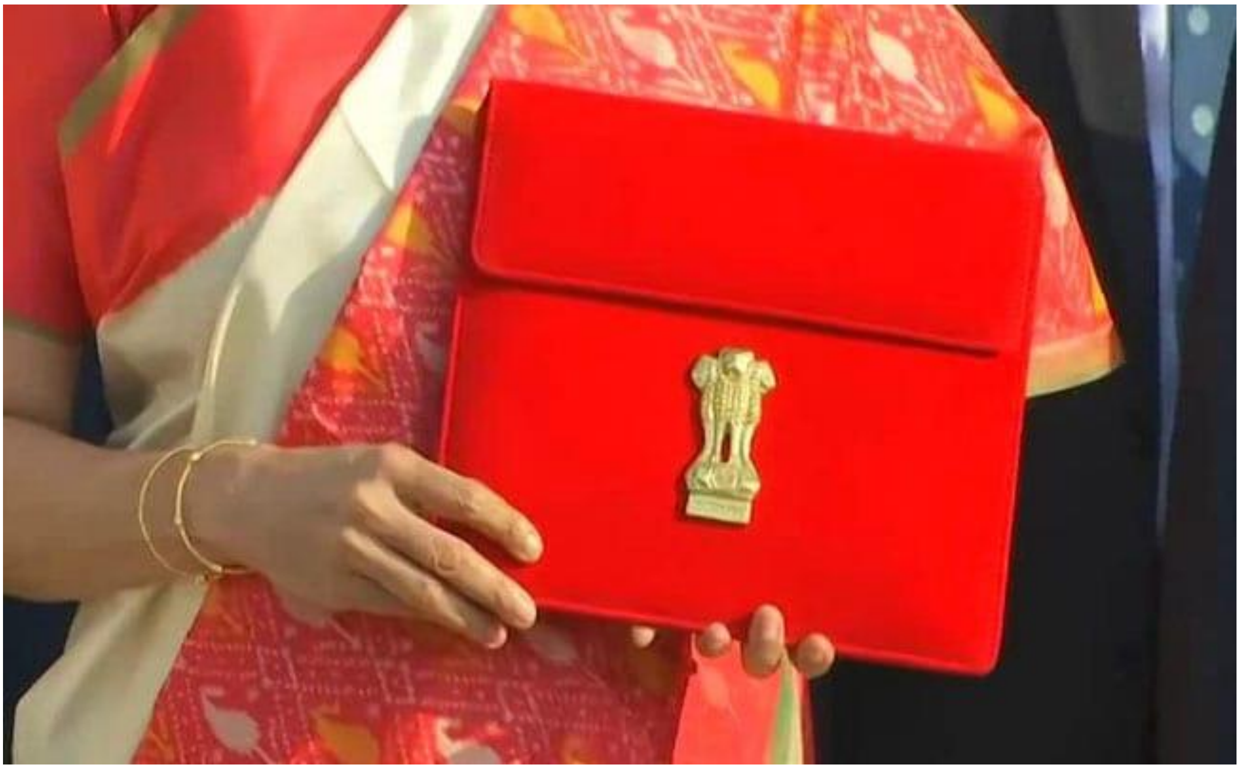
UNION BUDGET 2021



I. FOREWARD

Mercurial micro and macro factors, geopolitical uncertainty coupled with a recent slowdown caused by an unprecedent situation owing to the Novel Coronavirus COVID-19 has impacted the Indian economy. The one universal expectation of various stakeholders from the Government has been a rational yet rapid resolution to their financial woes. In such a scenario, Budget 2021 was widely anticipated to provide a reasonable resolution to the fickle Indian economic outlook. Considering the COVID related restrictions, the Budget was for the first time presented by the Hon'ble Finance Minister using the Tablet Mode. The Budget 2021 was preceded by multiple Atma Nirbhar Bharat packages. In May 2020, the government announced the AtmaNirbhar Bharat package (ANB 1.0). To sustain the recovery, further into the year, we also rolled out two more AtmaNirbhar Bharat packages (ANB 2.0 and ANB 3.0). Total financial impact of all AtmaNirbhar Bharat packages including measures taken by RBI was estimated to about `27.1 lakh crores which amounts to more than 13% of GDP.

The AtmaNirbhar Packages accelerated the pace of structural reforms. Redefinition of MSMEs, Commercialisation of the Mineral Sector, Agriculture and Labour Reforms, Privatisation of Public Sector Undertakings, One Nation One Ration Card, and Production Linked Incentive Schemes are some of the notable reforms carried out during this period. Faceless Income Tax Assessment, DBT and Financial Inclusion are the others.

This Budget will be the first of this new decade. This Budget for the new decade follows a brief period of economic contraction. In India's history it is only three times that a Budget has been followed after a period of contraction. While all such instances were on account of India centric situations, the situation this time is on account of Global crisis caused by COVID-19.

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2021 is the year of many important milestones for India's history. It is the 75th year of Independence; 60 years of Goa's accession to India; 50 years of the 1971 India-Pakistan War; it will be the year of the 8th Census of Independent India; it will also be India's turn at the BRICS Presidency; the year for India's Chandrayaan-3 Mission; and the Haridwar Maha Kumbh.

Now, just as it had happened after the two World Wars, there are signs that the political, economic, and strategic relations in the post COVID world are changing. This moment in history is the dawn of a new era – one in which India is well-poised to truly be the land of promise and hope. ***''Faith is the bird that feels the light and sings when the dawn is still dark"***

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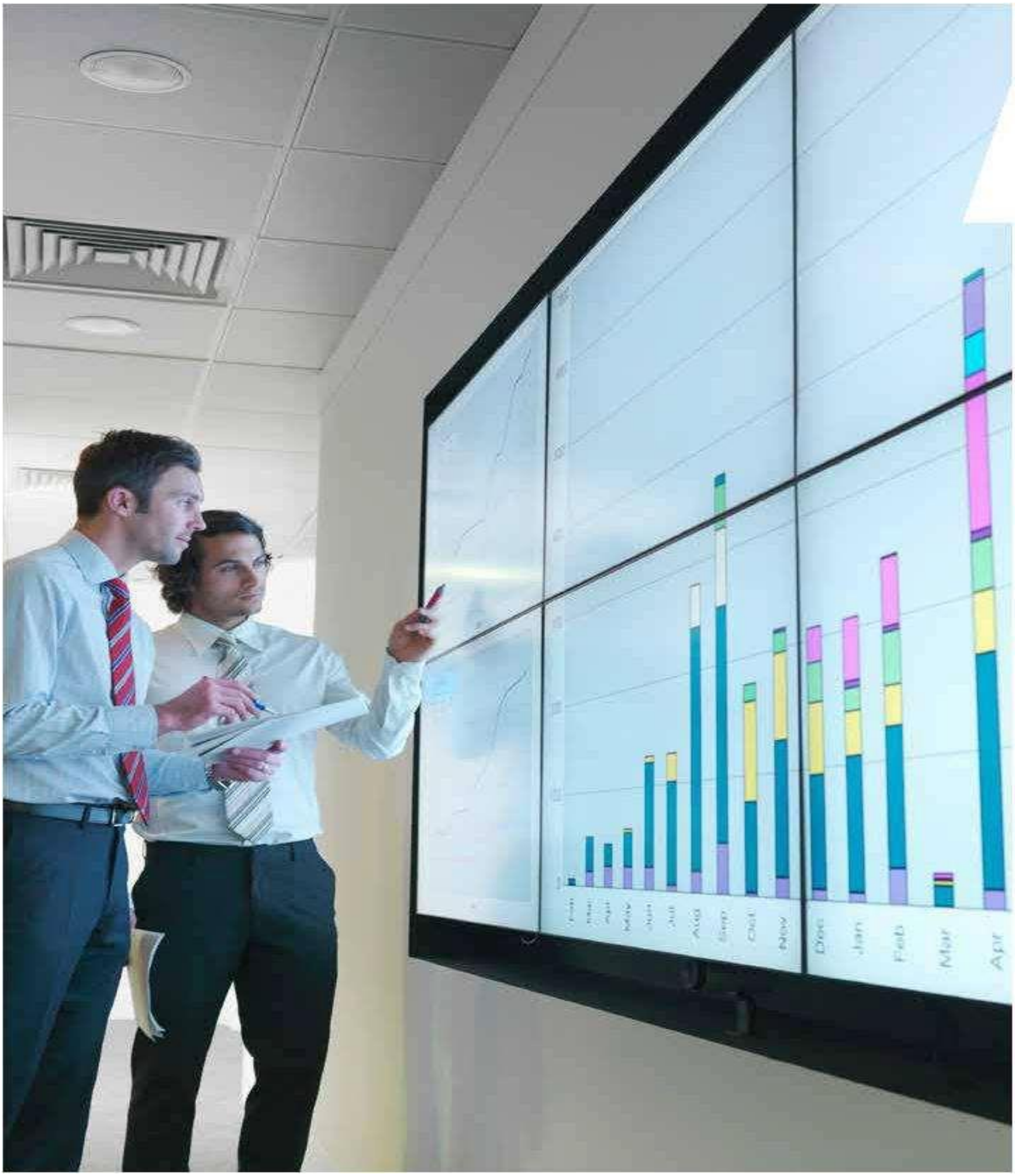
III. ECONOMIC OVERVIEW AND PROSPECTS



Macro-Economic Overview

Overview of the Economy

The Indian economy was negatively impacted by an unprecedented health crisis in 2020-21 with the highly contagious corona virus (Covid-19) spreading across the country. In response to the pandemic, Government has taken several proactive preventive and mitigating measures starting with progressive tightening of international travel, issue of advisories for the members of the public, setting up quarantine facilities, contact tracing of persons infected by the virus and various social distancing measures. Government imposed a strict 21 days nationwide lockdown from 25th March, 2020, under the Disaster Management Act, 2005, with subsequent extensions and relaxations, to contain the spread of Covid-19 while ramping up the health infrastructure in the country. The lockdown measures, imposed to contain the spread of Covid-19 pandemic in India, ubiquitously affected employment, business, trade, manufacturing, and services activities. The real Gross Domestic Product (GDP) growth is projected to contract by 7.7 percent in 2020-21 as compared to a growth of 4.2 percent in 2019-20. GDP growth, however, is expected to rebound strongly in 2021-22 owing to the reform measures undertaken by the Government.

The Government announced a special economic and comprehensive package under Atma nirbhar Bharat of `20 lakh crore -equivalent to 10 percent of India's GDP –to fight the Covid-19 pandemic in India. Several structural reforms announced as part of the package, inter alia, included regulation of the agricultural sector, change in definition of MSMEs, new PSU policy, commercialization of coal mining, higher FDI limits in defence and space sector, development of Industrial Land/ Land Bank and Industrial Information System, Production Linked Incentive Schemes, revamp of Viability Gap Funding scheme for social infrastructure, new power tariff policy and incentivizing States to undertake sector reforms. Apart from this, various steps were taken to boost consumption which, inter alia, includes cash payment in lieu of the Leave Travel Concessions (LTC) scheme, One-time special Festival advance of Rs. 10,000 (interest-free) for Central Government employees. Other steps such as Interest-free 50-year loan to states, additional capital expenditure budget for the Central Government, launch of
Emergency Credit Line Guarantee Scheme(ECLGS) 2.0, Rs.1.46 lakh crore boost for manufacturing through Production-linked incentives for ten Champion Sectors, `18,000 crores additional outlay for PM Awaas Yojana (PMAY) –Urban, Equity infusion in National Investment and Infrastructure Fund (NIIF) Debt Platform, Demand booster for Residential Real Estate Income Tax relief for Developers & Home Buyers, Boost for Project Exports, Capital and Industrial Stimulus has been initiated to support economic growth.

GDP Growth

As per the first Advance Estimates of annual national income released by the National Statistical Office (NSO), Real GDP is estimated to contract by 7.7 percent in FY 2020-21, as compared to a growth of 4.2 percent in 2019-20. This contraction in GDP growth is mainly attributed to the contraction in industry and services sector. The growth of Gross Value Added (GVA) at constant (2011-12) basic prices is estimated to contract by 7.2 percent in 2020-21, as compared to a growth of 3.9 percent achieved in 2019-20. Positive growth in real GVA in agriculture & allied sectors at 3.4 percent in 2020-21against 4.0 percent in PE of 2019-20 indicates resilience of rural economic activity to the Covid-19 pandemic.

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Banking Sector

- Bank credit growth was 6.1% as on December 18, 2020 as compared to 7.1% in the corresponding period of the previous year.
- The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks decreased from 8.2% from March 2020 to 7.5% at the year end September 2020.
- The stressed advances (SA) ratio of SCBs decreased from 8.6% at the end of March 2020 to 7.9% at the end of September 2020.

Agriculture

- In 2019-20, as per fourth advance estimates, food grain production in the country was estimated at 296.65 million tonnes, which is 11.44 million tonnes higher than the production of food grain of 285.21 million tonnes during 2018-19.
- Rice production during 2019-20 was estimated at 118.4 million tonnes as compared to 116.5 million tonnes in 2018-19.
- Wheat production during 2019-20 was estimated at 107.6 million tonnes as compared to 103.6 million tonnes during 2018-19.
- Government has increased Minimum Support Prices (MSP) for all mandated kharif, rabi and other commercial crops

Industrial Production

- The index of industrial production (IIP) grew at -0.8 percent during 2019-20 as compared to 3.8 percent in 2018-19. Mining, manufacturing and electricity sectors in IIP grew at 1.6 percent, (-)1.4 percent and 1.0 percent respectively during 2019-20.
- The eight core infrastructure support industries, viz., coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity that have combined weightage of nearly 40% in IIP grew by 0.4% in 2019-20 compared to 2018-19.

Prospects:

The stimulus measures and reforms initiated by the Government and liquidity measures by the RBI are expected to support industrial activity and demand. The movement of various high frequency indicators in recent months, points towards broad based resurgence of economic activity. The launch of Covid-19 vaccination programme in the country will further add momentum to the economic recovery. In line with the projections for strengthening of India's growth by multi-lateral institutions, the nominal growth of the economy is expected to be 14.4 percent in the financial year 2021-22.

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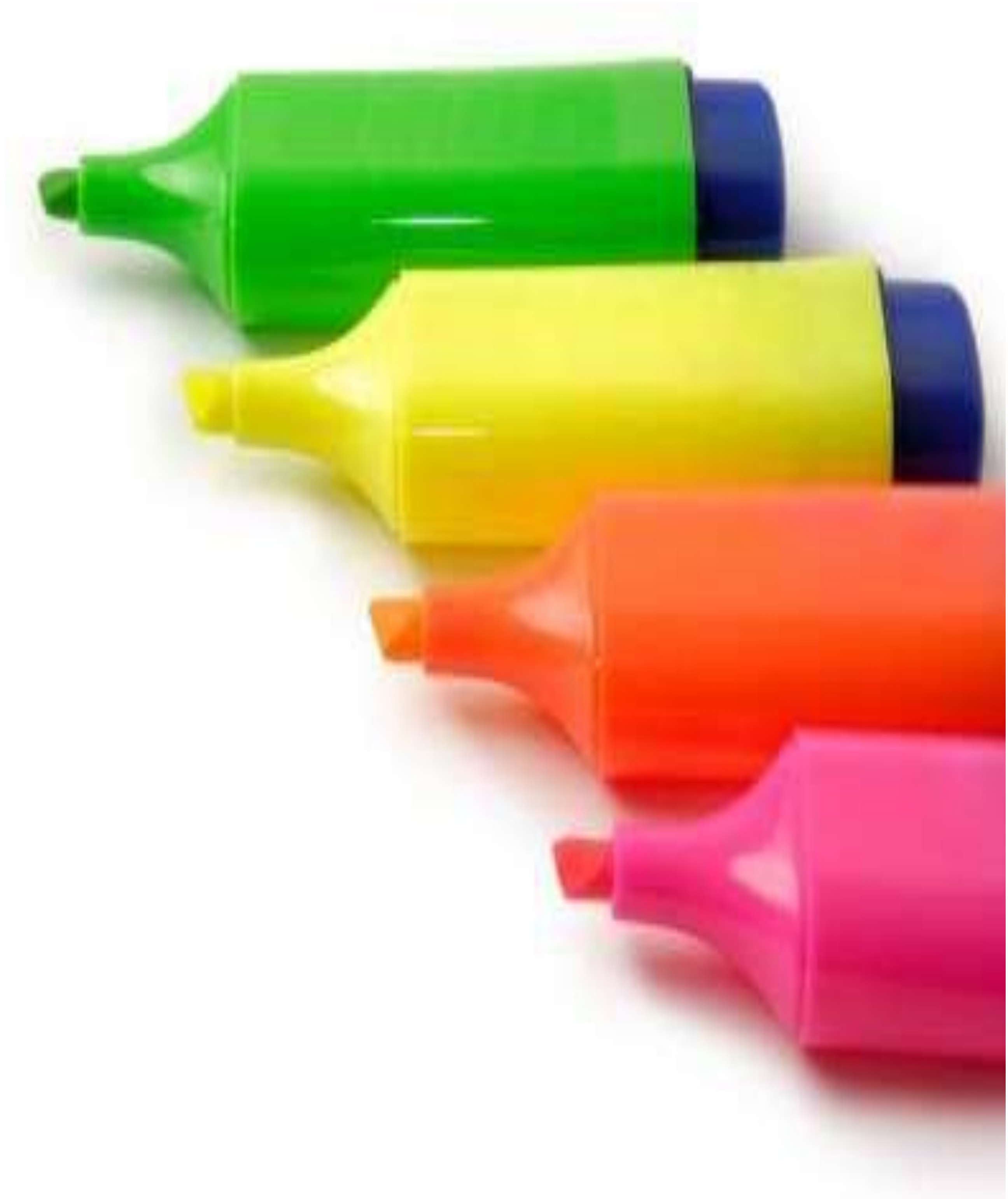
IV. BUDGET HIGHLIGHTS



Direct Tax

- Relief from filing income tax return for senior citizens above 75 years age with only interest and pension income.
- Increase in tax audit (for business) threshold from Rs 5 crores to Rs 10 crores subject to certain conditions
- Reduction in time limits for re-opening of tax assessments from 6 years to 3 years
- Advance tax liability in case of dividend to arise only after declaration of dividend
- Dispute Resolution Committee to be set-up under the Income Tax Act
- Income Tax Appellate Tribunal (ITAT) to go faceless under the Income Tax Act, 1961
- Tax incentives for affordable housing and affordable rental housing project
- Tax benefits for start-up's
- Rationalization of taxation of Unit Linked Insurance Plans (ULIPs)
- Rationalization of tax free income of Provident Funds
- Rationalization of taxability of surplus amount received by Partners
- Relaxation from approvals for small trusts with receipts upto Rs. 5 crores
- Clarification on non-allowability of late deposit of PF / other employee contributions after due date
- Taxation in case of non-filing of income tax return by certain deductee having TDS / TCS above Rs. 50,000
- Additional TDS of 0.1% introduced on the purchase of Goods in specified situations
- Introduction of additional tax incentives for promoting International Financial Services Centre
- Clarification that LLP's shall not be able to claim presumptive taxation in case of professionals

Indirect Tax

- Proposal to mandate filing of Bill of Entry before end of day preceding the arrival of goods
- Specified amendments permitted directly by importer / exporter on own without requiring approval from officer
- Common portal for Indian customs to be introduced to issue notice, act as a digital interface with importer / exporters
- All conditional exemptions to automatically come to an end on March 31 following 2 years from the date of notification
- Revision in procedure for disposal of seized goods
- Revision of First Schedule to the Customs Tariff Act, 1975 in accordance with HSN 2022 amendments w.e.f 01.01.2022
- Amendment in provisions relating to ADD, CVD and related safeguard measures
- Import of Goods at Concessional Rate of Duty Rules are being amended to permit job work of goods (except precious metals) importer under IGCR
- Clearance of imported capital goods imported under IGCR on payment of custom duty on depreciated value
- Rate of Custom duty increased on various Agriculture Products, Chemicals, Plastics, Leather, Machinery, Auto Sector etc. Similarly rate of Custom Duty increased on specified electronic sector parts to promote local manufacturing
- Rate of Custom Duty reduced on various inputs / raw materials for specified sectors to prevent inverted duty structure
- Introduction of new Agriculture Infrastructure and Development Cess
- Revocation of ADD, CVD in certain specified cases / situations
- Removal of mandatory requirement to get accounts audited under GST

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V. BUDGET PROPOSALS

Direct Tax (Income Tax Act, 1961)

Details on some major changes is indicated below:

S.No	Proposal	Proposed Amendment in Brief
1.	**Relief to Senior Citizens [New Section 194P]**	In order to ease compliance burden on senior citizen pensioners who are of 75 years of age or above, it is proposed to exempt them from the requirement of filing of income tax if the full amount of tax payable has been deducted by the paying bank. This exemption is proposed to be made available to such senior citizens who have only interest income apart from the pension income.
2.	**Reduction in Time Limits**	In order to reduce compliance burden, the time-limit for re-opening of assessment is being reduced to 3 years from the current 6 years from the end of the relevant assessment year. Re-opening up to 10 years is proposed to be allowed only if there is evidence of undisclosed income of ` 50 lakh or more for a year. Further, it is proposed to completely remove discretion in re-opening and henceforth re-opening shall be made only in cases flagged by system on the basis of data analytics, objection of C&AG and in search/survey cases. Further, in order to bring certainty in income tax proceedings at the earliest, it is also proposed to reduce the time limits for general assessment or processing of income tax return by three months and also for filing of returns.
3.	**Relief for Dividend [Amendment to Section 234C]**	In order to provide relief to taxpayers, advance-tax liability on dividend income shall arise only after the declaration/payment of dividend. The dividend paid to Real Estate Infrastructure Trusts or Infrastructure Investment Trusts (REIT/InvIT) shall be exempt from TDS. It is also proposed to clarify that deduction of tax on incomes including dividend income of Foreign Portfolio Investors may be made at treaty rate. It is also proposed to exempt dividend payment from levy of Minimum Alternate Tax (MAT) for foreign company if the applicable tax rate is less than the rate of MAT.
4.	**Setting up of Dispute Resolution Committee (DRC) [New Section 245MA]**	For reducing litigation and to give an impetus to the dispute resolution for small taxpayers, a Dispute Resolution Committee is proposed to be constituted. A taxpayer having taxable income up to ` 50 lakh and disputed income up to ` 10 lakh shall be eligible to approach the Committee. For ensuring efficiency, transparency and accountability, the procedure of the Committee will be conducted in a faceless manner. Consequently, the Settlement Commission shall be discontinued from 01.02.2021. However, the pending cases shall be decided by an Interim Board if opted by the applicant.

5.	**Faceless Income Tax Appellate Tribunal (ITAT)**	In order to provide transparent tax appellate mechanism, it is proposed to the make the Income Tax Appellate Tribunal faceless and jurisdiction-less. A National Faceless Income- tax Appellate Tribunal Centre shall be established and all the communication between the Tribunal and the appellant shall be made electronically. Wherever personal hearing is needed, it shall be done through video-conferencing.
6.	**Tax Neutrality of conversion of Urban Cooperative Bank (UCB) into a Small Finance Bank (SFB)**	In order to facilitate the transition of UCBs to SFBs, it is proposed to provide tax neutrality for the transition of UCBs to SFBs. Hence, the UCB shall not be required to pay capital gains for the assets transferred to the SFBs.
7.	**Tax incentives for Affordable Housing and Affordable Rental Housing Project [Amendment to Section 80EEA, 80-IBA]**	In order to incentivise purchase of affordable house, It is proposed to extend the eligibility period for claim of additional deduction for interest of ` 1.5 lakh paid for loan taken for purchase of an affordable house to 31st March 2022. In order to increase the supply of affordable house, it is proposed to extend eligibility period for claiming tax holiday for affordable housing project by one more year to 31st March, 2022. In order to promote supply of Affordable Rental Housing for the migrant workers, it is also proposed to allow a new tax exemption for the notified Affordable Rental Housing Projects.
8.	**Tax benefit for Start-ups [Amendment to Section 80-IAC]**	In order to incentivise setting-up of more start-ups in the country, it is proposed to extend the eligibility period to claim tax holiday for the start-ups by one more year to 31st March, 2022. In order to incentivise investment in start-up, it is proposed to extend the eligibility period of claiming capital gains exemption for investment made in the start-ups by one more year to 31st Match, 2022.
9.	**Relaxation to NRI for Income of Retirement Benefit Account [New Section Section 89A]**	In order to remove the genuine hardship faced by the NRIs in respect of their income accrued on foreign retirement benefit account due to mismatch in taxation, it is proposed to notify rules for aligning the taxation of income arising on foreign retirement benefit account.
10.	**Exemption from Audit [Amendment to Section 44AB]**	To incentivise digital transactions and to reduce the compliance burden of the person who is carrying almost all of their transactions digitally, it is proposed to increase the limit for tax audit for persons who are undertaking 95% of their transactions digitally from Rs. 5 crore to Rs. 10 crore.
11.	**Relaxation of Condition for carry forward of loss for Disinvestment [Amendment of Section 72A]**	In order to promote strategic disinvestment of PSU, it is proposed to relax the condition regarding carry forward of loss for disinvested PSU in amalgamation.

12.	**Relaxation of Condition for tax neutral Demerger for disinvestment [Amendment to Section 2(19AA)]**	In order to promote strategic disinvestment, it is proposed to deem the transfer of assets by the PSU to the resulting company as tax neutral demerger.
13.	**Zero Coupon Bonds by Infrastructure Debt Fund (IDF) [Amendment to Section 2(48)]**	In order to allow funding of infrastructure, it is proposed to make Zero Coupon Bonds issued by notified IDF eligible for tax benefit.
14.	**Rationalisation of taxation of Unit Linked Insurance Plan (ULIP) [Amendment to Section 10(10D)]**	In order to rationalise taxation of ULIP, it is proposed to allow tax exemption for maturity proceed of the ULIP having annual premium up to Rs. 2.5 lakh. However, the amount received on death shall continue to remain exempt without any limit on the annual premium. The cap of Rs. 2.5 lakh on the annual premium of ULIP shall be applicable only for the policies taken on or after 01.02.2021. Further, in order to provide parity, the non- exempt ULIP shall be provided same concessional capital gains taxation regime as available to the mutual fund.
15.	**Rationalisation of Tax-free Income on Provident Funds [Amendment to Section 10(11)]**	In order to rationalise tax exemption for the income earned by high income employees, it is proposed to restrict tax exemption for the interest income earned on the employees' contribution to various provident funds to the annual contribution of Rs. 2.5 lakh. This restriction shall be applicable only for the contribution made on or after 01.04.2021.
16.	**Taxability of Surplus amount received by partners**	In order to provide certainty, it is proposed to rationalise the provisions relating to taxation of the assets or amount received by partners from the partnership firm in excess of their capital contribution.
17.	**Clarification on Depreciation on Goodwill [Amendment to Section 32]**	In order to provide certainty, it is proposed to clarify that no depreciation on Goodwill shall be allowed. However, the deduction for the amount paid for acquiring Goodwill shall be allowed on sale of Goodwill.
18.	**Clarification for the Slump Sale [Amendment to Section 2(42C)]**	In order to provide certainty, it is proposed to clarify that slump sale shall include all types of transfer.
19.	**Fake Invoice/sham transaction [Amendment to Section 281B]**	In order to protect the revenue, it is proposed to provide that the penalty proceedings initiated for fake invoice/sham transactions of more than Rs. 2 crore shall also be eligible for provisional attachment of assets.

20.	**Exemption for Small Trusts [Amendment to Section 10(23C)]**	In order to reduce compliance burden on the small charitable trusts running educational institutions and hospitals, it is proposed to increase the limit on annual receipts for these trusts from present Rs. 1 crore to Rs. 5 crore for non-applicability of various compliances like approval etc.
21	**Carry Forward of loss by Charitable Organisations**	In order to provide certainty, it is proposed to clarify that charitable trusts shall not be permitted to claim carry forward of loss. However, the loan repayment and replenishment of corpus shall be allowed as application.
22.	**Clarification for Equalisation Levy**	In order to provide certainty, it is being expressly clarified that transaction taxable under income-tax are not liable for equalisation levy. Further, it is also proposed to clarify regarding applicability of equalisation levy on physical/offline supply of goods and services.
23	**Timely deposit of Employees' contribution to labour welfare funds by Due Date [Clarification to Section 36]**	Delay in deposit of the contribution of employees towards various welfare funds by employers result in permanent loss of interest/income for the employees. In order to ensure timely deposit of employees' contribution to these funds by the employers, it is proposed to reiterate that that the late deposit of employees' contribution by the employer shall never be allowed as deduction to the employer.
24	**Relaxation in conditions for exemption to Sovereign Wealth Fund & Pension Fund (SWF/PF) [Amendment to Section 10(23FE)]**	In order to incentivise more number of SWF/PF to invest in Indian Infrastructure, it is proposed to relax some of conditions for availing 100% tax exemption introduced in the last budget. The conditions which are proposed to be relaxed include prohibition on loans or borrowings, restriction on commercial activities, direct investment in entity owning infrastructure, etc.
25.	**Tax incentives for IFSC [Amendment to Section 80LA]**	In order to promote IFSC, It is proposed to provide more tax incentives which includes tax holiday for capital gains incomes of aircraft leasing company, tax exemptions for aircraft lease rental paid to foreign lessor, tax incentive for re-location of foreign funds in IFSC and tax exemptions to investment division of the foreign banks located in IFSC
26	**Non-filing of Return by Deductee/Collectee [New Section 206AB]**	In order to discourage the practice of not filing returns by the persons in whose case substantial amount of tax has been deducted/collected, it is proposed to provide that a person in whose case TDS/TCS of Rs. 50,000 or more has been made for the past two years and who has not filed return of income, the rate of TDS/TCS shall be at the double of the specified rate or 5%, whichever is higher. This provision shall not be applicable for the transactions where full amount of tax is required to be deducted e.g. salary income, payment to non-resident, lottery, etc.

27	**Levy of TDS on Purchase of Goods [New Section 194Q]**	In order to widen the scope of TDS, it is proposed to levy a TDS of 0.1% on a purchase transaction exceeding ` 50 lakh in a year. In order to reduce the compliance burden, it is also proposed to provide that the responsibility of deduction shall lie only on the persons whose turnover exceeds Rs. 10 crore.
28	**Substitution of Authority for Advance Rulings with Board for Advance Rulings [Amendment of Section 245N]**	To ensure faster disposal of cases, it is proposed to replace the Authority for Advance Rulings with a Board for Advance Rulings. It is also proposed to provide appeal against the order of such Board to the High Court.
29.	**Alignment of Minimum Alternate Tax (MAT) for Advanced Pricing Agreement (APA) and secondary adjustment** **[Amendment to Section 115JB]**	In order to provide relief to the taxpayers in whose case MAT liability has arisen in the year of repatriation on account APA or secondary adjustment, it is proposed to provide relief by aligning the MAT provisions with the year of taxability of such income.
30.	**Exemption for Leave Travel Concession (LTC) cash scheme [Amendment to Section 10]**	In order to provide relief to employees, it is proposed to provide tax exemption to the amount given to an employee in lieu of LTC subject to incurring of specified expenditure.
31	**Increase in safe harbor limit for primary sale of residential units.**	In order to incentivise home buyers and real estate developers, it is proposed to increase safe harbour limit from 10% to 20% for the specified primary sale of residential units.
32	**Miscellaneous**	• It is proposed to make consequential amendment in the provisions relating to processing of returns for allowing certain deductions and to provide clarification for adjustment of income reported in Audit Report. • It is also proposed to enable issuance of notice for calling for returns by the prescribed authority. • It is proposed to empower the Board to relax the rule relating to defective return for a class of taxpayers and to align due dates of return for certain taxpayers, • It is proposed to clarify that Limited Liability Partnership shall not be eligible for presumptive tax for professionals • It is proposed to define the term "liable to tax" to provide certainty.

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Other Proposals

I. LEGISLATIVE CHANGES IN CUSTOMS AND CENTRAL EXCISE:

a. Major amendments to the Customs Act, 1961

A.	**Reduce dwell time and EoDB (Trade facilitation)**
1.	It is proposed to mandate filing of bills of entry before the end of day preceding the day of arrival of goods (Section 46).
2.	It is proposed to allow the specified amendments by importer/exporter on self-amendment basis. Hitherto all amendments were to be approved by the officer. (Section 149).
3.	To encourage paperless processing, it is proposed to recognize the use of common portal to serve notice, order etc and the portal to act as a one-point digital interface for the trade to interact with the Customs.
B.	**Efficiency and accountability**
1	It is proposed to add a new provision in law to prescribe that all conditional exemptions, unless otherwise specified or varied or rescinded, given under Customs Act shall come to an end on 31st March falling immediately two years after the date of such grant or variation. (Section 25 of the Customs Act).
2.	It is proposed to introduce a new section 28BB to prescribe a definite time-period of two years subject to certain exceptions, for completion of investigations.
C.	**Improving tax compliance**
1.	A new provision is being proposed that any goods entered for exportation making wrongful claim of remission or refund shall be liable to confiscation [sub-section (ja) is being added to section 113 of the Customs Act].
2.	A new provision is being inserted in the Customs Act (section 114AC) to prescribe penalty in specific case where any person claims refund of tax or duty discharge, using fraudulent invoices, on exports of goods.
E.	**Disposal of seized gold**
1.	Section 110 of the Customs Act is proposed to be amended to revise the procedure for pre-trial disposal of seized gold for expediting such disposals

b. Major amendments to the Customs Tariff Act, 1975

S. No.	Amendment
A	**Amendment in First Schedule to the Customs Tariff Act, 1975**
1.	The first schedule to the Customs Tariff Act is being proposed to be amended in accordance with HSN 2022 amendments. These changes shall come into effect from 01.01.2022. Besides certain new tariff lines are being created

B	**Amendment in the provisions relating to Anti-Dumping Duty (ADD), Countervailing Duty (CVD), and Safeguard Measures**
1.	It is being proposed to make the following amendments in the provision relating to ADD, CVD [section 9, 9A of the Customs Tariff Act and respective Rules] to provide for: **(i)** imposition of duty from the date of initiation of anti- circumvention investigation; **(ii)** anti-absorption provisions; **(iii)** imposition of these duties on review for period **upto** 5 years at a time; **(iv)** uniform provisions for imposition ADD/CVD on account of inputs (attracting ADD or CVD) used by EoUs and SEZs for manufacture of goods that are cleared to Domestic Tariff Area; **(v)** whenever any particular ADD or CVD is temporarily revoked, such temporary revocation shall not exceed one year at a time; **(vi)** final findings are to be issued in ADD/CVD, in investigation in review proceedings, by the designated authority, at least three months prior to expiry of the ADD under review (with effect from the 1st Jul, 2021); Amendment at S. No. (vi) is being made in respective Rules and rest of the other changes are being made in the Customs Tariff Act.
2.	The Safeguard Rules are being amended to provide for the manner and procedure for causing investigation into the cases of imports in increased quantity that cause injury to domestic industry for imposition of Safeguard TRQs.

c. Major amendments to the Central Excise Act, 1944

S. No.	Amendment
1.	• Addition of new tariff lines consequent to review of Harmonised System of Nomenclature (HSN) by World Customs Organisation. • A few minor changes in the schedule of clarificatory nature are being made.

d. Amendment to Customs Rules

The Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 [IGCR] are being made so as a trade facilitation measure to allow

- job-work on the materials (except precious metals) imported under IGCR
- clearance of imported capital goods imported under IGCR on payment of customs duty on the depreciated value

II. CUSTOM DUTY RATE CHANGES

a. Changes in basic customs duty for creating level playing field for the benefit of farmer, MSME and other domestic manufacturers [with effect from 02.02.2021]:

S. No.	Category	Specific items	Rate of Duty	
			From	To
1.	**Agricultural products and fishery sector**	Cotton	0	5%*
		Cotton waste	Nil	10%
		Raw Silk (not thrown) and silk yarn /yarn spun from silk waste	10%	15%
		Denatured ethyl alcohol (ethanol) for manufacture of excisable goods	2.5%	5%
		Prawn Feed	5%	15%
		Fish feed in pellet form	5%	15%
		Flours, meals and pellets of fish, crustaceans, molluscs or other aquatic invertebrates	5%	15%
		Maize Bran	Nil	15%
		De-oiled rice bran cake	Nil	15%
2.	**Chemicals**	Carbon Black	5%	7.5%
		Bis-phenol A	Nil	7.5%
		Epichlorohydrin	2.5%	7.5%
3.	**Plastics**	Builder's ware of plastic, not elsewhere specified or included	10%	15%
		Polycarbonates	5%	7.5%
4.	**Leather**	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including their splits and slides	Nil	10%
5.	**Gems and Jewellery**	Cut and Polished Cubic Zirconia	7.5%	15%
		Synthetic Cut and Polished Stones	7.5%	15%
6.	**Capital Goods and Machinery**	Tunnel Boring Machines	Nil	7.5%
		Parts and components for manufacture of Tunnel Boring Machines	Nil	2.5%
7.	**Auto Sector**	Specified auto parts like ignition wiring sets, safety glass, parts of signaling equipment, etc.	7.5%/ 10%	15%
8.	**Metal products**	Screws, Nuts, etc.	10%	15%

b. Changes in Customs duty to promote value addition in the Electronics Sector [with effect from 2.2.2021, unless specified otherwise].

S.No.	Description	From	To
1.	Inputs, parts or sub-parts for manufacture of specified parts of mobile phones, including: (1) Printed Circuit Board Assembly (PCBA) (2) Camera module (3) Connectors [To apply with effect from 01.04.2021]	 0 0 0	 2.5% 2.5% 2.5%
2.	Printed Circuit Board Assembly [PCBA] and Moulded Plastic, for manufacture of charger or adapter	10%	15%

3.	Inputs and parts [other than PCBA and moulded plastic] of mobile charger	Nil	10%
4.	Inputs, Parts and Sub-parts [other than PCBA and Li-ion Cell] for manufacture of Lithium-ion battery and battery pack [w.e.f. 01.04.2021]	0	2.5%
5.	Compressor of Refrigerator/Air Conditioner	12.5%	15%
6.	Specified insulated wires and cables	7.5%	10%
7.	Specific parts of transformer such as Bobbins, brackets, wires, etc.	Nil	Applicable Rate
8.	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
9.	Solar Inverters	5%	20%
10.	Solar lanterns or solar lamps	5%	15%

c. Changes in Customs duty to promote value addition in the Electronics Sector [with effect from 2.2.2021, unless specified otherwise].

S. No	Category	Specific items	Rate of Duty	
			From	To
1.	**Petrochemical industry**	Naphtha	4%	2.5%
2.	**Textile industry**	Caprolactam	7.5%	5%
		Nylon Chips	7.5%	5%
		Nylon fibre and yarn	7.5%	5%
3.	**Ferrous and Non-Ferrous Metals**	Iron and Steel melting scrap, including stainless steel scrap [upto 31.3.2022]	2.5%	Nil
		Primary/Semi-finished products of non- alloy steel	10%	7.5%
		Flat products of non-alloy and alloy-steel	10%/ 12.5%	7.5%
		Long products of non-alloy, stainless and alloy steel	10%	7.5%
		Raw materials used in manufacture of CRGO Steel	2.5%	Nil
		Copper Scrap	5%	2.5%
6.	**Aviation Sector**	Components or parts, including engines, for manufacture of aircrafts by Public Sector Units of Ministry of Defence	2.5%	0%
7.	**Precious Metals**	Gold and silver*	12.5%	7.5%*
		Gold dore bar*	11.85 %	6.9%*
		Silver dore bar*	11%	6.1%*
		Platinum, Pallidum, etc.	12.5%	10%
		Gold/silver findings	20%	10%
		Waste & Scrap of Precious Metals	12.5%	10%
		Spent Catalyst or ash containing precious metals	11.85 %	9.2%

8	**Animal Husbandry**	Feed additives or pre-mixes	20%	15%

d. **BCD rates has been reduced on following items with imposition of Agriculture Infrastructure and Development Cess on these so that overall consumer does not bear additional burden on most of the items. The revised rate of basic customs duty on such items shall be as follows:**

Item	Revised basic customs duty rate*
Apple	15%
Alcoholic beverages falling in Chapter 22	50%
Crude edible oil (Palm, Soyabean, sunflower)	15%
Coal, lignite and peat	1%
Specified fertilizers (Urea, MoP, DAP)	0%
Ammonium nitrate	2.5%
Peas, kabuli chana, Bengal gram, lentils	10%

e. **Consequent to imposition of Agriculture Infrastructure and Development Cess (AIDC) on petrol and diesel, the Basic excise duty (BED) and Special Additional Excise Duty (SAED) rates have been reduced on them so that overall consumer does not bear any additional burden. Consequently, unbranded petrol and diesel will attract basic excise duty of Rs 1.4, and Rs 1.8 per litre respectively. The SAED on unbranded petrol and diesel shall be Rs 11 and Rs 8 per litre respectively. Similar changes have also been made for branded petrol and diesel. Refer to part C for Agriculture Infrastructure and Development Cess rates on these items**

f. **Rationalization of exemptions**

S. No.	Category of goods	Specific items	From	To
1.	**Minerals**	Natural borates and concentrates thereof	Nil/5%	2.5%
2.	**Chemicals**	Methyl Diphenyl Isocyanate (MDI) for the manufacture of spandex yarn	Nil	7.5%
3.	**Items allowed to be imported duty free based on export performance in handicrafts, garments and leather**	Certain duty-free imports of items like motif, glue, veneer, polish, hooks, rivets, button, Velcro, chaton, badges, beads, sewing thread etc, on the basis of export made in the previous financial year, are allowed to handicraft, garments and leather exporters. An end date of 31.3.2021 is being provided for these concessions.	Nil	Applicable rate

g. Revocation / Temporary Revocation / Discontinuance of Anti-Dumping Duty and Countervailing Duty

S. No.	Specific Items
1.	Anti-Dumping duty is being temporarily revoked for the period commencing from 2.2.2021 till 30.09.2021, 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 18.10.2018; 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 25.09.2019; (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 23.06.2020.
2.	Countervailing duty is being temporarily revoked for the period commencing from 2.2.2021 till 30.09.2021, on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People's Republic of China, imposed vide notification No. 1/2017-Cus (CVD) dated 7.09.2017.
3.	Provisional Countervailing duty is being revoked on imports Flat Products of Stainless Steel, originating in or exported from Indonesia, imposed vide notification No. 2/2020-Customs (CVD) dated 9.10.2020.
4.	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 People's 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.

h. Other miscellaneous changes

S. No.	Category of Goods	Specific Items
1.	**Miscellaneous**	Exemption to temporary imports of costumes and props by film-makers.
		Exemption to all items of machinery, instruments, appliances, components or auxiliary equipment for setting up of solar power generation projects is being rescinded [Notif No. 1/2011-Cus]
2.	**Project Imports**	Benefit is being extended to All High-Speed Railway projects
3.	**IT/Electronics**	Concessional rate of BCD on ink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage for use in printers for computers is withdrawn

4.	**Toys**	Existing entries in exemption notification which provide concessional BCD rate on various parts of electronic toys, is being consolidated in a single entry and a revised BCD rate of 15% is being prescribed for the said new entry.
3.	**End use-based exemptions to be have Condition of IGCR in lieu of existing miscellaneous conditions.**	A number of cumbersome conditions in customs exemptions are now being replaced by the requirement of observance of Import of Goods at Concessional rate (IGCR). This will simplify and standardized the compliance requirement for end use-based exemptions.

III. IMPOSITION OF AGRICULTURE AND INFRASTRUCTURE DEVELOPMENT CESS ON SPECIFIED GOODS

An Agriculture Infrastructure and Development Cess has been proposed on specified goods, as below:

(A) On customs side

Items	Proposed cess (Customs)
Gold, Silver and dore bars	2.5%
Alcoholic beverages (falling under chapter 22)	100%
Crude palm oil	17.5%
Crude soyabean and sunflower oil	20%
Apples	35%
Coal, lignite and peat	1.5%
Specified fertilizers (Urea etc)	5%
Peas	40%
Kabuli Chana	30%
Bengal Gram/Chick peas	50%
Lentil (Mosur)	20%
Cotton (not carded or combed)	5%

(B) On excise side

An agriculture Infrastructure and Development Cess (AIDC) of Rs. 2.5 per litre has been imposed on petrol and Rs. 4 per litre on diesel. For other duties and cess, as revised, consequent to imposition of AIDC) on these items refer to part B. Overall there would be no additional burden on the consumer

For basic customs duty rates on these items refer to part B. Overall there would be no additional burden on the consumer on most of these items

IV. LEGISLATIVE CHANGES IN CENTRAL GST ACT, 2017 AND IGST ACT 2017

Certain changes have been in the CGST Act and the IGST Act on the basis of recommendations made by the GST Council. These changes will come into effect from the date when the same will be notified, as far as possible, concurrently with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature.

These includes measures for

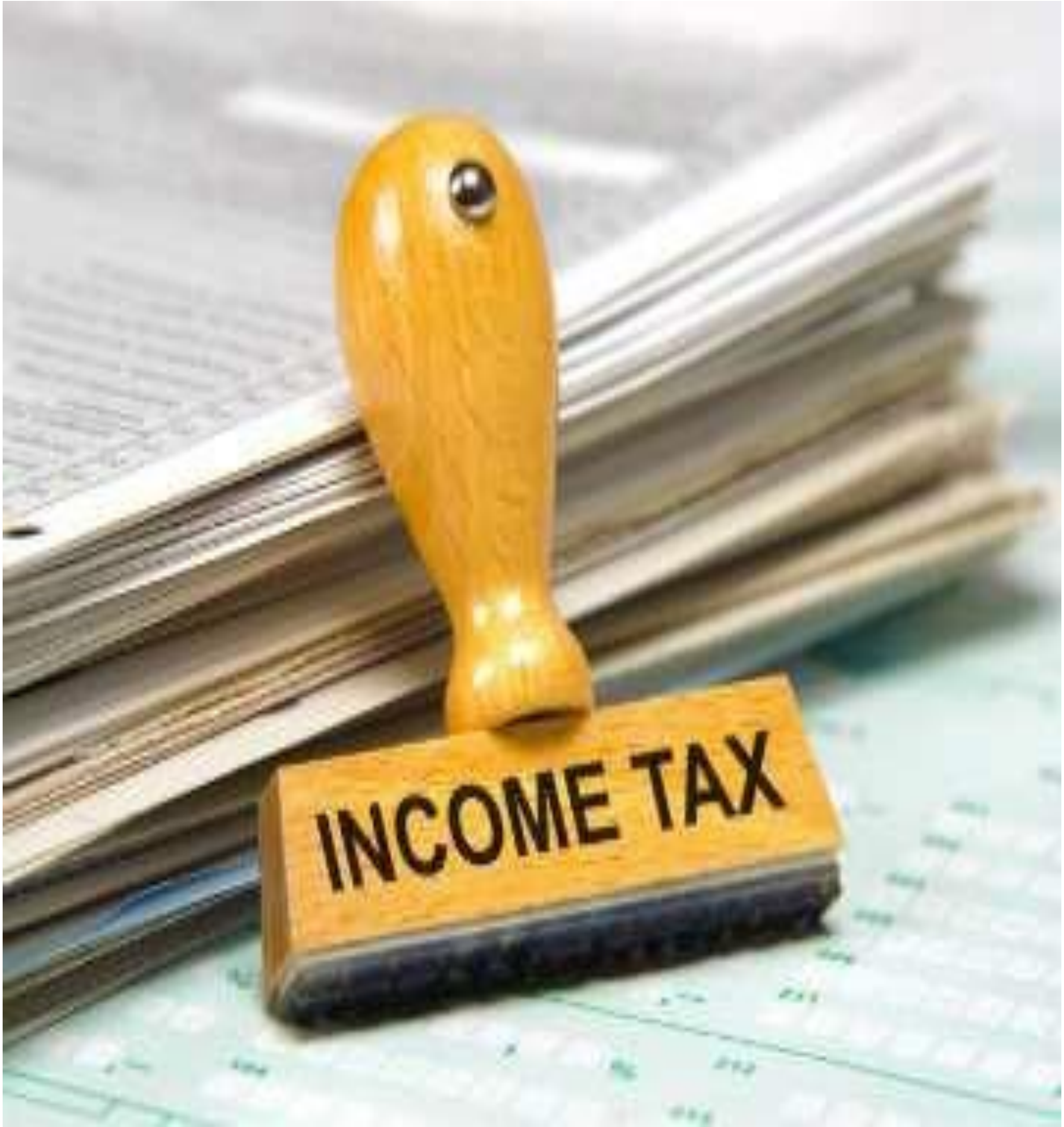
(i) facilitating taxpayers, such as remove the mandatory requirement of getting annual accounts audited and reconciliation statement, filing of the annual return on self-certification basis and charging interest on net cash liability with effect from the 1st July, 2017.

(ii) improving compliance, such as availment of input tax credit only when the details have been furnished by the supplier in the statement of outward supplies, validity of provisional attachment for a period, zero-rating on payment of IGST only in specified cases and linking it to the receipt of foreign remittances

(iii) making certain other changes relating to seizure and confiscation, filing of appeal only on payment of a sum equal to twenty-five per cent. of penalty imposed

VI. INCOMETAX

RATES



Income Tax Rates

There is no change in the in Income Tax Rates compared to FY 2020-21. The rates are indicated below:

-For Individuals, HUF, AOP and BOI (Option-1 Old Rates)

Total Income	Tax Rates (e)
Up to Rs. 250,000 (Subject to rebate specified below)	NIL**
Rs. 250,001 to Rs. 500,000 (Subject to rebate specified below)	5%**
Rs. 500,001 to Rs. 1,000,000	20%
Rs. 1,000,001 and above	30%

***Rebate from tax of upto Rs. 12,500 or 100 per cent of the tax whichever is less available for a resident individual whose total income upto Rs. 500,000*

-For Individuals, HUF, AOP and BOI (Option-2 New Rates)

Total Income	Tax Rates (e)
Up to Rs. 2,50,000 (Subject to rebate specified below)	NIL**
Rs. 2,50,001 to Rs. 5,00,000 (Subject to rebate specified below)	5%**
Rs. 5,00,001 to Rs. 7,50,000	10%
Rs. 7,50,001 to Rs. 10,00,000	15%
Rs. 10,00,001 to Rs 12,50,000	20%
Rs. 12,50,001 to Rs 15,00,000	25%
Rs. 15,00,001 and above	30%

***Rebate from tax of upto Rs. 12,500 or 100 per cent of the tax whichever is less available for a resident individual whose total income upto Rs. 500,000*

Note: The benefits and deductions as available under the old regime shall not be available in case *a tax payer opts for the new system.*

Note:

- For a resident individual aged between sixty and eighty, the basic exemption limit is Rs. 300,000
- For a resident individual aged eighty or above, the basic exemption limit is Rs. 500,000
- Surcharge is as per the below:

Total Income	Rates of Surcharge
Rs. 50 Lakhs to Rs. 1 Crores	10%
Rs. 1 Crores to Rs. 2 Crores	15%
Rs. 2 Crores to Rs. 5 Crores	25%
Rs. 5 Crores and above	37%

**Marginal relief available as per applicability*

- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).

-For Local Authorities

- Local Authorities are taxable at 30 per cent.
- 12 per cent surcharge is applicable if the total income exceeds Rs. 10,000,000. Marginal relief is available.
- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).

For Firms (Including LLPs)

- Firms are taxable at 30 per cent.
- 12 per cent surcharge is applicable if the total income exceeds Rs.10,000,000. Marginal relief is available.
- 4 per cent Education and Health Cess applicable on income-tax (inclusive of surcharge, if any).

For Domestic Companies

- Domestic companies are taxable at 30 per cent.

- Corporate Tax shall be 25% for companies having turnover upto Rs. 400 crores during FY 2018-19.

- 7 per cent surcharge is applicable if the total income exceeds Rs.10,000,000 but does not exceed Rs.100,000,000. Marginal relief is available.

- 12 per cent surcharge is applicable if the total income exceeds Rs. 100,000,000. Marginal relief is available.

- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).

- New Domestic companies engaged in manufacturing activities are eligible for 15% income tax

- Further, Domestic companies shall also have the option of using 22% income tax subject to certain conditions wherein certain benefits such as MAT Credit etc are not allowed.

For Foreign Companies

- Foreign companies are taxable at 40 per cent.

- 2 per cent surcharge is applicable if the total income exceeds Rs. 10,000,000 but does not exceed Rs. 100,000,000. Marginal relief is available

- 5 per cent surcharge is applicable if the total income exceeds Rs.100,000,000. Marginal relief is available

- 4 per cent Education and Health Cess is applicable on income-tax (inclusive of surcharge, if any).

CONTACT US

New Delhi

16A/20, W.E.A,

Main Ajmal Khan Road,

Karol Bagh,

New Delhi – 110005

Tel: +911125722222

+911125732222

E: vijay@vvkale.com

kalecos@vvkale.com

Noida

C-102,

Sector – 44,

Noida - 201301

Tel: +911204311332

+911204579944

E: varun@vvkale.com

varad@vvkale.com