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INDIA Budget 2021

Analysis of Tax Changes – Impact on Business



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1 FOREWORD

In the backdrop of the global pandemic and an absolute decline in India's Gross Domestic Product ('GDP'), the Union Budget presented by the Honourable Finance Minister of India, Mrs. Nirmala Sitharaman on 1 February 2021 has set the tone to take India to a 5 Trillion economy. While there had been a plethora of key announcements in the last few months to provide stimulus to the industry in the form of incentives, higher liquidity etc., every sector in India was looking forward to the Union Budget for additional support to revive growth.

The IMF and the Economic Survey of India presented on the eve of the Union Budget had both projected growth of 11 per cent plus for India in FY 2021-22. The Union budget provides the necessary stimulus for achieving this growth by not introducing any new taxes (there were fears of COVID Cess, Wealth Tax etc.), being liberal in spending and prudent in compliance processes.

Some major announcements included huge increase in budgetary allocation by 137 per cent on health infrastructure and health care including an additional INR 350 Billion on Covid- 19 vaccines. At the same time, the Government has also announced the Production Linked Incentive (PLI) scheme for the active pharmaceutical ingredient (API) industry.

Apart from the above, the sector which saw the most budgetary allocation was Infrastructure and logistics. The significant increase of around 35 per cent in spending allocation on roads, metro and other projects would see more projects being prepared and rolled out. Setting up of a development finance institution for infrastructure financing body would help in triggering lending in infrastructure projects.

For the automotive industry, announcement of Personal Vehicle Scrapage Policy along with mandatory fitness tests brought the required cheer in absence of any GST rate cut. While increase in Customs Duty rates on auto parts would promote localization, higher allocation on public bus transport system is certain to boost demand for commercial vehicle manufacturers. Further, setting up of 7 large textile parks as well as the Bank for Bad Loans proved that the Government is not averse from taking major policy decisions even in such difficult situations. Major changes in the tax and regulatory laws include the following:

- On the regulatory side, decriminalization of provisions relating to LLPs under the Companies Act is a welcome step and will make the said legal structure more attractive. Increase in FDI in Insurance sector would bring the necessary investment in this sector which has huge growth potential. Other provisions relating to small companies, one person companies, relaxations for start-ups and strengthening of the MCA portal give clear signals that the Government wishes to simplify the regulatory set up in India.
- On direct tax front, no change in tax rate itself has been a sigh of relief for the taxpayers amidst the speculations about introduction of new COVID cess. Taxation of high net worth individuals, however, continues to rise with changes regarding taxation of newly issued unit linked policies with high premium or interest on high provident fund contributions. Amendments impacting claim of depreciation on goodwill, widening scope of slump sale and providing for disallowance in respect of late deposit of employees' provident fund contribution are among some key changes overturning the case laws. Scope of equalization levy has also been clarified in an extended manner.
- On the indirect tax side, Customs Duty rates have been changed to boost localization and manufacturing in India. The announcement of review of more than 400 Customs exemption notifications and a new Customs Duty structure by 1 October 2021 would be very interesting. Providing legal backing to applicability of interest only on cash liability retrospectively and discontinuation of provisions relating to GST audit are steps to boost investor confidence.

On the following pages, we have summarised the changes proposed under Union Budget 2021.

2 BUDGET HIGHLIGHTS

2.1 POLICY AND REGULATORY FRAMEWORK

- Proposal to consolidate existing laws related to securities into a single rationalised Securities Markets Code.
- The thresholds for small company under Companies Act, 2013, have been revised, thus will benefit more than 0.2 million companies in easing their compliance requirements.
- National Company Law Tribunal (NCLT) framework, e-courts system to be strengthened to ensure faster resolution of cases.
- MCA21 Version 3.0 to be introduced which will have modules for e-Scrutiny, e-Adjudication, e-Consultation and Compliance Management.
- The permissible FDI limit in insurance companies has been increased from 49 per cent to 74 per cent.
- Proposed implementation of a mandatory Conciliation Mechanism for speedy resolution of disputes arising out of the contracts with Government or Public Sector Enterprises.
- Announcement for amendments in the Limited Liability Partnership Act, 2008 which proposes to decriminalize several civil offences on the similar lines of the decriminalising of the procedural and technical compoundable offences under the Companies Act, 2013 in the preceding Budget 2020.
- Permitting pooled investment vehicles such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) to borrow from third parties and for that purpose create security interest in favour of the lenders.
- The implementation of One Nation Ration Card is under implementation which is aimed to benefit the **migrant** workers the most. The much awaited 4 (four) Labour Codes will be implemented soon, which aim to reduce the compliance burden on the employers.
- The Government has announced Production Linked Incentive Schemes for 13 sectors to provide further boost to manufacturing in India and exports.
- The Government is going to launch National Hydrogen Energy Mission 2021-22, as a major step towards achieving sustainability and giving a boost to non-conventional energy sector.

2.2 INCOME TAX

2.2.1 CHANGES IN TAX RATE

For Individuals

- No changes proposed in the existing slabs and tax rates applicable to an individual.
- No changes in tax rates of 'Optional Simplified' Income Tax Scheme for individuals.
- Rates of Surcharge and Health and Education Cess remain unchanged.

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For Corporates

General

- Tax rate for domestic companies, whose total turnover or gross receipts in the financial year 2018-19 do not exceed INR 4 billion, would be 25 per cent; else 30 per cent.
- Rates of Surcharge and Health and Education Cess remain unchanged.
- Tax rates for all other entities and foreign companies (including permanent establishments of non-resident entities in India) as well as MAT rate remain unchanged.

Optional tax rate scheme

- **Optional** Concessional Tax Rate for companies –
- 22 per cent (all companies);
- 15 per cent (company set-up and registered on or after 1 October 2019 that commences manufacturing or production of an article or thing on or before 31 March 2023)
- Surcharge to be levied at 10 per cent; Health and Education Cess at 4 per cent.
- Minimum Alternate Tax (“MAT”) is not applicable to companies opting for concessional rate of tax.

2.2.2 TAX PROPOSALS

Personal Taxation

- Senior Citizens (Age 75 years and above) with only Pension and Interest income proposed to be exempted from filing returns, subject to certain conditions.
- Date of sanction of loan for affordable residential house property proposed to be extended from 31 March 2021 to 31 March 2022.
- Safe Harbor for consideration of transfer of residential unit to be increased from 10 per cent to 20 per cent, subject to prescribed conditions.
- Tax exemption is proposed to be provided for cash allowance for specified expenditure in lieu of Leave Travel Concession.
- Tax is proposed to be levied on Interest accrued on Recognised Provident Fund, which was earlier exempt, in case contributions made to such fund exceeds INR 0.25 Million in a previous year on or after 1 April 2021.
- Exemption from taxation of proceeds of Unit Linked Insurance Policy shall not be available in respect of policies issued on or after 01 February 2021, if the amount of premium payable for any of the previous year during the term of the policy exceeds INR 0.25 Million.

Domestic Taxation

- It is proposed to deny depreciation claim on Goodwill (even if purchased).
- Employee's contribution not paid by employer to the funds within the due dates prescribed under the respective law clarified to be not allowable as deduction.

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- Slump Sale definition to include transfer of undertaking by any means (including an exchange where non-cash consideration is paid).
- Revaluation of any asset/self-generated goodwill proposed to be ignored while computing the gains in the hands of specified entity (includes partnership but not a company) at time of dissolution/reconstitution.
- Turnover threshold for Tax Audit proposed to be increased from INR 50 million to INR 100 million subject to fulfilment of conditions that include lower threshold for cash transactions.
- Presumptive taxation scheme for profession clarified to be not applicable to Limited Liability Partnerships (LLP).
- Where past year's income is included in book profit in previous year on account of secondary transfer pricing adjustment or advance pricing agreement ('APA'); assessing officer empowered to recompute book profit for calculation of MAT for past years after considering these adjustments in the manner to be prescribed.
- Dividend income and corresponding expenses are proposed to be excluded for the purposes of MAT computation in respect of foreign companies, since it is taxed on gross basis.
- 100 per cent deduction for profits from developing and building affordable housing projects also extended to rental housing projects to be notified by the Government; Date for getting housing project approved proposed to be extended to 31 March 2022 from the existing 31 March 2021.
- Last date of incorporation of start-ups proposed to be extended to 1 April 2022 from existing 1 April 2021 for availing 100 per cent deduction of business profits; capital gains exemption applicable to individuals and Hindu Undivided Families ('HUF') for transfer of residential property, consideration is utilized for subscription in the equity shares of an eligible start-up, is proposed to be extended to 31 March 2022 from existing 31 March 2021.

International Tax

- The term 'liable to tax' used in DTAA's proposed to be defined under Income Tax Act.
- Slew of tax incentives proposed to be granted for investment division of offshore banking unit located in International Financial Services Centre ('IFSC').
- To address the issue of mismatch in the year of taxability of withdrawal by residents from overseas retirement funds opened when they were non-residents, it is proposed that income of a specified person from specified account be taxed in the manner and year to be separately prescribed.
- Clarification in relation to Equalisation Levy proposed for exclusion of amounts taxable as Royalty or Fees for Technical Services in India for computing equalisation levy. Definitions of 'e-commerce supply or service', 'online sale of goods' and 'online provision of services' clarified in a wider manner.

Withholding Tax

- TDS proposed to be deducted by the buyer at 0.1 per cent, on purchase of goods, whose total sales, gross receipts or turnover from his business exceeds INR 100 Million in prior year and if purchase of goods from seller exceeds INR 5 Million in the relevant financial year.

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- Higher rate of TDS and TCS proposed for non-filers of income-tax return which shall be higher of twice the rate specified in the relevant provision of the Act; or twice the rate or rates in force; or the rate of 5 per cent.
- TDS on payment made to FIIs proposed be reduced to the rate provided in DTAA's, where applicable.

Procedures

- Advance tax liability on dividend income proposed to arise only after payment of dividend.
- Last date for filing belated or revised tax returns proposed to be reduced from end of the relevant AY to 3 months prior to the end of such AY.
- Due date for filing of tax returns of Partners proposed to be extended to 30 November, where Firm / LLP is subject to Transfer Pricing compliances.
- Reduction in time limit proposed for completing assessments to 9 months from the end of the assessment year.
- Reduction in time limit for issue of notice proposed under Section 143(2) of the Act from 6 months to 3 months from the end of the financial year, in which the return is furnished.
- Time limits for re-opening of assessment proposed to be revised to 3 years in normal cases and 10 years in specified cases. Further, the time line of 10 years is proposed only where there is evidence of concealment of income of INR 5 Million or more and the case can be re-opened only with approval of prescribed authority.
- Proceedings before the Income Tax Appellate Tribunals proposed to be faceless.
- Cases before Settlement Commission excluded from the purview of Vivad Se Vishwas Scheme; last date of filing the applications extended by a separate notification to 28 February 2021.
- Dispute Resolution Panel proposed to be formulated for small and medium taxpayers with returned income up to INR 5 Million and disputed income of INR 1 Million.
- Board for Advance Ruling proposed to be constituted for giving advance rulings in place of Authority for Advance Ruling ('AAR').
- Income-tax Settlement Commission ('ITSC') is proposed to be discontinued and Interim Board of Settlement is proposed to be constituted for pending cases.
- Provisional attachment of property proposed during the pendency of penalty proceedings, if the penalty imposable is likely to exceed INR 20 Million in case of person/(s) who causes another person to make a false entry in or omit an entry from his books of accounts.

2.3

INDIRECT TAXES

Goods and Services Tax ('GST')

- Definition of the term "supply" has been proposed to be amended retrospectively to include transactions between persons other than by individuals (specifically to cover clubs) to its members for a consideration, w.e.f. 1 July 2017.
- Section 16 of the CGST Act, 2017 is proposed to be amended to restrict the Input Tax Credit (ITC) eligibility only if invoices/debit notes have been furnished by the Suppliers in GSTR1 and such details have been communicated to the recipient.

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- It is proposed to remove the mandatory requirement of conducting audit of accounts & records by professionals and now the reconciliation of GST returns with financial statements would have to be filed on self-certification basis.
- The proposal for payment of interest on account of late payment of GST which is to be computed only on net cash liability has been given legislative backing by introducing an amendment to be effective retrospectively from 1 July 2017.
- It is proposed to initiate the recovery proceedings under Section 75 in case of short payment/non-payment of tax as per difference of outward supply as reported in GSTR-01 and GSTR-3B.
- Certain amendment in Section 107, 129 and 130 with respect to proceeding pertaining to detention, seizure and release of goods and conveyance in transit are proposed to be amended, such as:
 - (i) An appeal against order for demand in case of detention/ seizure/ release of goods in transit could be filed only on payment of 25 per cent penalty in addition to 10 per cent of tax in dispute, if any.
 - (ii) Taxable Goods detained/seized shall be released on payment of penalty equal to 200 per cent of tax paid when owner is making the payment or on payment of penalty equal to 200 per cent of tax or 50 per cent of the value of goods, whichever is higher, when owner is not making the payment.
 - (iii) Notice in case of detention and seizure of goods shall be issued within 7 days of detention/seizure. The order in such case shall also be passed within 7 days of serving the notice. Further, where the penalty payment is not made within 15 days of such detention/seizure, the goods would be liable to be disposed off.
- In Integrated Goods and Services Tax Act, 2017, the definition of 'Zero Rated Supply' is proposed to be amended to clarify that supplies made to SEZ only for 'Authorised Operations' can qualify as 'Zero Rated' supply. No mechanism is prescribed for verification of the said condition as existed during the pre-GST era.
- Refund related provisions with respect to export of goods and/or services are proposed to be restructured as follows:
 - (i) Suppliers would be only be eligible to export goods and/or supply under LUT without payment of tax and apply for refund of unutilised ITC. Further, in case of export of goods, the refund is linked with the realisation of Foreign Exchange Remittance as per Foreign Exchange Management Act, 1999.
 - (ii) Refund in case of export of goods on payment of tax would be available only in case of notified persons or notified goods and/or services.

Customs and allied laws

- Section 5(3) of the Customs Act, 1962 proposed to be amended to empower Commissioner (Appeals) to carry out functions specified under newly inserted Section 110(1D) of Customs Act relating to seizure of goods, documents and things.
- It is proposed to insert a new sub-section 4A to Section 25 of the Customs Act, 1962 to provide that all conditional exemptions, unless otherwise specified or varied or rescinded, given under Customs Act, 1962 shall come to an end on 31 March falling immediately two years after the date of such grant or variation. Further, all existing conditional exemptions in force as on the date on which the Finance Bill, 2021 receives the assent of the President

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unless having a prescribed end date, shall come to an end on 31 March, 2023 (if not specifically extended/ rescinded earlier) on review.

- It is proposed to insert a new Section 28BB of the Customs Act, 1962 to provide two year time limit for completion of any proceedings of inquiry or investigation under Customs Act, 1962 which would culminate in issuance of a notice under Section 28 of the Customs Act, 1962. Such time limit of two years can be further extended for a period of one year by the Principle Commissioner or Commissioner of Customs on sufficient cause being shown and with reason recorded in writing for granting the extension. This Section would apply to any such proceedings initiated after the date on which the Finance Bill 2021 receives assent from the President.
- Section 46 of the Customs Act, 1962 proposed to be amended to mandate filing of Bill of entry before the end of the day preceding the day (including holidays) of arrival of goods. Further, a new proviso would be incorporated to enable the Board to notify the time period for presenting bill of entry in certain cases as the Board may deem fit.
- It is proposed to insert a new sub-section (1D) in Section 110 of the Customs Act, 1962 to revise the procedure for pre-trial disposal of seized gold, in any form as notified.
- It is proposed to insert a new clause (ja) in Section 113 of the Customs Act, 1962 for confiscation of any goods entered for exportation to make wrongful claim of remission or refund of any tax or levy in contravention of the provisions of Customs Act, 1962 or any other law for the time being in force.
- It is proposed to insert a new Section 114AC to the Customs Act, 1962 to provide provisions for penalty up to five times of the refund claim in specific case where any person has obtained any invoice by fraud, collusion, wilful mis-statement 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.
- Section 149 of the Customs Act, 1962 proposed to be amended to insert a second provision which would enable authorisations or amendments through the customs automated system on the basis of risk evaluation. Further, a third proviso is also proposed to be inserted to enable the importer or exporter to make certain amendments on the common portal as may be specified by the Board.
- Section 153 of the Customs Act, 1962 proposed to be amended to insert clause (ca) under sub-section 1 which would enable service of order, summons, notice, etc. by making it available on the common portal. Further, Section 154C is proposed to be incorporated in the Customs Act, 1962 to notify common portal for facilitating registrations, filing of bill of entries, shipping bills, any other documents prescribed, payment of duty and carrying out other functions as may be specified by the Board.
- A new levy in the form of **Agriculture Infrastructure and Development Cess** is to be imposed on the import of specified goods at the rate not exceeding the rate of Custom Duty specified in the said Schedule on the import value of such goods as determined under Section 14 of the Customs Act, 1962. This cess shall be used to finance the improvement of agriculture, infrastructure and other development expenditure. In most cases, there has been a corresponding reduction in the prescribed rate of Basic Customs Duty in order to ensure that the effective rate of Customs Duty on import of goods remains the same.
- Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (“IGCR Rules, 2017”) are amended wherein sub-contracting of manufacturing process by way of job-work is permissible subject to conditions and procedure as may be prescribed. Further, the rules are also amended to provide for relaxation by way of allowing depreciation to be considered for capital goods for the purpose of calculating the customs duty payable while disposing the capital goods after being put to use effective from 02 February, 2021.

- Section 8(3)(b) of the Central Sales Tax Act has been amended to omit the goods intended for use in the telecommunications network or in mining or in the generation or distribution of electricity or any other form of power from the ambit of Central Sales Tax and now, only the dealers whose goods are liable to CST (mostly petroleum products) allowed to issue C Forms.

3 POLICY/ REGULATORY CHANGES

3.1 REFORMS IN SECURITIES LAWS AND FIN-TECH SERVICES

- It is proposed to consolidate the provisions of the Securities and Exchange Board of India Act, 1992 (SEBI), the Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2006 into a single rationalised Securities Markets Code. The goal is to achieve harmonisation of these laws, possibly reduce the compliance and taking a positive step in the direction of ease of doing business in the Indian financial market sector.
- It was also announced to support the development of a world class Fin-Tech hub at Gandhinagar, Gujarat International Finance Tec-City (GIFT) International Financial Services Centre (IFSC), in order to give boost to Fin-Tech startups and provide a platform aim towards global expansion.
- Further, a step towards enhancing secondary market liquidity, it is also proposed to set up a permanent institutional framework to purchase investment grade debt securities both in stressed and normal times towards development of the bond market.
- It has also been proposed to introduce an investor charter as a right of all financial investors across all financial products, to safeguard the investors.

3.2 AMENDMENTS IN THE COMPANIES ACT

- It is proposed to amend the definition of “small company” under the Companies Act, 2013, wherein the thresholds for qualifying as a small company are increased in relation to paid-up share capital from “not exceeding INR 5 million” to “not exceeding 20 million” and in relation to turnover from “not exceeding INR 20 million” to “not exceeding INR 200 million”. This will help ease the compliance requirements for many companies.
- In order to further encourage start-ups and innovators in India, it is proposed to remove the limits provided under the Companies Act, 2013 beyond which an One Person Company (OPC) ceases to be entitled to continue as an OPC and thus allowing OPCs to grow without any restrictions on paid-up share capital and turnover and further allowing OPCs to convert to any other type of company at any given time. Further to incentivize, it is proposed to reduce the residency limit for an Indian Citizen to set up an OPC from 182 days to 120 days and also to allow Non Resident Indians (NRIs) to incorporate OPCs in India. This will further ease compliance requirements for the private limited companies converting to OPCs.
- The Version 3.0 of MCA21 driven by data analytics, artificial intelligence, machine learning is proposed which will provide for modules such as e-Scrutiny, e-Adjudication, e-Consulation and Compliance Management.

3.3 DECIMINLIZATION OF THE LIMITED LIABILITY PARTNERSHIP ACT, 2008

The decriminalization of the procedural and technical offences under the Companies Act, 2013, has been completed vide various amendments introduced after the proposal was placed in Budget 2020. It is now proposed in Budget 2021 to decriminalize offences under the Limited Liability Partnership Act, 2008. This welcome move would not only help LLPs in quicker resolution of non-compliances but also would relieve the judicial institutions from deciding the matters not related to fraud or public interest. This would further provide for ease of doing business in India.

3.4 CONCILIATION MECHANISM – GOVERNMENT CONTRACTS

With an intent to repose the confidence of private investors while doing business with government undertakings, it has been proposed to set up a mechanism for compulsory conciliation proceedings for quick disposal of disputes between the parties instead of invoking jurisdiction of civil courts and/or other dispute resolution forums which are time consuming and expensive affairs.

3.5 FASTER DISPUTE REDRESSAL MECHANISM

It has been proposed to strengthen the NCLT framework to ensure faster resolution of cases. In light of the new normal and increased emphasis on Digital India, e-Courts has been proposed to be implemented. However, the reduced budgetary allocation could affect the digitization of courts. Further, with a similar intent and to further provide an alternate mode of debt resolution, a separate framework is also proposed for the cases involving the MSMEs.

3.6 POOLED INVESTMENT VEHICLES

To bring ease in obtaining loan facilities by investment vehicles such as REITs or InVITs, the Finance Bill 2021 proposes to amend the Securities Contracts (Regulation) Act, 1956 by inserting the definition of ‘pooled investment vehicles’ which includes REITs, InVITs, etc. and other provisions allowing such vehicles to borrow money from third parties. Consequential amendments in Recovery of Debts due to Banks and Financial Institutions Act, 1993 (the RDDB Act), as well as the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the SARFAESI Act) have also been proposed whereby such pooled investment vehicles would fall within the ambit of “borrower” to enable the financial institutions to enforce the security interest created in their favour by such pooled investment vehicles.

3.7 RELAXATION IN THRESHOLD FOR NBFCS UNDER SARFAESI ACT

Earlier, the systematically important NBFCS having assets worth INR 5 billion were only eligible to take recourse to SARFAESI Act in respect of secured debts of INR 5 million and above. Now, the Budget 2021 proposed reduction in asset size as well as quantum of debt to INR 1 billion and INR 2 million respectively thereby expanding access to the SARFAESI Act to more NBFCS.

3.8 LABOUR AND EMPLOYMENT SECTOR

- The One Nation Ration Card is under implementation which is set to cover 86 per cent beneficiaries across India, allowing them to claim their rations from anywhere in the country, especially the migrant workers, with a partial claim from where they are stationed, while their family, in their native places, can claim the rest.
- A portal is soon going to be launched for the purpose of collecting relevant information pertaining to gig, building and construction-workers among others, directed towards government efforts targeting the unorganized labour sector with a

special emphasis on migrant workers. This will also help formulate health, housing, skill, insurance, credit, and food schemes for migrant workers.

- It was also announced that the implementation of long awaited 4 (four) Labour codes are underway which will be concluded soon thereby extending social security benefits to gig and platform workers with the application of minimum wages across all categories of workers. Coverage under the Employees State Insurance Corporation will also be extended to them. Women will be allowed to work in all categories and also in the night-shifts with adequate protection. Further the provision of single registration/ licensing and online returns is aimed at reducing the compliance burden on the employers.
- It has been proposed to bring amendment to Apprenticeship Act to enhance opportunities for youth. It has announced the budget of INR 30 billion for realignment of existing National Apprenticeship Training Scheme (NATS) towards post-education apprenticeship, training of graduates and diploma holders in Engineering. Initiatives for partnership with other countries in skilling to be taken forward.

3.9 AMENDMENTS TO DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION ACT 1961

Last year with an aim to protect the interest of depositors, deposit insurance cover in banks had been enhanced from INR 0.1 million to INR 0.5 million per depositor. However, the insurance claim currently can be asserted in situations of cancellation of license and commencement of liquidation process of banks. The proposed amendment aims to enable the depositors to get access easy and time-bound access to their deposits to the extent of the deposit insurance cover even in respect of banks currently under stress without requirement of fulfilling the condition of cancellation of license and commencement of liquidation process.

3.10 PRODUCTION LINKED INCENTIVE SCHEME

With an aim to boost domestic manufacturing and exports, Production Linked Incentive Schemes (PLI) have been announced for 13 sectors and has announced a budget of INR 1,970 billion for the next 5 (five) years. The idea behind this is to help manufacturing companies become an integral part of global supply chains, possess core competence and cutting-edge technology and create employment opportunities. Under the scheme, aims at providing to manufacturing sectors incentives ranging from 4 per cent to 6 per cent of production value for 5 (five) years, after they achieve their investment and production value target for each year.

3.11 MEGA INVESTMENT TEXTILES PARKS (MITRA) SCHEME

The Mega Investment Textiles Parks (MITRA) scheme, has also be introduced for textile industries. Under this it has been proposed to develop 7 (seven) Textile Parks to be established over 3 (three) years. The aim is to make the textile industry globally competitive, attract large investments and boost employment generation & exports.

3.12 INFRASTRUCTURE DEVELOPMENT-POWER SECTOR

- In order to boost power infrastructure it has been announced the allocation of budget of INR 3,060 billion over 5 (five) years towards a revamped, reforms-based and result-linked new power distribution sector scheme. The government aims to increase private sector participation in distribution.
- The Government will soon launch a comprehensive National Hydrogen Energy Mission 2021-22 to help in generating hydrogen from green power giving a boost to the renewable energy sector. It was also proposed to infuse additional capital infusion of INR 10 billion to Solar Energy Corporation of India and INR 15 billion to Indian Renewable Energy Development Agency.

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3.13 FOREIGN DIRECT INVESTMENT

It is proposed to amend the Insurance Act 1938 to increase the permissible Foreign Direct Investment limit to 74 per cent from the existing 49 per cent in insurance companies.

4 INCOME TAX

4.1 CHANGES IN TAX RATES

Personal Tax Rates

- No changes proposed in the existing slabs and tax rates, including Surcharge and Health and Education Cess applicable to individuals (Refer to Annexure A to this Document for details).
- No changes in tax rates of 'Optional Simplified' Income Tax Scheme for individuals including Surcharge and Health and Education Cess applicable to individuals (Refer to Annexure A to this Document for details).
- Rates of Surcharge and Health and Education Cess remain unchanged.

Corporate Tax Rates

Option 1 – Regular Income Tax Rates

Particulars	Taxable Income <= INR 10 million (per cent)	INR 10 Million < Taxable Income <= INR 100 Million (per cent)	Taxable Income > INR 100 million (per cent)
Foreign companies	41.60	42.43	43.68
Domestic companies set-up and registered on or after 1 March 2016 and engaged in manufacturing	26	27.82	29.12
Domestic Companies having Total Turnover/gross receipts not exceeding INR 4,000 Million in Financial Year 2018-19	26	27.82	29.12
Domestic Companies having Total Turnover/gross receipts exceeding INR 4,000 Million in Financial Year 2018-19	31.20	33.38	34.94
Minimum Alternate Tax	15.60	16.69	17.47

Option 2 – Concessional tax rate regime*

Particulars	Section 115BAA	Section 115BAB
Applicability	All domestic companies	Companies set-up and registered on or after 1 October 2019 and engaged in manufacturing
Effective Tax rate	25.17 per cent	17.16 per cent

(Subject to prescribed deductions and incentives forgone)

(Details of the above provided for in Annexure A to this Document)

4.2 KEY PROPOSALS RELATING TO PERSONAL TAXATION

Taxation of proceeds of high premium unit linked insurance policy (ULIP)

- Existing Section 10(10D) of the Act provides for exemption of sum received under a life insurance policy, including sum allocated by way of bonus in respect of which premium is payable during the terms of the policy not exceeding ten per cent of the actual capital sum assured. Under existing provisions of the Act, there is no cap on the amount of annual premium being paid by any person during the term of the policy.
- To curb the instances where high net worth individuals are claiming exemption under Section 10 (10D) by investing in ULIP with huge premium, following amendments are proposed to be made:
 - (i) Section 10(10D) shall not be applicable if ULIP is issued on or after 01 February 2021 and if the amount of premium payable for any of the previous year during the term of the policy exceeds INR 0.25 Million.
 - (ii) If premium is payable by a person for more than one ULIPs, issued on or after 1 February 2021, exemption under this clause shall be available only with respect to such policies aggregate premium whereof does not exceed the amount of INR 0.25 Million, for any of the previous years during the term of the policy.
- An exception is made for the above clauses not to apply to any sum received on the death of a person.
- It is proposed that ULIPs to which exemption under Section 10(10D) of the Act does not apply [on account of the applicability of clause (i) or clause (ii) stated above], would be regarded as a capital asset under Section 2(14) of the Act. Consequentially, it is proposed to provide for deemed taxation of profit and gains from the redemption of ULIP [not eligible for exemption] as capital gains.
- It is further proposed to include such ULIPs [not eligible for exemption] in the definition of equity oriented fund in section 112A so as to provide them same treatment as units of equity oriented fund. Consequentially, provisions for taxation of long term and short term capital gains would apply on sale/redemption of such ULIPs.
- This amendment will apply in relation to the Assessment year 2021-22 and subsequent assessment years.

Extension of date of sanction of loan for affordable residential house property

- The existing provision of Section 80EEA of the Act allows deduction to first time home buyers in respect of interest on loan taken for a residential house property from any financial institution up to INR 0.15 Million subject to conditions. One of the conditions is that loan has been sanctioned during the period between 1 April 2019 and 31 March 2021. In order to help such first time home buyers further, it is proposed to extend the last date for sanction of loan from 31 March 2021 to 31 March 2022.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Increase in Safe Harbour limit of 10 per cent for home buyers and real estate developers selling such residential unit

- Existing provisions in Section 43CA, in relation to computation of profits and gains from transfer of land and building, provide that where consideration accruing as a result of transfer of land or building or both, is less than stamp duty valuation, such stamp duty value shall be deemed to be the full value of consideration, leading to higher income to be offered to tax.
- A safe harbor is provided that where the variation in consideration and stamp duty value does not exceed ten per cent, consideration received or accruing shall be deemed to be the full value of the consideration.
- Similar provisions exist for substitution of stamp duty value in place of consideration for transfer of immovable property in Section 56 (Income from other sources) of the Act.
- It is proposed to amend Section 43CA of the Act to increase the safe harbor limit to twenty per cent in case of transfer of an asset, being a residential unit, if the following conditions are satisfied:
 - (i) the transfer of residential unit takes place during the period between 12 November 2020 and 30 June, 2021
 - (ii) such transfer is by way of first time allotment of the residential unit to a person; and
 - (iii) consideration received or accruing as a result of such transfer does not exceed INR 20 Million.
- An Explanation is proposed to be added to define the term 'residential unit' for the purpose of the above provisions.
- Consequential amendments are made in Section 56(2)(x) of the Act by increasing the safe harbour from 10 per cent to 20 per cent.

This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Relaxation for certain category of senior citizens from filing income-tax return

- In order to provide relief to senior citizens who are of the age of 75 years or above and to reduce compliance for them, it is proposed to insert a new section 194P of the Act to provide a relaxation from filing the return of income as per Section 139 of the Act, if the following conditions are satisfied:

- (i) The senior citizen is resident in India and of the age of 75 or more during the previous year;
 - (ii) He has pension and interest income: interest income is from the same bank, in which he receives pension and earns no other income;
 - (iii) This bank should be a specified bank (notified by the Government); and
 - (iv) He shall be required to furnish a declaration to the specified bank containing such particulars, in such form and verified in such manner, as may be prescribed.
- It is proposed that once declaration is furnished, the specified bank would be required to compute the income of the senior citizen after giving effect to the deduction allowable under Chapter VI-A and rebate allowable under Section 87A of the Act, for the relevant assessment year and deduct income tax on the basis of rates in force. Once this is done, such senior citizen would be exempted from furnishing return of income for that particular assessment year.

This amendment will take effect from 1 April 2021.

Exemption for LTC Cash Scheme

- Section 10(5) of the Act provides for exemption in respect of the value of travel concession or assistance to an employee from his employer. In view of the situation arising out of outbreak of covid-19 pandemic, it is proposed to provide tax exemption to cash allowance for specified expenditure in lieu of LTC.
- It is proposed that for assessment year beginning on 1 April 2021, the value in lieu of any travel concession or assistance received by, or due to, an individual shall also be exempt under this clause subject to fulfilment of conditions to be prescribed in the Income Tax Rules. The Central Board of Direct Taxes ('CBDT') had already issued Press Releases in this regard and Rules would be released in due course.
- It is also proposed to clarify that where an individual claims and is allowed exemption under the second proviso in connection with prescribed expenditure, no exemption shall be allowed under this clause in respect of same prescribed expenditure to any other individual.

This amendment will apply in relation to the assessment year 2021-22 only.

Taxability of Interest on various funds where income is exempt

- Presently, interest accrued on Recognised Provident Fund is exempt under Section 10. It is now proposed that the exemption shall not apply to the interest income accrued during the previous year to the extent it relates to the amount or aggregate of amounts of contribution made by the person exceeding INR 0.25 Million in a previous year in that fund, on or after 1 April 2021, computed in such manner as may be prescribed.

This amendment will apply in relation to the assessment year 2022-23 and subsequent assessment years.

4.3 KEY PROPOSALS RELATING TO DOMESTIC TAXATION

Depreciation on Goodwill

- Section 2 of the Act provides for definitions for the purposes of the Act. Clause (11) defines 'block of assets' to mean a group of assets falling within a class of assets comprising, tangible assets, and intangible assets, being know-how, patents, copyrights, trade-marks, licences, franchises or any other business or commercial rights of similar nature.

- Section 32 of the Act relates to depreciation. Sub-section (1) of the said section provides for depreciation on tangible assets (Building, machinery, plant and furniture) and intangible assets (know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature) owned, wholly or partly by the assessee and used wholly and exclusively for the purpose of business and profession.
- Goodwill, per se has not been specifically provided as an asset either in the definition under section 2 or section 32 of the Act. However, a few decisions, including that of the Supreme Court in the case of Smiff Securities Limited [(2012)348 ITR 302 (SC)], had allowed depreciation on goodwill.
- It is now proposed that goodwill of a business or profession will not be considered as a depreciable asset and there would not be any depreciation on goodwill of a business or profession in any situation.
- The following sections are amended to give effect to this proposal:
 - (i) It is proposed to amend clause (11) of section 2 to provide the block of assets shall not include goodwill of a business or profession.
 - (ii) It is proposed to amend Section 32(1) to exclude goodwill from the definition of asset.
 - (iii) Consequential amendments are proposed to be made to provide for computation of written down value of the block, cost of acquisition from a previous owner, etc.

This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Rationalisation of the provision of presumptive taxation for professionals under section 44ADA

- Section 44ADA of the Act relates to special provision for computing profits and gains of profession on presumptive basis (i.e. at 50 per cent of the total gross receipts of the assessee, subject to certain conditions). These provisions were made applicable to individual, Hindu undivided family ('HUF') and partnership firms but not to a Limited Liability Partnership ('LLP').
- In order to make this position clear in law, it is proposed to provide that this section shall not apply to LLPs as defined under Section 2 of Limited Liability Partnership Act, 2008.

This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Rationalization of provisions relating to tax audit in certain cases

- In order to further incentivize non-cash transactions, to promote digital economy and to further reduce compliance burden of small and medium enterprises, it is proposed to increase the threshold for applicability of audit under section 44AB from existing INR 50 million (as was applicable for assessment year 2020-21) to INR 100 Million subject to fulfilment of following conditions:
 - (i) Receipts in cash during the previous year do not exceed five per cent of aggregate amounts received; and
 - (ii) Amount incurred for expenditure in cash during the previous year does not exceed five per cent of aggregate payments.

This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Payment by employer of employee contribution to a fund on or before due date

- Delayed payment of employee contributions were allowed as a deduction by some High Courts under Section 43B of the Act. This has been a matter of debate in recent years.
- In order to provide certainty, it is proposed to clarify that, provisions of Section 43B do not apply and deemed to never have been applied for the purposes of determining the “due date” under Section 36(va) of the Act.
- It is proposed to clarify that provisions of Section 43B do not apply and deemed to never have been applied to a sum received by the assessee from any of his employees for contribution to any welfare fund.

This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Incentives for affordable rental housing

- Section 80-IBA of the Act provides for 100 per cent deduction where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing project, subject to certain conditions specified therein.
- To promote affordable rental, it is proposed to extend the deduction of 100 per cent under Section 80-IBA of the Act to a rental housing project notified by the Central Government in the Official Gazette and which fulfils conditions as specified in the said notification.
- It is also proposed that the outer time limit in this section for getting the affordable housing project approved be extended to 31 March 2022 from the existing 31 March 2021.

This amendment will apply in relation to assessment year 2022-23 and subsequent assessment years.

Extension of date of incorporation for eligible start up for exemption and for investment in eligible start-up

- The existing provisions of the Section 80-IAC of the Act, inter alia, provide for a deduction of an amount equal to 100 per cent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years at the option of the assessee. In order to avail the benefit, start-up is required to be incorporated on or after 1 April 2016 but before 1 April 2021.
- The existing provisions of the section 54GB of the Act, inter alia, provide for exemption of capital gain which arises from the transfer of a long-term capital asset, being a residential property (a house or a plot of land), owned by the eligible assessee. The benefit under Section 54GB is available only when the residential property is transferred on or before 31 March 2021.
- In order to help such eligible start-ups and help investment in them:
 - (i) it is proposed to amend the provisions of section 80-IAC of the Act to extend the last date of incorporation to 1 April 2022; and
 - (ii) it is proposed to amend the provisions of section 54GB of the Act to extend the last date of transfer of residential property from 31 March 2021 to 31 March 2022.

These amendments will take effect from 1 April 2021.

Rationalisation of provisions of Minimum Alternate Tax (MAT)

- Section 115JB of the Act provides for MAT at the rate of fifteen per cent of its book profit, in case tax on the total income of a company computed under the provisions of the Act is less than the 15 per cent of book profit.

Present provisions do not provide for computation of book profit under section 115JB for adjustment on account of additional income of past year(s) included in books of account of secondary adjustment under section 92CE or on account of an Advance Pricing Agreement (APA) entered with the taxpayer under section 92CC.

- To rationalise the above provisions, it is now proposed that in cases where past years income is included in books of account during the previous year on account of an Advance Pricing Agreement or a secondary adjustment, the Assessing Officer shall, on an application made to him in this behalf 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.
- In relation to dividend, since it is now taxable in the hand of shareholders, in case of foreign companies where such income is taxed at lower than MAT rate due to Double Taxation Avoidance Agreement ('DTAA'), it is proposed to provide similar treatment to dividend as that for capital gains on transfer of securities, interest, royalty and Fee for Technical Services (FTS) in calculating book profit for the purposes of section 115JB of the Act, so that both specified dividend income and the expense claimed in respect thereof are reduced and added back, while computing book profit

This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Widening of provisions relating to slump sale

- Section 50B of the Act contains special provision for computation of capital gains in case of slump sale. Section 2(42C) of the Act defines "slump sale" to mean the transfer of one or more undertakings as a result of sale for lump sum consideration without value being assigned to individual assets and liabilities in such cases. Some courts has interpreted that other means of transfer listed in Section 2(47) of the Act, in relation to definition of the word "transfer" in relation to capital asset like exchange, relinquishment etc., are excluded.
- It is proposed to amend the scope of the definition of the term "slump sale" by amending the provision of Section 2(42C) of the Act so that all types of "transfer" as defined in Section 2(47) of the Act are included within its scope.
- This amendment will apply in relation to the assessment year 2021-22 and subsequent assessment years.

Provisions for taxation on transfer of capital asset to partner on dissolution or reconstitution

- Presently, profits or gains arising from the transfer of a capital asset by way of distribution of capital assets on dissolution of firm, shall be chargeable to tax as the income of the firm in the previous year in which the said transfer takes place.
- It is provided that where a person receives capital asset at the time of dissolution or reconstitution of the specified entity, then profits or gains arising from receipt of capital asset shall be chargeable to income-tax as income of the entity under the head 'Capital gains'.
- It is proposed that fair market value of the capital asset on the date of receipt shall be deemed to be the full value of the consideration received or accruing as a result of the

transfer of such capital asset and cost of acquisition of the capital asset shall be the balance in capital account. Such balance in capital account shall not take into account increase in the capital account due to revaluation of any asset or due to self-generated goodwill or any other self-generated asset.

- These amendments will apply to assessment year 2021-22 and subsequent assessment years.

4.4 KEY PROPOSALS RELATING TO INTERNATIONAL TAX

Liable to tax

The term 'liable to tax' is used in various Double Taxation Avoidance Agreements ('DTAA'). However, it was not defined either in the Act or the DTAA, on account of which, it was open to interpretation leading to litigation. It is proposed to insert clause (29A) in Section 2 to define "liable to tax", to mean that there is a liability of tax on such person under any law for the time being in force in any country, and shall include a case where subsequent to imposition of tax liability, an exemption has been provided.

This amendment apply in relation to the assessment year 2021-22 and subsequent assessment years.

Tax incentives for units located in International Financial Services Centre ('IFSC')

- In order to make location in IFSC more attractive, a slew of measures are proposed to be introduced.
- Some of them are mentioned as follows:
 - (i) Section 9A provides that in the case of an eligible investment fund, the fund management activity carried out through an eligible fund manager located in India and acting on behalf of such fund shall by itself not constitute business connection in India of the said fund. Further, an eligible investment fund shall not be said to be resident in India merely because the eligible fund manager undertaking fund management activities on its behalf is located in India. The benefit under section 9A is available subject to fulfilment of certain conditions provided in the said section. It is proposed to amend Section 9A to provide that the Central Government may, by notification in the Official Gazette, specify that any one or more of the conditions shall not apply (or apply with modification) to an eligible investment fund or its eligible fund manager, if the fund manager is located in an IFSC and has commenced operations on or before 31 March 2024.
 - (ii) It is also proposed to exempt income accrued or arisen to, or received to the investment division of offshore banking unit to the extent attributable to it and computed in the prescribed manner.
 - (iii) It is also proposed to insert new clause (4F) in Section 10 of the Act to exempt income of a non-resident by way of royalty on account of lease of an aircraft paid by a unit of an IFSC, if the unit is eligible for deduction under section 80LA for that previous year and has commenced operation on or before 31 March 2024.
 - (iv) It is proposed to exempt capital gains on account of transfer of shares of a company resident in India by the resultant fund and such shares were transferred from original fund to the resultant fund in relocation. The terms, original fund, resultant fund and relocation have been suitably defined.
 - (v) It is further proposed to amend Section 80LA of the Act to:
 - provide that deduction under said section would also be available to a unit of IFSC if it is registered under the International Financial Services Centre

Authority Act, 2019 (instead of the earlier requirement of obtaining permission under any other relevant law).

- provide that the income arising from transfer of an aircraft or aircraft engine which was leased by a unit to a domestic company engaged in the business of operation of aircraft before such transfer shall also be eligible for 100 per cent deduction subject to condition that the unit has commenced operation on or before 31 March 2024.

- (vi) It is proposed to amend section 115AD so as to provide that income of investment division of an offshore banking unit of a non-resident from securities or capital gains arising from transfer shall be taxed at the rate of ten per cent.

These amendments will apply to the assessment year 2022-23 and subsequent assessment years.

Addressing mismatch in taxation of income from notified overseas retirement fund

- There is a mismatch in the year of taxability of withdrawal from retirement funds by residents who had opened overseas retirement fund when they were non-residents in India and resident in foreign countries. At present, the withdrawal from such funds may be taxed on receipt basis in such foreign countries, while on accrual basis in India.
- In order to address this mismatch and remove this genuine hardship, it is proposed to insert a new Section 89A to provide that the income of a specified person from specified account shall be taxed in the manner and in the year as prescribed by the Central Government.
- It is also proposed to define the expression 'specified person', 'specified account' and 'notified country' suitably.

This amendment will apply to the assessment year 2022-23 and subsequent assessment years

Rationalisation of provisions of Equalisation levy

- Finance Act, 2020 expanded the scope of Equalisation Levy introduced by Finance Act, 2016. Equalisation Levy at the rate of 2 per cent was levied on the amount of consideration received or receivable by an e-commerce operator from ecommerce supply or services. In order to rationalise the provisions concerning this levy, it is proposed to clarify the following:
 - (i) 'consideration received or receivable' shall not include consideration which is taxable as royalty or fees for technical services in India under the Income-tax Act read with DTAA's
 - (ii) 'e-commerce supply or service', 'online sale of goods' and 'online provision of services' shall include one or more of the following activities taking place online:
 - Acceptance of offer for sale
 - Placing the purchase order
 - Acceptance of the Purchase order
 - Payment of consideration
 - Supply of goods or provision of services, partly or wholly
 - (iii) 'Consideration received or receivable' from e-commerce supply or services shall include:

- consideration for sale of goods or provision of services irrespective of whether the e-commerce operator owns the goods; or whether service is provided or facilitated by the e-commerce operator.

These amendments will take effect retrospectively from 1 April 2020

4.5 KEY PROPOSALS RELATING TO WITHHOLDING TAX

Tax Deduction at Source ('TDS') on purchase of goods

- It is proposed to insert a new Section 194Q to provide for TDS by person responsible for paying any sum to a 'resident' for purchase of goods at 0.1 per cent. It is proposed that such tax would be required to be deducted by buyers whose total sales, gross receipts or turnover from his business exceeds INR 100 Million during the financial year immediately preceding the financial year in which the purchase of goods is carried out. Notifications are proposed to be issued to exempt a person from obligations under this new section on fulfilment of prescribed conditions.
- It is proposed that tax would be required to be deducted, only if purchase of goods from seller exceeds INR 5 Million in the relevant financial year. TDS would apply on the sum exceeding INR 5 million.
- It is further proposed to provide that the provisions of this section shall not apply to:
 - (i) a transaction on which tax is deductible under any provision of the Act; and
 - (ii) a transaction, on which tax is collectible ('TCS') under the provisions of Section 206C other than transaction to which TCS on sale of goods applies.
- This implies that if on a transaction a TDS or TCS is required to be carried out under any other provision, then it would not be subjected to TDS under this section. There is one exception to this general rule. If on a transaction TCS is required under Section 206C (1H) as well as TDS under this section, then on that transaction, only TDS under this section shall be carried out.
- It is proposed to empower CBDT to issue guidelines for removing difficulty in giving effect to the provisions of this section.
- It is also proposed to consequentially amend Section 206AA(1) of the Act to provide that where tax is required to be deducted under the above provisions and Permanent Account Number (PAN) is not provided, the TDS shall be at the rate of 5 per cent.

These amendments will take effect from 1 July 2021.

TDS / TCS on non-filers at higher rates

- It is proposed to insert a new Section 206AB in the Act providing for higher rate of TDS for non-filers of income-tax return. It is proposed that a new Section 206AB would apply on sum paid, or credited, by a person to a specified person. This section shall not apply where the tax is required to be deducted under specified sections of the Act. TDS under following sections is proposed to be excluded from the ambit of Section 206AB:
 - Section 192: TDS on Salary,
 - Section 192A: TDS on accumulated balance in Provident Fund,
 - Section 194B: TDS on winning from lottery or crossword puzzle
 - Section 194BB: TDS on winnings from horse race.
 - Section 194LBC: TDS on income in respect of investment in securitization trust

- Section 194N: TDS on payment of certain amount in cash
- The proposed TDS rate in this section is higher of the followings rates:
 - twice the rate specified in the relevant provision of the Act; or
 - twice the rate or rates in force; or
 - the rate of five per cent
- If provisions of Section 206AA of the Act (i.e. higher rate of TDS in case of non-furnishing of PAN to tax deductor) is applicable to specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and as provided in section 206AA of the Act, i.e. 20 per cent.
- Further, it is also proposed to insert a Section 206CCA in the Act as a special provision for providing for higher rate of TCS for non-filers of income-tax return. Proposed section 206CCA applies on any sum or amount received by a person from a specified person. The TCS rate in this section is higher of the following:
 - twice the rate specified in the relevant provision of the Act; or
 - the rate of five per cent
- If the provision of section 206CC (i.e. higher rate of TCS in case of non-furnishing of PAN to tax collector) is applicable to a specified person, in addition to the provision of this section, the tax shall be collected at higher of the two rates provided in this section and as provided in section 206CC of the Act, i.e. 5 per cent.
- The specified person is a person who has not filed the returns of income for the two assessment years relevant to the two previous years prior to the previous year in which tax is required to be deducted or collected and the due date for filing return has expired and the aggregate of TDS and TCS is INR 0.05 Million or more in each of these two previous years. Specified person shall not include a non-resident who does not have a permanent establishment in India.
- Amendments are proposed in Section 194-IB providing for TDS at 5 per cent on rent paid to residents exceeding INR 0.05 Million by individuals or Hindu Undivided Families not liable for an audit. This amendment will take effect from 1 July 2021.

Rationalisation of TDS on payment made to Foreign Institutional Investors (FIIs)

- Section 196D of the Act provides for deduction of tax on income of FII from securities as referred to in Section 115AD (1) of the Act at the rate of 20 per cent.
- Since the said section provides for TDS at a specific rate indicated therein, the deduction is to be made at that rate and the benefit of agreement under section 90 or section 90A (DTAAs) of the Act cannot be given at the time of tax deduction. To address concerns of FIIs, it is proposed to insert a proviso to Section 196D of the Act to provide that in case of a payee to whom Section 90 or Section 90A applies and where such payee has furnished the tax residency certificate (TRC), tax shall be deducted at the rate of 20 per cent or rate provided in such DTAAs whichever is lower.

This amendment will take effect from 1 April 2021.

4.6 KEY PROPOSALS RELATING TO PROCEDURES

(Most amendments in this Section take effect from 1 April 2021, unless something is mentioned to the contrary and will apply from assessment year 2021-22 and subsequent years)

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Advance tax instalment for dividend income

- Section 234C of the Act provides for payment of interest at the rate of one per cent for failure to pay advance tax instalments within the time prescribed. Certain incomes such as capital gains are excluded from the rigours of interest levy, provided the assessee has paid full tax in subsequent advance tax instalments.
- Considering various representations favourably, it is now proposed to include dividend income in the above exclusion. However, deemed dividend as per Section 2 (22) (e) of the Act is not covered under the said exclusion.

This amendment will apply to the assessment year 2021-22 and subsequent assessment years.

Changes in due dates of filing return of income, belated and revised return

- It is proposed to extend the due date for filing of original return of income to 30 November of the assessment year, in case of a partner of a firm which is required to furnish report from an accountant for entering into international transaction or specified domestic transaction, as per section 92E of the Act (Transfer Pricing report).
- It is proposed to extend the due date for the filing of original return of income to 31 October of the assessment year in case of spouse of a partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, if the provisions of section 5A in relation to taxation of spouses governed by Portuguese Civil Code apply to them.
- It is proposed to reduce the time limit for filing of belated or revised returns of income by three months. In other words, the time lines for belated or revised return are proposed to be three months before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
- Timelines for various compliances in certain scenarios specified below for Financial Year 20-21 (= Assessment Year 21-22) would be as follows, which indicate the curtailed time period between original and revised return or curtailed time period for filing belated return post due date:

Particulars	Due Date for Original Return	Due Date for Belated Return	Due Date for Revised Return
Income-tax return for companies and other taxpayers who are required to get their financial statement audited (including their partners) and furnish a tax audit report	31 October 2021	31 December 2021	31 December 2021
Income-tax return for taxpayers who are required to furnish transfer pricing report in respect of international/specified domestic transactions (including their partners)	30 November 2021	31 December 2021	31 December 2021
Taxpayers other than companies that are not required to get their financial statements audited or	31 July 2021*	31 December 2021	31 December 2021

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are not required to furnish transfer pricing report (including, earning income from a “non-related” Indian customer)			
Tax Audit Report under Section 44AB	31 October 2021	No provision for filing belated tax audit report in law	No provision for filing revised tax audit report in law
Transfer Pricing Report in respect of international / specified domestic transactions	31 October 2021	No provision for filing belated transfer pricing audit report in law	No provision for filing revised transfer pricing audit report in law

* Certain categories of taxpayers have due date of 31 October 2020

- To address the hardships faced by taxpayers on account of returns being considered defective on account of prescribed conditions, it is proposed to insert a proviso empowering the CBDT to specify, vide Notification that any of the prescribed conditions shall not apply for a class of taxpayers or shall apply with such modifications, as maybe specified in such notification.

These amendments will apply to the assessment year 2021-22 and subsequent assessment years.

Rationalisation of provisions relating to processing of returned income

- The existing provisions of Section 143 (1)(a) of the Act provide that at the time of processing of return of income, the total income or loss shall be computed after making the adjustments specified in the specified clauses.
- It is proposed to amend the provisions of section 143(1)(a) of the Act to provide the following:
 - (i) to allow for adjustment of increase in income indicated in the Tax audit report but not taken into account in computing the total income.
 - (ii) to give consequential effect to amendment carried out in section 80AC, i.e. no deduction under Sections 80-IA or IB or IAB to be filed unless a return of income is filed.
- It is also proposed to reduce the time limit for sending intimation under section 143 of the Act from one year to nine months from the end of the financial year in which the return was furnished, which means intimation for FY 19-20 can be processed by 31 December 2021.

This amendment will take effect from 1 April 2021.

Rationalisation of provisions relating to issuance of Notice

- Section 142 of the Act provides for conduct of inquiry before assessment. Assessing Officer is empowered to issue notice to an assessee, who has not submitted a return of income, asking for submission of return.

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- In line with the measures taken to make all assessment faceless under the Act, by eliminating person to person interface between the taxpayer and the Department and in order to enable centralized issuance of notices etc. in an automated manner, it is proposed to amend the existing Section 142 to empower the prescribed income-tax authority (besides the Assessing Officer) to issue notice under the said clause.

This amendment will take effect from 1 April 2021.

Reduction of time limit for completing assessment and issuance of notice

- Recognising the benefits of shorter time period for completion of scrutiny proceedings, it is proposed to reduce the time limit for completion of assessment proceedings by three months from the existing twelve months (applicable to Assessment Year 2019-2020 onwards). Thus, the time for completing assessments is proposed to be nine months from the end of the assessment year in which the income was first assessable, for the assessment year 2021-22 and subsequent assessment years.
- Time lines for completing assessments would be as follows:

Assessment Year	Time limit
2018-19	18 months from end of assessment year
2019-20	12 months from end of assessment year
2020-21	12 months from end of assessment year
2021-22 and subsequent years	9 months from end of assessment year

- In consequence to the above amendment, it is also proposed to reduce the time limit for initiation of assessment proceedings by issue of notice under Section 143(2) of the Act from six months to three months from the end of the financial year in which the return is furnished.

This amendment will take effect from 1 April 2021.

Accordingly, timelines for initiation of assessment by issuance of notice and completion of assessment would be as follows:

(A) Without Transfer Pricing reference

Assessment Year	Time limit for completing assessment	Last date for initiation of assessment by issuance of notice	Last date to complete assessment under Section 143 without Transfer Pricing reference
2018-19	18 months from end of assessment year	30 September 2019	31 March 2021*
2019-20	12 months from end of assessment year	31 March 2021*	31 March 2021
2020-21	12 months from end of assessment year	30 June 2021	31 March 2022

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2021-22 and subsequent years	9 months from end of assessment year	30 June 2022	31 December 2022
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**As per CBDT Notification No. 35/2020 dated 24 June 2020.*

(B) With Transfer Pricing reference

Assessment Year	Time limit for completing assessment	Last date for initiation of assessment by issuance of notice	Last date to complete Transfer Pricing assessment	Last date to complete assessment under Section 143
2018-19	30 months from end of assessment year	30 September 2019	31 January 2022	31 March 2022
2019-20	24 months from end of assessment year	31 March 2021*	31 January 2022	31 March 2022
2020-21	24 months from end of assessment year	30 June 2021	31 January 2023	31 March 2023
2021-22 and subsequent years	21 months from end of assessment year	30 June 2022	31 October 2023	31 December 2023

**As per CBDT Notification No. 35/2020 dated 24 June 2020.*

Faceless Proceedings before the Income Tax Appellate Tribunals ('ITAT')

- Faceless assessment, appeal and penalty schemes are already in place. It is now proposed to extend the faceless scheme for ITAT proceedings as well.
- It is proposed to insert new sub-sections in Section 255 of the Act to notify a scheme for faceless disposal of appeal by the ITAT. It is further proposed to issue directions for existing provisions of the Act to apply / not to apply with suitable exceptions and modifications, as may be specified, before 31 March 2023.

This amendment will take effect from 1 April 2021.

Clarification regarding the scope of Vivad se Vishwas Act, 2020

- With the objective of reducing pending income tax litigation, the Direct Tax Vivad se Vishwas Act, 2020 ('VsV') was enacted on 17 March 2020.
- With a view to remove any ambiguity, it is proposed to amend certain definitions in the VsV scheme. The definition of 'appellant' is amended to exclude person in whose case proceedings are pending on account of an order of the Settlement Commission, whereas 'disputed tax' and 'tax arrears' are proposed to be amended to exclude any sum payable pursuant to an order passed by the Settlement Commission.
- The said amendments are proposed to take effect retrospectively from 17 March 2020.

- In the interim, the Central Board of Direct Taxes ('CBDT') vide Notification No. 04/2021, dated 31 January 2021 has further extended the late date for filing declaration to opt for VsV Scheme from 31 January 2021 to 28 February 2021.

New scheme of reassessment (Income escaping assessment)

- The existing provisions related to income escaping assessment or commonly known as reassessment provide that if the Assessing Officer has reason to believe that any income chargeable to tax has escaped assessment for any assessment year, he may assess or reassess or recompute the total income for such year under Section 147 of the Act by issuing a notice under Section 148 of the Act. However, such reopening is subject to the time limits prescribed in Section 149 of the Act.
- These provisions however led to increased litigation and in order to provide ease of doing business and certainty to taxpayers, it is proposed to amend scope and conduct of enquiry before assessment, reduce the time limit by when a notice for assessment or reassessment or re-computation can be issued, at the same time, the time limit has actually been also increased, in cases having higher amount of concealed income.

Salient features of the new procedure are as under:-

- (i) Information for Income escaping assessment - Notice under Section 148 of the Act, can be issued only when there is information with the Assessing officer to suggest that the income chargeable to tax has escaped assessment. Prior approval of prescribed authority is required to be obtained before issuance of such notice by the Assessing Officer. A risk management strategy is proposed to be formulated by the CBDT and information is proposed to be flagged off for assessees in accordance with the formulated strategy. Such information shall be considered as information which suggests that the income chargeable to tax has escaped assessment. The flagging would largely be done by the computer based system. Objection raised by the Comptroller and Auditor General of India to the effect that the assessment in the case of the assessee has not been in accordance with the provisions of the Act shall also be considered as information which suggests that the income chargeable to tax has escaped assessment.
- (ii) It is proposed to insert a new Section 148A of the Act to provide for modalities for issuance of notice by the Assessing Officer, which includes giving an opportunity to the assessee to show cause as to why a notice under section 148 for reassessment should not be issued on the basis of information which suggests that income chargeable to tax has escaped assessment.
- (iii) The time limitation for issuance of notice under Section 148 of the Act is proposed to be provided in section 149 of the Act and is as below:
 - in normal cases, no notice shall be issued if three years have elapsed from the end of the relevant assessment year.
 - Notice beyond the period of three years from the end of the relevant assessment year can be taken only in a few specific cases, i.e. where the Assessing Officer has evidence in his possession which suggests that income escaping assessment, represented in the form of asset is likely to amount to INR 5 Million or more. Notice can be issued beyond the period of three years but not beyond the period of ten years from the end of the relevant assessment year.
- (iv) It is proposed that for the purpose of computing the period of limitation for issue of notice under Section 148, the time or extended time allowed to the assessee in providing opportunity of being heard or period during which such proceedings are stayed by an order or injunction of any court, shall be excluded.

- (v) The authority for approving enquiries, providing opportunity, passing order under section 148A of the Act and for issuance of notice under section 148 of the Act are proposed to be prescribed.
- (vi) The Assessing officer is proposed to be empowered to assess or reassess the income in respect of any issue which has escaped assessment and which comes to his notice subsequently in the course of the proceeding under this procedure.

These amendments will take effect from 1 April 2021

- Consequential amendments are proposed in the provisions relating to assessment or reassessment or re-computation in search or requisition cases to provide that these provisions will be in line with the new scheme of reassessment.

These amendments will take effect from 1 April 2021.

Dispute Resolution Committee for small and medium taxpayers

- Schemes for faceless assessment, appeals and imposition of penalty have been made operational. Vivaad se Vishwas Scheme was launched last year to settle pending disputes.
- In line with the above measures, it is proposed to introduce a new scheme for preventing new disputes and settling issues at the initial stages.
- The new scheme is proposed to be introduced by inserting a new Chapter XIX-AA and Section 245MA of the Act in terms of which the Central Government shall constitute one or more Dispute Resolution Committees ('DRC'). The Scheme would inter-alia have the following features:
 - (i) Eligible class of persons would be specified by the Central Board of Direct Taxes ('CBDT') whose disputes would be resolved by the DRC.
 - (ii) Disputes where returned income is INR 5 Million or less and the aggregate amount of variation proposed in the order is INR 1 Million or less shall be eligible to be considered by the DRC.
 - (iii) Certain orders excluded - If the concerned order is based on search or survey or information received under any Double Taxation Avoidance Agreement ('DTAA') referred to in Section 90 or Agreement with Specified Association in Section 90A of the Act, such order shall not be eligible for being considered by the DRC. Similarly, taxpayers would not be eligible for benefit of this provision if there is detention, prosecution or conviction under other laws.
 - (iv) CBDT would be empowered to prescribe some other conditions which would also need to be satisfied for being eligible under this provision.
 - (v) The DRC, subject to such conditions as may be prescribed, shall have the powers to reduce or waive any penalty imposable under this Act or grant immunity from prosecution for any offence under this Act in case of a person whose dispute is resolved under this provision.
- It is proposed that notifications would be issued in the Official Gazette for the scheme of dispute resolution to be notified under this provision. It is proposed to issue directions for existing provisions to apply/not apply and also with suitable exceptions and modifications as may be specified in the notification.

This amendment will take effect from 1 April 2021.

Constitution of the Board for Advance Ruling

- The existing scheme of Authority for Advance Ruling ('AAR') has proven ineffective since a large number of applications have remained pending for many years. It is proposed to revamp the existing structure of advance rulings. Instead, it is proposed to constitute a Board of Advance Ruling by making the following amendments in the existing provisions of AAR:
 - (i) The AARs shall cease to operate with effect from notified date in the Official Gazette ('notified date').
 - (ii) Instead, it is proposed that one or more 'Board for Advance Rulings' would be constituted for giving advance rulings after the notified date. It is proposed to insert Section 245-OB to provide for the constitution of the Board of Advance Rulings. Such Board shall consist of two members, each being an officer not below the rank of Chief Commissioner of Income Tax.
 - (iii) Advance rulings of such Board shall not be binding on the applicant or the Department and if aggrieved, the applicant or the Department may appeal against the ruling or order passed by the Board before the High Court. To provide for appeal against Rulings, a new Section 245W is proposed to be inserted to provide for appeal to High Court against the order passed or ruling pronounced by the Board for Advance Ruling. This appeal can be filed by the applicant as well as by the Department. Such appeal shall be filed within sixty days from the date of the communication of such ruling or order.
 - (iv) Consequential amendments are proposed to be made in all related sections to provide for definitions of the Board of Advance Rulings, notified date, Member of the Board of Advance Rulings, change in the definition of Authority to include the Board for Advance Rulings, etc.
- It is proposed to issue notifications in the Official Gazette for prescribing modalities and mechanism of the 'Board of Advance Ruling' by the Government. It is proposed to issue directions for existing provisions to apply / not apply and also with suitable exceptions and modifications as may be specified in the notification before 31 March 2023.
- It is also proposed to delete references to Customs Act, 1962, Central Excise Act, 1944 and Finance Act, 1994 in the definition of applicant in section 245N and in section 245Q relating to application for advance ruling.

These amendments will take effect from 1 April 2021.

Discontinuance of Income-tax Settlement Commission

- It is proposed to discontinue Income-tax Settlement Commission ('ITSC') and to constitute Interim Board of settlement for pending cases.
- The various amendments proposed under the new scheme are as under:

Existing applications

- (i) ITSC shall cease to operate on or after 1 February 2021.
- (ii) No application for settlement of cases under the existing provisions shall be made on or after 1 February 2021.
- (iii) All existing valid applications in respect of which no order was issued on or before the 31 January 2021 shall be treated as pending applications.

- (iv) Where an order was required to be passed by the ITSC on or before 31 January 2021 to declare an application invalid, such application shall be deemed to be valid and treated as pending application.

Interim Board

- (i) The Central Government shall constitute one or more Interim Boards of Settlement for settlement of pending applications.
 - (ii) Every Interim Board shall consist of three members, each being Chief Commissioner of Income-Tax as may be nominated by the Board.
 - (iii) If the Members of the Interim Board differ in opinion on any point, the point shall be decided according to the opinion of majority.
 - (iv) Existing provisions related to exercise of powers or performance of functions by the ITSC viz. provisional attachment, exclusive jurisdiction over the case, inspection of reports and power to grant immunity shall apply to the Interim Board for the purposes of disposal of pending applications.
- Provisions for withdrawal of application, transfer of pending application from one Interim Board to another Interim Board, withdrawal of application, etc. are proposed to be provided in due course.
 - It is proposed to issue a notification in the Official Gazette, for the purposes of settlement of pending applications by the Interim Board. It is further proposed to issue directions for existing provisions of the Act to apply/not to apply with suitable exceptions and modifications as may be specified before 31 March 2023.

These amendments will take effect from 1 February 2021.

Provisional attachment in Fake Invoice cases

- Section 271AAD provides for imposition of penalty on person/(s) who causes another person to make a false entry or omit an entry from his books of accounts. To avoid taxpayers from evading penalties, and to protect the interest of revenue, it is proposed to amend Section 281B of the Act to enable the Assessing Officer to provisionally attach the property of taxpayers with the prior approval of prescribed authorities during the pendency of penalty proceedings, if the amount or aggregate of amounts of penalty imposable is likely to exceed INR 20 Million.

This amendment will take effect from 1 April 2021.

4.7 KEY PROPOSALS (OTHERS)

There are below amendments, which are very specific to a particular sector/group and may not be relevant to a larger group and hence, have not been covered in detail:

- Tax Neutral Conversion of Urban Cooperative Bank into Banking Company
- Facilitating strategic disinvestment of public sector company
- Rationalisation of provisions related to Sovereign Wealth Fund ('SWF') and Pension Fund ('PF')
- Exemption of deduction of tax at source on payment of Dividend to business trust in whose hand dividend is exempt
- Raising of prescribed limit for exemption under sub-clause (iiiad) and (iiiie) of clause (23C) of section 10 of the Act

- Rationalisation of the provision of Charitable Trust and Institutions to eliminate possibility of double deduction while calculating application or accumulation
- Substitution of Adjudicating authority under the Prohibition of Benami Property Transactions Act, 1988 (PBPT)

5 INDIRECT TAXES

5.1 GOODS AND SERVICES TAX

Central Goods and Services Tax Act, 2017

Amendment in the definition of Supply:

- New clause (aa) has been proposed to be inserted in Section 7(1) of the Central Goods and Services Tax ("CGST") Act, 2017, which defines scope of "Supply". This section has been proposed to be amended retrospectively w.e.f. 01 July 2017 to include 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 to ensure levy of tax on such transactions or activities. The said change has been made to effectively over rule the decision of the Supreme Court in the case of State of West Bengal Vs Calcutta Club & Others (TS-779-SC-2019 VAT), wherein it was held that services of a Club to its members amounts to 'Services to Self' and therefore, would not qualify as a Service.
- Consequential retrospective amendment has been proposed in Schedule II of CGST Act to omit Para 7 which provided that supply between unincorporated body of persons to its members for a consideration would be deemed to be supply of goods liable to GST.

Amendment in section 16 (2) to introduce additional condition to avail ITC:

- A new clause (aa) under Section 16 (2) of the CGST Act is proposed to be inserted which will allow availment of input tax credit on invoice or debit note only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies (GSTR 1) and such details have been communicated to the recipient of such invoice or debit note (typically through GSTR 2A/ 2B).
- Due to the above change, in addition to the existing conditions, the taxpayer would also be required to verify whether such invoice has been reported by the supplier in his GSTR-01 return and the same is reflecting in the taxpayer's GSTR-2B. It would be important to see if this results in discontinuation of Rule 36 (4) of the CGST Rules which provide for availment of ITC only up to 5 per cent of the mismatched invoices.

Provisions relating to cancellation of mandatory GST Audit requirement:

- It is proposed to omit the section 35(5) of the CGST Act providing for mandatory requirement of Annual GST Audit of accounts & records and submission of reconciliation statement by Chartered Accountants/ Cost Accountants. As these provisions would be effective from a date to be notified, it is expected that the GST Audit for Financial Year 2019-20 would still be applicable.
- Further, Section 44 has been proposed to be amended to 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 which may include self- certified reconciliation statement reconciling the value of supplies declared in return furnished for the financial year along with audited financial statements.

- It further provides for the Commissioner to exempt a class of taxpayers from the requirement of filing the annual return.

Liability of interest on delayed payment of tax on net basis

- Proviso to Section 50(1) of the CGST Act relating to interest on delayed payment of tax has been proposed to be substituted, retrospectively with effect from 01 July 2017 in order to provide for applicability of interest on delayed payment of GST only on the net cash liability. It should be noted that effective 1 September 2020, the provision for levy of interest only on net cash liability was introduced and an Administrative Order was issued to state that the authorities would not initiate any action for recovery for interest for the past periods. With the above retrospective change, interest cannot be recovered on delayed payment of GST through electronic credit ledger from inception of the GST law.

Recovery proceedings on the basis of difference between GSTR-01 and GSTR-3B

- Explanation to Section 75(12) has been proposed to be amended to include the tax payable shown as per return filed under Section 37 (Form GSTR-01) but not included in return filed under Section 39 (Form GSTR-3B).
- Thus, non-payment or short payment of tax evident as per GSTR-01 or 3B could result into initiation of recovery proceedings by the GST authorities.

Proceedings with respect to detention/seizure/release of goods and conveyance in transit:

- Section 74 of the CGST Act is proposed to amend to provide that detention, seizure and confiscation of goods and conveyances in transit would be deemed to be separate proceedings from recovery of tax.
- A proviso to sub-section (6) of Section 107 of the CGST Act is proposed to be inserted to provide that no appeal shall be filed against an order made under sub-section (3) of Section 129 of the CGST Act, unless a sum equal to twenty-five per cent of penalty has been paid by the appellant in addition to the ten per cent of tax in dispute.
- New sub clauses (a) & (b) have been proposed to be substituted in Section 129 (1), where the goods shall be released on making payments as follows:
 - a. When owner is making payment: penalty equal to 200 per cent of tax paid on such goods
 - b. When owner is not making the payment: penalty equal to 200 per cent of tax paid or 50 per cent of value of goods, whichever is higher
- Further, it is proposed that Notice in case of detention/seizure of goods in transit to be issued within 7 days from the date of detention/seizure. Also, the order shall also be issued within 7 days of serving the notice. Further, if penalty is not paid within 15 days from the detention/seizure, the goods will be liable to be disposed off.

Other Changes:

- Section 83 of the CGST Act is proposed to substitute to expand the powers of the GST authorities to provisionally attach bank accounts and other properties even in cases of assessments, search and seizures.
- Section 151 of the CGST Act is proposed to be substituted to grant powers to call for information which was earlier restricted to only the collection of statistics. Consequently, Section 168 of the Act is proposed to be amended to allow Jurisdictional Commissioner to exercise powers to call for information under Section 151.

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- Section 152 of the CGST Act is proposed to be amended to mandatorily provide an opportunity of personal hearing to the persons required to furnish Information Return

Integrated Goods and Services Tax Act (IGST Act), 2017

Clarificatory change made in definition of 'Zero Rated Supply'

- Section 16(1) (b) of the IGST Act has been proposed to be amended and all the supplies made to SEZ only for 'Authorized Operations' shall now be treated as Zero Rated Supply. It should be noted that no specific mechanism has been prescribed to confirm that the supply is used for authorized operations as was existing in the pre-GST era. Therefore, the suppliers may be required to obtain suitable declarations from their SEZ customers in order to mitigate the exposure on account of applicability of GST on supplies in case the SEZ unit does not use the goods/services supplied for authorized operations.
- As a consequence to the above, the said change may also have an impact of the refund of GST wherein the authorities may demand the supplier to SEZ units to substantiate that the supply of goods/services were used for authorized operations by the SEZ units for sanction of refund.

Proposed amendments in refund provisions:

- Section 16(3): In a major change, the provisions relating to GST refunds have been amended to provide that a registered person shall be allowed to export the goods only without payment of IGST under Bond or LUT and claim refund of unutilized ITC. As a consequence, the option of payment of GST on Zero rated supplies and claiming a refund of the GST so paid has been discontinued. The said change would have a major impact on working capital of exporters who have carry forward ITC from previous years as the same now would not be available as refund.
- Further, the refund to be claimed on export of goods shall now be linked with the realisation of foreign remittances received as per the timelines prescribed under the provisions of the Foreign Exchange Management Act, 1999. Further, a proviso is proposed to be inserted which provides that in case of non-realization of sale proceeds on account of export of goods, the exporter shall deposit the refund received on account of export under LUT along with applicable interest within 30 days from the date of expiry of time limit for collection of foreign exchange remittance as prescribed under FEMA
- Under Section 16(4) of the IGST Act, it is now provided that the option of refund of GST in case of export with payment of IGST would be available only to a notified class of persons or to a notified class of goods or services or both, as may be prescribed.

5.2 CUSTOMS DUTY

Amendment to Customs Tariff

- In order to bring uniformity in Customs classification adopted by India with global HSN classification, First Schedule to Customs Tariff has been proposed to be amended significantly with effect from 01 January, 2022 to align the same with HSN 2022. These changes are required to adapt to the change in global trade specifically on account of the change in the nature of products, to add new products into the classification scheme and to ensure appropriate classification of existing goods.
- This amendment to the First Schedule includes very important additions/substitution/changes in Chapter Notes, Section Notes, Tariff Headings, Tariff items, etc. and some of the important changes have been highlighted in the **Annexure B**.

Time Limit for conditional exemptions

- Finance Bill, 2021 is proposing to provide sunset clause for all conditional exemptions currently in force. It is proposed to insert **sub-section 4A under Section 25** of the Customs Act, 1962 to provide that all conditional exemptions under Customs Act, 1962 would be valid only for a period of two years from the end of financial year during which it was introduced, unless otherwise specified or varied or rescinded. Thus, it can be said that all conditional exemptions under the Customs Act, 1962 shall come to an end on 31 March falling immediately two years after the date of such grant or variation unless specified.
- Further, with respects to all existing conditional exemptions which would be in force as on date on which the Finance Bill, 2021 would receive the assent of the President unless having a prescribed end date, shall be valid only up to 31 March, 2023 (if not specifically extended/ rescinded earlier) on review.
- It has been announced by the Finance Minister that a review of more than 400 old Customs exemption notifications is underway and a completely new Custom Duty structure would be put in place from 1 October 2021 onwards. The said changes could bring the next wave of litigations as many of these Customs exemptions have been historically litigated up to the Supreme Court of India.

Time limit for inquiry or investigation

- It is proposed to insert a new Section 28BB in the Customs Act, 1962 to provide a time limit two year for completion of any inquiry or investigation which would culminate in issuance of a notice under Section 28 of the Customs Act, 1962. The said time limit would be computed from the date of communication of such enquiry or investigation by the authorities. Further, the said time limit may be further extendable by one year by the Principal Commissioner or Commissioner of Customs upon sufficient cause being shown and with reason recorded in writing for granting the extension.
- The proposed amendment would apply to any such proceedings initiated after the date on which the Finance Bill 2021 receives assent from the President and therefore, the matters already initiated would get protection from the new time limit.

Filing of Bill of Entry in advance

- Presently, an importer can present the bill of entry before the end of the next day (excluding holidays) following the day of arrival of goods on the port. Now, Section 46 of the Customs Act, 1962 is proposed to be amended to mandate filing of bill of entry in advance that is before the end of the day (including holidays) preceding the day of arrival of goods at the customs station in India.
- Further, a new proviso would be incorporated to enable the Board to notify the time period for presenting bill of entry in certain cases as the Board may deem fit.

Procedure for pre-trial disposal of seized gold

- Section 5(3) of the Customs Act, 1962 is proposed to be amended to empower Commissioner (Appeals) to carry out functions specified under newly proposed to be inserted Section 110(1D) of Customs Act, 1962 relating to seizure of goods, documents and things.
- It is proposed to insert sub-section (1D) under Section 110 of the Customs Act, 1962 to revise the procedure for pre-trial disposal of seized gold, in any form as notified. Commissioner (Appeals) having jurisdiction would certify the correctness of the seized inventory and carry out procedures before disposal of the gold as prescribed and determined by the Central Government.

- Explanation to Section 139 of the Customs Act proposed to be amended so as to include inventories, photographs and list certified by the Commissioner (Appeals) under Section 110(1D) to documents within the meaning of Section to give evidentiary value to such documents.
- Other consequential amendments to give effect to this provision are also being carried out.

Wrongful claim of remission or refund on exports

- The Customs Act, 1962 is proposed to be amended to insert provisions relating to the confiscation and imposition of penalty on goods exported with wrongful claim of remission or refund of any duty or tax.
- It is proposed to insert **clause (ja) under Section 113** of the Customs Act, 1962 for empowering confiscation of any goods entered for exportation by making wrongful claim of remission or refund of any tax or levy in contravention of the provisions of Customs Act or any other law for the time being in force.
- It is also proposed to insert a new section: **Section 114AC** to the Customs Act, 1962 to provide provisions for penalty which can be up to five times the refund claimed in specific case where any person has obtained any invoice by fraud, collusion, wilful 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.

Electronic amendment of documents

- Section 149 of the Customs Act, 1962 is proposed to be amended to permit electronic amendment of documents such as bill of entry, shipping bill etc. The same has been done on account of lack of legislative backing to carry out amendments in import/ export declarations on the Customs automated systems.
- A second proviso to Section 149 of the Customs Act, 1962 is proposed to be inserted which would enable authorisations or amendments through the customs automated system on the basis of risk evaluation through appropriate selection criteria.
- Further a third proviso to Section 149 of the Customs Act, 1962 is proposed to be inserted to enable importer or exporter to make certain amendments on the common portal as may be specified by the Board.

Introduction of Common Portal:

- It is proposed to insert a new **clause 7(B) under Section 2** of the Customs Act, 1962 to define common portal as Common Customs Electronic Portal.
- It is proposed to insert a new **clause (ca) under Section 153(1)** of the Customs Act, 1962 to enable service of order, summons, notice, etc. by making it available on the common portal.
- Further, a new **Section 154C** is proposed to be inserted in the Customs Act, 1962 to notify common portal for facilitating registration, filing of bill of entries, shipping bills, any other documents or form prescribed under Customs Act or any other law for the time being in force or the rules and regulations made thereunder, payment of duty and carrying out other functions, etc. as may be specified by the Board.

- Common portal under Customs Act, 1962 has been introduced to provide ease and accessibility to the importers and exporters.

Authority of Advance Ruling (AAR)

- Vide Finance Act, 2018, the Customs Act, 1962 was amended wherein the Authority for Advance Rulings (AAR) under Income Tax Act, 1961 was also referred as an AAR under Customs Act, 1962.
- In the Finance Bill, 2021, the AAR under Income Tax Act, 1961 is proposed to be discontinued and the Central Government would constitute one or more Board for Advance Rulings. Thus, Board for Advance Ruling under Income Tax Act, 1961 would act as Board for Advance Ruling under Customs Act, 1962. Board of Advance Ruling would be comprised of two members, each being an officer not below the rank of Chief Commissioner. Ruling of the Board for Advance Rulings will not be binding on the Department or the taxpayer and it would be appealable before the High Court. The cases pending before the Authority for Advance Ruling from the notified date will be transferred to the Board. Corresponding amendments will be made to the relevant provisions with effect from 01 April, 2021.

Levy of Agriculture Infrastructure and Development Cess

- To fund the agriculture, infrastructure and other developments in the Country, a new levy of Agriculture Infrastructure and Development Cess is to be imposed on the import of specified goods, at the **rate not exceeding the rate of custom duty specified in the said schedule on the import value of such goods as determined under Section 14** of the Customs Act, 1962.
- Agriculture Infrastructure and Development Cess would be effective from **02 February, 2021**. Further, Notification No. 13/2021- Customs (Tariff) dated 01 February, 2021 exempts Social Welfare Surcharge leviable on Agriculture Infrastructure and Development Cess on HSN 7106 (Silver) and HSN 7108 (Gold).
- Rate of Agriculture Infrastructure and Development Cess is provided in the **Annexure C**.

Amendment to IGCR Rules, 2017

- The IGCR Rules, 2017, which are applicable in cases where the benefit of concessional rate of Customs duty is availed in specified cases have been amended to provide for the following relaxation:
 - a. to allow job work of the materials imported under concessional rate of duty.
 - b. to allow 100 per cent outsourcing for manufacture of goods on job work.
 - c. to allow clearance of imported capital goods after having been used for specified purpose, on payment of differential duty, along with interest, on the depreciated value. The depreciation norms have been prescribed similar to as applied to EOUs as per the Foreign Trade Policy.
- The above rules have been amended vide Notification 09/2021 – Customs (N.T.) effective from February 2, 2021.

Amendment to Countervailing Duty (CVD)

- The provisions for absorption of CVD are proposed to be inserted wherein if the absorption of CVD has taken place which renders the imposition of CVD ineffective, the Government may modify such duty to counter the effect of such absorption.
- 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 causes injury to domestic industry.
- Changes are being made in the Rules to provide that with effect from 01 July, 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.
- Countervailing duty is being temporarily revoked for the period commencing from 02 February, 2021 till 30 September, 2021, on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from Peoples Republic of China, imposed vide notification No. 1/2017-Cus (CVD) dated 07 September, 2017.
- 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 09 October, 2020.

Amendment to Anti-Dumping Duty (ADD)

- The provisions for absorption of ADD are proposed to be inserted wherein if the absorption of ADD has taken place which renders the imposition of ADD ineffective, the Government may modify such duty to counter the effect of such abortion.
- 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 July, 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.
- Anti-Dumping duty is being temporarily revoked for the period commencing from 02 February, 2021 till 30 September, 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 October, 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 September, 2019;
 - c. Flat rolled product of steel, plated or coated with alloy of Aluminium 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 June, 2020.

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- 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 Peoples 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.

Amendment to Safeguard Duty

- 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.

5.3 EXCISE DUTY

- Agriculture Infrastructure and Development Cess ('AIDC') of INR 2.5 per litre and INR 4 per litre on diesel shall be imposed while excise duty and special additional excise duty calibrated so that no additional burden will be there on the end consumer.
- Tariff item rationalised and new tariff items inserted in Chapter 24 (tobacco) in accordance with upcoming Harmonised System Nomenclature 2022.

5.4 CENTRAL SALES TAX

- Section 8(3) (b) of the Central Sales Tax Act has been substituted to omit the goods intended for use in the telecommunications network or in mining or in the generation or distribution of electricity or any other form of power from the ambit of Central Sales Tax and now, only the dealers whose goods are liable to CST (mostly petroleum products) allowed to issue C Forms and avail the benefit of the concessional rate of CST.

6 ANNEXURES

6.1 ANNEXURE A: RATES OF INCOME TAX

Personal Income Tax rates

Option 1 - Regular Income Tax Slabs (all deductions, incentives and other allowances to be availed)

(iii) Resident individuals* (other than those mentioned in (i) and (ii) below)

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0-250,000	Nil
250,001-500,000	5

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500,001-1,000,000	20
Above 1,000,000	30

(iv) Resident individuals* of the age of 60 years or more but less than 80 years of age.

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0-300,000	Nil
300,001-500,000	5
500,001-1,000,000	20
Above 1,000,000	30

(v) Resident individuals* of the age of 80 years.

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0-500,000	Nil
500,001-1,000,000	20
Above 1,000,000	30

*A resident individual, whose taxable income does not exceed INR 0.5 million, can claim a tax rebate under Section 87A. The amount of rebate shall be lower of 100 per cent of income-tax or INR 12,500.

Option 2 – Simplified Income Tax Slabs (prescribed deductions, incentives and other allowances not to be availed)

Income Slab (INR)	New rates proposed (per cent) (optional)
0-250,000	Nil
250,001-500,000	5
500,001-750,000	10
750,001-1,000,000	15
1,000,001-1,250,000	20
1,250,001-1,500,000	25

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Above 1,500,000	30
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Surcharge

- The rate of Surcharge at 10 per cent is to be levied on income-tax in case total income exceeds INR 5 million and is up to INR 10 million;
- The rate of Surcharge at 15 per cent is to be levied on income-tax in case the total income exceeds INR 10 million and is up to INR 20 million.
- The rate of Surcharge at 25 per cent is to be levied on income-tax in case the total income exceeds INR 20 million and is up to INR 50 million.
- The rate of Surcharge at 37 per cent is to be levied on income-tax in case the total income exceeds INR 50 million.
- The Health and Education Cess at the rate of 4 per cent shall be computed on aggregate of Income-Tax and Surcharge.

Corporate Tax Rates

Option 1: Regular Income Tax (all deductions, incentives, allowances availed)

Description	Tax rate (per cent)	Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels)
Domestic companies whose total turnover or gross receipts in the previous year 2018-19 does not exceed INR 4000 Million	25	26 / 27.82 / 29.12
Companies engaged in manufacturing set-up and registered on or after one day of March 2016	25	26 / 27.82 / 29.12
Others	30	31.2/33.38/34.94
Minimum Alternate Tax	15	15.60/16.69/17.46
Foreign Company:		
Income Tax	40	41.6 / 42.43 / 43.68

Option 2: Concessional Income Tax Rates (prescribed deductions, incentives, additional depreciation not to be availed)

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Description	Tax Rate (per cent)	Effective Rate (per cent) (including Surcharge and Cess)
Companies engaged in manufacturing and set-up and registered on or after 1 October 2019	15	17.16
All companies	22	25.17

Foreign companies

Description	Tax rate (per cent)	Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels)
Foreign Company:		
Income Tax	40	41.6 / 42.43 / 43.68

6.2 ANNEXURE B: IMPORTANT CHANGES IN CUSTOMS TARIFF

Item/Product		Tariff Code	Existing Tariff Rate	Proposed Tariff Rate
Category	Description			
Chemicals	Carbon Black	2803 00 10	5 per cent	7.5 per cent
Plastic items	Builder's ware of Plastics (all goods)	3925	10 per cent	15 per cent
Glass and glassware	Safety Glass	7007	10 per cent	15 per cent
Gems and Jewellery	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	7104 90 90	10 per cent	15 per cent
Electrical and Electronics	Compressors of a kind used in refrigerating equipment	8414 30 00	12.5 per cent	15 per cent
	Compressors of a kind used in air-conditioning equipment	8414 80 11	12.5 per cent	15 per cent
	Air compressors mounted on a wheeled chassis for towing (all goods)	8414 40	7.5 per cent	15 per cent

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Item/Product		Tariff Code	Existing Tariff Rate	Proposed Tariff Rate
Category	Description			
Electric Motors and generators	Motors of an output not exceeding 37.5 W (all goods)	8501 10	10 per cent	15 per cent
	Universal AC or DC motors of an output exceeding 37.5 W	8501 2000	10 per cent	15 per cent
	Other DC motors; DC generators	8501 31, 8501 32, 8501 33, 8501 34	10 per cent	15 per cent
	Other AC motors, single-phase:	8501 40	10 per cent	15 per cent
	Other AC motors, multi-phase	8501 51, 8501 52, 8501 53	10 per cent	15 per cent
Electrical Transformers, static converters, etc.	Other parts	8504 9090	10 per cent	15 per cent
Electrical lighting or signalling equipment	Sound signalling equipment parts	8512 9000	10 per cent	15 per cent
Electrical apparatus	Relays for voltage not exceeding 60V	8536 4100	10 per cent	15 per cent
	Other relays	8536 4900	10 per cent	15 per cent
Boards, panels, etc.	All goods	8537 1000, 8537 2000	10 per cent	15 per cent
Wire, cable, etc.	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	8544 3000	10 per cent	15 per cent
Measuring or checking instruments	Other instruments, appliances and machines	9031 8000	7.5 per cent	15 per cent
Automatic regulating or	Other instruments and apparatus (all goods)	9032 89	10 per cent	15 per cent

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Item/Product		Tariff Code	Existing Tariff Rate	Proposed Tariff Rate
Category	Description			
controlling instrument				
Clocks	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	9104 0000	10 per cent	15 per cent

*Effective from 2nd Februaru 2021

ANNEXURE C: RATES OF AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS

Levy of Agriculture Infrastructure and Development Cess on specified goods as per Notification 11/2021-Customs effective from 02 February, 2021

Tariff Code	Description of goods	AIDC Rate
0713 10	All goods	40 per cent
0713 20 10	All goods	30 per cent
0713 20 20	All goods	50 per cent
0713 20 90	Chick Peas (Garbanzos)	50 per cent
0713 40 00	Lentil (Mosur)	20 per cent
0808 10 00	All goods	35 per cent
1511 10 00	All goods	17.5 per cent
1507 10 00 1512 11 10	All goods	20 per cent
2204, 2205, 2206, 2008	All goods	100 per cent
2701, 2702, 2703	All goods	1.5 per cent
3102 10 00 3102 30 00	All goods	5 per cent
31	Muriate of potash, for use as manure or for the production of complex fertilisers	5 per cent
3105 30 00	Diammonium phosphate, for use as manure or for the production of complex fertilisers	5 per cent
5201	All goods	5 per cent
7106 or 98	Silver, including silver dore	2.5 per cent

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Tariff Code	Description of goods	AIDC Rate
7108 or 98	Gold, including gold dore	2.5 per cent
Any chapter	All goods other than goods mentioned against serial numbers 1 to 16 above.	Nil
Any chapter	All goods on which exemption from basic customs duty is claimed and allowed under the advance authorisation	Nil
Any chapter	All goods on which exemption from basic customs duty is claimed and allowed under the notifications, published in the Gazette of India.	Nil

ANNEXURE D: IMPORTANT CHANGES IN THE RATES OF CUSTOM DUTY

Tariff rate changes for BCD as per Notification No. 2/2021-Customs and Notification No. 3/2021- Customs effective from 02 February, 2021:

Addition of New Entries in Basic Custom Duty

Item/Product		Tariff Code	Existing	Proposed
Category	Description			
Glass and Glassware	All goods other than those suitable for use in – (i) motor vehicles falling under heading 8702 or 8704; (ii) motor cars falling under heading 8703; or (iii) motor cycles falling under heading 8711.	7007 00 00	NIL	10 per cent
Gems and Jewellery	All goods other than those Silver dore	7106	NIL	7.5 per cent
	All goods other than those Gold dore	7108	NIL	7.5 per cent
Metals	All goods	7201, 7202, 7203, 7205, 7226 11 00	NIL	5 per cent
	All goods other than the following, namely: - (i) goods mentioned against S. Nos. 366, 367, 368, 369, 371A, 371B, 374, 375, 376A, 376B and 376D; (ii) seconds and defectives of goods falling under Chapter 72	72	Nil	7.5 per cent
	All goods	8414 40	Nil	7.5 per cent

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Item/Product		Tariff Code	Existing	Proposed
Category	Description			
Electrical and Electronics	All goods	8414 80 (except 8414 80 11)	Nil	7.5 per cent
Electric Motors and generators	All goods	8501 10, 8501 20 00, 8501 31, 8501 32, 8501 33, 8501 34, 8501 40, 8501 51, 8501 52, 8501 53	Nil	10 per cent
Electronic	Inputs, parts or sub-parts for use in the manufacturing of Printed Circuit Board Assembly (PCBA) (falling under tariff item 8507 90 90) of Lithium-ion battery and battery pack	*Any Chapter	Nil	2.5 per cent
Electrical apparatus	All goods	8536 41 00 8536 49 00	Nil	10 per cent
Electronics	Lithium ion battery or battery pack of cellular mobile phones	8507 60 00	Nil	15 per cent
	All goods other than the following, namely: - (i) goods mentioned against S. Nos. 528A and 528B; (ii) Power Bank	8507 60 00	Nil	10 per cent
Measuring instruments	All goods	9031 80 00	Nil	7.5 per cent

Increase in Basic Custom Duty (BCD)

Item/Product		Tariff Code	Existing	Proposed
Category	Description			
Agricultural products	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2207 20 00	2.5 per cent	5 per cent
Textiles	Raw Silk (not thrown)	5002	10 per cent	15 per cent

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Item/Product		Tariff Code	Existing	Proposed
Category	Description			
	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	5004, 5005, 5006	10 per cent	15 per cent
	Raw Cotton	5201	Nil	5 per cent
	Cotton waste (including yarn waste or garneted stock)	5202	Nil	10 per cent
Metals	Screw, bolts, nuts, etc. of iron and steel	7318	10 per cent	15 per cent
Capital Goods	Tunnel boring machines	8430	Nil	7.5 per cent
	Parts & components for manufacture of tunnel boring machines with actual-user condition	8431	Nil	2.5 per cent
IT, Electronics and renewable	All parts for use in the manufacture of LED lights or fixtures including LED Lamps	Any chapter	5 per cent	10 per cent
	All inputs for use in the manufacture of LED (Light Emitting Diode) driver or MCPCB (Metal Core Printed Circuit Board) for LED lights and fixtures or LED Lamps	Any chapter	5 per cent	10 per cent
	All goods (other than USB Cable for cellular mobile phone)	8544 (except 8544 30 00 and 8544 70)	7.5 per cent	10 per cent
	(a) Parts, components and accessories except Lithium-ion cell and Printed Circuit Board Assembly (PCBA), for use in manufacture of Lithium-ion battery and battery pack; (b) Sub-parts for use in manufacture of items mentioned at (a) above	*85 or any other chapter	Nil	2.5 per cent
	Lithium ion cell for use in manufacture of battery or battery pack other than cellular mobile phone and electrically operated vehicle or hybrid motor vehicle	*8507 60 00	Nil	5 per cent

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Item/Product		Tariff Code	Existing	Proposed
Category	Description			
	Lithium ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	*8507 60 00	Nil	5 per cent
	Lithium ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle or hybrid motor vehicle	*8507 60 00	Nil	5 per cent
	Printed Circuit Board Assembly [PCBA] of charger or adapter	8504 90 90	10 per cent	15 per cent
	Solar lanterns or solar lamps	9405 50 40	5 per cent	15 per cent
	Solar Inverters	8504 40	5 per cent	20 per cent
	Parts of electronic toys for manufacture of electronic toys	9503	5 per cent	15 per cent
	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)	*Any Chapter	Nil	2.5 per cent
Goods imported under Project Import Scheme	All goods other than Bicycle parts and components	8714 91 00, 8714 92, 8714 93, 8714 94 00, 8714 95, 8714 96 00, 8714 99	10 per cent	15 per cent
	High Speed Rail Projects being brought under project imports	9801	Applicable Rate	5 per cent

*Effective from 01 April, 2021

Decrease in Basic Custom Duty

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Item/Product		Tariff Code	Existing Tariff Rate	Proposed Tariff Rate
Category	Description			
Textile	Nylon Fibre and Yarn	5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510	7.5 per cent	5 per cent
Gems and Jewellery	Silver	7106	12.5 per cent	7.5 per cent
	Silver Dore	7106	11 per cent	6.1 per cent
	Gold	7108	12.5 per cent	7.5 per cent
	Gold Dore	7108	11.85 per cent	6.9 per cent
	Base metals or precious metals clad with precious metals	7107 00 00, 7109 00 00, 7111 00 00	12.5 per cent	10 per cent
	Other precious metals like Platinum, Palladium, etc.	7110	12.5 per cent	10 per cent
	Waste and scrap of precious metals or metals clad with precious metals	7112	12.5 per cent	10 per cent
	Spent catalyst or ash containing precious metals	7112	11.85 per cent	9.17 per cent
	Gold or Silver Findings	7113	20 per cent	10 per cent
	Coin	7118	12.5 per cent	10 per cent
Metals	Iron and steel scrap, including stainless steel scrap	7204	2.5 per cent	Nil
	Primary/Semi-finished products of iron or non-alloy steel	7206, 7207	10 per cent	7.5 per cent
	Long product of non-alloy, stainless and alloy steel	7213, 7214, 7215, 7216, 7217, 7221, 7222, 7223, 7227, 7228	10 per cent	7.5 per cent
	Flat products of non-alloy and alloy steel	7208, 7209, 7210, 7211, 7212, 7225	10 /12 per cent	7.5 per cent

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Item/Product		Tariff Code	Existing Tariff Rate	Proposed Tariff Rate
Category	Description			
		(except 7225 11 00), 7226 (except 7226 11 00)		
	Raw materials for use in manufacture of CRGO steel	7225	2.5 per cent	Nil
	Copper Scrap	7404	5 per cent	2.5 per cent
Aviation Sector	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.	Any Chapter	2.5 per cent	Nil

Health Cess

Notification No. 06/2021-Customs exempts levy of Health Cess on the medical devices imported by international organizations and diplomatic missions effective from 02 February, 2021

Item/Product		Tariff Code	Existing	Proposed
Category	Description			
Agricultural products	Medical Devices imported by International Organization and Diplomatic Missions	9018-9022	5 per cent	Nil

Social Welfare Surcharge

Social Welfare Surcharge has been rescinded on goods falling under heading 2515 11 and 2515 12 as per Notification No. 14/2021-Customs effective from 02 February, 2021.

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As attorneys, tax advisers, management and IT consultants and auditors, we are present with 109 own offices in 49 countries. Worldwide, our clients trust our 5.120 colleagues

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