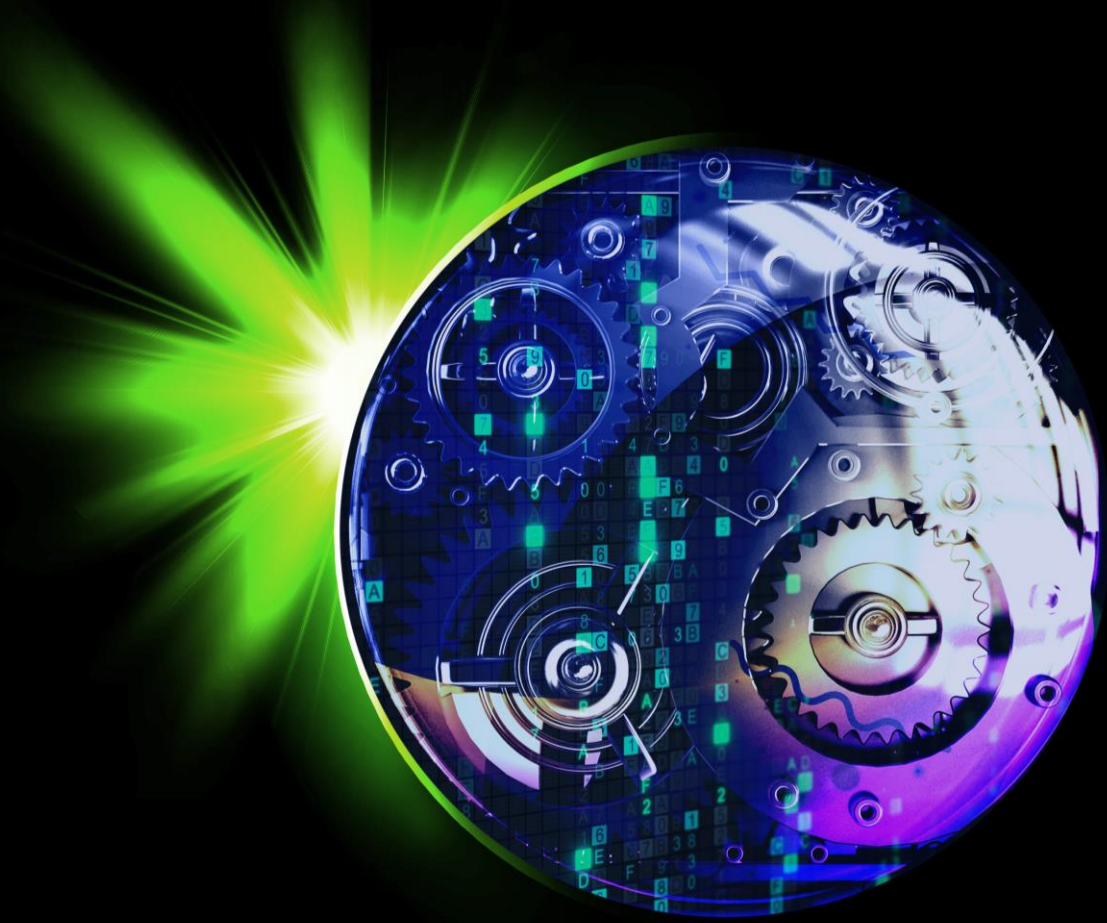
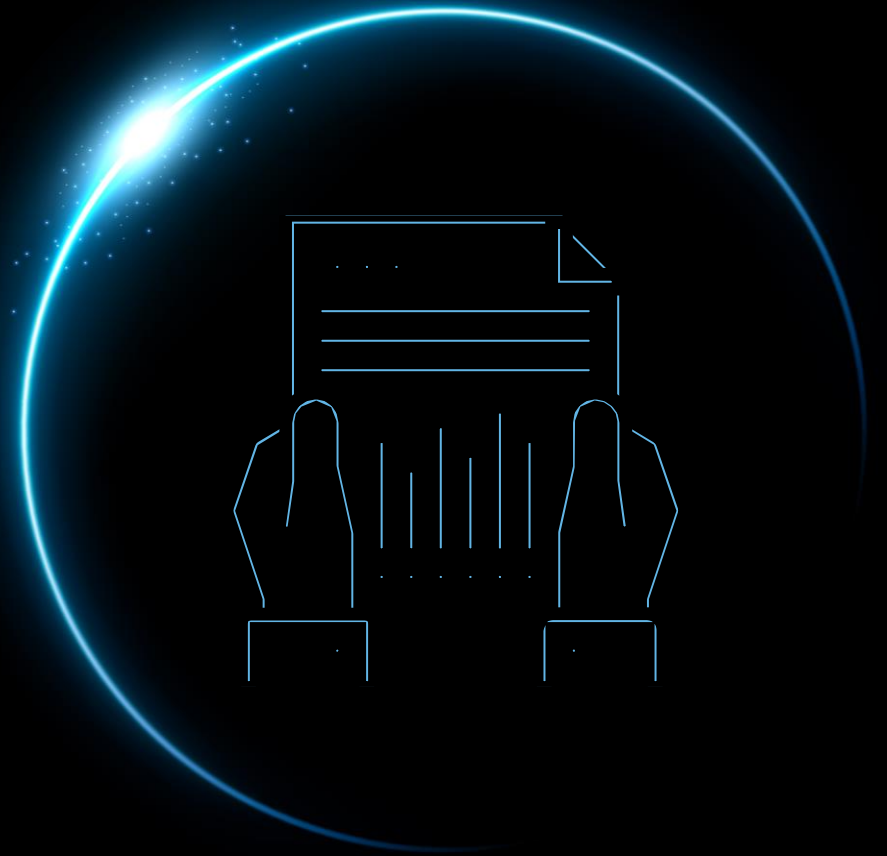


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Union Budget 2021  
Towards a thriving India

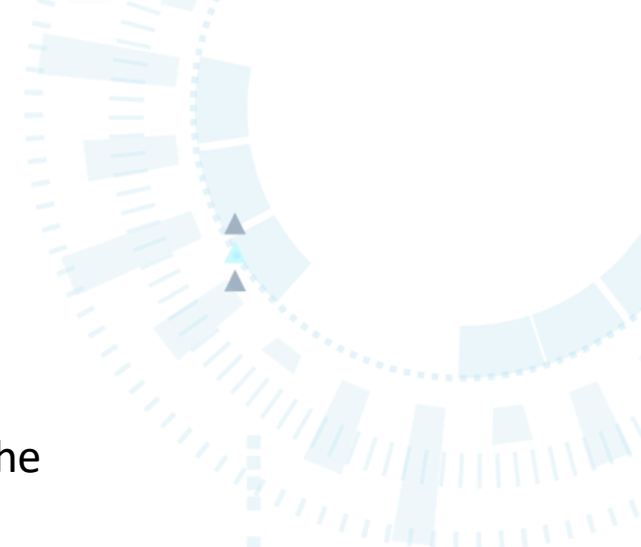
# Economic Indicators



# Economic Survey Pointers

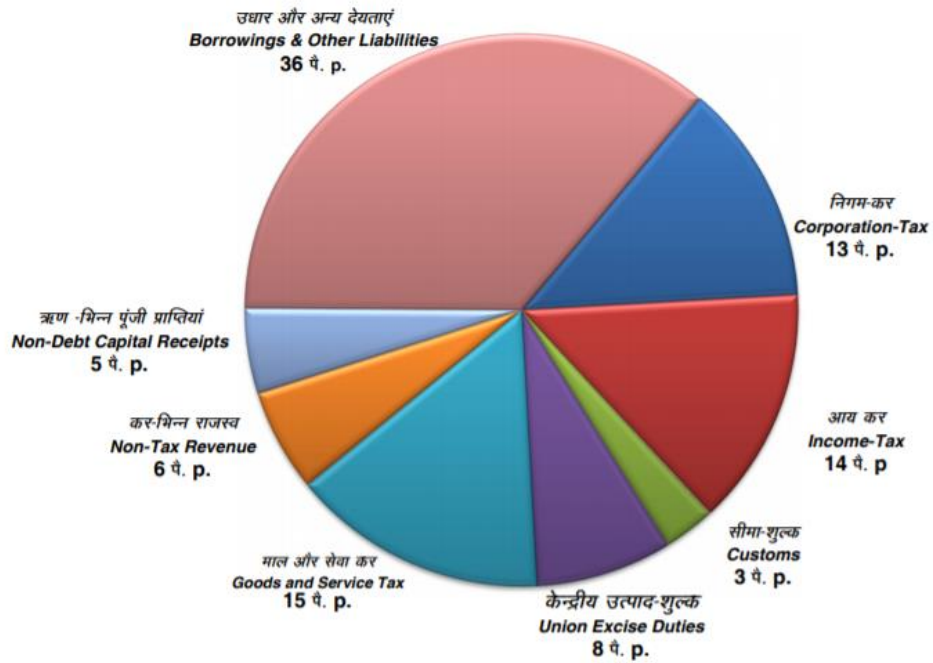
## How to attain a high, sustainable and inclusive growth?

- Economic survey brings up the questions whether growth leads to debt sustainability in the Indian context?
- Sovereign credit rating of India is not appropriate. It does not reflect the economic fundamentals.
- Health care is an area of attention as India needs to build resilience and prepare itself better for future uncertainties.
- Addressing inequality is important for economic and social stability. Growth definitely plays an important role.
- Improving on innovation and move to higher spending on R&D

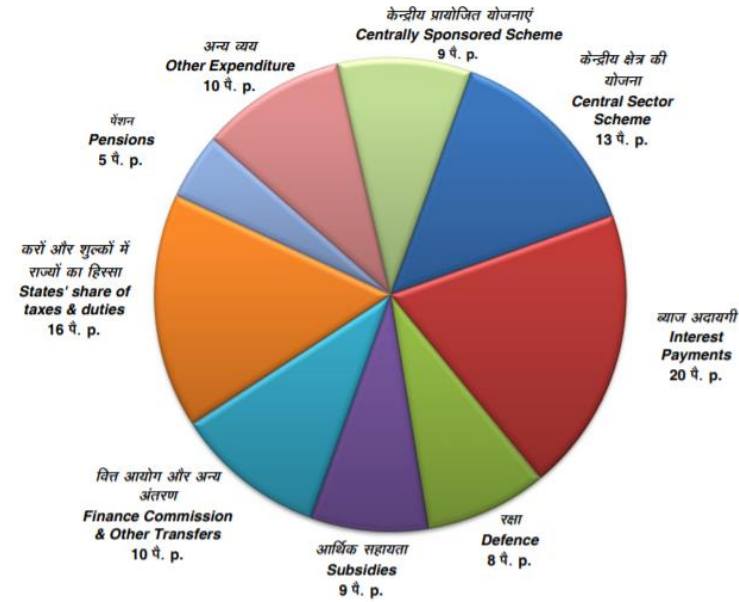


# Budget and Fiscal

## Revenue

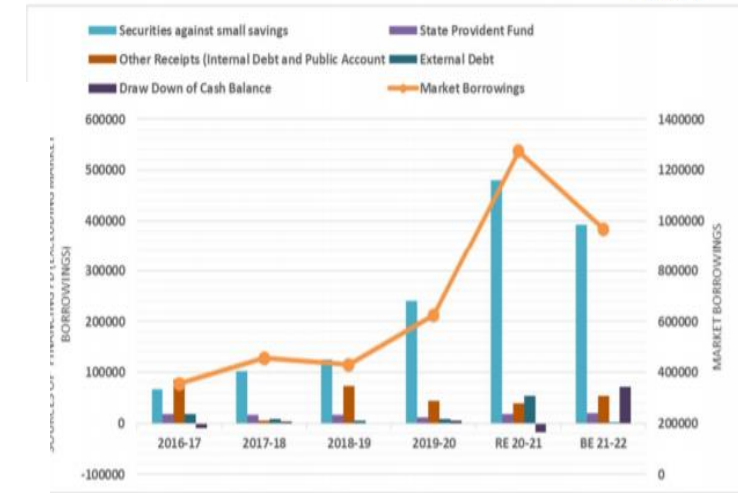


## Expenditure



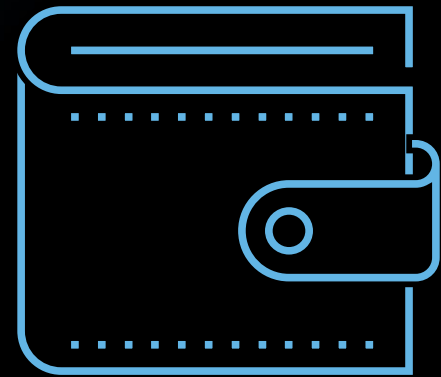
## SOURCES OF DEFICIT FINANCING

(₹ in crore)



- Govt needs Rs. 12 lakh crores in gross borrowings
- Fiscal deficit for FYE21 pegged at 9.5%
- Fiscal deficit for FYE22 pegged at 6.8%

# Direct Tax



# Tax incentives



## **Extending incentives for affordable rental housing and start-ups:**

- Tax holiday period extended to 31 March 2022
- Affordable rental housing project (to be notified) to also be eligible for 100% tax holiday
- Deduction of interest on loan for purchase of affordable housing project extended to loans sanctioned up to 31 March 2022
- Capital gains exemption for incentivizing investment in start-ups extended to 31 March 2022

**Enabling infrastructure debt funds to issue zero coupon bonds:** Consequent amendments proposed for Income-tax Rules and withholding provisions, in this regard

**Dividend to REIT and InvIT:** To be exempt from TDS

**Various incentives introduced for IFSCs to make them more attractive**

**No change in income-tax rates**



## Rationalisation of provisions and removing difficulties

- **Tax treatment of goodwill:** Not to be considered as a depreciable asset; amount paid for acquiring goodwill to be allowed as deduction on sale
- **Slump sale:** To include all types of transfer, including exchange
- **Non-deduction of employee contribution in case of delay:** Delay in deposit of employee's contribution to labour funds not to be allowed as a deduction to the employer
- **Equalisation levy:** Not to apply to royalty / fees for technical services taxable under income-tax law; scope of 'online sale of goods' and 'online provision of services' explained
- **Levy of TDS on purchase of goods:** TDS of 0.1% on a purchase transaction exceeding Rs. 50 lakh
- **Rationalisation of MAT provisions:** To provide for adjustment for dividend income and secondary and / or APA adjustments
- **Advance tax applicable on dividend income only on declaration or payment**
- **Threshold for applicability of tax audit:** Increased to Rs.10 crore provided 95% of transactions are undertaken digitally

# Dispute Resolution amendments

## Board for Advance Ruling (BFAR)

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- AAR was non-functional for substantial time because of non-availability of eligible person to fill the post of Chairman and Vice Chairman
- AAR is being replaced by one or more BFAR each comprising of two members not below the rank of Chief Commissioner
- The Government has retained an option to allow faceless functioning of BFAR
- BFAR orders are appealable, strict deadlines
  - Appeal can be filed within 60 days;
  - High Court allowed power to extend it by another 30 days

## Dispute Resolution Committee

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- For eligible small taxpayers, a new voluntary mechanism is being activated
- Returned income below 50 lacs; and Variation in income less than 10 lacs
- Other disqualifications mentioned
- Committee has powers to reduce or waive penalty, grant immunity from prosecution
- Faceless scheme for this committee may be notified

## Faceless Tribunal appeals

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- Faceless scheme may be notified on or before 31 March 2023
- All communication shall be electronic
  - Where personal hearing is needed, it shall be done through video-conferencing
  - Optimisation of resources and achieve functional specialisation

## Settlement commission scrapped

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- Effective 1 February 2021, Settlement commission disbanded
- Pending applications to be cleared by Interim Board
- Faceless scheme may be notified



## Reassessment Proceedings

- Sections 147, 148, 149 & 151 substituted, entire concept of re-assessment revamped, **concept of 'reason to believe' dropped**
- Procedure as per **GKN Driveshafts (2003) 259 ITR 19 codified** by Section 148A
- **Time-limit to re-open reduced from 6 years to 3 years** if:
  - AO in possession of information which suggests that the income chargeable to tax has escaped assessment (after complying 148A); and
  - approval by Principal Commissioner or Principal Director or Commissioner or Director
- However, time-limit increased to 10 years in cases where:
  - AO has evidence (document/information) to demonstrate that **income has escaped assessment of more than fifty lacs**; and
  - approval by Principal Chief Commissioner or Principal Director General **in their absence Chief Commissioner or Director General**
- Strict deadlines prescribed for responses on jurisdictional aspects, **taxpayer to reply within 7 days to 30 days**

## Revision of Assessment Timelines

AY	Time limit	Due Date for completion	
		Cases not referred to TPO	Cases referred to TPO
2017-18	21 months from end of AY Plus 12 months in case of reference to TPO	AO order – 31 December 2019	TPO Order - 31 January 2021* Draft AO order - 31 March 2021*
2018-19	18 months from end of AY Plus 12 months in case of reference to TPO	AO order – 31 March 2021*	TPO Order - 31 July 2021 Draft AO order - 30 September 2021
2019-20	12 months from end of AY Plus 12 months in case of reference to TPO	AO order – 31 March 2021	TPO Order - 31 January 2022 Draft AO order - 31 March 2022
2020-21	12 months from end of AY Plus 12 months in case of reference to TPO	AO order – 31 March 2022	TPO Order - 31 January 2023 Draft AO order - 31 March 2023
2021-22 <sup>#</sup>	<u>9 months</u> from end of AY Plus 12 months in case of reference to TPO	AO order – 31 December 2022	TPO Order - 31 October 2023 Draft AO order - 31 December 2023

\*Amended vide Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020

# Similar time limit to be applicable for subsequent assessment years

# Amendments related to Transfer Pricing

## MAT provisions rationalised

MAT provisions rationalised to provide an adjustment in relation to additional income to the Book Profits of past years on account of APA or secondary adjustment:-

- Specific application to be made to the Assessing Officer;
- Book profit to be recomputed under section 154 and period of four years to be computed from the end of the Financial Year in which such application is made;

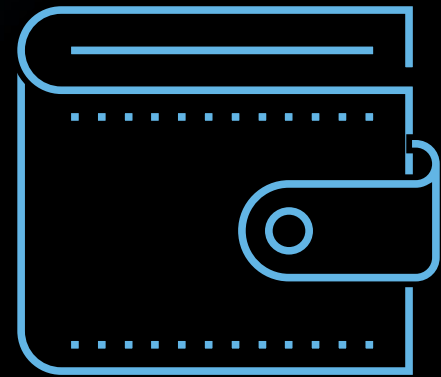
## Additional Surcharge

Surcharge of 12 percent to be levied on one-time tax of 18 percent as per the secondary adjustment provisions

## ROI Deadline for partners where TP applicable on firm

Deadline for filing return of income for Partners harmonised with the return filing deadline for Partnership Firm in cases where the Firm is required to file an Accountant's Report

# Indirect Tax



# GST

- Annual GST Audit certification no longer required
- Zero rates supplies to SEZs clearly restricted to being only in relation to “authorized operations”
- Potential restrictions on who and what kind of supplies would be eligible for rebate claims
- Relevant provision of Central Goods and Service Tax Act, i.e. Section 35, deleted
- Section 16 of the Integrated Goods and Service Tax Act suitably amended

## Customs Duty

- Continued thrust on Make in India and strengthening local manufacturing – on finished
- Re-affirmation of the Phased Manufacturing Programme focus for lower value parts, components and inputs
- Introduction Agriculture Infrastructure and Development Cess to be used for the improvement of agricultural infrastructure and development
- Relief under the Customs (Import of Goods at Concessional Rates of Duty Rules, 2017
- Increased rates of Customs Duties on identified finished goods, with reductions in parts and components for manufacture
- Modest Customs Duties notified in the place of Customs Duty exemptions on parts and components of identified finished goods
- Effective February 1, 2021 on identified produce, pant oils and staples
- Capital Goods to be eligible for depreciation norms aligned to that enjoyed by EOUs
- 100% job-work allowed for manufacture of goods



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