisions of the said section do not apply and deemed to never have been applied to a sum received by the assessee from any of his employees to which provisions of sub-clause (x) of clause (24) of section 2 applies. These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

# C

## GST PROPOSALS

1

### **Declaration of Invoices now Made Mandatory through Act to Strengthen the recent Rule 36(4) for ITC restriction**

It is proposed to amend section 16(2) by inserting a new clause (aa) to provide that ITC 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 GSTR-1 and such details have been communicated to the recipient of such invoice or debit note.

2

### **S. 35(5) of GST Audit has been omitted and Made Every assessee required to File Self Certified Reconciliation Statement alongwith Annual Return by Amending S. 44 of The Act.**

Sub-section (5) of section 35 of the CGST Act for GST Audit is being omitted so as to remove the mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professionals.

At the same time Section 44 of the CGST Act for Annual return is being substituted by new S. 44 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.

3

### Section 50 Made Retrospectively

Section 50 of the CGST Act is being amended, retrospectively so as to charge interest on net cash liability with effect from the 1st July, 2017. However, the interest needs to be paid till the date of filing return & there will be no benefit of part payments

4

### Services by unincorporated body to it's members become part of supply and relevant entry omitted from schedule II

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. Accordingly, paragraph 7 (Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration) of Schedule II to the CGST Act is being omitted retrospectively, with effect from the 1st July, 2017.

5

### Separate proceeding for Detention & confiscation of goods

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.

It is proposed that no appeal to Appellate Authority shall be filed against an order made for detention of goods in transit (u/s 129 of Act) unless a sum equal to 25% of penalty has been paid by the appellant.

**6**

**SELF assessment shall also include Value Declared In GSTR 1 but not included in 3B**

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 as furnished in GSTR-1 but not included in GSTR-3B. Accordingly, it seems that now if any amount is declared in GSTR-1 & not paid in GSTR-3B then recovery proceedings u/s 79 can be initiated directly without issuing any SCN

**D**

**COMPANIES ACT & LLP ACT PROPOSALS**

**1**

**Easing Compliance requirements of Small Companies**

Threshold in definition of Small companies increased for Share Capital up to Rs.2 crore and Turnover upto Rs.20 crore.

2

## Withdrawal of Restriction on Share Capital and Turnover for OPC

Allow One Person Companies (OPC) to grow without any restriction in Share Capital or Turnover. NRIs will be allowed to set-up OPCs. Presence in India of 120 days in a year enough to start an OPC.

3

## Launching MCA Version 3.0

E-Scrutiny, E-Adjudication and Compliance management to be simplified.

4

## Decriminalisation of LLP Act, 2008

Twelve offences have been recommended to be decriminalized and to be shifted to In-house Adjudication Mechanism.

5

## Tribunals to be rationalised

Ministry decided to wind up eight tribunals and merge them with other existing tribunals. To lower administrative costs, ensuring specialisation and bringing in officials from diverse backgrounds.

# E

## CUSTOM & OTHER PROPOSALS

1

Rationalisation of customs duty structure by eliminating outdated exemptions

2

Support to MSMEs hit by recent sharp rise in iron and steel prices and relief to metal recyclers

3

Rationalisation of duties on raw material inputs to man made textiles

4

Rationalisation of custom duty on gold and silver

5

Increase in duty on solar invertors and lanterns to promote domestic production

6

Agriculture Infrastructure and Development Cess on small number of items