



# India Budget Statement 2021



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# Foreword

The Budget comes amidst unprecedented COVID-19 pandemic and also formed the prelude of the Budget Speech. This Global crisis and its aftershock has crippled many economies, whereas, India has not only been resilient but also playing the role of Pharmacy to the World.

The cornerstone of the Budget was Atma Nirbhar Bharat: being largely self-reliant and a business epicenter of the World. The Budget rests on six pillars: Health and Wellbeing, Physical and Financial Capital, Infrastructure, Inclusive Development for Aspirational India, Reinvigorating Human Capital, Innovation and R&D, Minimum Government and Maximum Governance. These would go towards further strengthening nation first, doubling farmer's income, strong infrastructure, healthy India, good governance, opportunities for youth, education for all, women empowerment and inclusive development.

The pandemic has made everyone realign themselves towards holistic health, and the Budget touched upon three key areas: Preventive, Curative and Wellbeing whilst providing for tackle the burgeoning problem of air pollution, Jal Jeevan Mission (Urban), Mission Poshan 2.0 amongst others.

For attainment of the aspirational 5 trillion-dollar economy, emphasis was laid on the manufacturing sector for which- Production Linked Incentive scheme has already been outlined. The same would help India become global champions in manufacturing and an integral part of Global supply chains based on core competence and cutting-edge technology.

The Indian Government's thrust on infrastructure would require substantial fund infusion for which the Government would create institutional structure in the form of

Development Financial Institution coupled with enhancing the share of capital expenditure in central and state budgets. Further, the debt financing of InVITs and REITs by FPIs will be enabled to provide the addition funding support. In addition to the aforesaid steps, the Government would rely on Asset Monetization wherein monetizing operating public infrastructure assets was highlighted to be an important financing option for development of new infrastructure. Also, policy of strategic disinvestment would lay out a roadmap for disinvestment and strategic sale in nonstrategic and strategic sectors which would help provide the requisite resources to the Indian Government.

The Government aims to achieve inclusive development for aspirational India which would assure welfare of farmers and rural India, migrant workers (One Nation One Ration Card scheme), labour and financial inclusion for all.

# Foreword

The Budget focused on strengthening of the India's biggest asset, namely Human Capital by means of various initiative including realigning National Apprenticeship Training scheme for graduates and diploma holders and partnering with UAE and Japan for skill development and recognition.

While speculations were rife that an additional tax burden would be introduced to partially fund the pandemic related expenses, however, much to everyone's delight, there was no such 'Covid cess'. With this backdrop the direct tax proposals, have been aimed at garnering more revenue for the Government and have laid to rest various tax aggressive vexed issues viz. depreciation on goodwill emanating from business reorganizations, slump sale transactions, delay in deposit of employees' share towards social contributions. On the direct tax administration and litigation front, the

Faceless Assessment and Faceless Appeal is now being sought to be extended to the second appellate level also. Further, with the success of the VSVS, DRC is sought to be established for faceless mechanism to reduce litigation for small taxpayers.

The Government's strong-will for making the IFSC in GIFT City, a global financial hub is evident from the series of tax benefits which have been introduced in addition to the existing ones: 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 tax exemption for investment division of foreign banks located in IFSC. In the digital era that we are living in and with the robust reporting mechanisms put in place by the Government, details of capital gains from listed securities, dividend income, interest from banks, post office, etc. will be

pre-populated in the income tax return forms.



# Foreword

The indirect tax regime which has witnessed record collections in the recent months, is also set for changes by means of rationalization of customs duty structure by eliminating outdated exemptions, rationalization of duties on raw material inputs (electronic and mobile phone industry, iron & steel, renewable energy, MSME products, capital to man-made textiles, gold and silver). Further, there has been introduction of Agriculture Infrastructure and Development Cess on certain items.

With the planned deficit of almost 7%, this is an expenditure focused budget, aiming to propel India as a Global leader in the new world order. While most were expecting a budget which would be reactive to the pandemic, the thrust in the Budget has been rightly put to being pro-active towards growth. India has fared reasonably well dealing with the health crisis and the Budget

indicates that we would be faring equally (if not better) well, in the economic growth post the Corona era.



# Direct Tax Proposals

- Tax Rates
- Individual taxation
- Corporate taxation
- Exemption and Investment in eligible startup
- International Tax
- Capital Gain
- Improving Efficiency of tax administration
- Procedural and Time Limits
- Rationalization of MAT
- TDS/ TCS provisions
- Charitable Trust and Institution
- Miscellaneous

## Tax Rates

- There is no change in slabs of taxation or the tax rates for individual taxpayers.

## Exemption for LTC received In Cash

- Last year, the Government announced a scheme of providing tax exemption to individual taxpayers in respect of amount received in lieu of any leave travel concession or assistance.
- Amendment is now proposed in the IT Act to give statutory force to the scheme announced last year.
- To avail such exemption, the amount is required to be spent by the employees on the goods or services liable for GST at the rate of 12% or above and are to be purchased from GST registered seller during the period beginning from October 12,

2020 and ending on March 31, 2021. The amount of exemption shall however not exceed INR 36,000 per person or 1/3rd of the amount spent whichever is less.

- The payment of the goods or services should be made through banking channels only.

This amendment will take effect from April 1, 2021 and will apply in relation to the AY 2021-22 only.

## Taxability of Interest From Provident Funds

- Under the prevailing provision of the IT Act, any payment from specified Provident Funds are exempt under section 10(11) of the IT Act. Similarly, as per section 10(12) of the IT Act, accumulated balances which are due and payable to an employee by specified PFs are exempt subject to certain

conditions.

- It is now proposed to amend the said sections to tax the interest income accrued on account of employees' contribution in excess of INR 0.25 million in any previous year.

Applicable with effect from AY 2022-23.





## Affordable Residential House Property

- To promote affordable housing, section 80EEA of the IT Act, provides for deduction in respect of interest on loan taken for residential house property, stamp duty value of which does not exceed INR 4.5 million to the first-time home buyers.
- Deduction up to INR 0.15 million in respect of interest on loan under section 80EEA of the IT Act, could be availed provided loan has been sanctioned by any financial institution from the period beginning on April 1, 2019 to March 31, 2021 and the individual does not own any residential house property at the time of sanction of loan.
- Due to financial hardships caused by COVID-19 and to assist home buyers, it is proposed to extend the time limit for sanctioning the loan by financial

institutions to March 31, 2022.

Applicable with effect from AY 2022-23.

## Relaxation in filing of Tax Return to Senior Citizen having Age of 75 years or above

- To ease compliance for senior citizen ('person') who is resident in India and is of age of 75 years or above, it is proposed to provide relaxation from filing of return of Income.
- The aforesaid relaxation shall be available to the person having no income other than pension income or interest income from the same bank in which he is receiving his/her pension income.
- To avail such exemption, person is required to furnish a declaration in the form and manner as may be prescribed, to the specified bank (as notified by the

Government of India).

- After receipt of declaration, the bank will provide the applicable deduction (Chapter VI A and section 87A of the IT Act) to the senior citizen and compute taxable income and deduct TDS at rates in force.

Applicable with effect from AY 2021-22.

## ULIPs

- As per section 10(10D) of the IT Act maturity proceeds of life insurance policies (including bonus) where premium amount in any year does not exceed 10% of capital sum assured are exempt from tax.
- It has now been proposed that exemption under section 10(10D) of the IT Act shall not be available on maturity of ULIPs where premium paid by Assessee in any year during the term of one or more policies together exceeds INR 0.25 Million.

# Individual Taxation

- Exemption shall however be available in case of death of a person even if premium paid exceeded INR 0.25 million.
- ULIPs not covered under section 10(10D) of the IT Act shall be considered as capital assets and liable to capital gains tax at par with equity orientated funds as per the provisions of section 111A and 112A of the IT Act.
- STT to be applicable on above mentioned ULIPs.

Applicable with effect from AY 2021-22.

## **Addressing mismatch in taxation of Income from notified Overseas Retirement Fund**

- To address the issue of mismatch in the timing of taxability of income received on withdrawal/ redemption of overseas

retirement benefit funds by person resident in India, a new section 89A is proposed in the IT Act. As per this, income on withdrawal/ exemption would be taxed in India, the manner and the year, would be as prescribed by CG. This provision would apply only if:

- At the time of opening of the account the person was non-resident in India.
- Income from overseas retirement benefit funds is taxable overseas, only at the time of withdrawal/ redemption.
- The account should be opened only in the notified countries.

Applicable with effect from AY 2022-23.

## **Advance tax instalment for dividend income**

- Assessee is liable to pay interest under section 234C of the IT Act if he fails to pay

advance tax as per the provisions of section 208 of the IT Act.

- The current provisions however provide for the relaxation that if the shortfall in the advance tax instalment or the failure to pay the same on time is on account of the income listed therein, no interest under section 234C of the IT Act, shall be charged provided the Assessee has paid full tax in subsequent advance tax instalments.
- Owing to indeterminate nature of dividend income where accurate determination of advance tax liability is not possible, it is proposed to include dividend income in the list of such incomes under section (subject to certain conditions) but exclude deemed dividend as per section 2(22)(e) of the IT Act.

Applicable with effect from AY 2021-22.

## Tax Rates

- There is no change in tax rates for corporate taxpayers.

## Depreciation on Goodwill

- Nullifying Hon'ble Supreme Court's judgement in the case of Smiff Securities Limited, it has been proposed that 'Goodwill' of a business or profession shall not qualify as an asset eligible for depreciation under section 32 of the IT Act.
- A new proviso is proposed to be inserted, for determining the written down value of the block of assets and short-term capital gain in relation to the goodwill forming part of block of assets and on which depreciation has been claimed by the Assessee.
- Where goodwill or trademark or brand name associated with a business or profession, or a right to manufacture,

produce or process any article or thing, or right to carry on any business or profession, or tenancy rights, or stage carriage permits, or loom hours, has been acquired, then the cost of acquisition will be the cost in the hands of previous owner.

- The cost of acquisition of the purchased goodwill on which depreciation has been claimed by the Assessee before April 1, 2021, shall be the purchase price as reduced by such depreciation.

Applicable with effect from AY 2021-22.

## Incentive towards affordable rental housing

- To help migrant labourers and to promote affordable rental, a new sub-section (1A) is proposed to be introduced in section 80-IBA of the IT Act, to provide deduction of 100% of profits and gains derived from

the business of developing and building 'rental housing project' as notified by the CG and fulfilling conditions prescribed therein.

- Further, time limit for getting the affordable housing project approved has been proposed to be extended from March 31, 2021 to March 31, 2022.

Applicable with effect from AY 2022-23.



## Facilitating strategic disinvestment of public sector company

- To facilitate Strategic Disinvestment by the Government in case of Public Sector Companies, relaxation of provisions has been proposed in the below Sections:
  - Definition of demerger under section 2(19AA) of the IT Act to be expanded to include the reconstruction or splitting up of a public sector company into separate companies, subject to certain conditions.
  - Section 72A(1)(c) of the IT Act to be substituted to widen the scope of set off and carry forward of accumulated business loss and unabsorbed depreciation in case of amalgamation amongst the public sector company or companies.
  - Section 72A(1)(d) of the IT Act to be inserted to provide for allowance of set off and carry forward of accumulated

business loss and unabsorbed depreciation in case of amalgamation of an erstwhile public sector company as defined therein with companies subject to certain conditions.

Applicable with effect from AY 2021-22.

## Clarification for allowability of deduction for employee's contribution towards PF, ESI or Superannuation Fund

- It has been clarified that deduction under section 36(1)(va) of the IT Act for Employee's contribution towards PF, ESI or superannuation fund to be allowed on actual payment within the due dates as prescribed. Earlier, the deduction was claimed by Assessee if the payments were made on or before the due date of filing the return of income relying on certain judicial precedents.

- However, with proposed clarificatory amendment, principle laid down by various courts has been nullified. Further, consequential amendments have been made in section 43B of the IT Act.

Applicable with effect from AY 2021-22.

## Increase in threshold limit for tax audit in certain cases

- To incentivize non-cash transactions and to promote digital economy and reduce compliance burden of small and medium enterprises, it is proposed to increase the threshold limit for a person carrying on business from INR 50 million to INR 100 million where 95% of business transactions are done in digital mode.

Applicable with effect from AY 2021-22.

## **Rationalization of the provision of presumptive taxation for professionals under section 44ADA**

- Amendment under section 44ADA of the IT Act has been proposed to clarify that the said section is applicable only to individuals, HUF and partnership firm and does not include LLP.

Applicable with effect from AY 2021-22.

## **Tax neutral benefit for conversion of urban cooperative bank into banking company**

- It has been proposed to expand the scope of business reorganization to include conversion of co-operative bank into a banking company and special deduction under section 44DB of the IT Act to be made available. Further, transfer of a capital asset by the primary co-operative

bank to the banking company arising on such conversion shall not be considered as 'transfer' under section 47 of the IT Act.

Applicable with effect from AY 2021-22.

## **Raising of prescribed limit for exemption under sub-clause (iiid) and (iiiae) of section 10(23C) of the it act**

- Currently, the income received by any person on behalf of university/ educational institution [prescribed under section 10(23C)(iiid)] and hospital/ institution [prescribed under section 10(23C)(iiiae)] is exempt subject that the aggregate annual receipts do not exceed INR 10 million.
- To extend this benefit, the above-mentioned monetary limit is extended to INR 50 million.

Applicable with effect from AY 2022-23.

## **Rationalization of provisions related to SWF and Pension Funds**

- Currently, income in the nature of interest, dividend and LTCG derived by SWFs and Pension Funds are exempt, subject to satisfaction of certain conditions prescribed under section 10(23FE) of the IT Act. To remove difficulties in claiming exemptions following relaxations are proposed, subject to certain conditions:
  - Allowing AIFs to invest up to 50% in eligible infrastructure company and investment in InvITs.
  - Allowing investment through holding domestic company.
  - Allowing investment in NBFC-IDF/IFC.
  - Allowing loans or borrowings other than for the purpose of making investment in India.
  - Allowing carrying on commercial activity

# Corporate Taxation

other than day to day operation of investee.

- Making Pension Funds eligible to claim benefit if they were liable to tax in their home country; however, have become exempt for all its income.

Applicable with effect from AY 2021-2022 onwards.



## Extension of date of incorporation for eligible start up for exemption

- For promoting and stimulating growth through new ideas, 100% of profits and gains derived from an eligible business by an eligible start up is allowed as deduction under section 80-IAC of the IT Act, for 3 consecutive years out of 10 years at the option of Assessee.
- The above deduction shall be allowed provided that turnover of the business does not exceed INR 1,000 million in the previous year and eligible start up is incorporated on or after April 1, 2016 but before April 1, 2021 subject to other conditions.
- In the wake of COVID-19 and to pass on the benefit at large, it has been proposed to extend the outer date of incorporation by 1 year to March 31, 2022.

Applicable with effect from AY 2021-22.

## Exemption From Capital Gains

- Section 54GB of the IT Act, provides for exemption of long-term capital gain arising from transfer of residential property, owned by eligible assessee, if the assessee utilizes the net consideration for subscription of equity shares of eligible start up before due date of furnishing of return as per section 139(1).
- Further, it has been provided that benefit would only be available, if the residential property is transferred on or before March 31, 2021.
- To incentivize the investment, date of transfer of residential property is proposed to be extended to on or before March 31, 2022.

Applicable with effect from AY 2021-22.



## **Rationalisation of the provisions of EL**

- EL is applicable at 2% on consideration received or receivable by an e-commerce operator from e-commerce supply or services provided or facilitated to specified persons. Following clarifications have been proposed in this respect:
  - Considerations taxable as FTS or royalty as per the provisions of the IT Act read with DTAA, shall be excluded from the purview of EL.
  - Definition of ‘online sale of goods’ and ‘online provision of services’ shall include:
    - o acceptance of offer for sale;
    - o placing the purchase order;
    - o acceptance of purchase order;
    - o payment of consideration; or
    - o supply of goods or provision of services partly or wholly
    - o Consideration received or receivable

shall include consideration received by e-commerce operator whether the operator owns the goods or not and consideration for provision of service irrespective of whether service is provided or facilitated by the operator.

Applicable retrospectively with effect from AY 2021-22.

- Amendment has been proposed to section 10(50) of the IT Act to exempt income subject to EL from tax as per normal provisions with effect from April 1, 2020.

Applicable retrospectively with effect from AY 2021-22.

## **Benefits proposed for IFSC**

- Provisions of Section 9A of the IT Act are proposed to be amended to limit the scope of business connection in India for eligible investment funds and eligible fund managers situated in IFSC, subject to

commencement of operation by March 31, 2024 and other conditions to be notified.

- Benefit of capital gain exemption as per section 10(4D) of the IT Act extended to investment division of off-shore banking unit located in IFSC, subject to commencement of operation by March 31, 2024. Exemption to be computed in manner as may be prescribed.
- Income arising to a non-resident on transfer of non-deliverable forward contracts entered into with offshore banking unit situated in IFSC shall be exempt under newly introduced section 10(4E), subject to commencement of operation by March 31, 2024 and other conditions that may be prescribed.
- Income of a non-resident by way of royalty on account of lease of an aircraft paid by eligible unit of IFSC shall be exempt in hands of the non-resident, as per newly introduced section 10(4F), subject to



commencement of operation of unit by March 31, 2024.

- Income of a non-resident in the nature of capital gains on transfer of share of resident company from original fund to resultant fund on account of relocation to an IFSC shall be exempt under newly introduced section 10(23FF), if the relocation takes place on/ before March 31, 2023. Such transfer from original fund to resultant fund in relocation shall not be regarded as transfer as per section 47 of the IT Act.
- Provisions of section 80LA have been amended to extend benefit to units having copy of permission under the IFSCA Act.
- Income from transfer of aircraft or aircraft engine shall be eligible for 100% deduction for a unit located in IFSC subject to conditions.
- Provisions of section 115AD of the IT Act is proposed to be amended to include the

investment division of an offshore banking unit under the definition of ‘specified fund’, to the extent of income attributable to the investment division of such banking unit as a Category-III portfolio investor, calculated in the prescribed manner.

Applicable with effect from AY 2022-23.

## **Definition of the term - liable to tax**

- The definition of term ‘liable to tax’ is proposed to be added in section 2(29A) of the IT Act. The term would mean liability of tax in relation to a person under law of any country and would include any exemption provided subsequent to imposition of tax liability.
- This definition would extend meaning to the term ‘liable to tax’ currently used but not defined in sections 6, 10(23FE), 90 and

90A of the IT Act.

Applicable with effect from AY 2021-22.

## **Tax withholding on payments to FII**

- As per section 196D of the IT Act, income received by FII in respect of securities is subject to a withholding tax at the rate of 20%. It is now proposed to amend section 196D to allow lower rate of withholding tax on such payments as per DTAA, if the FII furnishes TRC.

Applicable with effect from AY 2021-22.

## **Significant Economic Presence**

- No change has been proposed in applicability of provisions related to ‘Significant Economic Presence’, which were introduced in section 9 of the IT Act, vide Finance Act 2020. The same shall continue to be applicable with effect from April 1, 2022.

## **Rationalization of provision for transfer of capital assets to partner on dissolution or reconstitution**

- It has been proposed to substitute section 45(4) of the IT Act and insert new section 45(4A) of the IT Act as per which the capital gain arising to the specified entity in case of transfer or distribution of capital assets/money/other asset to the specified person, on dissolution of a firm/ AOP/ BOI or reconstitution thereof, shall be computed without considering the increase on account of revaluation of any asset or self-generated goodwill or any other self-generated asset recorded in the books of accounts.
- Further, such capital gain shall be deemed to be the income of the specified entity of the previous year in which such capital asset/money/other asset is received by the specified person. Consequential amendment has also been made in section

48 of the IT Act.

Applicable with effect from AY 2021-22.

## **Increase in safe harbour threshold limit for home buyers and real estate developers**

- To boost the real-estate sector and aid the real estate developers in selling the unsold inventory, it has been proposed to increase the safe harbour threshold limit in case of transfer of Land & Building from 10% to 20% under section 43CA of the IT Act subject to the following conditions:
  - The transfer of residential unit takes place during the period from November 12, 2020 to June 30, 2021;
  - The transfer of residential unit is by way of first time allotment to any person;
  - The consideration received from such transfer does not exceed INR 20 Million.

- Consequential amendments have been made in Section 56(2)(x) of the IT Act.

Applicable with effect from AY 2021-22.

## **Rationalisation of provisions of slump sale**

- Amendment has been proposed to clarify the scope of the definition of 'slump sale' in term of section 50B to include all types of transfer as defined in clause 2(47) of the IT Act.

Applicable with effect from AY 2021-22.

## Faceless proceedings before ITAT

- With an aim to achieve greater efficiency, transparency and accountability, it has been proposed to extend faceless procedures for disposal of appeals before the ITAT on the same lines as faceless appeal scheme.
- A new section 255 has been proposed to be introduced for faceless procedure before the ITAT, to eliminate interface between the ITAT and parties to the appeal and introduce an appellate system with dynamic jurisdiction.
- CG to issue notifications for the same directing applicability, non-applicability, exceptions, modifications etc. to the provisions of the Act in this respect.

Applicable with effect from April 1, 2021.

## DRC for small and medium taxpayers

- New section is proposed to be introduced to provide early tax certainty for preventing new disputes and settling issues at initial stage for small and medium taxpayers, by constitution of one or more DRCs.
- Only disputes where returned income is up to INR 5 million (where return has been filed) and aggregate amount of variation is up to INR 1 million shall be eligible for consideration.
- Following cases shall not be eligible to be taken up by DRC:
  - orders on account of cases of search, requisition, survey or information received under DTAA's;
  - case of detention, prosecution or conviction under various laws
- DRC shall have the power to reduce/ waive penalty or grant immunity from

prosecution to the person where issues has been resolved by DRC.

Applicable with effect from AY 2021-22.



# Improving efficiency of Tax Administration

## Restructuring of AAR

- Under the existing provisions of Chapter XIX-B of IT Act, the AAR consisted of a Bench, including a Chairman who should be a retired judge of Supreme Court or Chief Justice of a High Court. The Bench cannot function in the absence of Chairman or Vice Chairman which causes significant delays.
- To expedite the disposal of applications, it is proposed to constitute a Board of Advance Ruling which shall substitute the existing structure.
- The Board would now consist of two members, not below the rank of Chief Commissioner. The rulings given by the Board will not be binding on either applicant or department and can be appealed before the High Court.

Applicable with effect from April 1, 2021

## Discontinuance of income tax settlement commission

- It is proposed to discontinue the ITSC with effect from February 1, 2021. This shall be followed by the constitution of interim Board for Settlement of pending cases. The Board shall consist of three members, each being an officer of the rank of Chief Commissioner.
- No new applications shall be accepted by ITSC on or after February 1, 2021 and pending matters shall be dealt by the interim Board.
- The assessee has been provided with the option to withdraw the pending application within 3 months from date of commencement of Finance Act, 2021 and intimate the same to the AO.

Applicable with effect from February 1, 2021.



## **Rationalisation of provision of processing of return and issuance of scrutiny notice**

- To curb the procedural difficulties, amendments under section 143(1)(a) of the IT Act, are proposed to be made. The said section will provide for adjustment having effect of:
  - increase in income indicated in audit report but not accounted in total income; and
  - disallowing claim of deduction under section 80-IA, 80-IAB, 80-IB, 80-IC, 80-ID and 80-IE of the IT Act, if the return has been filed after the due date specified under section 139 of the IT Act.
- It is also proposed to reduce the time limit for the processing of the return and issuance of the intimation under section 143(1) of the IT Act, to 9 months from 12 months from the end of the financial year

in which the return was furnished.

- It is also proposed that the notice for selection of the cases for scrutiny should be issued within 3 months from the end of the financial year in which return is furnished.

Applicable with effect from April 1, 2021.

## **Income escaping assessment and search assessments**

- A completely new procedure for the assessment of such cases has been proposed which is expected to result in less litigation and would provide the ease and relaxation to the taxpayers.
- A new section 148A, is proposed to be inserted in the IT Act, which provides that before issuance of notice for initiating reassessment proceedings, the Assessing Officer shall conduct enquiries, if required, and provide an opportunity of being heard

to the assessee.

- After considering his reply, the Assessing Officer shall decide, by passing an order, whether it is a fit case for issue of notice under section 148 of the IT Act and serve a copy of such order along with the notice on the assessee. However, the provisions of section 148A of the IT Act, shall not be applicable in search or requisition cases.
- The amendment further provides for new procedures for assessment under section 147 of the IT Act, whereby a notice under section 148 of the IT Act, can be issued only when there is 'information' with the assessing officer which suggests that the income chargeable to tax has escaped assessment.
- It is proposed that any information which has been flagged in accordance with the risk management strategy formulated by board or on objection by the Comptroller and Auditor General of India, will be considered

# Procedural and Time Limits

to be the ‘information’ for the purpose of initiating reassessment proceedings.

- The time limit for issuance of notice under section 148 of the IT Act, of the Act is proposed to be reduced from 6 years to 3 years from the end of relevant assessment year except cases involving escapement which involve alleged tax evasion exceeding INR 5 million. Notice beyond three years from the end of the relevant assessment year can be taken only in a few specific cases.
- It is also proposed that for the purposes of computing the period of limitation for issue of section 148 notice, the time or extended time allowed to the assessee in providing opportunity of being heard or period during which such proceedings before issuance of notice under section 148 are stayed by an order or injunction of any court, shall be excluded.

Applicable with effect from April 1, 2021.

## Extension of due date of filing of tax return

- In order to provide relaxation to the partner of a firm which is liable for furnishing the report under section 92E of the IT Act, the due date of filing of return of such partner is extended to November 30 of the Assessment year.
- To bring parity, due date for filing of return of spouse of a partner (governed by the Portuguese Civil code as specified under section 5A) of a firm which is liable for audit has been extended to October 31 of assessment year.

Applicable with effect from AY 2021-22.

## Others

- The time limit for passing an assessment order under section 143 or 144 of the IT Act has been proposed to be reduced from

1 year to 9 months.

- The due date of filing of revised and belated return has been reduced by 3 months to December 31 of the relevant assessment year, or before the completion of assessment, whichever is earlier.

Applicable with effect from April 1, 2021.

## Adjustment for income booked on account of APA or secondary adjustment

- Presently, computation of book profit under section 115JB of the IT Act did not provide for any adjustment on account of additional income of past year(s) included in books of account of current year on account of secondary adjustment under Section 92CE of the IT Act or on account of an APA entered with the taxpayer under Section 92CC of the Act.
- It is now proposed to provide that in cases where past year income is included in books of account during the previous year on account of an APA or a secondary adjustment, the Assessing Officer shall, on an application made to him by the assessee, recompute the book profit of the past year(s) and tax payable, if any, during the previous year. Consequential amendment have also been proposed in section 154 of

the IT Act to allow rectification in this regard.

## Adjustment for dividend taxable at beneficial rate under DTAA

- While computing book profit under section 115JB of the IT Act, adjustment has also been proposed for dividend income in case of foreign companies is taxable at concessional tax rate as per the relevant DTAA and related expenditure to be excluded in the computation of book profits.

Applicable with effect from AY 2021-22.



## TDS on purchase of goods

- A new section 194Q is proposed in the IT Act to provide TDS at the rate of 0.1% on purchase of goods by specified buyers (having turnover/ gross receipts exceeding INR 100 million in the immediately preceding FY) from the resident sellers if the aggregate value of goods exceeds INR 5 million in the previous year.
- This, however, will not apply to a transaction on which tax is deductible under any other provision / collectible under Section 206C except section 206C(1H) of IT Act on sale of goods.
- Both the TDS and TCS provisions on sale of goods will function as alternative regime to each other. TDS provision will apply, where aggregate turnover of buyer exceeds INR 100 million, whereas TCS provision will apply in case aggregate turnover of seller exceeds INR 100 million. In case of an

overlap between TCS provisions under section 206C(1H) and TDS provisions under section 194Q, provision of TDS under section 194Q the IT Act would prevail.

- An amendment is also proposed in section 206AA of IT Act to provide TDS at 5% if TDS is required to be deducted under section 194Q and PAN is not provided.

Applicable with effect from July 1, 2021.

## TDS/ TCS at higher rates on non-filing of income tax returns

- Two new sections i.e., section 206AB and 206CCA have been proposed in the IT Act to provide TDS/ TCS at twice of the rates specified or 5%, whichever is higher on the amount paid/payable to the specified person defined as under:
  - Return of income is not filed by the payee/ collectee for both the immediately

2 preceding FYs in which TDS/ TCS is required; and

- Aggregate of TDS/ TCS is INR 0.05 million or more in each of these 2 preceding FYs.
- Exclusion has been provided for NRs who does not have PE in India.

Applicable with effect from July 1, 2021.

## Exemption of TDS on payment of dividend to business trust

- The exemption from TDS on payment of dividend under section 194 of the IT Act has been extended on income paid/ credited to a business trust by a special purpose vehicle or payment of dividend to any other person as may be notified.

Applicable retrospectively with effect from April 1, 2020



# Charitable Trust and Institution

## Amendments in the provisions of charitable trust and institutions for elimination of double deduction

- Voluntary contribution made with specific direction forming part of corpus shall be deposited in the modes specified in section 11(5) of the IT Act maintained specifically for such corpus.
- Application out of the corpus shall not be considered as application of income under third proviso of section 10(23C) and section 11(1)(a) and 11(1)(b) of the IT Act. However, when it is invested or deposited back in the specified modes maintained specifically for such corpus from the income of the previous year, such amount shall be allowed as application to the extent of such deposit or investment in the year of such deposition.
- Application from the loan and advances shall not be considered as application of

income. However, repayment of loan or borrowing from the income of the previous year shall be allowed as application of income in the year of repayment and to the extent of the amount repaid.

- Clarification has been provided that while computing income in case of charitable entities eligible for exemption under section 11 of the IT Act, no set off or deduction of any excess application for any of the preceding years to be allowed.

Applicable with effect from AY 2022-23.



## Clarification regarding the scope of VSV

- It has been proposed to amend definition of ‘appellant’, ‘disputed tax’ and ‘tax arrears’ under the VSV Act to exclude cases pending before any appellate forum arising out of order by Income Tax Settlement Commission.

Applicable with retrospective effect from March 17, 2020

## Refund under IDS

- It has been clarified that where refund is receivable pursuant to declaration under IDS by specified class of persons, as inserted by Finance Act 2019, no interest shall be allowed on such refund, resulting on account of excess amount paid at the time of declaration.

Applicable retrospectively with effect from June 1, 2016.

## Provisional attachment in fake invoice cases

- The power to attach property on provisional basis by the tax authorities under section 281B of IT Act has now been extended to false entry or omission of entry from the books of accounts.
- This will be applicable during the pendency of penalty proceedings under section 271AAD of IT Act if the aggregate amount of penalty likely to be imposed exceeds INR 20 million.

Applicable with effect from April 1, 2021.

## IDFs allowed to issue ZCB

- Amendment is proposed in the section 2(48) of IT Act to enable the notified IDFs to issue ZCB.

- Consequential amendment also made under section 194A to provide exemption from TDS.

Applicable with effect from AY 2022-23





## Indirect Tax Proposals

- Goods and Services Tax
- Customs Duty
- Changes in Excise tariff

## Legislative changes in GST

- A new provision relating to supply of goods or services by any person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration has been included in the scope of supply, with retrospectively effect from July 1, 2017.
- ITC availment restricted only to cases where details of invoice/ debit notes have been furnished by suppliers in their 'Statement of Outward supplies' i.e., reported in form GSTR-1 and such details have been communicated to recipient of such invoice/ debit note.
- Provision relating to filing of GST Annual Return amended to provide for filing of Annual Return on self-certification basis. Commissioner is further empowered to exempt a class of taxpayers from the requirement of filing annual return.
- Mandatory requirement of getting annual accounts audited and reconciliation statement by specified professional has been omitted.
- Retrospective amendment (from July 1, 2017) proposed so as to charge interest on net cash liability.
- Provisions relating to recovery proceedings amended to make seizure, and confiscation of goods and conveyances in transit as separate proceedings.
- Explanation inserted to clarify that self-assessed tax to include the tax payable in respect of outward supplies declared in FORM GSTR-1 but not furnished in FORM GSTR-3B.
- Powers of provisional attachment of property widened to include all proceedings under Chapter XII - Assessment, Chapter XIV – Inspection, Search, Seizure a& Arrest and Chapter XV –Demands & Recovery.
- No appeals can be filed to Appellate Authority against the order issued for detaining/ seizing of goods or conveyances unless a sum equal to 25% of the penalty is paid by the appellant.
- Provisions relating to detention, seizure and release of goods and conveyances in transit have been amended, so as to delink proceeding relating to detention, seizure and release of goods and conveyances in transit, from the proceedings relating to confiscation of goods or conveyances and levy of penalty.

# Goods and Services Tax

Changes are tabulated below:

Section 129 (1) (a)	Old Provision	New Provision
Section 129 (1) (a)	In case owner of goods comes forward to pay, goods would be released on payment of the applicable tax and penalty equal to 100% of the tax payable on such goods	In case owner of goods comes forward to pay, goods would be released on payment of penalty of 200% of tax payable
Section 129 (1) (a)	In case owner of goods does not come forward to pay, goods would be released on payment of the applicable tax and penalty equal to the 50% of the value of the goods reduced by the tax amount paid thereon	In case owner of goods does not come forward to pay, goods would be released to payment of penalty of 50% of the value of goods or 200% of the tax payable on such goods, whichever is higher
Section 129 (2)	Release of goods on provisional basis in case of detention/ seizure of goods and conveyances in transit upon furnishing of securities, execution of bonds or on payment of applicable tax, interest and penalty payable	In case owner of goods does not come forward to pay, goods would be released to payment of penalty of 50% of the value of goods or 200% of the tax payable on such goods, whichever is higher
Section 129 (3)	No timeline was prescribed for issuing notice by proper officer for detention & seizure and payment of penalty	Seven days' time limit has been prescribed for issuance of notice for detention & seizure and payment of penalty
Section 129 (4)	Opportunity of being heard would be provided for determination of tax, interest or penalty	Opportunity of being heard would be provided for determination of penalty
Section 129 (6)	Penalty to be paid within 14 days of detention or seizure	Penalty to be paid within 15 days of detention or seizure

# Goods and Services Tax

- Changes have been proposed in IGST to restrict the zero-rated supply on payment of integrated tax only to a notified class of taxpayers or notified supplies of goods or services.
- Appropriate amendments proposed in IGST to link the foreign exchange remittance in case of export of goods with refund. Registered person making zero rated supply of goods, in case of non-realization of sale proceeds within 30 days from the time limits as prescribed under FEMA, be liable to deposit the refund received along with the applicable interest.
- Supplies made to SEZ proposed to be considered as zero-rated supply in terms of IGST only where said supplies are made for authorized operations.

Particulars	Date from which changes will be effective
GST Legislative Changes	Amendments to come into effect from the date when the same will be notified, concurrently with the corresponding amendments to the similar Acts passed by the States and Union territories with Legislature.
Other Legislative Changes	Date of enactment of the Finance Bill, 2021
New rates of Excise Duty	Midnight of February 1, 2021/ February 2, 2021 unless otherwise specified
Other Legislative Changes	Date of enactment of the Finance Bill, 2021



## Legislative changes in the Customs Act

- All conditional customs duty exemptions to have validity of 2 years, unless otherwise specified or varied or rescinded given under Customs Act, shall come to an end on March 31 falling immediately 2 years after the date of such grant or variation. All existing conditional exemptions in force shall come to an end on March 31, 2023 (if not specifically extended/ rescinded earlier) on review.
- A definite period of 2 years, extendable by 1 year, prescribed for completion of customs investigation.
- Filing of bills of entry made mandatory before the end of day preceding the day of arrival of goods, except in certain specified cases.
- Provision in relation to disposal of seized goods amended to allow the proper officer to make an application to the Commissioner (Appeals) for pre-trial disposal of seized goods, thereby expediting the disposal process.
- Provision in relation to confiscation of goods attempted to be improperly exported, etc. amended to include that any goods entered for exportation, making wrongful claim of remission or refund would be liable to confiscation.
- Penalty not exceeding 5 times the refund claimed prescribed in cases where any person has obtained any invoice by fraud, collusion, willful misstatement, or suppression of facts, to utilize ITC for discharging any duty or tax on goods that are entered for exportation under claim of refund of any duty or tax.
- Commissioner (Appeals) empowered to certify inventories, photographs, and lists to give evidentiary value to such documents.
- Specified amendments by importer/ exporter on self-amendment basis allowed. Until now all amendments were to be approved by the proper officer.
- Board to notify a common portal for facilitating registration, filing of bills of entry, shipping bills, other documents and forms prescribed under Customs Law or any other law for the time being in force, payment of duty and for carrying out functions and other purposes as may be specified.
- Uploading/ making available notice, order, etc. on the common portal deemed to be 'service' to the assessee.

# Customs Duty

## Miscellaneous legislative changes

- AIDC as a duty of customs being imposed on the import of certain goods specified in First Schedule of CTA
  - To finance the improvement of agriculture infrastructure and other development expenditure.
  - Rate of AIDC would not exceed the rate of customs duty as specified on such goods in the First Schedule of CTA.
  - AIDC would be percentage of value of goods, calculated in the same manner as the value of goods is calculated for the purpose of customs duty under Customs Act.
  - AIDC is in addition to any other duties of customs chargeable on such goods, under the Customs Act or any other law for the time being in force.
  - provisions of the Customs Law including
    - those relating to assessment, non-levy, short-levy, refund, exemptions, interest, appeals, offences and penalties shall, as far as may be, apply in relation to the levy and collection of AIDC.
    - SWS levied on AIDC. However, exemption from SWS on AIDC been given to gold and silver.
  - High speed rail project are being included in the list of projects eligible for benefit under Project Imports Scheme, thereby attracting effective BCD of 5%.
  - Customs IGCR rules being amended to provide the following facilities:
    - To allow job-work of the materials (except gold and jewellery and other precious metals) imported under concessional rate of duty.
    - to allow 100% out-sourcing for manufacture of goods on job-work.
  - to allow imported capital goods that have been used for the specified purpose to be cleared on payment of differential duty, along with interest, on the depreciated value. The depreciation norms would be the same as applied to EOUs, as per Foreign Trade Policy.
- Amendments made in the provision relating to ADD, CVD, Safeguard measures to provide for:
  - Imposition of duty from the date of initiation of anti-circumvention investigation.
  - Anti-absorption provisions to counter situation where, by reduction of export prices or otherwise, the ADD/CVD levied is sought to be absorbed, diluting the intended impact of such ADD/CVD.
  - Imposition of these duties on review for period upto 5 years at a time.



# Customs Duty

- Uniform provisions for imposition ADD/CVD on account of inputs (attracting ADD or CVD) used by EoUs and SEZs for manufacture of goods that are cleared to DTA.
- Whenever any particular ADD or CVD is temporarily revoked, such temporary revocation would not exceed 1 year at a time.
- Final findings are to be issued in ADD/CVD, in investigation in review proceedings, by the designated authority, at least 3 months prior to expiry of the ADD under review (with effect from the July 1, 2021).
- Provisional assessment in anti-circumvention investigation and make some other technical changes in ADD/CVD rules.
- Manner of application of safeguard measure, including tariff-rate quota in the

Safeguard Duty (name changed to Safeguard Measures) rules.

## Changes in the customs tariff

- SN heading 1509 expanded to differentiate virgin olive oil, extra virgin olive oil & other virgin olive oils, as under:

Tariff Item	Description of Goods	Unit	Rate of Basic Customs Duty	
			Standard	Preferential Areas
1509 20 00	1509 20 00	Kg.	45%	35%
1509 30 00	1509 30 00	Kg.	45%	35%
1509 40 00	1509 40 00	Kg.	45%	35%

- A sub heading note inserted to provide scope of Tariff Item 1509 30 00. The note states that ‘Virgin olive oil has a free acidity expressed as oleic acid not exceeding 2.0 g/ 100 g and can be distinguished from the other virgin olive oil categories according to the characteristics indicated in the Codex Alimentarius Standard 33-1981.’

# Customs Duty

## Exemption from BCD / SWS

- SWS exempted on marble and travertine, Crude or roughly trimmed (tariff item 2515 11 00) and on marble and travertine blocks (tariff item 2515 12 10).

## Withdrawal of exemption

- All items of machinery, including prime movers, instruments, apparatus and appliances, control gear and transmission equipment and auxiliary equipment (including those required for testing and quality control) and components, required for the initial setting up of a solar power generation project or facility to attract applicable BCD.
- Exemption from custom duties for goods imported for organizing FIFA Under-17 World Cup, 2017.

## Levy of AIDC

- The list of key items on which AIDC has been imposed and the applicable duty and AIDC on them would be as follows:

S. No.	Tariff item	Commodity	Rate of Duty	
			BCD	AIDC
1	0808 10 00	Apples	15%	35%
2	1511 10 00	Crude Palm Oil	15%	17.5%
3	1507 10 00	Crude Soya-bean oil	15%	20%
4	1512 11 10	Crude Sunflower seed oil	15%	20%
5	0713 10	Peas (Pisum sativum)	10%	40%
6	0713 20 10	Kabuli Chana	10%	30%
7	0713 20 20	Bengal Gram (desichana)	10%	50%
8	0713 20 90	Chick Peas (garbanzos)	10%	50%
9	0713 40 00	Lentils (Mosur)	10%	20%
10	2204	All goods (Wine)	50%	100%

# Customs Duty



S. No.	Tariff item	Commodity	Rate of Duty	
			BCD	AIDC
11	2205	Vermouth and other wine of fresh grapes, flavored	50%	100%
12	2206	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages and nonalcoholic beverages.	50%	100%
13	2208	All goods (Brandy, Bourbon whiskey, Scotch etc.)	50%	100%
14	2701	Various type of coal	1%	1.5%
15	2702	Lignite, whether or not agglomerated	1%	1.5%
16	2703	Peat, whether or not agglomerated	1%	1.5%
17	3102 10 00	Urea	Nil	5%
18	3102 30 00	Ammonium nitrate	2.5%	5%
19	31	Muriate of potash, for use as manure or for the production of complex fertilizers	Nil	5%

# Customs Duty



S. No.	Tariff item	Commodity	Rate of Duty	
			BCD	AIDC
20	3105 30 00	Diammonium phosphate, for use as manure or for the production of complex fertilisers	Nil	5%
21	5201	Cotton (not carded or combed)	5%	5%
22	7106	Silver (including imports by eligible passengers)	7.5%	2.5%
23	7106	Sliver Dore	6.1%	2.5%
24	7108	Gold (including imports by eligible passengers)	7.5%	2.5%
25	7108	Gold Dore	6.9%	2.5%

# Customs Duty

## Key changes in BCD rate

- Amendments affecting rates of BCD with effect from February 2, 2021 unless otherwise specified

S. No.	Tariff item	Commodity	Rate of Duty	
			From	To
<b>Electrical and Electronics Sector</b>				
1	8414 30 00	Compressors of a kind used in refrigerating equipment	12.5%	15%
2	8414 80 11	Compressors of a kind used in air-conditioning equipment	12.5%	15%
3	8504 90 90	PCBA of charger or adapter (All goods under this tariff item, other than above, will continue to attract the existing effective rate of BCD at 10%)	10%	15%
<b>Automobile Sector</b>				
1	7007	Safety glass, consisting of toughened (tempered) or laminated glass. (all goods under this heading, other than those used with motor vehicles, will continue to attract the existing effective rate of BCD at 10%)	10%	15%
2	8512 90 00	Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles	10%	15%
3	8544 30 00	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%
4	9104 00 00	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	15%

# Customs Duty

S. No.	Tariff item	Commodity	Rate of Duty	
<b>IT Electronics and Renewable Energy Sector</b>				
1	Any Chapter	Inputs or parts for manufacture of PCBA of cellular mobile phone (w.e.f. April 1, 2021)	NIL	2.5%
2	Any Chapter	Inputs or parts for manufacture of camera module of cellular mobile phone (w.e.f. April 1, 2021)	NIL	15%
3	Any Chapter	Inputs or parts for manufacture of connectors of cellular mobile phone (w.e.f. April 1, 2021)	NIL	2.5%
4	Any Chapter	Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone (w.e.f. April 1, 2021)	NIL	2.5%
5	Any Chapter	Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones	NIL	2.5%
6	8504 90 90 or 3926 90 99	Moulded plastics for manufacture of charger or Adapter	10%	15%
7	Any Chapter	Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	NIL	10%

# Customs Duty

S. No.	Tariff item	Commodity	Rate of Duty	
<b>IT Electronics and Renewable Energy Sector</b>				
8	Any Chapter	Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones	NIL	10%
9	Any Chapter	Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack (w.e.f. April 1, 2021)	NIL	2.5%
10	Any Chapter	Parts or components of PCBA of Lithium-ion battery or battery pack (w.e.f. April 1, 2021)	NIL	2.5%
11	Any Chapter	Inputs or raw materials of following goods: <ul style="list-style-type: none"> <li>- Other machines capable of connecting to an automatic data processing machine or to a network (8443 32 90)</li> <li>- Ink cartridges, with print head assembly (8443 9951)</li> <li>- Ink cartridges, without print head assembly (844399 52)</li> <li>- Ink spray nozzle (8443 99 53) (w.e.f. April 1, 2021)</li> </ul>	NIL	2.5%
12	Any Chapter	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
13	Any Chapter	Inputs for use in the manufacture of LED driver or MCPCB (Metal Core Printed Circuit Board) for LED lights or fixtures including LED Lamps	5%	10%
14	9405 50 40	Solar lanterns or solar lamps	5%	10%

# Customs Duty

S. No.	Tariff item	Commodity	Rate of Duty	
<b>IT Electronics and Renewable Energy Sector</b>				
15	8504 40	Solar Inverters	5%	20%
<b>Other</b>				
1	8414 40	Air compressors mounted on a wheeled chassis for towing	7.5%	15%
2	8414 80 (except 8414 80 11)	Gas Compressors (other than of a kind used in air-conditioning equipment), free-piston generators for gas turbine, turbo charger and other compressors	7.5%	15%
3	8501 10 to 8501 53	Electric Motors	10%	15%
4	8536 41 00 and 8536 49 00	Relays	10%	15%
5	8537	Boards, panels, consoles, etc. for electric control or distribution of electricity	10%	15%
6	9031 80 00	Other instruments, appliances and machines	7.5%	15%
7	9032 89	Electronic automatic regulators and other controlling instruments or apparatus	10%	15%
8	9031 80 00	Natural borates and concentrates thereof	NIL / 5%	2.5%
9	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	NIL	10%



# Customs Duty

S. No.	Tariff item	Commodity	Rate of Duty	
10	7204	Iron and steel scrap, including stainless steel scrap [up to March 31, 2022]	2.5%	NIL
11	7206 and 7207	Primary/Semi-finished products of non-alloy steel	10%	7.5%
12	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%
13	8430	Tunnel boring machines	NIL	7.5%
14	8544 (other than 8544 70 and 8544 3000)	Specified insulated wires and cables	7.5%	10%
15	8431	Parts and components for manufacture of tunnel boring machines with actual-user condition	NIL	2.5%
16	Any Chapter	Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector Units under Ministry of Defence subject to condition specified	2.5%	NIL
17	9018-9022	Medical devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	Health Cess @ Nil
18	9801	High Speed Rail Projects being brought under project imports	Applicable Rate	5%

# Changes in Excise Tariff

- Imposition of AIDC on petrol and diesel. Consequent to AIDC, effective rate of BED and SAED has been calibrated on petrol and diesel. The revised duty structure on petrol and diesel would be as follows (effective from February 2, 2021):

S. No.	Commodity	BED (Rs. Per litre)	SAED (Rs. Per litre)	RIC (Rs. Per litre)	AIDC (Rs. Per litre)	Total
1	Petrol (unbranded)	1.40	11	18	2.5	32.90
2	Petrol (branded)	2.60	11	18	2.5	34.10
3	High speed diesel (unbranded)	1.80	8	18	4	31.80
4	High speed diesel (branded)	4.20	8	18	4	34.10

- Amendment in entry 2709 in the following manner, in order to align First schedule of the CTA and Fourth Schedule to CEA with effect from April 1, 2021:

From		To	
Tariff Item	Description of goods	Tariff Item	Description of goods
2709 10 00	Petroleum oils and oils obtained from bituminous minerals	2709 00 10	Petroleum crude
2709 20 00	Petroleum crude	2709 00 20	Other



# Changes in Excise Tariff

## Exemption from SAED/RIC/AIDC

- Exemptions from SAED and RIC provided in case of new categories of blended fuels viz. 15% methanol blended petrol (M-15 fuel) and 20% ethanol blended petrol (E-20 fuel), subject to the condition that appropriate excise duty on petrol and appropriate GST on ethanol/methanol and cosolvents has been paid. (effective from February 2, 2021)
- Exemption from AIDC provided to blended fuels namely 5% ethanol blended petrol, 10% ethanol blended petrol, 20% bio-diesel blended high speed diesel, and new category of blended fuels namely, 15% methanol blended petrol (M-15 fuel) and 20% ethanol blended Petrol (E-20 fuel). (effective from February 2, 2021)

## Amendment in the fourth schedule to the CEA (Effective from January 1, 2020)

S. No.	Tariff item	Commodity	Rate of Duty	
			From	To
1	2710 20 10	Automotive diesel fuel, containing biodiesel, conforming to standard IS 1460	-----	14% + Rs. 15 per litre
2	2710 20 20	Diesel fuel blend (B6 to B20) conforming to standard IS 16531	-----	14% + Rs. 15 per litre

## Central Sales Tax

- CST provisions related to description of goods eligible for concessional CST rate, amended to provide that concessional rate to apply to goods specified in certificate of registration of the purchasing registered dealer and which are intended for re-sale or use by him in the manufacture or processing for sale of specified goods (i.e. petroleum, HSD, natural gas, ATF, liquor etc.)



# Foreign Direct Investment and Regulatory proposals



## **Increase in FDI cap from 49% to 74% for insurance companies**

- The Hon'ble FM has, paying heed to industry recommendations, increased the FDI limit on insurance Companies from 49% to 74%. The change would be implemented by amending relevant provisions of the Insurance Act, 1938 to allow foreign ownership and control with safeguards. This would be followed by issuance of a press note giving effect to the announcement. It would be interesting to keep an eye out for the 'safeguards' that would be proposed in the amendment to the Insurance Act. The FM did allude to some of the conditionalities, viz., 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.

## **Production Linked Incentives**

- Under the aegis of the Atmanirbhar Bharat Program, the Government of India has announced PLI for 13 champion sectors including, mobile phones, electronics, IT hardware, Pharmaceuticals, Automobiles, Telecom equipment, Textiles, Solar PV, White Goods, IT hardware, ACC Batteries, Speciality Steel and Food Products with a total outlay of INR 1,970 billion over a 5-year period commencing from FY 2021-22. The Union Budget has notified allocation of said funds in the upcoming fiscal year.

## **Mega Investment Textiles Parks Scheme**

- In addition to providing PLIs to the textile industry, the Hon'ble FM has announced a scheme for Mega Investment Textiles Parks to enable textile industry to become globally

- competitive, attract large investments and boost employment generation. This will create world class infrastructure with plug and play facilities to enable create global champions in exports. 7 textile parks will be established over 3 years. Creation of such manufacturing clusters would help create a supply chain ecosystem and provide dividends arising out of economies of scale.

## **Voluntary Vehicle Scrapping Policy**

- Voluntary vehicle scrapping policy is being devised to phase out old and unfit vehicles. Under the policy, vehicles would undergo fitness tests in automated fitness centres after 20 years and 15 years for personal and commercial vehicles, respectively. Given that BS VI is rolled out, the Policy is likely to have further positive impact on automobile sector and the environment by fueling demand for cleaner vehicles.

# Foreign Direct Investment & Regulatory Proposals

## Setting Up of a Conciliation Mechanism

- In order to facilitate ease of doing business for contractors appointed by Government or CPSEs, setting up of a conciliation mechanism has been proposed with a mandate for quick resolution of contractual disputes.

## Creation of Development Financial Institution To Fund National Infrastructure Pipeline Projects

- Recognizing the need for long term debt financing for infrastructure project, the FM announced creation of a professionally managed DFI is to act as a provider, enabler and catalyst for infrastructure financing. A Bill to set up a DFI shall be introduced in due course. An allocation of INR 200 billion has been set aside to capitalize the DFI with

- with a goal of achieving a lending portfolio of at least INR 5,000 billion for this DFI in 3 years' time.
- The DFI, when formed, would help fund around 7,400 ongoing and upcoming projects under the NIP. This would widen the source of raising capital for such funds from the NDB and other multi-lateral financial institutions thus enabling the Government of raise funds in INR which would not have an impact the balance of payment situation.

## Changes to INVITS And REITS Regulations to allow raising Debt Funds through FPIS

- Amendments to SEBI regulations have been proposed to enable InVITs and REITs to raise funds through debt from FPIs. This will further ease access of finance to InvITs and REITs thus augmenting funds for

infrastructure and real estate sectors.

## Rationalised Single Securities Markets Code by 2022

- Rationalized single securities markets code by 2022 to merge provisions of Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007. Harmonizing of securities regulations into a single code would strengthen the overall financial markets.



## National Monetization Pipeline

- In order to monetize brownfield infrastructure assets, the FM has proposed launch of a National Monetization Pipeline to prioritise and monitor status of monetization of such revenue generating assets through InvITs and REITs. Some of the identified assets belong to NHAI, PGCIL, Dedicated Freight Corridors, Airports, Sports stadiums and assets of other CPSEs.

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stadiums and assets of other CPSEs.

## Financial incentives to promote digital modes of payments

- In order to promote use of digital payments, the FM proposes to earmarked INR 15 billion towards introduction of a scheme that will provide financial incentives to promote digital modes of payment. Digital payments have seen a steady rise after the lockdown restrictions were eased in August 2020 and stood at 24% Y-o-Y growth for the month of December 2020.
- With a push towards Jan-Dhan Aadhar Mobile, the Government has shown its commitment to reduce reliance on cash and move towards digital currency. The RBI on its part is engaging with FinTech firms under the regulatory sandbox regime to thrash out regulations for innovative digital payment systems.

## Reduced threshold for triggering Provisions of Sarfaesi Act 2002

- To improve credit discipline of NBFCs and protect small borrowers, threshold to trigger provisions of SARFAESI Act 2002 proposed to be reduced from INR 5 million to INR 2 million.

## Decriminalizing of Offences Prescribed Under the LLP Act, 2008

- In line with amendments made to decriminalize procedural and technical compoundable offences under the Companies Act, 2013, the FM now proposes to make the similar changes under the LLP Act, 2008. Such announcement is in accordance with the report issued by the Company Law Committee on January 4, 2021 recommending various changes under the LLP Act, 2008 which includes

decriminalizing 12 compoundable offences and omission of one penal provision in the Act.

## Amendment in the definition of small company

- In order to ease out the compliance burden of various companies, the FM proposes to revise the definition of small company by increasing the ceiling of **paid-up capital** from INR 50,000 to **INR 20 million** and **turnover** from INR 20 million to **INR 200 million**. This will bring more than 200,000 companies under the ambit of the revised definition of Small Company. As the compliance burden of small companies is relatively lower in terms of lesser number of board meetings, no rotation of auditors, reduced penalties etc., the overall compliance burden for such companies shall reduce.

## Promoting setting up of one person companies

- In order to incentivize the incorporation of OPCs, the FM proposes to remove the restrictions of maximum threshold of paid-up capital and turnover, thereby **removing the mandatory requirement of conversion into a private limited company**. Further, the FM proposes to reduce the residency limit for an Indian citizen from 182 days to 120 days, and also allow non-resident Indians to incorporate OPCs in India. This move will encourage various small, unorganized business sector to set up OPCs for carrying on their business operations.

## Setting Up Of E-Courts

- With a focus on strengthening NCLT framework and to ensure faster resolution

of cases, it is proposed to establish e-courts system. The move will reduce the burden of cases on NCLT courts by reducing the backlog of pending cases. It has also been proposed to introduce alternate methods of debt resolution and special framework for MSMEs.

## MCA21 Version 3.0

- FM has announced to launch MCA 21, version 3.0. in FY2021-22. This will include data analytics, artificial intelligence, and machine learning driven MCA21 Version. This version 3.0 is expected to have additional modules for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management.



## Strategic Disinvestment Policy

- Although disinvestment initiatives have been undertaken by various Central Governments in the past albeit on a piece-meal basis, codification of a disinvestment policy gains significance as it lays down a roadmap for the Government along with a vision to achieve stated disinvestment targets.
- The strategic disinvestment policy has identified strategic sectors which are of national importance and include sectors like Atomic Energy, Space and Defence, Telecom, Power, etc. As per the Policy, the Government would maintain bare minimum presence of public sector enterprises in such strategic sectors only. With respect to the other category, i.e., non-strategic sector, the Government would exit by way of privatization or closure in stated timelines.

- In this regard, NITI Aayog has been asked to prepare a list of CPSEs for strategic disinvestment. Additionally, a separate incentive package would be prepared to incentivize States for undertaking disinvestment of SPSEs.
- A disciplined disinvestment glide path would help the Government mitigate the pain of a burgeoning fiscal deficit, while giving private entrepreneurs the opportunity to increase productivity of CPSEs. Given the expansionary mode of government expenditure, this assumes an even greater relevance than ever before.

## Changes under the new Education Policy

- Development of NPST for enhancing the capabilities of teachers.
- Development of pedagogy i.e., a unique indigenous toy-based learning for all

- levels of school education for transforming classroom transactions from mundane and rote learning to an engaging and joyful experience.
- Setting up of NDEAR for supporting teaching and learning activities and educational planning, governance and administrative activities of the Centre and the States/ Union Territories.
- Standardization of Indian Sign language across the country, and develop National and State Curriculum materials for children with hearing impairments.
- Use of senior and retired teachers for individual mentoring of school teachers and educators through constant online/offline support on subjects, themes and pedagogy. Introduction of online modules covering the entire gamut of adult education to enable increased access of resources.

- Training of schoolteachers through the NISTHA.
- Introduction of CBSE Board Exam reforms to move away exams from rote-learning to test students on their conceptual clarity, analytical skills and application of knowledge to real life situations.
- Proposal to put in place a regulatory mechanism to permit dual degrees, joint degrees, twinning arrangements and other such mechanisms.
- Setting up of a Central University in Leh.

## **Appointment of adjudicating authority under the PBPT Act, 1988**

- It has been proposed to appoint the Competent Authority constituted under Section 5 of the SAFEMA as an adjudicating authority under the PBPT Act w.e.f. July 1, 2021.

- It is further proposed to extend the period of limitation under section 26 of the PBPT Act. Accordingly, where the time limit for passing order under subsection (7) of section 26 of the PBPT Act expires during the period beginning from July 1, 2021 and ending on September 29, 2021, time limits for passing such order now stands extended upto September 30, 2021.

## **One Nation One Ration Card Plan, currently under implementation by 32 States and Union Territories**

- In the year 2020, Central Government had launched its One Nation One Ration Card scheme through which citizens (beneficiaries) residing in the country are able to get cheap food grains from public distribution system shops (PDS shops) throughout the country. This scheme is under implementation by 32 states & UTs,

- reaching about 690 million beneficiaries.
- FM in budget 2021-22 has proposed to extend the same benefits to the unorganized labour & migrant workers. The FM has proposed to launch a portal to collect relevant information on gig, building, and construction-workers which shall help the government in formulating Health, Housing, Skill, Insurance, Credit, and food schemes for migrant workers.

## **Operation Green Scheme**

- To boost value addition in agriculture and allied products and their exports, the scope of 'Operation Green Scheme' that is presently applicable to tomatoes, onions, and potatoes, will be enlarged to include 22 perishable products.

# Foreign Direct Investment & Regulatory Proposals

## Enhancing Skilling Opportunities

- To realign the existing scheme of National Apprenticeship Training Scheme for providing post-education apprenticeship, training of graduates and diploma holders in engineering, the FM proposes to amend the Apprenticeship Act with a view to further enhancing apprenticeship opportunities for our youth. Over INR 30 billion will be provided for this.

## Jal Jeevan Mission (Urban) for Universal Water Supply in all ULBs with an outlay of INR 2,870 Billion

- The Jal Jeevan Mission (Urban), will be launched. It aims at universal water supply in all 4,378 Urban Local Bodies with 28.6 million household tap connections, as well as liquid waste management in 500 AMRUT cities. It will be implemented over 5 years.

## Urban Swachh Bharat Mission with outlay INR 1,417 Billion over 5 years

- In order to achieve complete faecal sludge management and wastewater treatment, source segregation of garbage, reduction in single-use plastic, reduction in air pollution by effectively managing waste from construction-and-demolition activities and bioremediation of all legacy dump sites, the FM announced implementation of Urban Swachh Bharat Mission 2.0 with a total financial allocation of INR 1,417 billion over a period of 5 years from 2021-2026.

## INR 350 Billion allocated for COVID-19 Vaccine in 2021-22

- Demonstrating the Government's efforts to curb Covid-19, the FM allocates an amount of INR 350 billion for Covid-19 vaccine in

2021-22. It has been proposed to provide further funds, if required.



## **National Rail Plan to increase modal share of rail in freight from 27% To 45% with an aim of developing adequate rail infrastructure by 2030 to cater to traffic requirements in 2050**

- In order to make Railway future ready up to 2050, Indian Railways have prepared a National Rail Plan for India - 2030. For this, the FM has allocated a budget of INR 1,100 billion for Railways, out of which INR 1,071 billion shall be towards capital expenditure. The FM proposes the following measures for improving Railway Infrastructure:
  - Commissioning of Western DFC and Eastern DFC by June 2022.
  - Taking up the Sonnagar – Gomoh Section (263.7 km) of Eastern DFC in PPP mode in 2021-22.
  - Taking up of Gomoh-Dankuni section of 274.3 km in short succession.

- Undertaking future dedicated freight corridor projects viz., East Coast corridor from Kharagpur to Vijayawada, East-West Corridor from Bhusaval to Kharagpur to Dankuni and North-South corridor from Itarsi to Vijayawada. Detailed Project Reports will be undertaken in the first phase.
- Broad Gauge RKM electrified is expected to reach 46,000 RKM i.e., 72% by end of 2021 from 41,548 RKM on Oct 01, 2020, and 100% electrification of Broad-Gauge routes will be completed by December 2023.
- Introduction of the aesthetically designed Vista Dome LHB coach on tourist routes to provide a better travel experience to passengers.
- To strengthen the safety of passenger, high density network and highly utilized network routes of Indian railways will be provided with an indigenously developed automatic train protection system that eliminates train

collision due to human error.

## **Power Infrastructure Reforms**

- Framework to be put in place to enable consumers to choose from among more than one distribution company.
- In order to provide assistance to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, upgradation of systems, etc., the FM has announced a revamped reforms-based result-linked power distribution sector scheme with an outlay of INR 3,060 billion over 5 years.

## **Petroleum & Natural Gas**

- Ujjwala Scheme which has benefited 80 million households will be extended to cover 10 million more beneficiaries.

# Foreign Direct Investment & Regulatory Proposals

- We will add 100 more districts in next 3 years to the City Gas Distribution network.
- A gas pipeline project will be taken up in Union Territory of Jammu & Kashmir.
- An independent Gas Transport System Operator will 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.

## Urban Infrastructure

- The FM proposed new scheme to be launched at a cost of INR 180 billion to support augmentation of public bus transport services. The scheme will facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses.
- Total of 702 km of conventional metro is operational and another 1,016 km of metro

and RRTS is under construction in 27 cities. Two new technologies i.e., 'MetroLite' and 'MetroNeo' will be deployed to provide metro rail systems at much lesser cost with same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities.

## Digital Payments

- Launch of new Scheme to provide financial incentives of upto INR 15,000 million to promote new digital modes of payments.





# Experts' Speak



**Rakesh Nangia**

Chairman  
Nangia Andersen India Pvt. Ltd.

“

Growth oriented reformative budget giving due thrust on capital investment, without any shock on tax rates. FM treaded the tightrope successfully, maintaining a balance between revenue gap and government's commitment to the pained sectors of the economy, viz infrastructure, healthcare, public transport system, auto, textiles, digital India. Virtual hearings option at ITAT and NCLT, could have huge impact on speed of resolution of disputes. Ensuring TDS on FPI income at DTAA rates is big step in adhering to treaty obligations and creating predictability, rightly reversing the PILCOM case. AIDC posed to be introduced on import of specified goods is rightly introduced with a corresponding reduction of BCD shall ensure that imposition of AIDC does not lead to additional burden in most of these items on the consumer.

”



**Aravind Srivatsan**

Tax Leader & Partner  
Nangia Andersen LLP

“

“Budget 2021 will go down in history as India's year where social causes saw their deserved allocations and a record surge in infrastructure projects setting the stage for what we can safely say is Version 2.0 to what the Golden quadrilateral did in early 2000!

The budget sets the tone for foreign capital es sovereign funds to see the infrastructure funding opportunity, perhaps with no major world economy having such a pipeline of infrastructure projects and with an ageing population globally, India is logically seen as the world's investment destination for pension and wealth funds and some tax rules dealing with TDS on dividends have been dispensed. In addition, the FPI's would cheer with no new taxes kicking in and being allowed to factor their treaty rates of withholding, avoiding the need to claim refunds.

”



**Rahul Mitra**

Senior Advisor  
Nangia Andersen LLP

“

The Union Budget, 2021-22 has brought a great cheer from the capital market, where the market indices, which had started to decline over the last six trading days in anticipation of the economy being saddled with additional burden of taxes due to the fiscal deficit arising as a result of the outbreak of Covid-19, rocketed by 5%, when the budget proposals maintained status-quo on taxes. The Finance Minister's renewed focus on development of infrastructure is a very heartening sign for generation of employment and accordingly boosting of demand for the domestic market. The proposals to increase the FDI limit for insurance sector; privatisation of a few national banks; and introducing an IPO for LIC would certainly help in mobilisation of funds for the Government and improve liquidity in the market.

”



# Glossary



AAR	Authority for Advance Ruling
ADD	Anti-Dumping Duty
AIDC	Agriculture Infrastructure and Development Cess
AIF	Alternative Investment Fund
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
AO	Assessing Officer
AOP	Association of Persons
APA	Advance Pricing Agreement
ATF	Aviation Turbine Fuel
AY	Assessment year
BCD	Basic Customs Duty
BED	Basic Excise Duty
BOI	Body of Individuals
CBSE	Central Board for Secondary Education
CEA	Central Excise Act, 1944

CG	Central Government
CGST	Central Goods and Services Tax Act, 2017
CPSE	Central Public Sector Enterprise
CST	Central Sales Tax, 1956
CTA	Customs Tariff Act, 1975
Customs Act	Customs Act, 1962
Customs Law	Customs Act, 1962 and Rules and Regulations
CVD	Countervailing Duty
DFC	Dedicated Freight Corridor
DFI	Development Financial Institution
DISCOMS	Distribution Companies
DRC	Dispute Resolution Committee
DTA	Domestic Tariff Area
DTAA	Double Taxation Avoidance Agreement
EL	Equalisation Levy
EoUs	Export Oriented Units

# Glossary

ESI	Employees State Insurance
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FIFA	Fédération Internationale de Football Association
FII	Foreign Institutional Investor
FM	Finance Minister
FPI	Foreign Portfolio Investment
FTS	Fee for Technical Services
FY	Financial Year
GIFT	Gujarat International Finance
GST	Goods & Services Tax
HSD	High Speed Diesel
HSN	Harmonized System of Nomenclature
HUF	Hindu Undivided Family
IDF	Infrastructure Debt Fund

IDS	Income Declaration Scheme, 2016
IFC	Infrastructure Finance Company
IFSC	International Financial Services Centre
'IFSCA Act	'International Financial Services Centre Authority Act, 2019
IGCR Rules	Import of Goods at Concessional Rate of Duty Rules, 2017
IGST	Integrated Goods and Services Tax Act, 2017
INR	Indian National Rupee
InvITs	Infrastructure Investment Trust
IT	Income Tax
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITSC	Income Tax Settlement Commission
LLP	Limited Liability Partnership
LTC	Leave Travel Concession

# Glossary

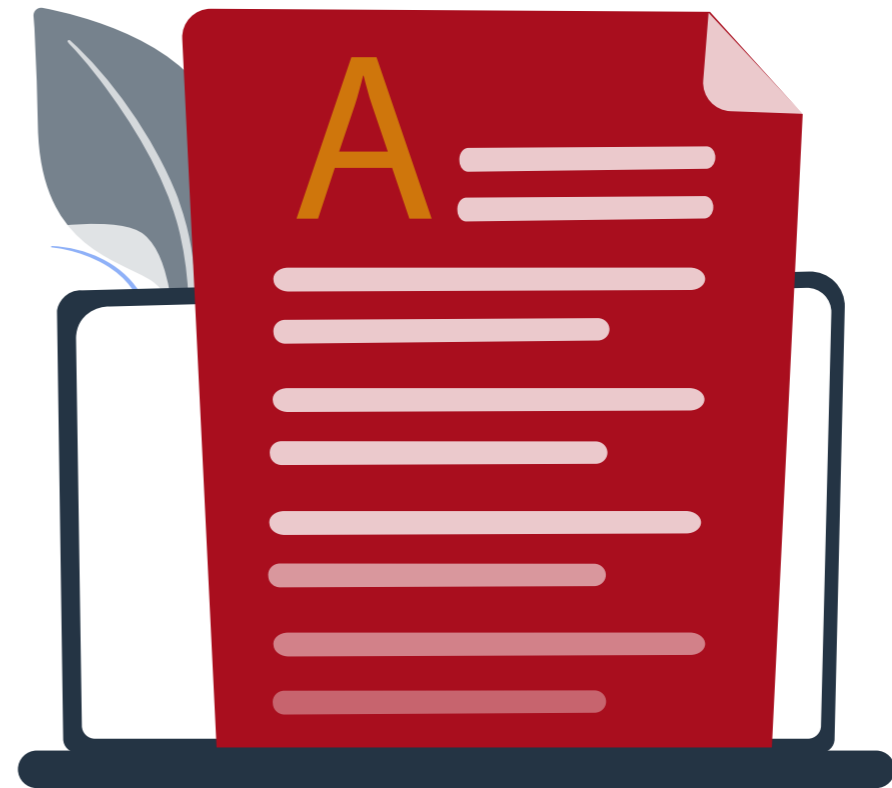
LTCG	Long Term Capital Gains
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs
MSMEs	Medium, Small and Micro Enterprises
MCPCB	Metal Core Printed Circuit Board
NBFC	Non-Banking Finance Companies
NCLT	National Company Law Tribunal
NDB	New Development Bank
NDEAR	National Digital Educational Architecture
NHAI	National Highways Authority of India
NIP	National Infrastructure Pipeline
NISTHA	National Initiative for School Heads and Teachers for Holistic Advancement
NITI Aayog	National Institution for Transforming India Aayog
NPST	National Professional Standards for Teachers
NR	Non Resident

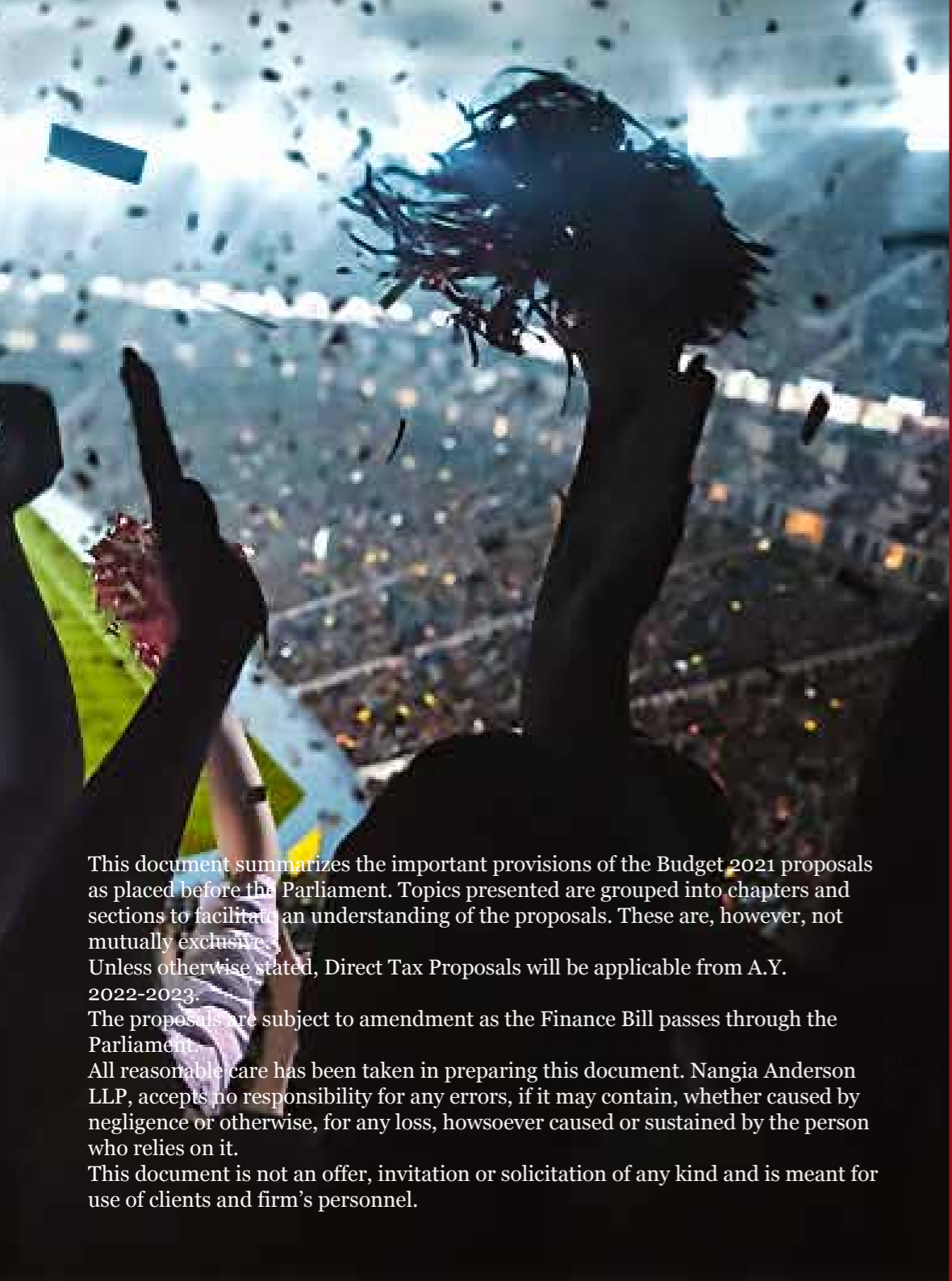
OPC	One Person Company
PBPT	Prohibition of Benami Property Transactions Act
PCBA	Printed Circuit Board Assembly
PDS	Public Distribution System
PE	Permanent Establishment
PF	Provident Fund
PGCIL	Power Grid Corporation of India Limited
PLI	Production Linked Incentives
PPP	Public Private Partnership
R&D	Research and Development
RBI	Reserve Bank of India
REIT	Real Estate Infrastructure Trust
RIC	Road and Infrascrture Cess
RKM	Route Kilometers
RRTS	Regional Rapid Transit System
SAED	Special Additional Excise Duty

# Glossary

SAFEMA	Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976
SARFESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SPSE	State Public Sector Enterprise
STT	Securities Transaction Tax
SWF	Sovereign Wealth Fund
SWS	Social Welfare Surcharge
TRC	Tax Residency Certificate
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
UAE	United Arab Emirates
ULB	Urban Local Bodies
ULIP	Unit Linked Insurance Policy

UT	Union Territory
VSV	Direct Tax Vivad se Vishwas Act, 2020
ZCB	Zero Coupon Bond





This document summarizes the important provisions of the Budget 2021 proposals as placed before the Parliament. Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.

Unless otherwise stated, Direct Tax Proposals will be applicable from A.Y. 2022-2023.

The proposals are subject to amendment as the Finance Bill passes through the Parliament.

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