Budget 2021 Highlights: Key Takeaways, Important Points

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The Union Budget 2021-22 was presented by the Hon’ble Finance Minister Nirmala Sitharaman on 1st February 2021 in the Parliament. The Budget speech was given by the FM from 11 a.m. to 1 p.m.

This year’s Budget lays focus on the seven pillars for reviving the economy - Health and Wellbeing, Physical and Financial Capital and Infrastructure, Inclusive Development for Aspirational India, Reinvigorating Human Capital, Innovation and R&D, and Minimum Government Maximum Governance. Several regulations around the securities market are proposed to be merged as a single code. Several direct taxes and indirect taxes amendments were also proposed.

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Economic Reforms & Schemes

- The overall capital expenditure for FY 2021-22 is Rs.5.54 lakh crore. Since the healthcare sector's improvement is the need-of-the-hour, FM proposed a new centrally sponsored scheme, PM Aatmanirbhar Swasth Bharat Yojana, with an outlay of about Rs.64,180 crore over six years.

- Further, the Budget outlay for Health and Wellbeing is estimated to be Rs.2,23,846 crore for FY 2021-22, which is a rise by 137% Y-o-Y basis. The increased allocation is expected to expand and strengthen existing national health institutions, National Centre for Disease Control (NCDC), Health Emergency Operation Centers and mobile hospitals. Another major highlight was the increase in the FDI limits in the insurance sector from 49% to 74%. The government plans to divest two PSUs as well as one insurance company.

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Economic Reforms & Schemes

- Development financial institution to fund infrastructure with initial capital of Rs 20000 crores to support project worth Rs. 5 Lakhs Crores. Allowed to issue zero coupon tax benefits bonds
- Asset management company set up to take stressed debts of Banks. Recapitalization of PSB by Rs 20000 Cr.
- Add Another 100 Cities to the city gas Distribution network.
- Scrapping Policy introduced -20 years old private vehicles and 15 years old commercial.
- Highway infra work proposed include building 8500-Km of Highways by March -2022
- Providing 1.15 Lakhs crores for Railways, Privatizing Airports
- Minimum wages to now apply to all categories of Worker. Women to be allowed to work in all categories with adequate protection

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Direct Tax - Budget highlights 2021

- Certain direct tax proposals were introduced, providing relaxation to individual taxpayers and startups to some extent. The individual and corporate tax rates for FY 2021-22 (AY 2022-23) was left unchanged. In a major move, the limit for tax audits under section 44AB has been increased from Rs 5 crore to Rs 10 crore (only where 95% of payments are digitized), providing relief to many corporate houses.
- For all other Taxpayers(Where Cash transaction is more than 5%) limit for tax audits is Rs. 1 Crore.

Direct Tax - Budget highlights 2021

The following are other proposed amendments

- **IT relaxation for senior citizens of 75 years age and above:**
  It has been proposed to exempt the senior citizens from filing income tax returns if pension income and interest income are their only annual income source. Section 194P has been newly inserted to enforce the banks to deduct tax on senior citizens more than 75 years of age who have a pension and interest income from the bank.

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Direct Tax - Budget highlights 2021

- **Vivad Se Vishwas Scheme:** Last Date of filing extended to 28th Feb 2021
- **Reduction in time for IT Proceedings:** Assessment proceedings in the cases shall be reopened only up to three years, against the earlier time limit of six years. Except in cases of serious tax evasion(Where evidence of concealment of income of Rs 50 Lakhs or More) Re-opening can be made up to 10 Years.

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Direct Tax - Budget highlights 2021

- **Constitution of 'Dispute Resolution Committee':**
  Those assessed with a taxable income of up to Rs.50 lakh (for small and medium taxpayers) and any disputed income of Rs.10 lakh can approach this committee under section 245MA. It will prevent new disputes and settle the issue at the initial stage.
- **National Faceless Income Tax Appellate Tribunal Centre:**
  Provision is made for faceless proceedings before the Income Tax Appellate Tribunal (ITAT) in a jurisdiction less manner. It will reduce the cost of compliance for taxpayers, and increase transparency in the disposal of appeals. Further, it will also help achieve even distribution of work in different benches and ensure efficient administration

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Direct Tax - Budget highlights 2021

- **Tax incentives to startups:**
  The tax holiday for startups has been extended by one more year up to 31st March 2022.
- **Relaxations to NRI:**
  There is a proposal to notify rules for removing hardship for double taxation.
- **Pre-filing of returns to be forefront:**
  Pre-filling will be allowed for salary, tax payments, TDS, etc. Further, details of capital gains from listed securities, dividend income, etc. will be prefilled.
- **Advance Tax on dividend income:**
  Advance tax will henceforth be applicable on dividend income only after its declaration or Payment of Dividend

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Direct Tax - Budget highlights 2021

- Tax holidays are proposed for aircraft leasing and rental companies.
- **Disallowance of PF contribution:**
  In case the employee's PF contribution was deducted but not deposited by the employer, it will not be allowed as a deduction for the employer.
- Interest earned on PF contribution above 2.5 Lakhs Per Year to be taxable
- **Section 43CA stands amended:**
  The stamp duty value can be up to 120% (earlier 110%) of the consideration if the transfer of "residential unit", which means an independent housing unit is made between 12th November 2020 and 30th June 2021.

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Direct Tax - Budget highlights 2021

Amendment to Section 44ADA:
Section 44ADA applied to all the assesses being residents in India. Now onwards, it applies only to the resident individual, Hindu Undivided Family (HUF) or a partnership firm, other than LLP.

Section 80EEA deduction extended:
The affordable housing additional deduction was extended till 31st March 2022. The tax exemption has been granted for affordable rental projects.

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Indirect Tax Proposals - Budget highlights 2021

- **Few of the items on which Customs Duty Rates are revised are as follows:**
  - Reduced duty on copper scrap from 5% to 2.5%
  - Basic and Special additional excise duty on petrol and high-speed diesel oil (both branded and unbranded) is reduced
  - Increased duty on solar inverters from 5% to 20%
  - Raised duty on solar lanterns from 5% to 15%
  - The basic customs duty on gold and silver reduced.
  - The department will rationalize duty on textile, chemicals and other products
  - The revised rates will be applicable from 2nd February 2021 onwards.

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Indirect Tax Proposals - Budget highlights 2021

- New tariff items under 2404 11 00 and 2404 19 00 have been inserted in accordance with upcoming HS 2022 nomenclature. Further, NCCD of 25% is prescribed on these tariff items with effect from 1st January 2022.
- Agriculture Infrastructure And Development Cess (AIDC) has been newly imposed on petrol and diesel at Rs. 2.5 and Rs.4 per litre respectively
- Regarding agricultural products, the customs duty is increased on cotton, silks, alcohol, etc.

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Indirect Tax Proposals - Budget highlights 2021

- Exemption of Social Welfare Surcharge on the value of AIDC imposed on gold and silver. Therefore, these items would attract surcharge at the normal rate, only on value plus basic customs duty.
- The exemption on import of leather will be withdrawn as they are domestically produced.
- A new initiative called 'Turant Customs' will be introduced for faceless, paperless, and contactless customs measures.

Indirect Tax Proposals - Budget highlights 2021

- CGST Act was amended for several provisions as follows:
  - Section 16 amended to allow taxpayers' claim of the input tax credit based on GSTR-2A and GSTR-2B.
  - Section 50 of the CGST Act is being amended to provide for a retrospective charge of interest on net cash liability with effect from the 1st July 2017.
  - Section 35 and 44 amended: Mandatory requirement of furnishing the GST reconciliation report signed by the specified professional is relaxed by allowing the filing of annual return on a self-certification basis. The Commissioner can exempt a class of taxpayers from the requirement of filing the annual return.

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MCA, Companies Act, LLP Act

- Easing Compliance requirements of Small Companies – Threshold increased to Share Capital up to Rs.2 crore and Turnover up to Rs.20 crore will be Small Companies
- Allow One Person Companies (OPC) to grow without any restriction in Share Capital or Turnover. NRIs will be allowed to set-up OPCs. Presence in India of 120 days in a year enough to start an OPC.
- Launching MCA Version 3.0 – E-Scrutiny, E-Adjudication and Compliance management to be simplified.
- Decriminalization of LLP Act, 2008
- Tribunals to be rationalized

THANK YOU

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