₹ INDIAN UNION BUDGET

SYNOPSIS [2021-22]

Ashok Maheshwary & Associates LLP

CHARTERED ACCOUNTANTS

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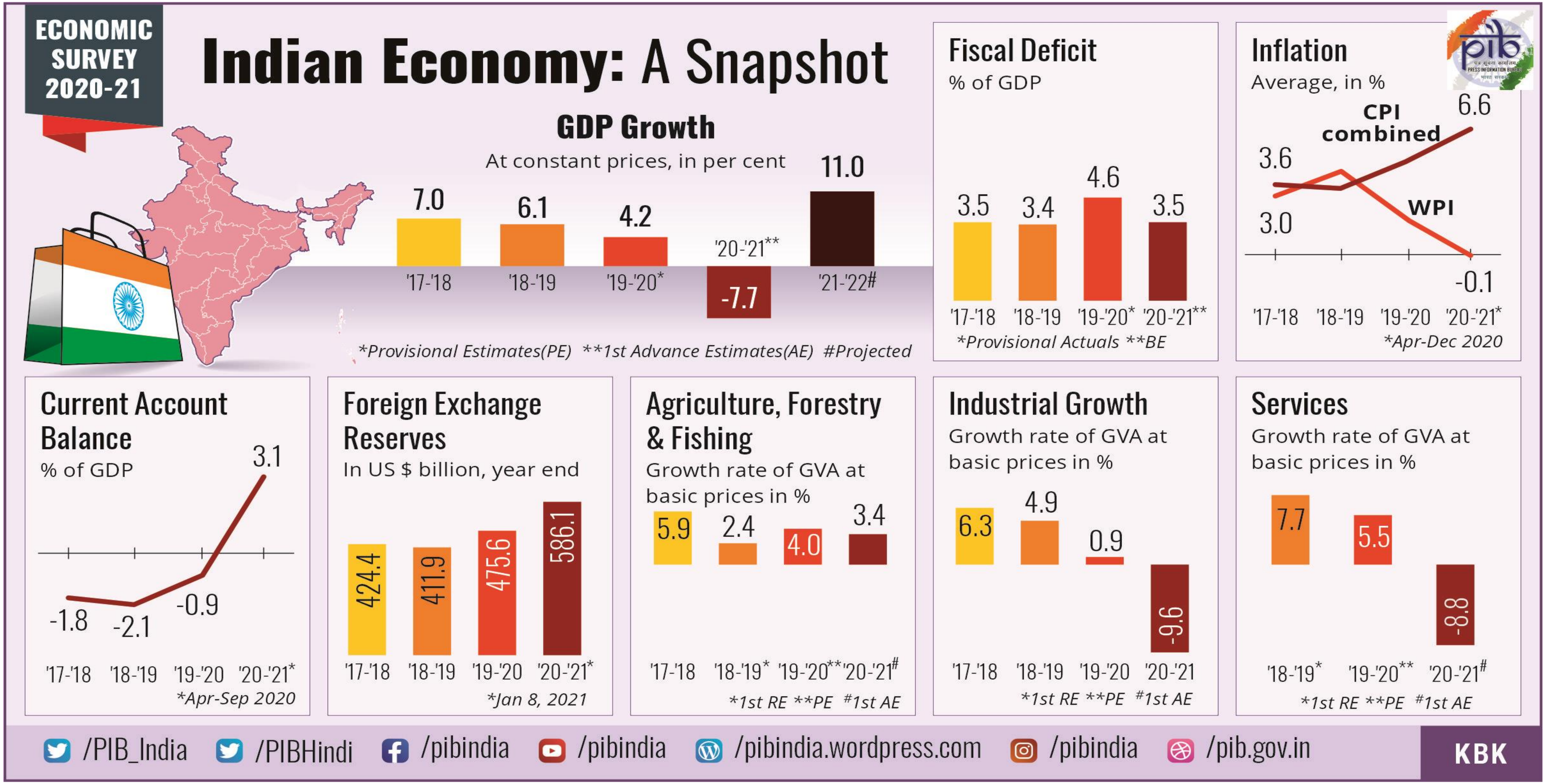
Economic Survey 2020-21


ECONOMIC SURVEY 2020-21
Indian Economy: A Snapshot
GDP Growth
At constant prices, in per cent
7.0 '17-'18
6.1 '18-'19
4.2 '19-'20*
-7.7 '20-'21**
11.0 '21-'22#
*Provisional Estimates(PE) **1st Advance Estimates(AE) #Projected
Fiscal Deficit
% of GDP
3.5 '17-'18
3.4 '18-'19
4.6 '19-'20*
3.5 '20-'21**
*Provisional Actuals **BE
Inflation
Average, in %
CPI combined
WPI
3.6
3.0
6.6
-0.1
'17-'18 '18-'19 '19-'20 '20-'21*
*Apr-Dec 2020
Current Account Balance
% of GDP
-1.8 '17-'18
-2.1 '18-'19
-0.9 '19-'20
3.1 '20-'21*
*Apr-Sep 2020
Foreign Exchange Reserves
In US $ billion, year end
424.4 '17-'18
411.9 '18-'19
475.6 '19-'20
586.1 '20-'21*
*Jan 8, 2021
Agriculture, Forestry & Fishing
Growth rate of GVA at basic prices in %
5.9 '17-'18
2.4 '18-'19*
4.0 '19-'20**
3.4 '20-'21#
*1st RE **PE #1st AE
Industrial Growth
Growth rate of GVA at basic prices in %
6.3 '17-'18
4.9 '18-'19
0.9 '19-'20
-9.6 '20-'21
*1st RE **PE #1st AE
Services
Growth rate of GVA at basic prices in %
7.7 '18-'19*
5.5 '19-'20**
-8.8 '20-'21#
*1st RE **PE #1st AE
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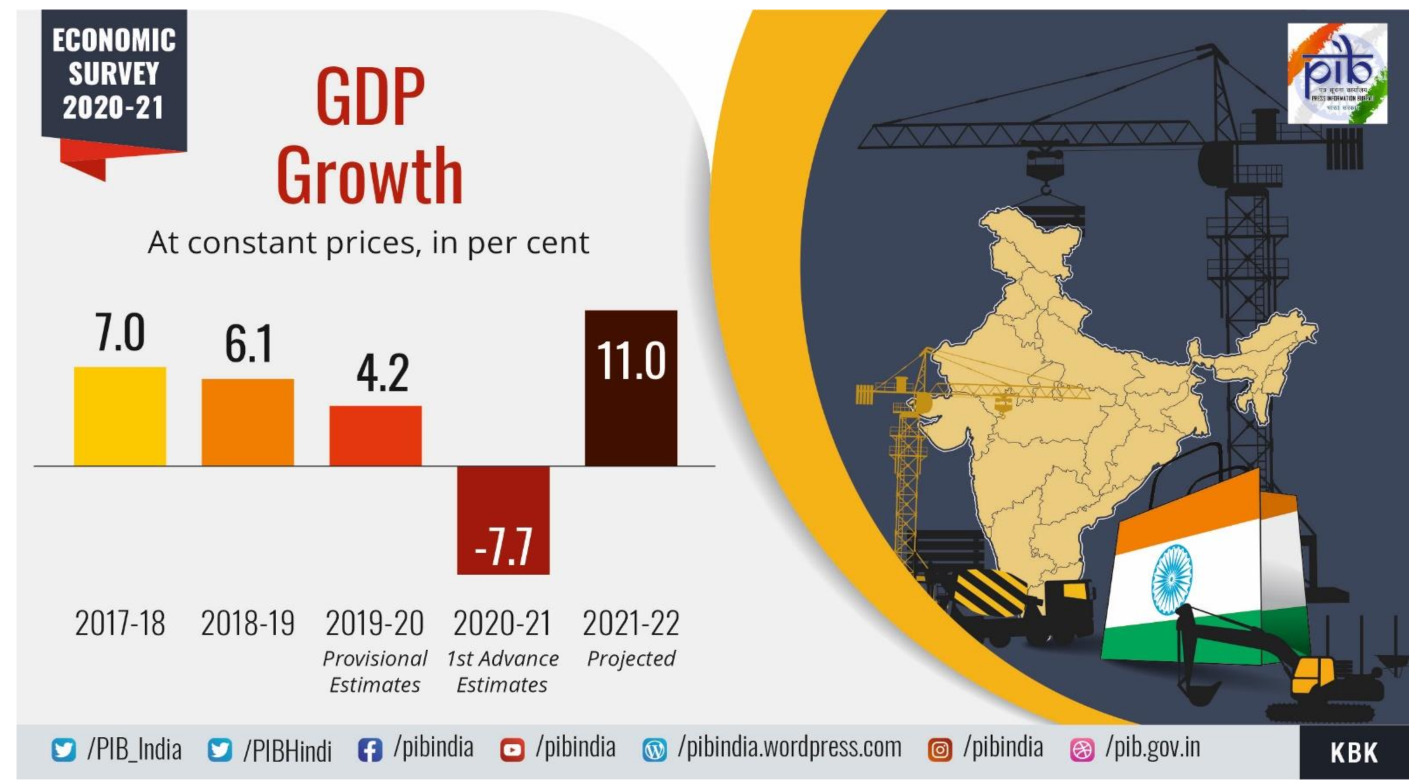
GDP Growth 2021-22

- Real GDP is expected to grow around 11% in 2021-22.
- The Economic Survey 2021 has revealed the sign of V-shaped recovery supported by COVID vaccination drive that may have a positive impact.
- Rebound to be led by low base and continued normalization in economic activities as vaccine rollout gathers traction.

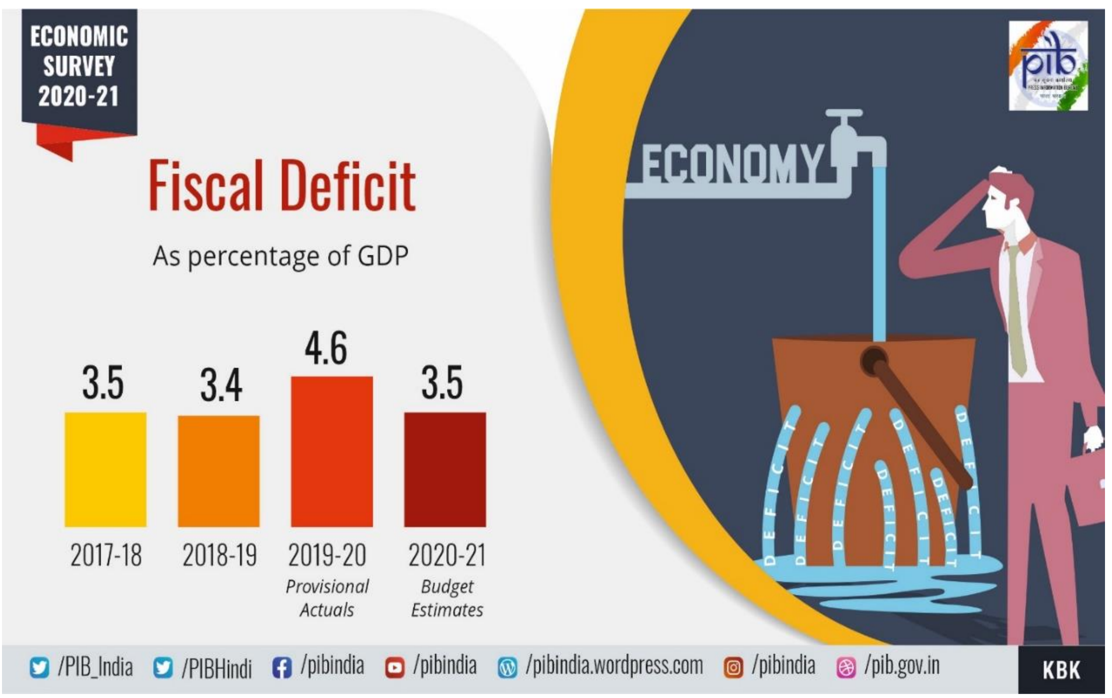
GDP Growth 2020-21

- Real GDP growth rate for FY 2020 -21 is expected to be (7.7%), constituting the sharpest fall in four decades.
- The steep fall in GDP growth is due to the nationwide lockdown to curb the Covid-19 pandemic..



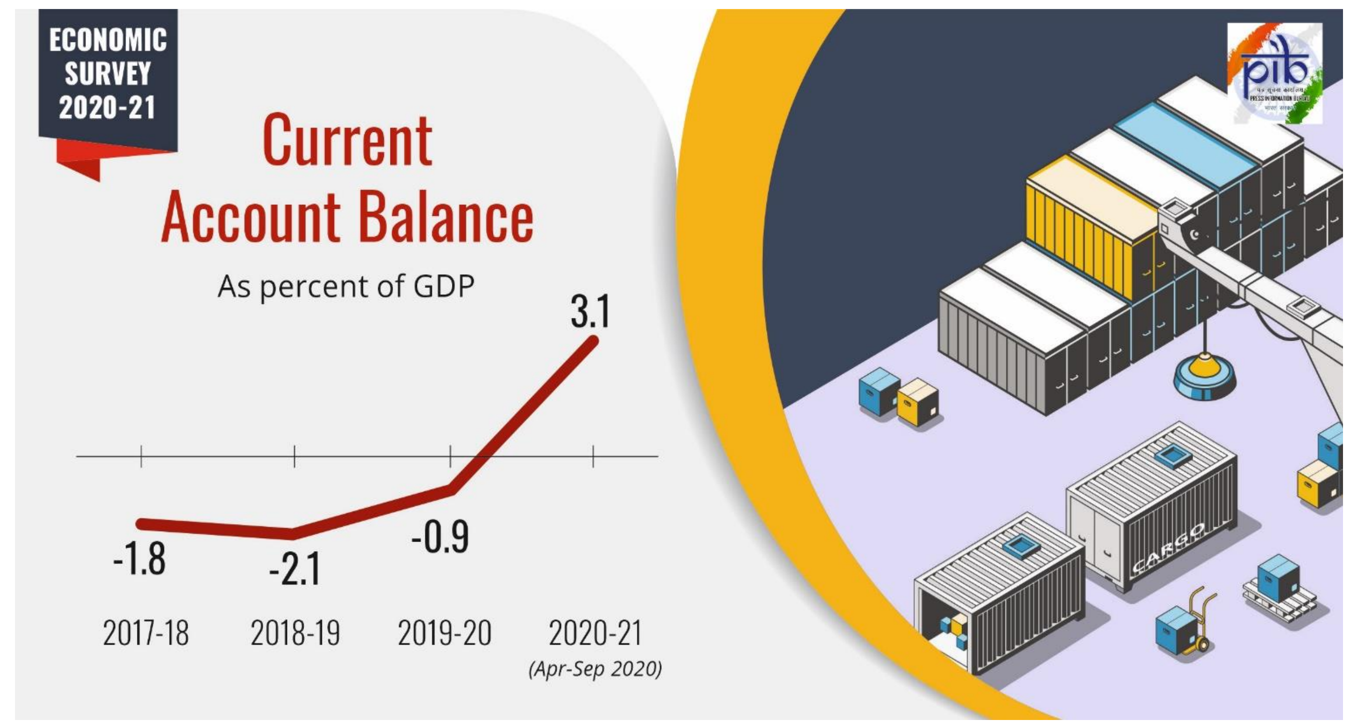
Fiscal Deficit

- The Fiscal Deficit pegged at 9.5% of GDP in FY 2020-21.
- Fiscal deficit of 6.8% of GDP estimated for 2021-22.
- Planning to reach a fiscal deficit below 4.5% of GDP by 2025-26 and 3% of GSDP by the states.



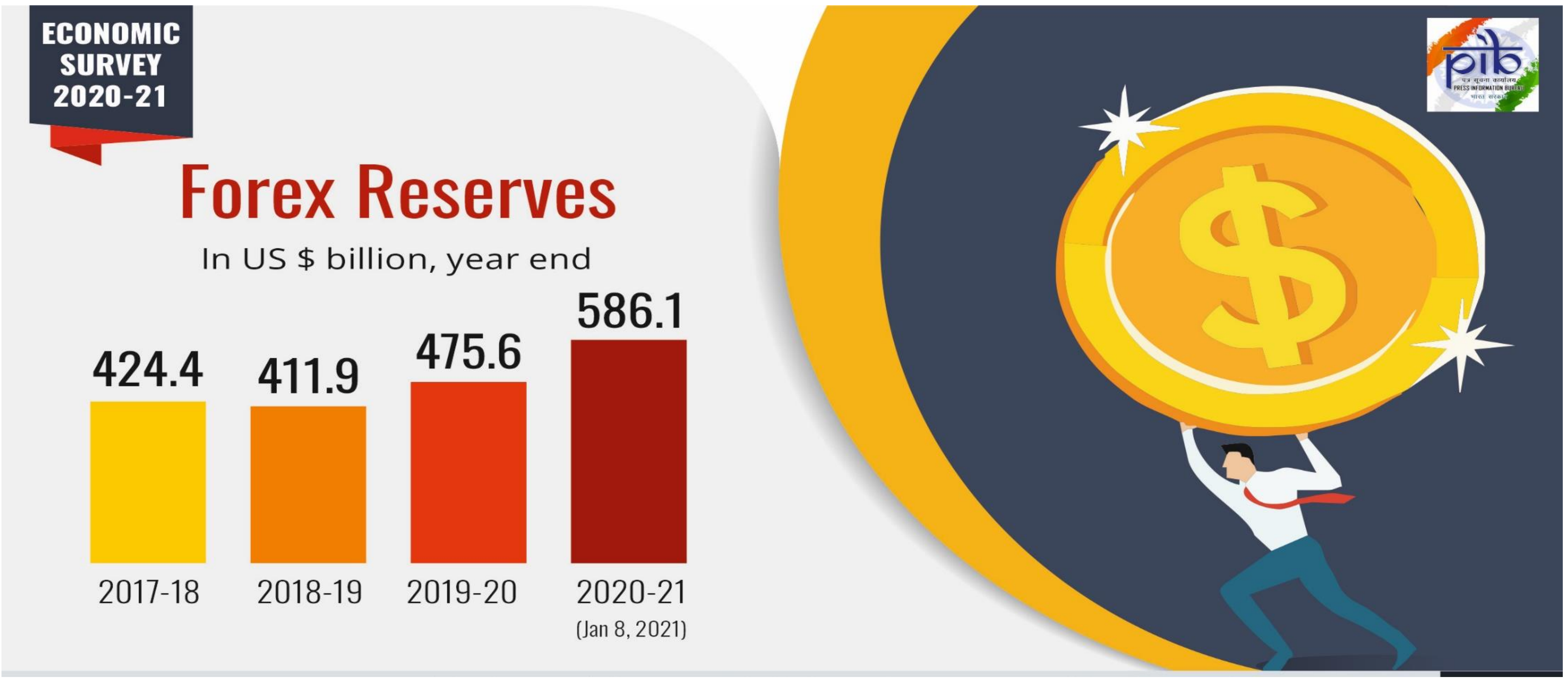
Current Account Surplus

- Current Account Surplus (CAS) increased from (-)0.9% of GDP in FY 2019 -20 to 3.1% of GDP in April-September 2020.
- Robust capital inflows leading to a BOP surplus since Q4 of FY2019 -20 .
- India to have a CAS of 2% of GDP in FY21, a historic high after 17 years.



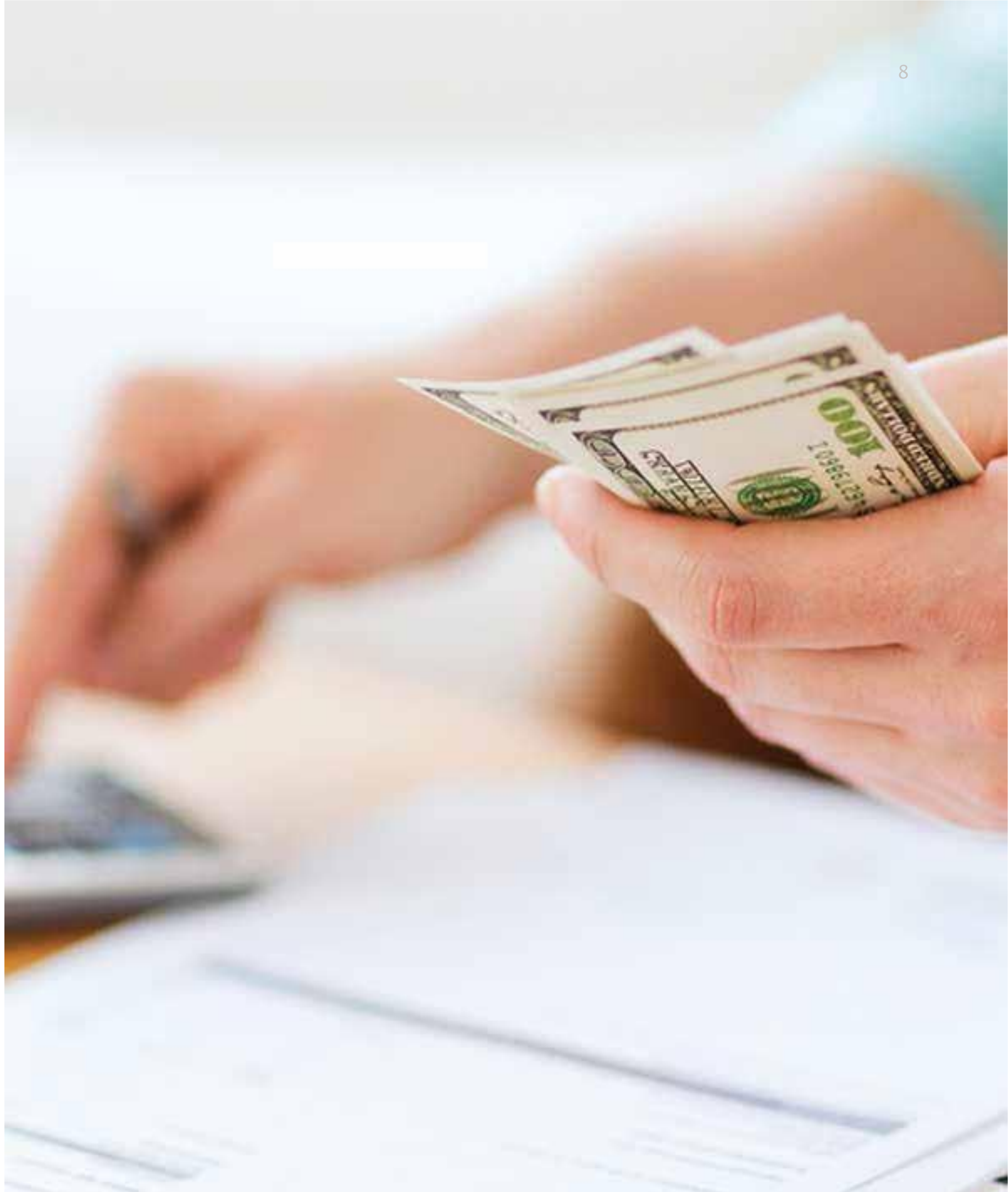
Forex Reserves

- Survey shows improvement in India's balance of payments position to INR 42,757.10 billion (USD 586.1 billion) by Jan 08, 2021 from INR 34,695.92 billion (USD 475.6 billion) of forex reserves in March 2020.
- India's forex reserves at an all-time high of INR 42,757.10 billion (USD 586.1 billion) as on January 08, 2021, covering about 18 months worth of imports.
- The external debt as a ratio to GDP increased from 20.6% in March 2020. to 21.6% in September 2020.



Foreign Direct Investment

- During FY 2020-21, India remained a preferred investments destination with FDI moving towards equity segment and other prospects with quicker yield.
- In Nov 2020, the net Foreign Portfolio Investment (FPI) inflows recorded an all time monthly high of INR 714.92 Billion (USD 9.8 Billion), as investors' risk appetite increased.
- India was the only country among emerging market to receive equity FII inflows in 2020.
- FDI equity inflows were INR 3646.14 Billion (USD 49.98 billion) in FY 2020-21 as compared to INR 3,236.87 Billion (USD 44.37 billion) in FY 2019-20.



Healthcare Sector

- COVID-19 showed the importance of healthcare and its interlinkages with other sectors, as the pandemic transformed into an economic and social crisis.
- National Health Mission played a critical role in mitigating inequity as the access of the poorest to pre-natal/post-natal care and institutional deliveries increased significantly.
- Increase in healthcare spending from 1% to 2.5-3% of GDP can decrease out-of-pocket expense from 65% to 35% of overall healthcare spending of India.
- A regulator for healthcare sector must be considered given the market failures stemming from information asymmetry.
- Telemedicine needs to be harnessed through investment in internet connectivity.

Service Sector

- Services sector contracted by nearly 16% during H1 of FY 2020-21 during the Covid-19 pandemic, owing to its contact-intensive nature.
- Robust growth in FDI during Apr'20 to Sep'20 by 34% on YOY basis to reach USD 23.6 billion.
- India being home to 38 unicorns, added 12 startups in the unicorn list during FY 2020-21.
- Shipping turnaround time at ports almost halved from 4.67 days in 2010-11 to 2.62 days in 2019-20.
- INR 133.1 Billion (USD 1.8 billion) spent on Space Programs in FY 19-20.
- Service sector accounts to 48% of total exports, 54% of India's GVA and 4/5th of total FDI inflow.

Innovation and Growth

- India has taken position in TOP-50 innovating countries for the first time in 2020, ranking 1st in Central and South Asia.
- India's gross domestic expenditure on R&D stands lowest among the top 10 economies.
- The share of Indian Patents must rise from 36% as it is lower than the average share of 62% of top 10 economies.
- Business sector needs to focus on increased investments on R&D as currently it is at the lowest level amongst the top 10 economies.
- India must focus on improving its performance on institutions and business sophistication innovation inputs.

Agriculture and Allied Sectors

- Total food grain production during FY 19-20 is estimated to 11.44 million tonnes more than FY 18-19.
- The agricultural credit flow was INR 13,924 billion (USD 190.88 billion) against the target of INR 13,500 billion billion (USD 185.05 Billion) in FY 19-20.
- Agriculture and allied sector contributes 17.8% for 19-20.
- Under the Pradhan Mantri Fasal Bima Yojana, 55 million farmer application were covered along with claims worth INR 900 billion (USD 12.34 billion) being paid as on 12th Jan, 2021.
- Under 7th Installment PM-Kisan scheme, INR 180 billion transferred directly to bank accounts of 90 million farmer families.
- Fish production reached an all-time high of 14.16 million metric ton during FY 19-20.

India’s Sovereign Credit Rating

- Survey 2021, has once again put forward an argument that India’s SCR does not reflect the true impression of India.
- Never before, a country with 5th Largest Economy is rated as the lowest of the investment grade (BBB-/Baa3).
- India’s willingness to pay is unquestionably demonstrated through its zero sovereign default history while ability to pay can be gauged by low foreign currency denominated debt and forex reserves.
- The SCR’s Methodology should be made more transparent, less subjective and better tuned to reflect the true picture of the economy’s fundamentals.

Money Management

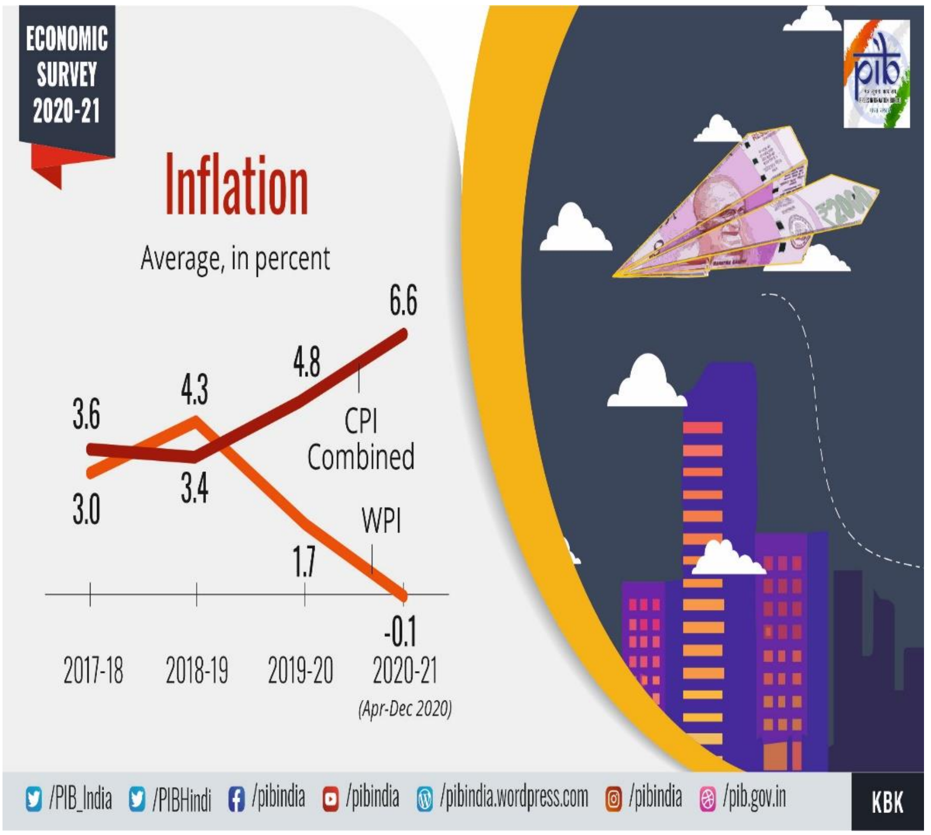
- In 2020, repo rate was cut by 115 bps since March 2020 through Accommodative Monetary Policy.
- System Liquidity has remained in surplus in FY 20-21
- RBI undertook various measures like – Open Market Operations, Long Term Repo Operations, Targeted Long Term Repo Operations.
- NIFTY-50 and BSE SENSEX reached a record high closing of 14,644.7 and 49,792.12 points respectively on 20 Jan, 2021.
- Recovery Rate for Scheduled Commercial banks through IBC (since its inception) has been over 45% with their Gross NPA ratio decreasing to 8.21% in Mar-20 and 7.49% in Sept-20.

Industry and Infrastructure

- A strong V-Shaped recovery of economic activities with the IIP & eight-core index inching up to pre-covid levels.
- The broad based recovery in the IIP resulted in growth of (-)1.9% in Nov'20 as compared to growth of 2.1% in Nov'19 and a nadir of (-) 57.3 % in Apr-2020
- India's rank in ease of doing business Index is 63 in 2020 whilst it was rank 77 in 2018.
- India's position has improved in 7 out of 10 indicators.
- Acknowledgment of India as one of the top 10 improvers, 3rd time in a row with improvement of 67 ranks in 3 years.
- Atma Nirbhar Bharat Abhiyan package of 15% of India's GDP announced along with PLI in 10 key sectors.

Inflation

- Mainly driven by rise in food inflation, CPI Inflation during Apr'20 to Dec'20 averaged at 6.6% which later on stood at 4.6% in Dec'20.
- Inflation ranged from 3.2% to 11% across all the states/UT's during Jun to Dec 2020 compared to (-)0.3% to 7.6% during the same period in last year mainly due to the increase in the food inflation.
- on which steps were taken for stability such as Banning of export of onions, easing on Restriction on import of pulses.)
- Gold prices saw a sharp spike as investors turned to gold as a safe have during the pandemic.



Bare Necessities

- The Access to Bare Necessities, such as water, housing, santisation etc. has improved most states.
- Improvement in health indicators like infant mortality rate and under-5 mortality rate and also a future scope in improvement in education indicators.
- The disparities between the interstate necessities have reduced.
- Schemes such as Jal Jeevan Mission, SBM-G, PMAY-G etc, may help the gaps between provision of such necessities amongst urban and rural areas and amongst different income groups.

Fiscal Developments

- Expenditure Policy in 2020 shifted from the initial motive to support the vulnerable sections, overall demand and capital spending, once the lockdown was unwound .
- Monthly GST Collection crossed INR 1000 billion (USD 13.71 billion) mark consecutively from Nov'20 to Jan'21, reaching an all time monthly high in the month of December 2020.
- Taxation reforms have begun a process of transparency and accountability and have incentivized compliances for the honest tax payers.
- Central Government has also consistently aided the states during the pandemic.

Regulatory Forbearance

- During the global pandemic, regulatory forbearances helped the borrowers tide over temporary hardships.
- Banks exploited the forbearances window for window-dressing their books and misallocated credit hampering quality of investments in economy.
- Forbearance, being an emergency medicine should be discontinued as soon as economy recovers.
- Asset Quality review must be conducted immediately after the forbearance is withdrawn.
- Legal Infrastructure for recovery of loans must be strengthened.

COVID-19 impact on Economy

- Survey observes unique response in regard to the strong lockdown implemented when India only had a few confirmed cases.
- India’s Demand and Supply were greatly disturbed, due to which unique slew of reforms, even among the major economies, were implemented to lessen the supply side interruption.
- India did not waste precious fiscal resources during initial phases of the lockdown, instead the polices were focused on proper utilisation of essentials to the vulnerable sectors.
- As anticipated, while the lockdown resulted in a 23.9 per cent contraction in GDP in Q1, the recovery has been a V-shaped one as seen in the 7.5 per cent decline in Q2 and the recovery across all key economic indicators.
- Agriculture is set to cushion the shock of the COVID-19 pandemic on the Indian economy in 2020-21 with a growth of 3.4 per cent in both Q1 and Q2.

Non-Tax Proposals

Health and Wellbeing

PM Atma Nirbhar Swasth Bharat Yojana

- PM Aatma Nirbhar Swasth Bharat Yojana, will be launched with an outlay of about Rs 641.8 billion (USD 8.80 billion) over 6 years. This will develop capacities of primary, secondary, and tertiary care Health Systems, strengthen existing national institutions, and create new institutions, to cater to detection and cure of new and emerging diseases.
- INR 350 billion (USD 4.80 billion) allocated for Covid 19 Vaccination programme.

Mission Poshan 2.0

- Strengthen nutritional content, delivery, outreach, and outcome, we will merge the Supplementary Nutrition Programme and the Poshan Abhiyan and launch the Mission Poshan 2.0.

Urban Swachh Bharat Mission 2.0

- The Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of Rs 1,416.78 billion (USD 19.42 billion) over a period of five years from 2021-2026.

Health and Wellbeing

Jal Jeevan Mission

- The Union government would launch a mission to provide universal water supply to areas under all 4,378 urban local bodies. It will be implemented over 5 years, with an outlay of Rs. 2,870 billion (USD 39.34 billion).

Voluntary Vehicle Scrapping Policy

- The policy aims to phase out old and unfit vehicles wherein vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles and after 15 years in case of commercial vehicles. Resultantly, fuel efficient and environment friendly vehicles would be encouraged and vehicular pollution and oil import bill would be reduced.

Physical and Financial Capital and Infrastructure

Infrastructure:

- Expansion of National Infrastructure Pipeline (NIP) from 6,835 projects to 7,400 projects by creating the institutional structures; by a big thrust on monetizing assets, and by enhancing the share of capital expenditure in central and state budgets.

Textile:

- Mega Investment Textiles Parks (MITRA) will be launched in addition to the PLI scheme. 7 textile parks will be established over 3 years.

AtmaNirbhar Bharat- Production Linked Incentive Scheme (PLI)

- PLI scheme has been announced for 13 sectors with an outlay of INR 1,970 billion (USD 27 billion) over 5 years starting FY 2021-22 to bring scale & size in key sectors, create & nurture global champions and provide jobs to the youth.

Physical and Financial Capital and Infrastructure

Infrastructure Financing- Development Financial Institution

- A bill shall be introduced to set up a Development Financial Institution (DFI) and sum of Rs.200 billion (USD 2.74 billion) would be provided to capitalise this institution to have a lending portfolio of at least INR 5000 billion (USD 68.54 billion) in 3 years time.
- In order to ease access of finance to InvITs and REITts, debt financing of these instruments by Foreign Institutional Investors shall be allowed.

Physical and Financial Capital and Infrastructure

Asset Monetization

A “National Monetization Pipeline” of potential brownfield infrastructure assets will be launched. An Asset Monetization dashboard will also be created for tracking the progress and to provide visibility to investors.

- National Highways Authority of India and PGCIL each have sponsored one InvIT that will attract international and domestic institutional investors. Five operational roads with an estimated enterprise value of INR 50 billion (USD 0.69 billion) are being transferred to such NHAI InvIT.
- Similarly, transmission assets of a value of INR 70 billion (USD 0.96 billion) will be transferred to the PGCIL InvIT.
- Railways will monetize Dedicated Freight Corridor assets for operations and maintenance, after commissioning.
- The next lot of Airports will be monetized for operations and management concession.
- Following core infrastructure assets will be rolled out under the Asset Monetization Programme:

  i. NHAI Operational Toll Roads

  ii. Transmission Assets of PGCIL

  iii. Oil and Gas Pipelines of GAIL, IOCL and HPCL

  iv. AAI Airports in Tier II and III cities,

  v. Other Railway Infrastructure Assets

  vi. Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED among others and

  vii. Sports Stadiums.

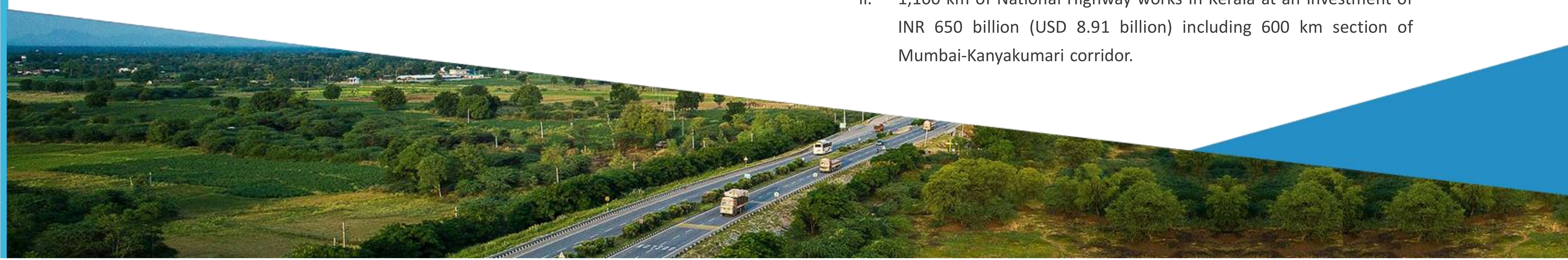
Physical and Financial Capital and Infrastructure

Increase in Capital Budget

- Rs. 5,540 billion (USD 75.94 billion) have been allocated for capital expenditure, constituting an increase of 34.5% from the previous budget of 2020-21.
- Further, Rs 440 billion (USD 6.03 billion) have been set aside for such projects, programmes and departments that show good progress on Capital Expenditure and are in need of further funds
- Over and above, INR 2,000 billion (USD 27.42 billion) to States and Autonomous Bodies for their Capital Expenditure.
- Specific mechanisms shall be enforced to nudge States to spend more of their budget on creation of infrastructure.

Roads and Highways Infrastructure

- The highest ever outlay of INR 118,101,000 billion (USD 1618888.61 billion) have been provided for Ministry of Road Transport and Highways, of which INR 1,082.3 billion (USD 14.84 billion) is for capital.
- By March 2022, an additional 8,500 kms of road projects would be awarded and an additional 11,000 kms of national highway corridors would be completed.
- Following economic corridors are being planned to further augment road infrastructure:
    - i. 3,500 km of National Highway works in Tamil Nadu at an investment of INR 1,030 billion (USD 14.12 billion) including Madurai-Kollam corridor, Chittoor-Thatchur corridor.
    - ii. 1,100 km of National Highway works in Kerala at an investment of INR 650 billion (USD 8.91 billion) including 600 km section of Mumbai-Kanyakumari corridor.



Physical and Financial Capital and Infrastructure

Roads and Highways Infrastructure:

- 675 km of highway works in West Bengal at a cost of INR 250 billion (USD 3.43 billion) including upgradation of existing road Kolkata – Siliguri.
- In Assam, more than 1300 kms of National Highways will be undertaken in the coming 3 years at a cost of INR 340 billion (USD 4.66 billion).

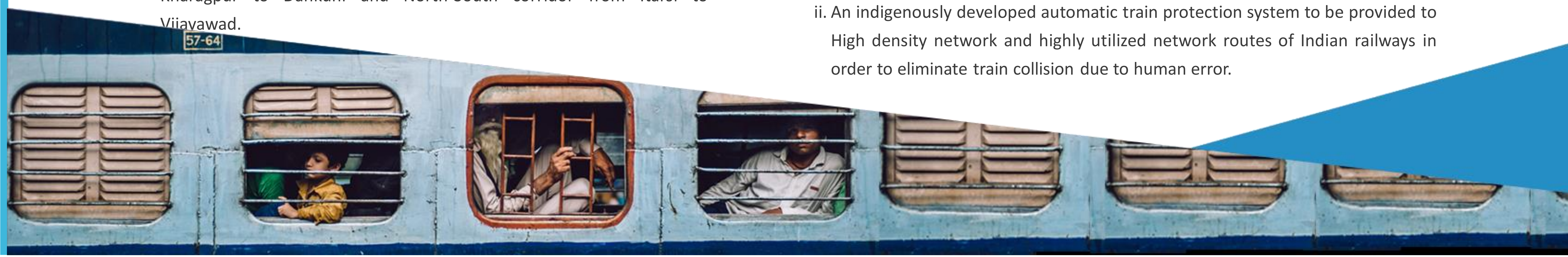
Power Infrastructure:

- Addition of 139 Giga Watts of installed capacity, connecting an additional 28 million households and added 0.14 million circuit km of transmission lines.
- Measures to be taken to remove monopolies of distribution companies and provide choice to customers.
- Result-linked power distribution sector scheme will be launched with an outlay of INR 3,059.84 billion (USD 41.94 billion) over 5 years to provide assistance to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, upgradation of systems, etc., tied to financial improvements.
- Proposal to launch a Hydrogen Energy Mission in 2021-22 for generating hydrogen from green power sources.

Physical and Financial Capital and Infrastructure

Railway Infrastructure:

- In order to create a ‘future ready’ Railway system by 2030, Indian Railways have prepared a National Rail Plan for India – 2030.
- Bringing down logistics cost for industry is the key to ‘Make in India and it is expected that Western Dedicated Freight Corridor (DFC) and Eastern DFC will be commissioned by June 2022’. Following additional initiatives are under proposal:
  - i. The Sonnagar – Gomoh Section (263.7 km) of Eastern Dedicated Freight Corridor (DFC) in Public- Private Partnership mode in 2021-22.
  - ii. Gomoh-Dankuni section of 274.3 km
  - iii. Future dedicated freight corridor projects namely East Coast corridor from Kharagpur to Vijayawada, East-West Corridor from Bhusaval to Kharagpur to Dankuni and North-South corridor from Itarsi to Vijayawad.
  - iv. Broad Gauge Route Kilometers (RKM) electrified is expected to be 72% complete, that is, it would reach 46,000 RKM by end of 2021 from 41,548 RKM on 1st Oct 2020.
  - v. 100% electrification of such routes will be completed by December, 2023.
- A sum of INR 1,100.55 billion (USD 15.09 billion) , for Railways of which INR 1,071 billion (USD 14.68 billion) is for capital expenditure
- Keeping in view Passenger Convenience and Safety, the following measures have been proposed:
  - i. Aesthetically designed Vista Dome LHB coach on tourist routes to give a better travel experience to passengers.
  - ii. An indigenously developed automatic train protection system to be provided to High density network and highly utilized network routes of Indian railways in order to eliminate train collision due to human error.



Physical and Financial Capital and Infrastructure

Urban Infrastructure:

- Expansion of metro rail network and augmentation of city bus service to raise the share of public transport in Urban areas.
- A new scheme to be launched at a cost of INR 180 billion (USD 2.47 billion) to facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses.
- Two new technologies i.e., 'MetroLite' and 'MetroNeo' deployed to provide metro rail systems in Tier-2 cities and peripheral areas of Tier-1 cities.
- Central Counter-part funding will be provided as follows:

  i. Kochi Metro Railway Phase-II of 11.5 km at a cost of INR 19.57 billion (USD 0.27 billion).

  ii. Chennai Metro Railway Phase-II of 118.9 km at a cost of INR 632.46 billion (USD 8.67 billion).

  iii. Bengaluru Metro Railway Project Phase 2A and 2B of 58.19 km at a cost of INR 147.88 billion (USD 2.03 billion).

  iv. Nagpur Metro Rail Project Phase-II and Nashik Metro at a cost of INR 59.76 billion (USD 0.82 billion) and INR 20.92 billion (USD 0.29 billion) respectively.

Physical and Financial Capital and Infrastructure

Ports, Shipping and Waterways:

- 7 projects worth more than INR 20 billion (USD 0.27 billion) will be offered by the Major Ports on Public Private Partnership mode in FY21 -22.
- Launch of scheme with an outlay of INR 16.24 billion (USD 0.22 billion) over 5 years to promote flagging of merchant ships in India by providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs.
- Enactment of Recycling of Ships Act, 2019

Petroleum and Natural Gas:

- Ujjwala Scheme already benefitting 8 crores households, to be extended to cover 10 million more beneficiaries.
- 100 more districts to be added in next 3 years to the City Gas Distribution network.
- A gas pipeline project to be taken up in Union Territory of Jammu & Kashmir.
- An independent Gas Transport System Operator to be set up for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines on a non-discriminatory open access basis.

Physical and Financial Capital and Infrastructure

Financial Capital:

- Government proposed to consolidate SEBI Act 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956, & Government Securities Act, 2006 to introduce a single Securities Markets Code.
- The Government would support the development of a world class Fin-Tech hub at the GIFT-IFSC. SEBI will be notified as the regulator.
- Warehousing Development and Regulatory Authority will be strengthened to set up a commodity market eco system in addition to warehousing. Government had announced its intent to establish a system of regulated gold exchanges in the country.
- Introduction of an investor charter as a right of all financial investors across all financial products
- Government proposed to provide additional capital infusion of INR 10 billion (USD 0.14 billion) to Solar Energy Corporation of India and INR 15 billion (USD 0.21 billion) to Indian Renewable Energy Development Agency.
- It is proposed to create a permanent institutional framework to instill confidence amongst the participants in the Corporate Bond Market. The proposed body would purchase investment grade debt securities both in stressed and normal times and help in the development of the Bond market.

Physical and Financial Capital and Infrastructure

Increase in Foreign Direct Investment in Insurance Sector

- Insurance Act, 1938 will be amended to increase permissible FDI limit in insurance companies from 49% to 74% and allow foreign ownership and control with safeguards;
- Under the new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

Physical and Financial Capital and Infrastructure

Stressed Asset Resolution by setting up a new structure

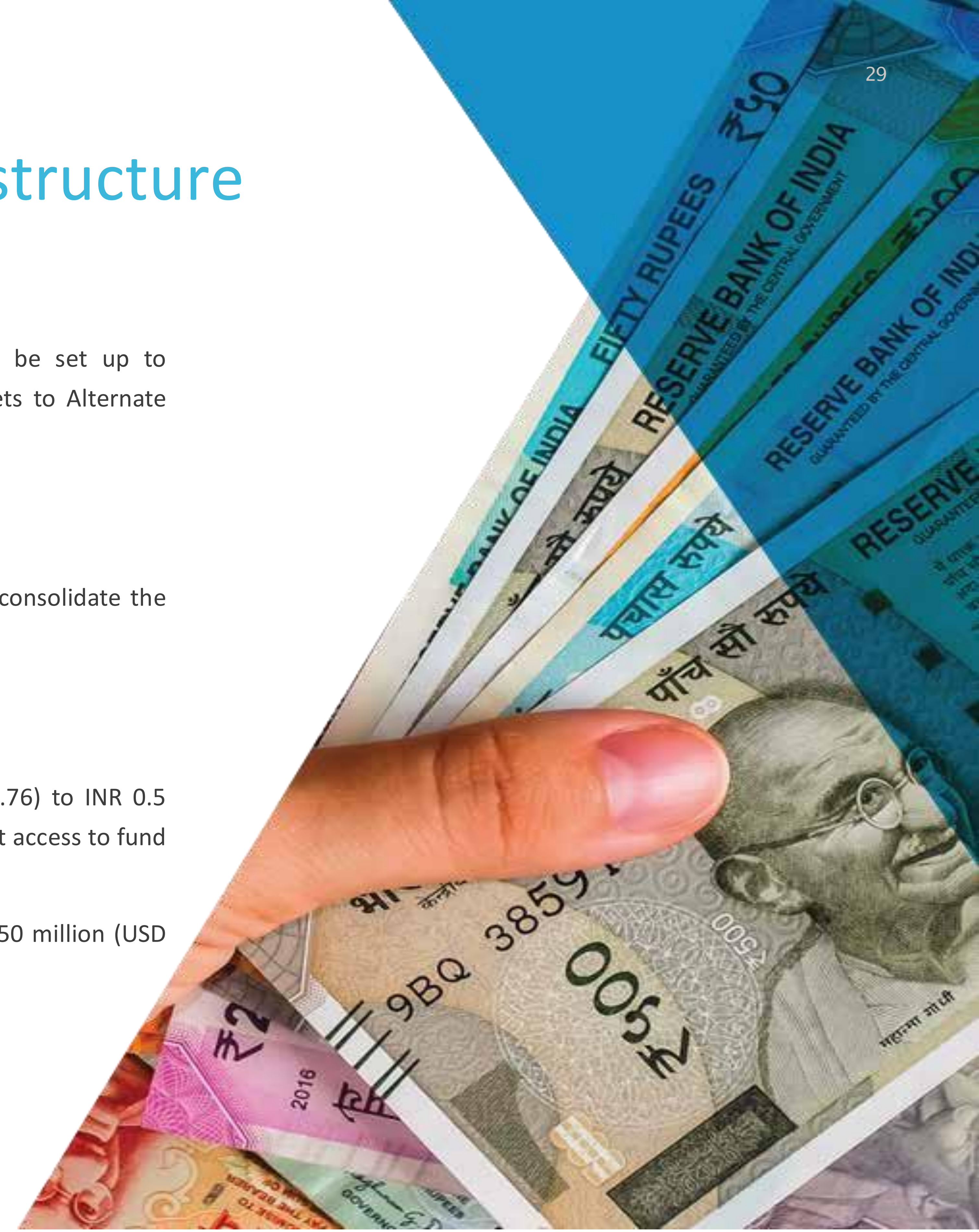
- An Asset Reconstruction Company Limited and Asset Management Company is proposed to be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.

Recapitalization of PSBs:

- Recapitalization of INR 200 billion (USD 2.74 billion) is proposed in 2021-22 in order to further consolidate the financial capacity of PSBs.

Deposit Insurance:

- Deposit Insurance Cover for bank customers will be increased from INR 0.1 million (USD 1,370.76) to INR 0.5 million (USD 6,853.83) and amendments to DICGC Act, 1961 shall be made to enable depositors get access to fund in case the Banks are not performing.
- Minimum loan size eligible for debt recovery under SARFAESI Act 2002 will be reduced from INR 50 million (USD 0.06 million) to INR 20 lakh (USD 0.02 million).



Physical and Financial Capital and Infrastructure

Company Matters:

- MCA21 version 3.0. will be launched in fiscal 2021-22 that would have data analytics, Artificial intelligence and machine learning features.
- A special framework will be introduced for MSMEs.
- E-Ccourts system will be implemented and alternate methods for debt resolution will be identified.
- NRIs will be allowed to incorporate OPCs in India.
- The residency limit for Indian citizen to setup OPC is now 120 days from 182 days.
- The threshold limit of paid capital and turnover for small companies is increased to INR 20 million (USD 0.27 million) and INR 200 million (USD 2.74 million) respectively.
- The decriminalization of the Limited Liability Partnership Act, 2008 take up is proposed.

Physical and Financial Capital and Infrastructure

Disinvestment and Strategic Sale:

- In 2021-22 we would also bring the IPO of LIC.
- A policy of strategic disinvestment of public sector enterprises, the policy provides a clear roadmap for disinvestment in all nonstrategic and strategic sectors. Other than IDBI Bank, we propose to take up the privatization of two Public Sector Banks and one General Insurance company in the year 2021-22.
- The four areas are that are strategic where bare minimum CPSEs will be maintained rest are privatized.
- A special purpose vehicle in the form of company will be Monetizing of land can either be by way of direct sale or concession or by similar mean
- A revised mechanism is introduced that will ensure timely closure of sick or loss making CPSEs.

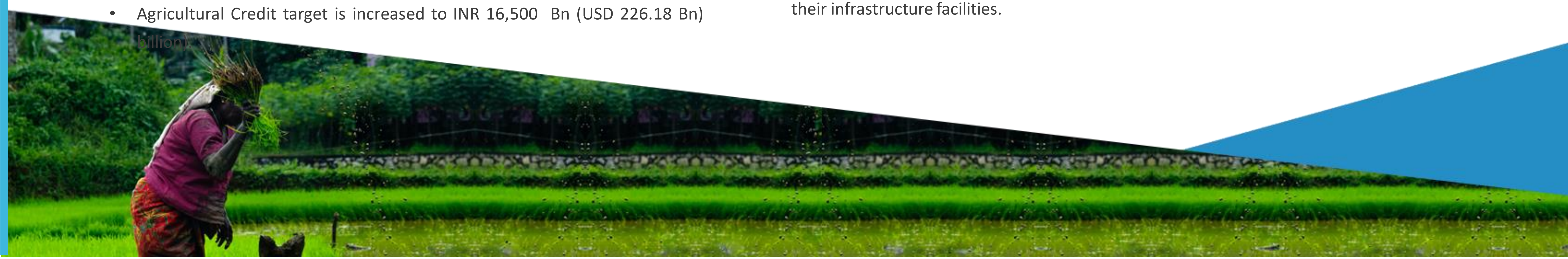
Government Financial Reforms:

- The autonomous bodies will be able to directly draw funds from the Government's account at the time of actual expenditure under Treasury Single Account which will save the interest costs.
- The detailed exercise to rationalize and bring down the number of centrally sponsored schemes will be done.
- A separate administrative structure will be setup to streamline the ease of doing business for cooperatives.

Inclusive Development for Aspirational India

Agriculture and Allied Sectors:

- The Government had done sea change in MSP regime to assure that farmers get at least 1.5 times the cost of production across all commodities.
- The total amount paid to farmers for the wheat production in 2020-21 was INR 750.60 billion (USD 10.29 billion) (Figure from 1st April, 2020 to 27th January, 2021) while in 2019-20 it was INR 628.02 billion (USD 8.61 billion) that resulted in increase in amount paid to wheat growing farmers to INR 4.37 million (USD 0.05 million) as compared to INR 3.56 million (USD 0.04 million) in 2019-20.
- The receipts to cotton farmers have seen a stupendous increase from INR 0.9 billion (USD 0.01 billion) in 2013-14 to INR. 259.74 billion (USD 3.56 billion).
- Agricultural Credit target is increased to INR 16,500 Bn (USD 226.18 Bn) billion).
- The allocation of rural infrastructure development fund had been increased to INR 400 billion (USD 5.48 billion) from INR 300 billion (USD 4.11 billion).
- The scope of Operation Green Scheme will now include 22 Perishable Products to boost value addition in agriculture and their exports.
- In e- NAM 1000 more mandis will be integrated. Around 16.8 million Farmers are registered and 0.114 million crore trade value has been carried out till now in E-NAM.
- The Agriculture Infrastructure Fund would be made available to APMCs for augmenting their infrastructure facilities.
- The Micro irrigation fund had been doubled to Rs. 100 billion (USD 1.37 billion) from INR 50 billion (USD 0.69 billion).
- The Agriculture Infrastructure Fund would be made available to APMCs for augmenting their infrastructure facilities.



Reinvigorating Human Capital

School Education

- 100 new Sainik Schools will be set up in partnership with NGOs/ private schools/states.
- More than 15,000 schools will be qualitatively strengthened .

Higher Education

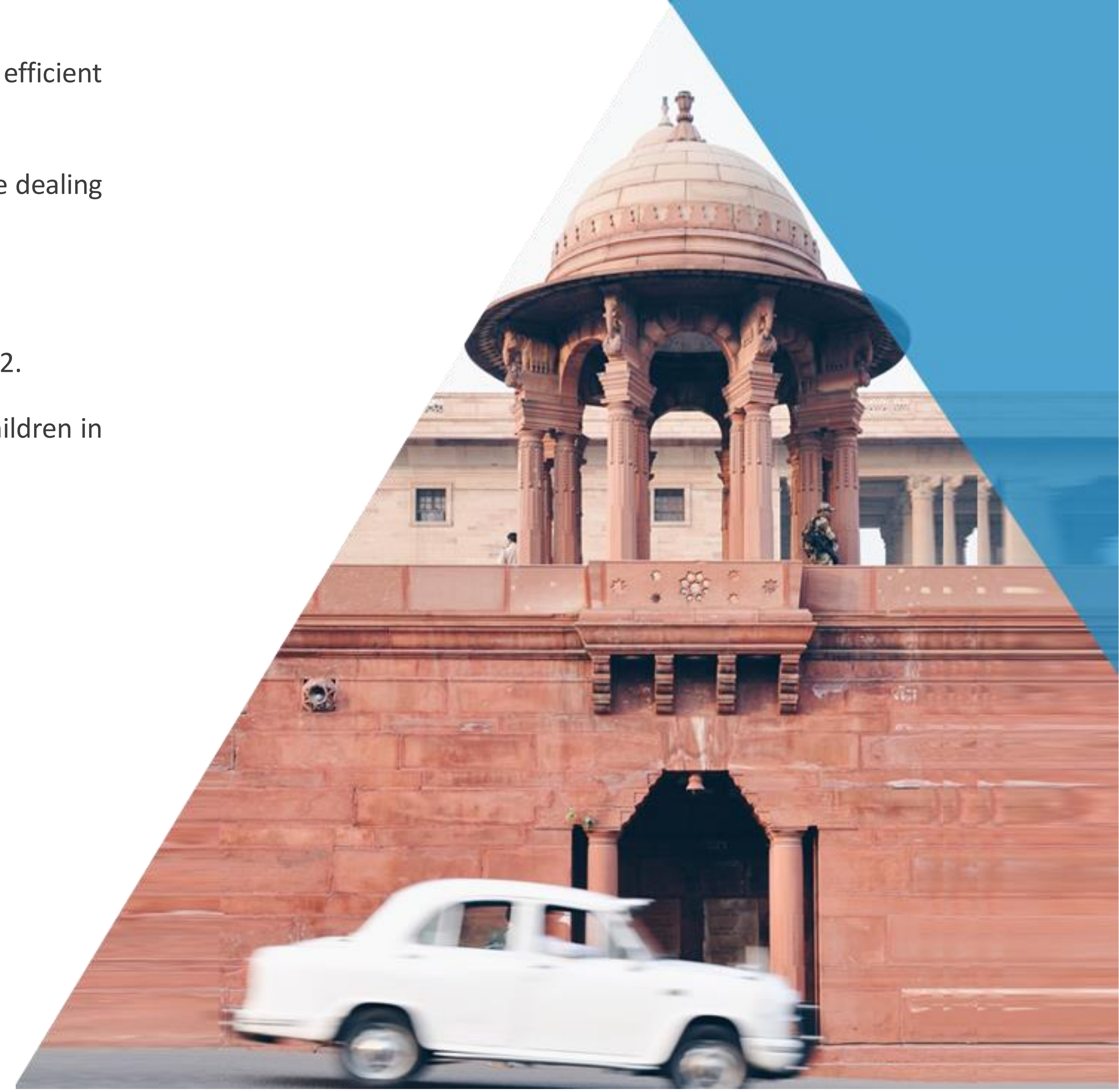
- Legislations will be introduced this year to implement setting-up of Higher Education Commission of India.
- An umbrella body having 4 separate vehicles for standard-setting, accreditation, regulation, and funding will be introduced.
- In 9 cities, where major institutions are available Government will create formal umbrella structures so that these institutions can have better synergy, while also retaining their internal autonomy.
- A Central University in Leh is proposed for higher education in Ladakh.

Innovation and R&D

- To ensure that overall research ecosystem is strengthened the National Research Foundation outlay will be of INR 500 billion (USD 6.85 billion) over 5 years.
- To provide financial incentive to promote digital modes of payment INR 15 billion scheme is proposed.
- A new initiative – National Language Translation Mission (NTLM) is taken.
- The New Space India Limited (NSIL) will execute the PSLV-CS51 launch carrying the Amazonia Satellite from Brazil, along with a few smaller Indian satellites.
- Four Indian astronauts are being trained on Generic Space Flight aspects, in Russia. First unmanned launch is slated for December 2021.
- The Deep ocean mission which will cover deep ocean survey exploration and projects for the conservation of deep sea bio-diversity with a budget outlay of more than 40 billion over 5 years is announced

Minimum Government, Maximum Governance

- Functioning of Tribunals will be further rationalized for speedier delivery of justice.
- National commission for Allied Healthcare Professionals Bill introduced to ensure transparent and efficient regulation of 56 allied healthcare professions.
- To enhance ease of doing business in India, a mandatory conciliation mechanism will be set up for those dealing with Government.
- Government proposed a grant of INR 3 billion to the Government of Goa for the celebrations.
- INR 37.68 billion (USD 0.52 billion) allocated for the first ever digital census to be held in the year 2021-22.
- INR 10 billion (USD 0.14 billion) allocated for the welfare of Tea workers, especially women and their children in Assam and West Bengal. A special scheme will be devised.



Fiscal Position

- The global pandemic resulted in weak revenue inflows which was in combination with the high expenditure incurred for the vulnerable sectors (especially poor section of the society).
- Various Medium-Sized Packages were given as an outcome of the pandemic. Upon the stabilization of the economy and health sector when lockdown was being slowly lifted, the government spending skyrocketed to revive the demand of the economy. Outcome was that, an estimate of INR 345 million (USD 4.72 million) revenue expenditure was incurred against the budgeted expenditure of INR 304.2 million (USD 4.16 million), while capital expenditure of INR 43.9 million (USD 0.6 million) was incurred against the INR 41.2 million (USD 0.56 million) budgeted in 2020-21.
- The fiscal deficit for 2020-21 pegged at 9.5% of GDP.
- Need for INR 800 billion (USD 10.97 billion) for which the government will approach the market in remaining 2 months.
- To revive the economic situation

    i. An Amount of INR 348.3 million (USD 4.77 million) budgeted expenditure, of which INR 55.4 million (USD 0.75 million) is Capital in nature is estimated for 2021-22. 34.5% increase of Budgeted expenditure proposed for 2020-21.

    ii. Fiscal deficit of 6.8% of GDP estimated for 2021-22.

    iii. Gross Borrowing for the year estimated at INR 12,000 billion (USD 164.49 billion).

    iv. Planning to reach a fiscal deficit below 4.5% of GDP by 2025-26 expenditure by and intend to follow the path of fiscal consolidation.

Fiscal Position

v. Contingency Fund of India is being proposed from INR 5 billion (USD 0.07 billion) to INR 300 billion (USD 4.11 billion)

vi. Normal Ceiling of net borrowing of 4% of GSDP for the year 2021-22 with additional borrowing ceiling of 0.5% of GSDP proposed.

- States to be expected with fiscal deficit of 3% of GSDP by 2023-24.

i. Enhancing scope of Statement 27 introduced in 2019-20 budget through inclusion of loans provided by FCI. Discontinuance of National Small Saving Fund Loan to FCI for food subsidy.

ii. Introduction to amendment in Fiscal Responsibility and Budget Management Act, 2003, towards attainment of Central Government fiscal deficit along a broad path.

iii. This year has necessitated for a deviation statement under Section 4(5) and 7(3) of FRBM Act, 2003.

iv. Jammu and Kashmir UT's funding will be provided by the center as it was entitled to get devolution of being a state.

Tax Proposals

Income Tax

Personal Taxation

Amendments pertaining to filing of Return of Income:

Section 139 governing filing of return of income has been proposed to be amended to provide:

- Exemption from filing of IT return to senior citizens of age more than 75 years earning only pension and interest income from notified banks. TDS would be required to be deducted by the respective bank. This will save the aged taxpayers from doing such compliance.
- Belated return and revised return can now be filed three months before the end of relevant assessment year or before the completion of assessment whichever is earlier. the taxpayers would need to be more diligent about the tax filing deadline.
- Due date for filing original tax return of income to be extended to 31st October of the AY in case spouse of partner of a firm whose accounts are required to be audited under the Act if, Section 5A which provides for taxation of spouses governed by Portuguese Civil code applies to them).
- Further, in the case 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, the due date of such partner be extended to 30th November of the assessment year.
- In order to relax the provision pertaining to Defective Return, it has been proposed to insert proviso empowering board to specify that certain conditions that may not be required to be satisfied for a return not to be treated as defective return.

Provident Fund

For contributions made annually in excess of 2.5 Lacs by a person towards the provident fund, the accrued interest on the excess contribution shall no longer be tax free. This will affect the high paid employees who choose to contribute higher amount and earn tax free interest

Exemption for LTC Cash Scheme:

The amount of certain other expenditures done in lieu of any travel concessions or assistance and received by or due to, an individual from the employer shall also be exempt u/s 10 (5) of the Income tax Act subject to fulfilment of certain conditions.

Further this relaxation shall be available only for the FY 2020-21 only.

Income Tax

Personal Taxation

Incentives for Affordable Rental Housing

Section 80-IBA providing tax exemption from business/professional income derived from developing and building affordable housing project has been extended to rental housing projects notified by central government. Further, the time limit to get approval from competent authority for such project has been extended from 31st March 2021 to 31st March 2022.

Interest on Loan on Certain House Property

Section 80 EEA which deals with interest on loan on certain house property is proposed to be amended to extend time limit for claiming deduction to Rs. 1,50,000 from 31st March 2021 to 31st March 2022

These steps will help in rejuvenating demand for low-cost housing.

Non-Filers of Tax Return

The tax deduction (u/s 206AB) or collected (u/s 206CCA) wherever is required from any person, shall be done at double the applicable rate or 5 %, whichever is higher, if such a person has not filed the return for the last two years for which the timeline of filing the original return has expired. This will serve as an additional deterrence for non-filers in the form of increased deduction/collection. Further, if the person is not able to provide the PAN, then the TDS shall be higher of the rate as applicable in Section 206AA and 206AB. Similarly, if collection is due, it shall be higher of the rates as applicable u/s 206CC and 206CCA.

Pre-filled Returns

Scope of pre-filled returns expanded and now it is proposed to include capital gains, dividend and bank interest details

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

It has been proposed to define ULIP as life insurance policy which has components of both investment and insurance and is linked to units defined in IRDS Regulations, 2019. No exemption shall be allowed on maturity on proceeds of ULIPs issued on or after 01/02/2021 if amount of premium payable during the term of policy exceeds Rs. 2,50,000. In case of premium payable for more than one ULIP, exemption shall be available only if aggregate of all such premiums doesn't exceed 2,50,000. Such threshold would not apply in case of death of person. Further, ULIPs for which no exemption is allowed on maturity as per the above provisions would be treated as capital asset and section 112A as applicable to listed equity shares and equity oriented mutual funds shall be applicable.

Advance Tax Liability

Advance tax liability on dividend income to arise only after declaration or payment of dividend.

International Taxation

Equalization Levy

Below provisions have been clarified retrospectively, that is, w.e.f 1st April 2020:

1. Equalization Levy shall not apply in cases where payment is subject to withholding tax as Royalty or Fees for Technical Services.
2. The definition of e-commerce supply of supply or services has been broadened wherein any online Acceptance of offer for sale or placing the purchase order or online Acceptance of the Purchase order or online Payment of consideration or online Supply of goods or provision of services, partly or wholly shall constitute such e-commerce supply. This seems to be against the expectations and would not be prudent as any of the activities performed online with regard to supply would trigger the levy.
3. Further, consideration for the purpose of such e-commerce supply shall include value of all goods and services traded through the portal irrespective of whether the e-commerce operator itself owns the goods or services supplied or not.

   The inclusion of whole consideration especially for third party products or services into the ambit of levy is somewhat not justifiable as the e-commerce commerce operator is merely a facilitator in that case and it would have been prudent if the commission only would have been included in such a scenario.

Rationalization of the provision concerning withholding on payment made to Foreign Institutional Investors (FIIs):

Income from Securities of Foreign Institutional Investor shall be eligible to rates provided in double taxation avoidance agreement at the time of withholding of taxes under section 196D of the Income-tax Act.

Addressing mismatch in taxation of income from notified overseas retirement fund

To avoid hardships faced by taxpayers in case of mismatch in the year of taxability of withdrawal from retirement funds by residents who had opened such fund when they were non-resident in India and resident in foreign countries due to taxability of such withdrawal on receipt basis in foreign countries, while on accrual basis in India, New section 89A is proposed to be inserted so that the income of such a person in this situation shall be taxed in a specific manner in the year as prescribed by the Central Government.

Definition of "Liable to Tax"

It is proposed to insert definition of the term liable to tax" in Sec. 2 to include tax liability on a person under any law of any country, and to include a case where an exemption has been provided subsequent to imposition of tax liability.

Income Tax

Corporate Tax Changes

Demergers and Strategic disinvestment

Under section 2(19AA), Explanation 6 has been inserted to clarify that the reconstruction or splitting up of a public sector company into separate companies shall be deemed to be a demerger, if:

- such reconstruction or splitting up has been made to transfer any asset of the demerged company to the resultant company; and
- the resultant company is a public sector company on the appointed date indicated in the scheme approved by the Government or any other body authorised under the provisions of the Companies Act, 2013 or any other Act governing such public sector companies in this behalf; and
- fulfils such other conditions as may be notified by the Central government.
- Section 72A has been amended to provide that the provision of subsection (1) of section 72A shall also apply in case of amalgamation of one or more public sector company or companies with one or more public sector company or companies.

Strategic disinvestment for the purposes of section 2(19AA) and 72A has been defined to mean sale of shareholding by the Central Government or any State Government in a public sector company which results in reduction of its shareholding to below 51% along with transfer of control to the buyer.

Scope of 'slump sale' enlarged to include all scenarios and not just sale of undertaking.

Amended scope of definition of "Slump Sale" u/s. 2(42C) to include all types of transfers within its scope to provide certainty. It proposes that the transfer of one or more undertakings "by any means" would constitute 'slump sale' and explains the word "transfer" at par with Sec. 2(47) relying on SC rulings in Dhampur Sugar Mills and Artex Manufacturing to cover non-monetary consideration under 'transfer' which "in effect and substance" is in the nature of sale. The proposal effectively overrules the Bombay HC ruling in Bharat Bijlee where distinction was drawn between slump sale and slump exchange.

Rationalization of provisions of start-ups

Section 80-IAC has been proposed to be amended to extend last date for incorporation of a start-up from 1st April 2021 to 1st April 2022 to avail 100% tax exemption for 3 consecutive years out of the 10 years from its incorporation.

Additionally, Section 54GB has been proposed to be amended to extend the time limit for transfer of residential house property whose proceeds are utilized to purchase the shares of a start-up to avail exemption from long-term capital gains has been extended from 1st April 2021 to 1st April 2022.

Income Tax

Tax Incentives for units located in IFSC

Tax holiday for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors, tax incentive for relocating foreign funds in the IFSC and to allow tax exemption to the investment division of foreign banks located in IFSC.

Amendments in section 80LA of the Income-tax act which deals with the deduction or certain incomes of offshore banking units wherein tax concession under this section is provided to Offshore Banking Unit and International Financial service centre.

Section 80LA has included under its purview any income arising from the transfer of an asset, being an aircraft or aircraft engines which was leased by a unit to a domestic company engaged in the business of operation of aircraft unit has commenced operation on or before the 31st March 2024.

Amendments in Section 9A to provide that the provisions mentioned therein shall not apply to an eligible investment fund or its eligible fund manager, if the fund manager is located in an International Financial Services Centre.

Clause (4D) in section 10 to provide that the exemption under this clause shall also be available in case of any 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.

New clause (4E) in section 10 of the act is proposed to be inserted to exempt any income accrued or arisen to or received by a non-resident as a result of transfer of non-deliverable forward contracts entered into with an offshore banking unit of International Financial Services Centre.

New clause (4F) in section 10 of the Act shall be inserted so as to exempt any income of a non-resident by way of royalty on account of lease of an aircraft in a previous year paid by a unit of an International Financial Services Centre, if the unit is eligible for deduction under section 80LA for that previous year.

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

Further, amendment in Section 47 to provide that there would be no capital gains on transfer of funds from the original fund to the resultant fund.

All these relaxations would further help in giving a boost to IFSC.

Income Tax

Tax Changes for InvITs and REITs, Sovereign funds

Announced has ben made about setting up of a Development Financial Institution to act as a provider, enabler and catalyst for infrastructure financing with a sum of Rs 20,000 crore to capitalise this institution. The ambition is to have a lending portfolio of at least Rs 5 lakh crore for this DFI in three years time. This shall make pension funds, sovereign funds a greater comfort to invest further into these sectors in India.

Further, debt financing of InvITs and REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations. This will further ease access of finance to InvITs and REITs thus generating funds for infrastructure and real estate sectors. TDS provisions have been relaxed in entirety for Invits and REITs.

Following amendments are proposed:

- With a view to encourage investments of SWF and Pension Funds, allowing Alternate Investment Fund (AIF) to invest up to 50% in non-eligible Investments.
- Investment through holding company.
- Investment in NBFC- IDF/IFC (non-banking finance company-infrastructure debt fund/Infrastructure finance company)
- Loan or borrowings by SWF/Pension Fund - Presently, SWF/PFs are not allowed to have loans or borrowings or deposit or investments as there is a condition that no benefit should ensure to private person. It is proposed to provide that there should not be any loan or borrowing for the purpose of making investment in India. It is also proposed to provide that the condition regarding no benefit to private person and assets going to government on dissolution would not apply to any payment made to creditor or depositor for loan taken or borrowing other than for the purpose of making investment in India.

Commercial activity - Presently, SWF/PFs are not allowed to undertake any commercial activity. This condition is proposed to be removed and replaced with a condition that SWF/PFs shall not participate in day to day operation of investee.

Liable to Tax – Presently, some PFs are liable to tax in their country though given exemption subsequently. It is proposed that if pension fund is liable to tax but exemption from taxation for all its income has been provided by the foreign country under whose laws it is created or established, then such pension fund shall also be eligible for exemption under these provisions.

It is also proposed to provide that the Central Government may prescribe the method of calculation of various limits referred to above.

Income Tax

Tax neutral conversion of Urban cooperative bank into banking company

It is proposed to expand the scope of business reorganization to include conversion of a primary co-operative bank to a banking company and the deductions available under section 44DB of the Act shall also be made applicable in relation to such conversion of primary co-operative bank to the banking company.

it is also proposed that transfer of a capital asset by the primary co-operative bank to the banking company as a result of conversion shall not be treated as transfer under section 47 of the Act. Consequently, the allotment of shares of the converted banking company to the shareholders of the predecessor primary co-operative bank shall not be treated as transfer under the said section of the Act.

Increase in safe harbor limit for home buyers

Increase in safe harbor limit of 10% to 20% for home buyers and real estate developers selling such residential units.

Issuance of zero coupon bond by infrastructure debt fund

Section 2(48) of the act has been widened to include the bonds issued by infrastructure debt fund under the definition of "zero coupon bonds" so that Infrastructure debt fund can raise funds through the issue of zero-coupon bonds.

Tax Audit Threshold

Tax audit limit increased for from current Rs. 5 crores to 10 crores incases cash receipts or payments do not exceed 5% of total receipts / payments

Income Tax

Rationalisation of various provisions

Exemption of deduction of tax at source on payment of Dividend to business trust in whose hand dividend is exempt

The provision of Section 194 provides for deduction of tax at source (TDS) on payment of dividend to a resident. The second proviso of the section excludes certain insurance companies or insurers on which such section is not applied. The budget proposed the amendment in said proviso by giving the exemption in respect of the income credited or paid to a business trust by a special purpose vehicle (SPV). Accordingly no TDS is required to be deducted by SPV on dividend paid to a Business trust. This amendment will take effect retrospectively from 1st April, 2020

Trusts and Charitable institutions

It is proposed to raise the annual receipts threshold from Rs. 1 cr. to Rs. 5 cr. for claiming exemption u/s. 10(23C) w.e.f. April 1, 2022 by universities, educational institutions, hospitals or other institutions under sub-clauses (iiiad) and (iiiae), in order to qualify for exemption u/s. 10(23C) / 11(1) on corpus fund.

Also, proposed a specially maintained investment fund as per modes of investments prescribed u/s 11(5) for investing voluntary contribution meant for the corpus fund.

Restriction on the set-off of preceding years' excessive application for arriving at the amount of application of income.

Income Tax

Rationalization of various provisions for employee contribution by employer to a specified fund

To clear the ambiguity regarding the disallowance on account of late payment of employee's contribution on provident fund, it has been provided that, it shall be covered under Section 36 and not Section 43B only and hence it shall be treated as a permanent disallowance in the hands of the employer.

Rationalization of various provisions for partnership firms

Rationalizing the provisions relating to taxation of the assets or amount received by partners from the partnership firm in excess of their capital contribution as there is uncertainty regarding applicability of Sec. 45(4) to a situation where i) assets are revalued or ii) self-generated assets are recorded in the books of accounts and payment is made to partner or member which is in excess of his capital contribution.

The budget proposes that in a case where a specified person (i.e. partner or member) receives any capital asset at the time of dissolution or reconstitution of the specified entity (partnership firm or AOP /BOI), the capital gains shall be chargeable to tax in the hands of such specified entity in the previous year in which the capital asset was received by the specified person and the FMV as on the date of receipt shall be the sales consideration.

It is also clarified that the balance in the capital account of the specified person in the books of account of the specified entity is to be calculated without taking into account increase due to revaluation / self-generated goodwill / asset.

Income Tax

Presumptive Scheme to Partnership firms

It has been provided that Limited Liability Partnerships are not eligible for presumptive taxation of professional income u/s. 44ADA.

Rationalization of TDS on purchase of goods

New section 194Q to levy TDS at 0.1% on the buyers on any sum payable to a resident for purchases of goods, if the value or aggregate of values of purchase exceed fifty lakhs in the previous year. The provision is appliable only on buyers whose total sales, gross receipts or turnover from the business carried on by them exceed Rs. 10 cr rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out.

However, if on a transaction TCS is required under sub-section (1H) of section 206C as well as TDS under this section, then on that transaction only TDS under section 194Q shall be levied.

Further, if the seller is not able to furnish PAN, the minimum withholding shall be at 5%.

Provisional attachment in Fake Invoice cases

Section 281B provides for the provisional attachment of any property belonging to the assessee by the Assessing Officer, with the prior approval of Pr. Chief Commissioner or Pr Director General or Chief Commissioner or Director General or Principal Commissioner or Principal Director or Commissioner or Director, of Income-tax, in case of pending assessment or reassessment proceedings so as to protect the interest of revenue.

It is proposed to amend sub-section (1) of the said section so as to provide that the aforesaid provisional attachment of a property of the assessee may also be made during the pendency of proceedings for imposition of penalty under section 271AAD where the amount or aggregate of amounts of penalty likely to be imposed under that section exceeds Rs. 2 crore rupees.

Income Tax

Goodwill and depreciation

It is proposed that goodwill of a business or profession will not be considered as depreciable asset.

Clarifies that in a situation where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be considered as cost of acquisition for the purpose of computation of capital gains u/s 48 subject to the condition that if depreciation was obtained by assessee prior to AY 2021-22.

Amendment to definition of 'block of assets'

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

Amendments to computation of capital gains in case of depreciable asset

Section 50 provides for certain conditions for the applicability of provisions of section 48 and 49 for computation of capital gains in case of depreciable assets, where the capital asset is an asset forming part of block assets in respect of which depreciation has been allowed.

It is proposed to insert a new proviso to provide that in case where goodwill forms part of block of assets for AY beginning on 1st April 2020, and depreciation thereon has been obtained by the assessee, the WDV of that block and STCG, if any shall be determined in the manner as prescribed.

Amendment to Section 55

Amended to provide that for intangibles like goodwill, trademark, brand name, right to produce, manufacture an article or thing, etc. -

- if the asset is acquired from previous owner, the cost of acquisition means the amount of purchase price for the previous owner, however in case of goodwill, if any depreciation has already been claimed by the previous owner, it shall be reduced from the purchase price and
- The cost of self-generated asset shall be nil.

Income Tax

Measures to Provide Tax Certainty

Powers of DRC

To provide early tax certainty, a new scheme is introduced by proposing to insert a new section 245MA wherein CG shall constitute a new committee i.e., Dispute Resolution Committee ("DRC"). It is the decision of the taxpayer to opt under the scheme and resolve the litigative matter at the initial stage. The DRC will have the powers to reduce or waive any penalty imposable under this Act or grant immunity from prosecution for any offence punishable under this Act.

Eligible Taxpayers

This scheme is only for the taxpayer,

- who have filed their returns,
- the returned income is upto INR 50 Lakhs, and
- the proposed adjustment to the returned income is upto INR 10 Lakhs.

Ineligible Taxpayers

The taxpayers for whom-

- any specified order for search or Survey has been passed,
- specified order was based on information received from foreign countries under an agreement referred to under section 90/90A,
- order for Detention under Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 has been made,
- Prosecution is instituted or he has been convicted under the provisions of the Income tax Act, 1961, Indian Penal Code, the Unlawful Activities (Prevention) Act, 1967, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Prohibition of Benami Transactions Act, 1988, the Prevention of Corruption Act, 1988 or the Prevention of Money Laundering Act, 2002

Income Tax

Constitution of the Board for Advance Ruling

In the current scheme of Advance Ruling, an appointment of chairman or vice chairman is mandated and due to position vacancy, a lot of applications could not get the finality. In order to remove the administrative difficulty in closing the long standing pendency, it is proposed to constitute a *Board of Advance Ruling* with a vision to give better and faster ruling to the taxpayer. All the related sections (from 245G to 245V) are amended accordingly and the word "or Board for Advance Rulings" is proposed to be inserted wherever the word "Authority" is mentioned. Accordingly, the Authority for Advance Ruling will cease to operate and Board for Advance Ruling will take that place to provide resolution to the taxpayers. Further, the Government shall be given the power to constitute more than one Board for Advance Ruling. All the pending applications shall be moved to the new board after the notified date.

Further, the definition of "applicant" of clause (b) of Section 245N is proposed to be amended by omitting the applicants under Custom Act, 1962, Excise Act, 1994 and section 96A of Finance Act, 1994.

Particulars	Existing Provisions	Budget proposals
Authority	Authority for Advance Rulings (AAR)	Board for Advance Rulings
Person eligible for appointment	**For Chairman** Retired Judges of Supreme Court or Retired Chief Justice of a High Court or Retired Judges of High Court who has served for at least seven years. **For Vice Chairman** Retired Judges of High Court	**2 members for Each Board** Any office not below the rank of Chief Commissioner
Binding Effect	On both Applicant and the Department	Binding effect cease to exist and the aggrieved party can appeal before High Court* within 60 days of the ruling or order which may be further extended upon application by 30 days.
*** New section 245W has been inserted**		

Income Tax

Proposed changes in Income tax Assessment

Amendment in Section 142

Vide insertion of a new proviso to the sub clause (i) of Section 142(1), now the prescribed authority in place of Assessing Officer can issue a notice under this section to those taxpayers who have not filed the return, to file their return of income.

Amendment in Section 143

In sub-section (1) of section 143 of the Act, the time limit for sending an intimation is now reduced from 1 year to 9 months from the end of the financial year in which the return was furnished.

Further, it is proposed to cover all the deductions under chapter VIA-Part C under the purview of section 143(1).

The scope of 143(1) is also expanded to cover those incomes which are reported in the audit reports but not considered in return of income.

Under sub-section (2) of section 143 of the Act, it is also proposed to reduce the time limit for issuance of notice from 6 months to 3 months from the end of the financial year in which the return is furnished.

Amendment of Section 153

Section 153 of the Act contains provisions in respect of time-limit for completion of assessment, reassessment and re-computation under the Act. The sub-section (1) of the said section provides that the time-limit for passing an assessment order under section 143 or 144 of the Act shall be 12 months from the end of the assessment year in which the income was first assessable. Hence, it is further proposed to reduce the time limit from 12 months to 9 months because all the proceedings got converted into faceless proceedings.

Income Tax

Proposed changes in Income tax Assessment

Amendment of Section 153A and Section 153C

It has been proposed to sunset the provisions of section 153A and 153C of the Act by inserting the end date to these sections. Therefore, these sections would only be applicable to the cases where in the search has been initiated on or before 31st March 2021.

Amendment in provisions related to Income Escaping Assessment

A new Section is proposed to be inserted i.e., section 148A where before making any reassessment under section 147, the AO shall conduct enquires if required and provide an opportunity of being heard to assessee. The AO may act upon the information:-

- flagged in the case of the assessee for the relevant assessment year in accordance with the risk management strategy formulated by the Board,
- a final objection raised by the Comptroller and Auditor General of India,
- in search, survey or requisition cases initiated or made or conducted, on or after 1st April, 2021,
- The time limit for issuance of notice u/s 148 has been reduced from existing 6 years to 3 years.

Further, the key points from insertion of new Section 148A, substitution of Section 147 and Section 148, amendment in section 151 of the Act.

- Prior approval of specified authorities is required for any such enquiry u/s 148A of the Act.
- Speaking order for section 148A is required to be passed.
- Procedure under section 148A shall not be applicable in case of search, survey or requisition cases initiated or made or conducted.
- In case proceeding u/s 148A are stayed, the period of limitation for issuance of the notice u/s 148, would be extended by 7 days if the available time limit is of less than 7 days.
- Once the reassessment proceeding u/s 147 is initiated and subsequently some issue has been noticed by the Assessing Officer, for that subsequent issue, no requirement to comply with the provision of section 148A.
- Substitution of Section 151 [Sanction for Issue of notice]

Income Tax

Amendment of Income Escaping Assessment

The specified authority for sanction of issue of notice under section 148 and section 148A shall be—

✓ If three years or less than three years have elapsed from the end of the relevant assessment year then specified authority shall be Principal Commissioner or Principal Director or Commissioner or Director,;

✓ If more than three years have elapsed from the end of the relevant assessment year then specified authority shall be Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General.

AMENDMENT TO THE DIRECT TAX VIVAD SE VISHWAS ACT, 2020

In the Direct Tax Vivad se Vishwas Act, 2020, consequential amendment to discontinuance of Settlement Commission has been proposed.

It has been proposed to insert an explanation to the definition of "appellant", "disputed tax" and "tax arrear" to keep the disputes arising out of the order of Settlement Commission out of the purview of the Vivad se Vishwas Scheme.

This amendment is proposed to be made effective from the 17th day of March 2020.

Income Tax

Discontinuance of Income-tax settlement commission and few amendments

A sunset Provision have been inserted in various section related to Income-tax settlement commission i.e., section 245B, section 245BC, section 245BD, section 245C wherein any application under these sections shall not be accepted on or after the 1st day of February 2021. As per changes proposed in Section 245D, an Interim Board shall be constituted and all the pendency would be transferred to such Board.

Further, is a case where the time limit for amending the order or filing of rectification application is not lapsed as on 1st February 2021 and after the constitution of the Interim Board, the available time limit for amending the order or filing of rectification application is below 60 days, such remaining period shall be extended to 60 days.

Accordingly, the definition of settlement of case u/s 245A of the Act is amended to insert term as mentioned below;

- "Interim Board" means the Interim Board for Settlement constituted under section 245AA,
- "Member of the Interim Board" means a Member of the Interim Board and
- "Pending application" means an application which was filed under section 245C and which fulfils the following conditions, namely: -
  - (i) It was not declared invalid under sub-section (2C) of section 245D; and
  - (ii) no order of section 245D(4) was issued on or before the 31st day of January, 2021 with respect to such application.

A new section 245AA is inserted for constitution of Interim board and procedures to be followed thereof;

- CG shall constitute one or more Interim Boards for Settlement, as may be necessary, for the settlement of pending applications which shall consist of three members not below the rank of Chief Commissioner may be nominated by the Board.
- If the Members of the Interim Board differ in opinion on any point, the point shall be decided according to the opinion of the majority.

Further, consequential amendment in section 245DD, section 245F, section 245G and section 245H is proposed wherein the powers and functions of the Settlement Commission is provided to the Interim Board. Further, under section 245M, an option has been given to the taxpayer to withdraw the existing application within 3 months from commencement of this Finance Act.

Income Tax

Miscellaneous Provisions

Income Declaration Scheme (IDS) amendment

It is also proposed to amend section 191 of the Finance Act, 2016 retrospectively from 1st June, 2016 relating to refund of any excess amount paid under the said scheme.

As per the current provisions, the excess money shall be refunded to certain class of persons. As per the proposed amendment, it is clarified that the excess money will be refunded without any interest component.

Amendment in certain provisions of the Prohibition of Benami Property Transactions Act, 1988

It is proposed to amend the definition of Adjudicating Authority under section 2 and consequently section 7 of PBPT Act, 1988 by authorizing the competent authority under subsection (1) of section 5 of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 to act as Adjudicating Authority under this act with effect from 1st July 2021. However, the Appellate Authority under the PBPT Act is unchanged and the appeals will lie before the Appellate Tribunal established u/s 25 of PMLA.

The provisions of section 8 to 17 of PBPT Act have been proposed to be called off. Further, the cases where the period of limitation u/s sub-section (7) of section 26 of the said Act is expires during the period beginning from 1st July, 2021 and ending on 29th September, 2021, the time limit for passing such order shall be extended to 30th September, 2021.

Provision for Faceless Proceedings before the Income-tax Appellate Tribunal (“ITAT”)

A new sub-section (7) is proposed to be inserted in section 255 to launch a faceless scheme for ITAT on the same line as faceless appeal scheme.

Goods & Services Tax

- Section 16 of the IGST Act has been amended for restricting zero rated supply on payment of integrated tax only to specified class of taxpayers or specified supplies of goods or services. Further, amended to link foreign exchange remittance in case of export of goods with refund and further restricting zero rating of supplies made to special economic zone only when such supplies are for authorised operations.
- Section 168 of the CGST Act has been amended to enable the jurisdictional commissioner to exercise powers under section 151 to call for information.
- Section 152(1) of the CGST Act has been amended to provide that no information obtained under section 150 and 151 shall be used for the purposes of any proceedings under the Act without giving an opportunity of being heard to the person concerned.
- Section 151 of the CGST Act has been amended to empower the jurisdictional commissioner to call for information from any person relating to any matters dealt with in connection with the Act.
- Section 129 of the CGST Act has been amended to delink the proceedings under relating to detention, seizure and release of goods and conveyances in transit from proceedings under section 130 relating to confiscation of goods or conveyances and levy of penalty.
- Proviso in Section 107(6) of the CGST Act has been inserted to provide that no appeal shall be filed against an order made under Section 129(3) [order for detention or seizure of goods or conveyances], unless pre-deposit of 25% of penalty has been made by Appellant.
- Section 82(1) of the CGST Act has been amended to provide that provisional attachment shall remain valid for the entire period starting from the initiation of any proceedings under Chapter XII (assessments), Chapter XIV (inspection, search, seizure and arrest) and Chapter XV (demand and recovery) till the expiry of a period of one year form the date of order made thereunder.
- Explanation to Section 75 (12) of the CGST Act has been inserted to clarify that “Self-assessment tax” shall include tax payable in respect of outward supplies as furnished under section 37 (mainly GSTR-1), but not included in the return furnished under section 39.
- Section 74 of the CGST Act has been amended to make separate proceeding from recovery of tax in case of seizure and confiscation of goods and conveyances.

Goods & Services Tax

- Proviso to Section 50(1) of the CGST Act has been amended to provide, retrospectively from July 1, 2017, interest shall be charged on net cash liability.
- Section 44 of the CGST Act has been amended to remove the mandatory requirement of furnishing a reconciliation statement duly audited by specified professional and provided for filing of annual return on self-certification basis. Further, empowers Commissioner to exempt a class of taxpayers from requirement of filing annual return.
- Section 35(5) of the CGST Act has been omitted to remove the mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professional.
- Section 16(2) of the CGST Act has been amended to insert (aa) after clause (a), so as to provide that input tax credit on invoice or debit note may be availed only when such details has been furnished by supplier in statement of outward supplies and details has been communicated to recipient.
- Section 7(1) of the CGST Act has been amended to insert clause (aa) after clause (a) retrospectively from July 1, 2017, so as to ensure levy of tax on activities or transactions involving supply of goods or services by any person, other than individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration. Further, an explanation has also been included to clarify that the person or its members or constituents shall be deemed to be two separate persons and the supply shall be deemed to take place from one person to another. Furthermore, paragraph 7 of schedule II to the CGST Act has been omitted with retrospective effect from July 1, 2017.

Agriculture Infrastructure and Development Cess (AIDC)

AIDC imposed on imported goods (Customs) and excisable goods (excise)

The Finance Bill, 2021 seeks to impose AIDC as additional duty on goods imported into India or excisable goods, which shall be in addition to any other duties of customs/ excise chargeable on goods under the Customs Act, 1962 and the Central Excise Act, 1944 respectively. AIDC is levied for the purpose of Union for financing the agriculture and other development expenditure.

EXCISABLE GOODS

Sl. No.	Description of Goods	AIDC [Rate per litre (INR)]
1	Petrol (branded/ unbranded)	2.5
2	High speed diesel (branded/ unbranded)	4

IMPORT OF GOODS

Sl. No.	CTH	Description of Goods	AIDC (%)
1.	0808 10 00	Apples	35%
2.	1511 10 00	Crude Palm Oil	17.5%
3.	1507 10 00	Crude Soya-bean oil	20%
4	1512 11 10	Crude Sunflower seed oil	20%
5	0713 10	Peas (Pisum sativum)	40%
6.	0713 20 10	Kabuli Channa	30%
7.	0713 20 20	Bengal Gram (desichana)	50%
8.	0713 20 90	Chick Peas (garbanzos)	50%
9.	0713 40 00	Lentils (Mosur)	20%
10.	2204	All goods (Wine)	100%
11.	2205	Vermouth and other wine of fresh grapes, flavoured	100%
12.	2206	Other fermented beverages	100%
13.	2208	All goods (Brandy, Bourbon, whiskey, Scotch etc.)	100%
14.	2701	Various types of coal	1.5%
15.	2702	Lignite, whether or not Agglomerated	1.5%
16.	2703	Peat, whether or not Agglomerated	1.5%
17.	3102 10 00	Urea	5%
18.	3102 30 00	Ammonium nitrate	5%
19.	31	Muriate of potash	5%
20.	3105 30 00	Diammonium phosphate	5%
21.	5201	Cotton	5%
22.	7106	Silver/Silver Dore	2.5%
23.	7108	Gold/Gold Dore	2.5%

Customs Act

- A new clause 7(B) to section 2 has been inserted to define the expression “Common Portal” and inserted a new section 154C to empower the board to notify a “common portal” named as common Customs Electronic Portal for registration, filing of bill of entry, shipping bill, other documents and forms, for payment of duty or any other purpose as specified by the board.
- Two new provisos are being inserted to section 149 to provide that documents may be amended automatically through the custom automated system and certain amendments as specified by the board may be done by importer or exporter at the common portal.
- Clause (ca) is being inserted to section 153(1), which provides that order, summon, notice or any other communication will be issued through the common portal
- Section 5(3) and Section 139 is amended to indicate the powers of Commissioner (Appeals) and a new section 110(1D) is inserted to provide that where gold has been seized by the proper officer, they can make an application to the commissioner (Appeals) instead of magistrate and the proper officer may dispose off the goods after receiving approval from the commissioner(Appeals).
- A new section 25(4A) is being inserted to provide validity period of the exemption to be granted by the central government, subject to conditions under Section 25(1) as 31st March falling immediately after two years from the date of such grant. Further, a new proviso has been inserted to reckon the validity from 1st February 2021, with respect to such exemptions which were existed as on the date on which the Finance Bill 2021, received the assent of the president.
- A new section 28BB is being inserted to provide the time limit for the completion of inquiry or investigation proceedings within a period of two years from the date of issuance of notice for recovery of duties. The period of two years can be extended up to further one year and period of stay as granted by an order of court or tribunal shall be excluded from the computation of the said period of two years.
- Section 46(3) is being amended to mandate filing of bill of entry in advance i.e. before the day of arrival (including Holidays) of conveyance. Further, proviso to the said section is amended to empower board to provide different time limits to present bill of entry as it deems fit, to fasten the clearance procedure.

Customs Act

- A new clause (ja) to section 113 is being inserted, to provide that any claim on contravention of any provisions related to goods exported under claim of refund or remission of duty, the goods so exported shall be liable to confiscation.
- A new section 114AC is being inserted to provide penalty, in cases where goods are exported under claim of refund and Input tax credit is fraudulently utilized for discharging the said liability. The penalty would be equal to five times of refund amount involved.

Custom Tariff Act

- Section 8B(6) of Custom Tariff Act is amended to define "Special Economic Zone" as defined in Special economic Zone Act 2005 (28 of 2005) and to make two conditions mutually exclusive.
- Section 9(1A) of Custom tariff Act, is being amended to levy countervailing duty retrospectively from the date of initiation of investigation in anti-circumvention cases. Further, a new section 9(1B) is inserted to provide anti-absorption measures in countervailing duty. Absorption of countervailing duty means, decrease in export price of an article without any commensurate changes in the retail price in India of such article imported from the exporting country or territory. Further, a new section 9(2A) is inserted to align with the provisions contained in 8(B)(6) related to the safeguard measures in respect of levy on goods cleared from EOU and SEZ into Domestic Tariff Area. Proviso is inserted to provide that countervailing duty can be temporarily revoked for a maximum period of one year. Section 9(6) is amended to provide that the countervailing duty can be further imposed after review up to a period not exceeding five years at a time.
- Section 9A(1A) of Custom tariff Act, is being amended to levy Anti-dumping duty retrospectively from the date of initiation of investigation in anti-circumvention cases. Further, a new section 9A(1B) is inserted to provide anti-absorption measures in Anti-dumping duty. Absorption of Anti-dumping duty means, decrease in export price of an article without any commensurate changes in the cost of production of such article or export price of such article to countries other than India or resale price in India of such article imported from the exporting country or territory. Further, a new section 9A(2A) is inserted to align with the provisions contained in 8(B)(6) related to the safeguard measures in respect of levy on goods cleared from EOU and SEZ into Domestic Tariff Area. Proviso is inserted to stipulate that Anti-dumping duty can be temporarily revoked for a maximum period of one year. Section 9A(5) is amended to provide that the Anti-dumping duty can be further imposed after review up to a period not exceeding five years at a time.

Customs Tariff Act

S. No	Description of Goods	From (%)	To (%)
1	Chemicals - Carbon Black	5	7.5
2	Plastic - Builder's ware	10	15
3	Gems and Jewellery - Cut and Polished stones (synthetic)	10	15
4	Electronic and Electronic Sector – Compressors of a kind	12.5	15
5	PCBA of a charger	10	15
6	Parts of Automobile - Safety Glass	10	15
7	Parts of electrical lightings and signalling equipment	10	15
8	Ignition Wiring Sets	10	15
9	Instruments Panel Clocks	10	15
10	Air/ Gas Compressors	7.5	15
11	Electric Motors	10	15
12	Relays	10	15
13	Boards, panels for electric control	10	15
14	Other Instruments, appliances and machines	7.5	15
15	Electronic automatic regulators	10	15
16	Agriculture and By Products - Denatured Ethyl Alcohol	2.5	5
17	Agriculture and By Products - All goods except dog and cat food	Nil/5/10/15/20/30	15
18	Mineral – Natural borates and concentrates thereof	Nil/5	2.5
19	Naphtha	4	2.5
20	Bis-phenol A	Nil	7.5
21	Epichlorohydrin	2.5	7.5
22	Polycarbonates	5	7.5
23	Caprolactam, Nylon chips	7.5	5
24	Other plates, sheets, films, etc. of other plastics	10	15
25	Leather – Wet blue chrome tanned leather	Nil	10

S. No	Description of Goods	From(%)	To(%)
1	Raw Silk, Silk yarn	10	15
2	Raw Cotton	Nil	5
3	Nylon Fibre and Yarn	7.5	5
4	Cotton waste	Nil	10
5	Silver, Gold	12.5	7.5
6	Silver Dore	11	6.1
7	Gold Dore	11.85	6.9
8	Base metals or precious metals clad with precious Metals, Platinum, Palladium, etc., Waste and scrap of precious metals, Coin	12.5	10
9	Spent catalyst or ash containing precious metals	11.85	9.17
10	Iron and steel scrap	2.5	Nil
11	Flat products of non-alloy and alloy steel	10/12.5	7.5
12	Long product of Stainless and alloy steel	10	7.5
13	Raw materials for use in manufacture of CRGO steel	2.5	Nil
14	Copper Scrap	5	2.5
15	Screw, bolts, nuts, etc. of iron and steel	10	15
16	Tunnel boring machines	Nil	7.5
17	Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	2.5
18	Specified insulated wires and cables	7.5	10
19	Solar lanterns or solar lamps	5	15
20	Solar Inverters	5	20

Central Excise Act

- Change in effective rate of Basic excise duty and Special Additional Excise Duty on Petrol and Deiseal after introduction of Agriculture Infrastructure and Development Cess (AIDC) so that burdon of additional duties can be reduced from the consumers. The revised duty structure would be effective from 2nd February 2021.

- New tariff item is inserted in chapter 24 in the fourth schedule to Central tariff Act, in ummanufactured tobacco, tobacco refuse, prescribed Basic Excise tariff rate is 81%, and NCCD, is prescribed at 25% with effect from 1st January 2022.

A	Item	BED (Rs/Ltr)	SAED (Rs/Ltr)	AIDC (Rs/Ltr)
1	Petrol (unbranded)	1.4	11	2.5
2	Petrol (branded)	2.6	11	2.5
3	High speed diesel (unbranded)	1.8	8	4
4	High speed diesel (branded)	4.2	8	4

Ashok Maheshwary & Associates LLP

CHARTERED ACCOUNTANTS

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Established in 1981 and headquartered in Gurgaon, Ashok Maheshwary & Associates LLP/AKM Global is an accounting firm in India with an International presence. Our core practice areas include Audit & Assurance, Market Research, Indian Entry Strategy, Outsourcing services, Valuations, Cross Border M&A, Tax and regulatory compliances, Corporate Finance, Joint Ventures & Restructuring, International Tax, Fund Structuring, Direct and Indirect Tax, Dispute Resolution, Transaction Advisory and Transfer Pricing.

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