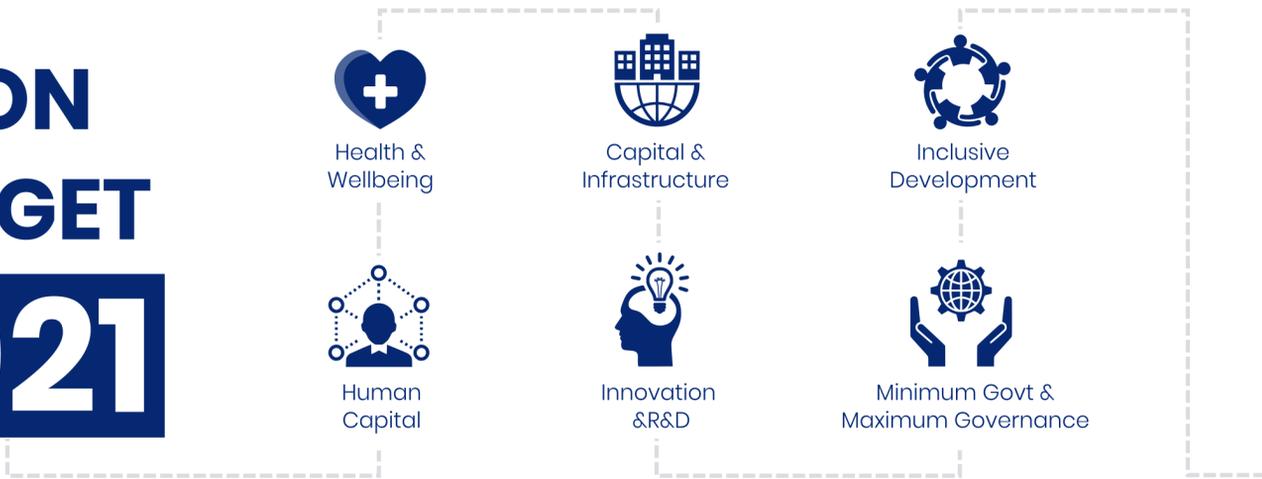




DECODING BUDGET 2021

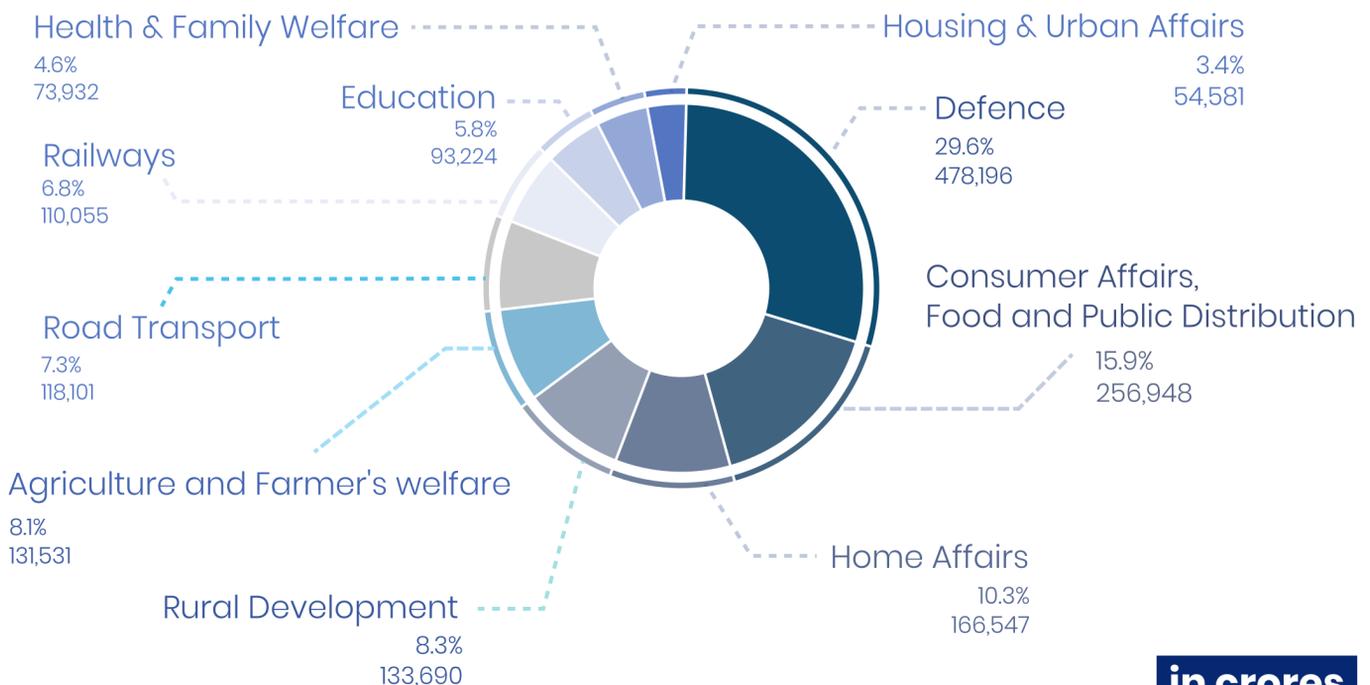
THE UNION BUDGET 2021



PKC OPINION

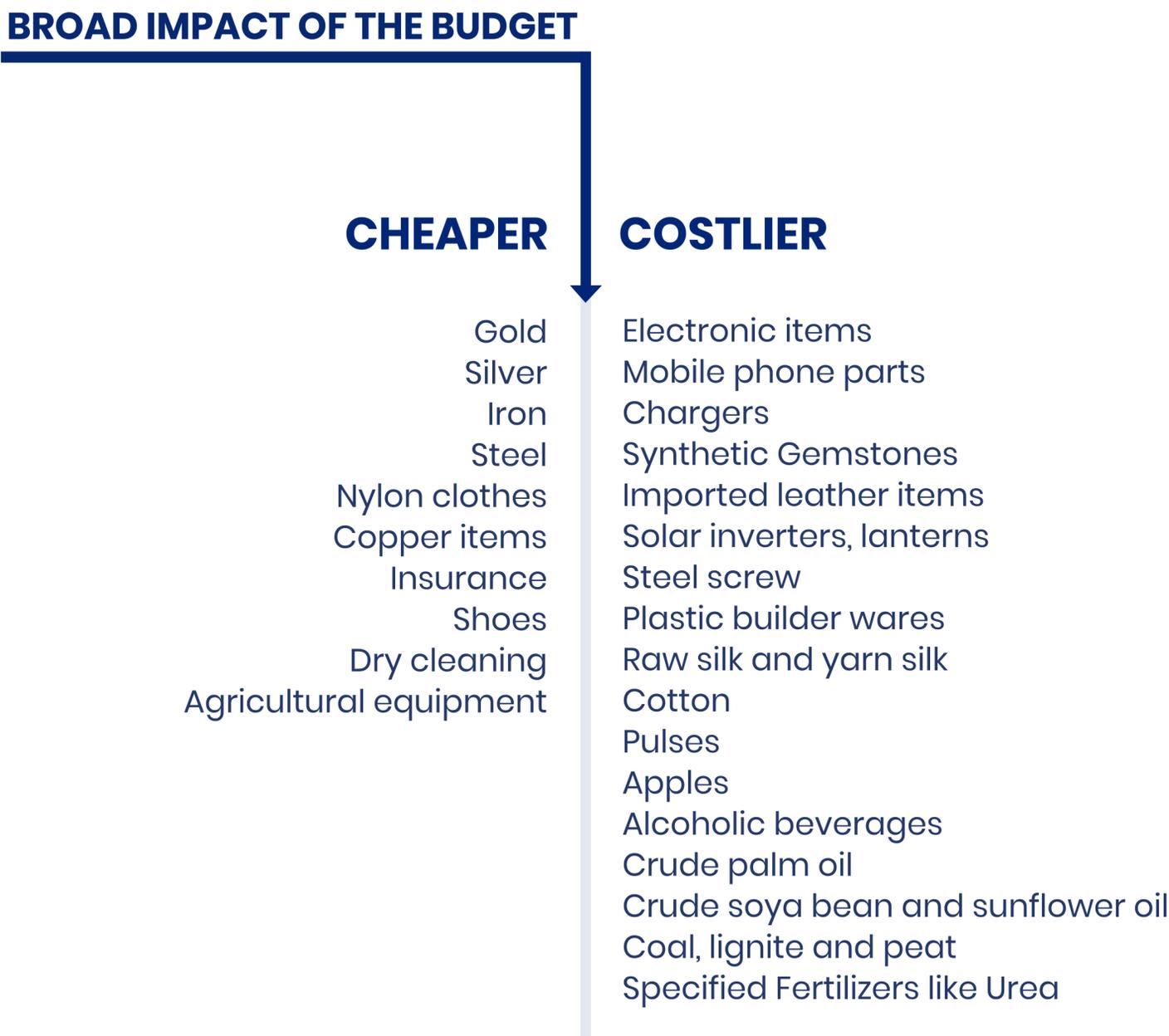
Strong & simple budget with mega push for capital expenditure, manufacturing & infrastructure projects with the hope to revive demand & money flow. Despite Covid impact, no sting of additional taxes. No tax relief either. The budget has delivered – its about the execution now.

ALLOCATION FOR VARIOUS MINISTRIES



in crores

BROAD IMPACT OF THE BUDGET



CHEAPER

Gold
Silver
Iron
Steel
Nylon clothes
Copper items
Insurance
Shoes
Dry cleaning
Agricultural equipment

COSTLIER

Electronic items
Mobile phone parts
Chargers
Synthetic Gemstones
Imported leather items
Solar inverters, lanterns
Steel screw
Plastic builder wares
Raw silk and yarn silk
Cotton
Pulses
Apples
Alcoholic beverages
Crude palm oil
Crude soya bean and sunflower oil
Coal, lignite and peat
Specified Fertilizers like Urea

ECONOMIC REFORMS

INSURANCE

74%

FDI Limit in Insurance sector increased from 49% to 74% with safeguards for domestic control

LIC

IPO of LIC to be done in 2021-22

INDUSTRIAL

TEXTILE

7 large Textile Parks to be established in the next 3 years. Help textile sector become globally competitive

CORRIDORS

Economic Corridors in poll-bound states (TN, Kerala, WB, Assam) - total outlay of 2.27 Lakh Crores

SECURITIES

Single Law for Securities Market replacing multiple current laws

INFRASTRUCTURE



Fiscal Deficit @ 9.5% of GDP. Estimated @ 6.8% for next year - significantly higher than other years driven by higher Govt. spending



PPP model introduced to run more than 20000 buses



Consumers will get to choose their Power Distribution Company. Boost to Competitiveness in Power Sector



Vehicle Scrapping Policy introduced. Fitness test for personal vehicles after 20 yrs and CVs after 15 years. Unfit vehicles to be scrapped.

DIRECT TAX PROPOSALS FOR INDIVIDUALS



1 LEAVE TRAVEL CONCESSION

LTC cash voucher scheme was announced in Oct'20 to boost consumer spending. Budget has ratified the announcement as a part of Income Tax Act



Mr X, an employee of ABC Ltd was not able to avail LTC benefit because of COVID Situation in FY 2020-21. Can he get his cash allowance in lieu of LTC? Is that exempted from Income Tax?

Yes. Mr X is still eligible to avail LTC exemption without making an actual travel during the FY 2020-21 if he satisfies some conditions

CONDITIONS PRESCRIBED TO AVAIL LTC EXEMPTION

Specified Expenditure	Specified Period	Specified mode of Payment	Amount of exemption
Purchase of any Goods or Services whose GST rate is 12% or more	Spending should be done between Oct 12 2020 to March 31, 2021	Payment for the purchases must be made through a digital mode including cheque, UPI, etc.	One third of the expenditure or Rs 36000 per person whichever is Less

Whether this benefit is available for all the years henceforth?

The benefit is available only for AY 2021-22 because of COVID in FY 2020-21

2 RELAXATION FOR SENIOR CITIZENS FROM FILING INCOME TAX RETURN

Who are eligible senior citizens?

Age of 75 years+ having only Pension Income and Interest Income



What is covered by the term "Interest Income" for the purpose of this benefit?

Interest income refers to Interest received from the bank in which the senior citizen receives pension



Mr. X is a Senior citizen. Does this mean he need not pay Income Tax?

No. It does not mean Senior citizens need not pay Income Tax. Tax deduction on pension and interest income will be the compliance burden of the banker. Mr. X need not file Income Tax Returns

3 INTEREST FROM PROVIDENT FUNDS MADE TAXABLE ABOVE RS. 250,000 – SEC 10(11) & (12)

Interest from Provident funds are exempt from Income Tax
(Recognized Provident fund interest exempt upto 9.5%)



This was there even earlier. What is the change?

If PF Contribution is above Rs. 250,000 per annum, Interest on the excess contribution is made taxable

From when is this applicable?

Applicable for contributions made on (or) after April 1, 2021

DIRECT TAX PROPOSALS FOR BUSINESSES



1 NEW TDS INTRODUCED ON PURCHASE OF GOODS (194Q)

A new section 194Q has been introduced effective from 01.07.2021 that makes it mandatory to deduct TDS on purchase of any goods



For whom is this applicable?

Applicable if both conditions satisfied:

- A. Turnover or Gross receipts of such business should be more than Rs 10 Crore in the preceding year
- B. Businesses that purchase goods from a resident seller for value exceeding Rs 50 Lakhs in a year (single purchase or multiple purchases)

What is the rate of TDS?

TDS shall be deducted @ 0.1 % on the purchase value exceeding Rs 50 Lakhs. No TDS to be deducted on the first Rs. 50 lakhs of purchase

In- case PAN of the seller is not available, TDS shall be deducted @ 5%

How is this section different from 206C (1H) on TCS for sale of goods introduced last year?

206C(1H) was brought in from 1st Oct 2020 and requires sellers with turnover more than Rs. 10 Crores to collect TCS on sale of goods above Rs. 50 lakhs. This new section of TDS u/s 194Q has been introduced keeping in mind those sellers whose turnover is less than 10 crores - who escape applicability of 206C(1H).

In case a transaction attracts both 194Q and 206C(1H), only TDS u/s 194Q needs to be deducted.

2 TDS/ TCS AT HIGHER RATES FOR NON FILERS OF INCOME TAX RETURNS SEC 206AB AND SEC 206CCA



New sections introduced where rates of TDS/TCS are higher if a business deals with a party who is a Non-Filer. This is effective from 1.7.2021.

Who is a Non - Filer?

Non Filer is a person who has not filed Income tax return for two years immediately preceding the year in which TDS/TCS is applicable

What is the Notified Higher Rate for Non - Filers ?

Higher of the following:

Twice the rate specified as per relevant provisions of the Act
or
Five Percentage



For what types of TDS is this applicable?

Applicable to TDS deducted under all sections except Salary (192), Cash withdrawals (194N) & less common sections such as 192A, 194B, 194BB, 194LBC



Mr X is an employee in ABC Ltd. Mr X is non filer. Does the employer need to deduct TDS at higher rate?

No. This new section for Higher TDS/TCS shall not apply to TDS deducted as per Sec 192 (Salary)

3 HIGHER REVENUE LIMIT FOR TAX AUDIT - SEC 44AB



Revenue Limit above which Tax audit is mandatory

Particulars	Before Budget	After Budget (effective from FY21-22)
Business Turnover	Rs 5 Crore (if conditions satisfied)	Rs 10Crore (if conditions satisfied)
Professional Turnover	Rs 50 Lakhs	No Changes

What are the conditions to be satisfied?

Both these conditions to be satisfied:
Total **Cash** Receipts during the year should be less than 5% of total receipts
Total **Cash** Payments (including Purchases) during the year should be less than 5% of total payments



If conditions not satisfied, turnover limit is Rs 1 Crore

DIRECT TAX PROPOSALS FOR CONSTRUCTION AND REAL ESTATE



1 INCENTIVES FOR AFFORDABLE HOUSING PROJECTS

Incentive to Builders – Sec 80IBA

100% tax holiday on income from affordable housing projects registered upto 31 March 2022
Tax holiday also covers Affordable Rental Housing project – further clarity on this yet to be given by the Govt.

Incentive to Consumers – 80EEA

Loans sanctioned between 1st April 2019 to 31st March, 2022 are eligible for extra interest deduction

What are the conditions to be satisfied?

Stamp duty value of the residential house property should not exceed Rs 45 Lakhs
The tax payer should be a first time home buyer

What is the amount allowed as interest deduction?

Maximum of Rs 1.50 Lakhs. The same is over and above the Rs 2 Lakh deduction as per Sec 24(b) of Income Tax Act.

2 INCREASE OF SAFE HARBOR LIMITS FOR RESIDENTIAL HOME BUYERS AND REAL ESTATE DEVELOPERS (SEC 43CA AND SEC 56(2)(X))



Earlier - Stamp duty value for sale of residential house property should not be more than 10% of the actual sale value

Now - Stamp duty value for sale of residential house property should not be more than 20% of the actual sale value, subject to specific conditions

RR Lets understand this better with an example

99 Mr X Purchased a house property from Mr Y

Particulars	Amount (Rs in Lakhs)
Stamp Duty Value of the property	100
Consideration paid by Mr X	85
Safe Harbor Limit before budget relief (110% of Rs 85 Lakhs)	93.5
Safe Harbor Limit after budget relief (120% of Rs 85 Lakhs)	



As a result, income tax will had the following impact

Particulars	Before Budget	After Budget
Sale consideration for Mr Y for the purpose of computing Capital Gain (43CA)	100	85
Income from Other sources for Mr Y (56(2)(X))	15	0
	Stamp duty value is more than 110% of Consideration paid	Stamp duty value is less than 120% of Consideration paid

What are the conditions?

- Transfer of residential unit shall take place between 12th Nov, 2020 to 30th June, 2021
- Transfer is in nature of First time allotment
- Consideration shall not exceed Rs 2 crores

OTHER DIRECT TAX PROPOSALS



1 WITHHOLDING TAX RATE FOR FOREIGN INSTITUTIONAL INVESTORS (FIIS) – SEC 196D

Income from Securities for FII were previously taxed at 20%. Benefit of DTAA was not given. Budget has rationalised this provision by allowing to withhold tax at the rate of 20% or the rate as per DTAA whichever is lower.

What is the compliance that needs to be done by FII to avail this benefit?

FII should furnish tax residency certificate to avail this benefit.

2 RELAXATION ON ADVANCE TAX ON DIVIDEND INCOME – SEC 234C

Interest U/s 234C at the rate of 1% per month is charged in case of short fall in quarterly advance tax payment. Budget has relaxed this interest in case shortfall is due to Dividend

Is there a situation where Dividend income should be considered for advance tax computation?

Yes. Dividend Income needs to be considered if advance tax is computed after date of declaration of dividend.

Does this benefit applicable to Deemed Dividend also?

No. This benefit is not applicable to Deemed Dividend

3 LAST DATE OF FILING BELATED RETURN/ REVISED RETURN (SEC 139(4)&(5))

Particulars	Before Budget	After Budget
Belated Return & Revised Return (Earlier of the following)	Last Date of Relevant Assessment Year (or) Last Date of Assessment	Three months before the Last Date of Assessment Year (or) Last Date of Assessment

4 PRE-FILLED INCOME TAX RETURNS



Income Tax return will now be pre-filled with details of Interest from Banks and Post Office, Dividend Income, and Capital Gains

Will all the capital gains be autopopulated?

No. Only the capital gains arising from listed securities will be autopopulated.

5 BENEFITS TO START-UPS (SEC 80 - IAC)

100% profits is allowed as deduction for eligible startups for three consecutive assessment year out of ten years at the option of the assessee

Is there any turnover limit to avail the benefit under this section?

Yes, total turnover should not exceed Rs. 100 crores.

What is the time limit for availing the benefit under this Section?

Eligible start-ups incorporated on or after 1.4.2016 and before 1.4.2022 can avail this benefit

INDIRECT TAX PROPOSALS

1 GST AUDIT - NOT MANDATORY (SEC 35(5) AND SEC 44 OF CGST ACT , 2017)

Mandatory requirement of getting the accounts audited by certified CA/CMA under GST is removed

Reconciliation statement certified by Professional is also not mandatory

Annual return along with Statement of Reconciliation can be filed on Self Certification basis

Whether there is any turnover limit for the above exemption?

No. The above exemption from mandatory GST Audit is applicable to all without any turnover limit

Does GSTR 9 need to be filed?

GSTR 9 still needs to be filed. The above exemption is only for GST Audit

2 INPUT TAX CREDIT CAN BE TAKEN ONLY AS PER GST PORTAL SEC 16(2)(AA)



A new provision has been added for the eligibility of Claiming Input Tax credit. As per the provision, ITC can be claimed on Invoices and Debit Notes issued by the supplier only if the Supplier reports them in his GST Return.

What is the impact of this section?

ITC can be claimed only for the Inputs reflecting on the portal and where the tax invoice or debit notes issued by the supplier is available with the recipient

Accountants have to follow up with the suppliers for making them file the GSTR 1 so that input can be availed on the purchases made from them.

Any input claimed in violation of the above provision is ineligible. The same needs to be reversed with 24% Interest

3 INTEREST PAYMENT ON NET TAX LIABILITY – SEC 50

The confusion of whether to pay the interest on Gross liability or on Net Cash Liability prevailed ever since the inception of GST.

CBIC earlier notified on Aug'20 that Interest on Net cash liability is applicable only from Sept'20. As per the current amendment, interest payment liability shall be charged on net cash liability retrospectively from 01.07.2017 onwards.

Provision for re-dressal of Interest paid on Gross tax liability for the period before this amendment is yet to be notified

4 25% PENALTY DEPOSIT FOR APPEAL – SEC 107(6)

New provision introduced which states no appeals shall be made against an order unless a sum equal to 25% of the penalty has been paid by the person who makes such appeal.

What is the order mentioned under this section?

Order which is referred to here is the order passed by proper officer who detains or seizes goods and conveyances in transit

5 IMPACT OF UNION BUDGET ON GOLD AND SILVER



Basic Customs duty on Gold and Silver have been slashed to increase the demand. However new Cess in the name of Agricultural and Infrastructure Development Cess (AIDA) will be charged on various goods including Gold & Silver

What is the rate of AIDA Cess on Gold & Silver?

AIDA Cess is charged at the rate of 2.5%

Particulars	Old Basic Customs Duty	New Basic Customs Duty	AIDA Cess
Gold & Silver	12.50%	7.50%	2.50%
Gold Dore Bars	11.85%	6.90%	2.50%
Silver Dore Bars	11.00%	6.10%	2.50%

6 CUSTOMS DUTY



Products	Old Rates	Revised Rates
Gold & Silver	12.50%	7.50%
Platinum & Palladium	10.0%	7.5%
Copper Scrap	5%	2.5%
Iron & Steel	12.75%	7.50%
Mobile Parts (restrictive)	0%	2.5%
Cotton	0%	10%
Leather	7.50%	10%
AC Compressor	12.5%	15%
Refrigerator Compressor	12.5%	15%
Steel Screws	10%	15%
Plastic builder wares	10%	15%
Auto Parts	7.5% - 10%	15%
Solar Inverters	5%	20%
Solar Lanterns	5%	15%

COMPANIES ACT PROPOSALS

1 SMALL COMPANY (SEC 2(85))

For easing the compliance burden, definition of Small Company has been changed

Minimum Requirement	Old Provision	New Provision
Paid Up Share Capital	Rs 50 Lakhs	Rs 2 Crore
Turnover	Rs 2 Crore	Rs 20 Crores



What benefits does a Small Company have?

Small companies may hold only 2 Board meetings whereas other companies have to hold 4 Board Meetings in a year

Rotation of auditors every 5 years or 10 years (as the case may be) is not required

No need to include Cash Flow Statement as a part of Annual Financial Statements.

Penalty charges are less for Small companies

2 ONE PERSON COMPANY (OPC) - SEC 2(62)

Relaxations for setting up of OPC



Requirement	Old Provision	New Provision
Minimum Capital	Rs 1 Lakh	Nil
Conversion into Private Ltd Company based on Turnover	Average Annual turnover exceeds Rs 2 Crore for three consecutive years	Anytime
Status of Member	Only Resident Individuals	Even Non - Residents are allowed to setup OPC
Residential status of Individual setting up OPC	182 Days or more	120 Days or more

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