



India

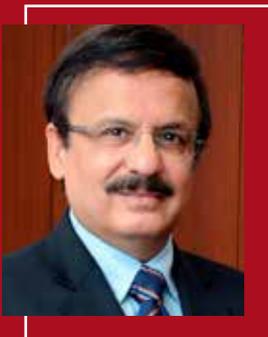
Budget 2021

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Snapshot with  
Industry Experts'  
Take

Nangia Andersen LLP

A member firm of **ANDERSEN GLOBAL** 



**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.

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## Key Tax & Regulatory Proposals

### Tax Rates

- There is no change in tax rates, be it for individuals, corporates or any other class of taxpayers

### Individual Taxation

- Deemed LTC fare scheme in lieu of regular LTC formally introduced in the statute.
- Interest earned on contribution to Provident Fund taxable to the extent it relates to contribution in excess of INR 0.25 Million in a previous year
- Closing date for sanction of loan for affordable residential house property extended from March 31, 2021 to March 31, 2022
- Senior citizen of age 75 years or above having pension and interest income not required to file the return of income, if TDS deducted on such income

### Corporate Taxation

- “Goodwill” shall not qualify as an asset eligible for depreciation under the Act
- Deduction shall not be allowed on late deposit of employees contribution to PF and other similar schemes
- Presumptive scheme for professionals shall not include LLPs
- The scope of profit linked deduction for the developers engaged in developing affordable housing project has been enlarged and the timeline has been extended up to March 31, 2022
- Various exemptions and benefits proposed for units located in International Financial Service Centre
- Threshold requirement for tax audit increased from INR 50 million to INR 100 million where 95% of the transactions are in digital mode

# Key Tax & Regulatory Proposals



**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 esp 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.

”

## Exemption and investment in eligible Start-Ups

- Date of incorporation for an eligible start up to claim profit linked deduction extended to, before April 1, 2022
- Exemption from capital gain on transfer of residential property by subscribing shares of a start-up also allowed up to March 31, 2022

## Tax incentive for units in IFSC

- Eligible investment fund or eligible fund manager shall not constitute business connection in India
- Income of non-resident from transfer of non-deliverable forward contracts entered with off-shore banking unit of IFSC shall be exempt from tax
- Income of non-resident from royalty on account of lease of aircraft by a unit of IFSC shall be exempt from tax

- Capital gains exempt on transfer of shares of a company in India on relocation of fund to IFSC
- Income from transfer of aircraft or aircraft engine exempt for a unit in IFSC





**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.

”

# Key Tax & Regulatory Proposals

## Capital Gains

- The safe harbour limit in case of transfer of land & building has been increased from 10% to 20% for transfers up to June 30, 2021
- Definition of “slump sale” to include transfers other than sale also

## Improving efficiency of Tax Administration

- Faceless procedures proposed to be extended to appeals before the ITAT
- Constitution of Dispute Resolution Committee to prevent new litigation for taxpayers where returned income is INR 5 Million or less and variation in order is INR 1 Million or less
- Current Authority for Advance Rulings shall cease to operate and will be replaced by a Board of Advance Ruling

## Reduction in time limits

- Time limit for initiating reassessment proceedings to be limited to 3 years except cases involving escapement which involve alleged tax evasion exceeding INR 5 million
- Time limit for filing of belated or revised return of income reduced by 3 months to 31st December of relevant Assessment Year.
- Time limit for the processing the return of income reduced from 1 year to 9 months from end of financial year in which ITR is filed
- Time limit for issuance of notice for scrutiny assessment to be reduced from 6 months to 3 months from the end of assessment year

“

Budget succeeds in making the right allocations despite severe headwinds, extends fiscal support in a bid to expand economy and refrains from increasing taxes. The emphasis on reduced tax litigation and the thrust on ease of doing business is a laudable objective. The path laid down, if pursued in the coming years, will surely boost the economy; though execution of announcements made, remains the key. ”

**Praveen Sood**

Head of Tax  
Tata Steel

“

The Finance Minister has done a commendable job by keeping the tax rates constant despite the economic adversity due to pandemic. This should create significant positivity in the economic outlook and foster growth and consumption. The FM has not been unduly perturbed with the fiscal deficit of 6.8% for FY 2021-22 and has neither cut on spending nor increased taxes. The Budget also gives a flavor of minute detailing by removing multiple ambiguities thereby bringing in certainty on tax policy and making significant relaxations on compliance thereby promoting ease of doing business. ”

**Manish Agarwal**

Global Tax  
Bharti Airtel Ltd.

# Key Tax & Regulatory Proposals

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## Rationalisation of MAT

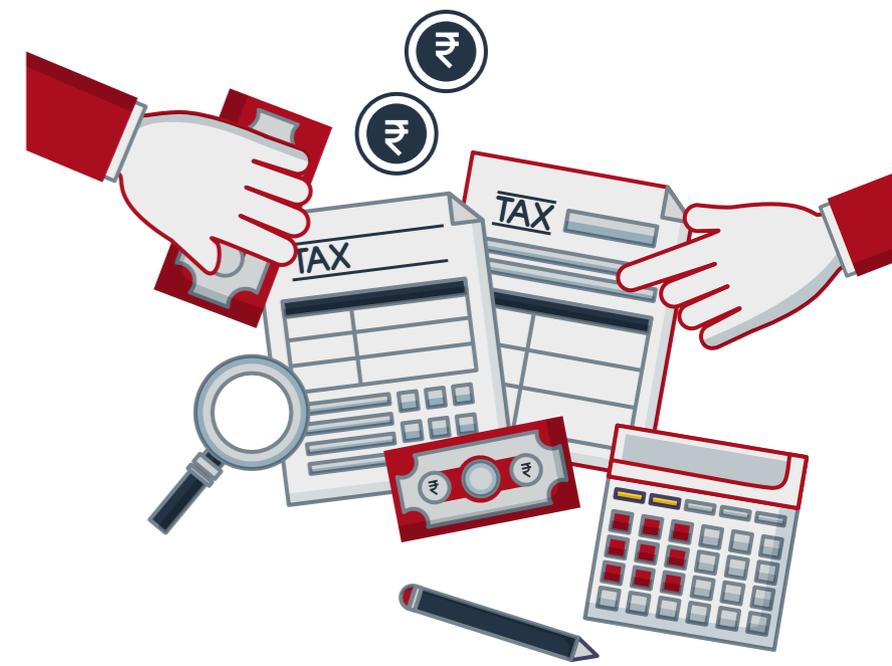
- Adjustment allowed in computing book profits to consider impact of APA or secondary adjustment relating to past year(s)
- Dividend income in case of foreign companies taxed at beneficial DTAA rate and related expenditure to be excluded in the computation of book profits.

## TDS/TCS provisions

- Amendment made to allow benefit of tax rates as per DTAA to income earned by Foreign institutional Investors
- Scope of TDS extended to purchase of goods by specified buyers from the resident sellers
- TDS/ TCS to apply at higher rate in case of non-filers of income tax return

## Rationalisation of Equalisation Levy

- Equalization levy shall not apply to considerations taxable as fee for technical services or royalty under the Act read with the DTAA
- Income subject to Equalization levy shall be exempt from tax under the normal provisions with effect from April 1, 2020



# Key Tax & Regulatory Proposals

“ FM has tried not to upend everything in the Budget to accelerate economic growth overnight. An honest effort has been made to conflate various fiscal and economic issues to address the cardinal problem of GDP growth while keeping fiscal deficit in check. Further, procedural simplification with announcement of faceless ITAT proceedings is a positive step. The same needs to now translate into constructive action. Now, only time will tell if this year’s union budget has capitalized this unique opportunity or only kicked the can down the road. ”

**Ravi Shingari**  
Group Head - Accounts and Taxation  
Apollo Tyres

“ A budget well-structured on 6 pillars focussing on strong infrastructure spend across sectors, high reforms orientation by way of FDI in insurance, consolidation of securities laws etc, compassionate by way of spend on health infrastructure and vaccines etc directional in adoption of digitisation in government processes adroit balancing of kickstarting the economy without levying additional taxes on the common man. ”

**Suryanarayanan V**  
Managing Director  
Cholamandalam MS General Insurance Co. Ltd.

## Goods and Services Tax

- Annual compliance burden reduced for tax payers. Self-certified reconciliation statement to replace reconciliation statements audited by specified professionals
- Provisions relating to levy of interest on Net GST liability made applicable retrospectively from 1 July 2017
- 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
- Supplies made to Special Economic Zone would be allowed as Zero-rated supply in terms of IGST only where said supplies would have been made for authorised operations
- Measures taken to deter ITC frauds

## Customs Duty

- Agriculture Infrastructure and Development Cess 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



# Key Tax & Regulatory Proposals

“ Budget has provided major boost to spending & Investment in all core areas to stimulate the economy. Automobile sector would immensely benefit from the scrappage policy. However, hike in customs duty on auto parts could have been avoided as it would push cost further when the auto Industry performance has started looking promising Post Covid. ”

**R.Narayanaswamy**  
Hyundai Motor India Limited

“ New regime for foreign banks investing from IFSC in Indian debt market under FPI route is very encouraging. ”

**Dharmendra Jain**  
Finance Head - Mizuho Global Services India

“ Overall the budget seems to be positive, catering to the requirements needed due to pandemic ”

**Haresh Patel**  
Senior Manager - Tax - South Asia  
Marriott Hotels India Private Limited

- Filing of bills of entry made mandatory before the end of day preceding the day of arrival of goods except in certain specified cases
- Goods entered for exportation making wrongful claim of remission or refund liable to confiscation
- Penalty prescribed in specific cases where any person claims refund of tax or duty discharge, using fraudulent invoices, on exports of goods
- A definite period of two years, extendable by one year prescribed for completion of customs investigation
- Conditional exemption from duty of customs to have a validity of two years unless specifically provided otherwise, or varied or rescinded earlier
- Common Customs Electronic Portal to act as a one-point digital interface for the trade to interact with the Customs Authorities



“

The budget looks more realistic with Fiscal deficit projection at 6.8%. The Govt's endeavour to make IFSC a global financial hub continues with some additional tax benefits. Overall a balanced budget.

”

### **Krishna Kanhaiya**

CFO - Mirae Asset Management

“

Good growth oriented budget , investment in infrastructure will drive the economy. Reducing the time for reopening of assessment is a welcome move.

”

### **S Balasubramanian**

CFO - TVS Capital Funds

“

The Union Budget 2021 is a step in right direction given the fiscal challenges due to Pandemic after effects. The impetus on growth thru boost in infrastructure spend, no changes in the headline tax rates and attempt to reduce the assessment timelines and providing tax certainty are all welcome moves.

”

### **Keshav Loyalka**

Group Tax Head- L&T Financial Services

# Key Tax & Regulatory Proposals

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- Common Customs Electronic Portal to act as a one-point digital interface for the trade to interact with the Customs Authorities

## Changes in Excise Tariff

- Agriculture Infrastructure and Development Cess of INR 2.5 per litre imposed on petrol and INR 4 per litre on diesel as an additional duty of excise. However, there would be no additional burden on the consumer as Basic Excise Duty and Special Additional Excise Duty have been calibrated

## Regulatory

- Increase in FDI cap from 49% to 74% for Insurance Companies
- Allocation of INR 1.97 lakhs for Production Linked Incentives
- Launch of Mega Investment Textile Parks ('MITRA') Scheme – 7 textile parks proposed

- Introduction of Voluntary Vehicle Scrapping Policy
- Setting up of a Conciliation Mechanism for quick resolution of contractual disputes to help ease of doing business
- Creation of Development Financial Institution to fund National Infrastructure Pipeline Projects
- Changes to InVITs and REITs Regulations to allow raising debt funds through FPIs
- National Monetization Pipeline of potential brownfield infrastructure assets (comprising of assets from NHAI, PGCIL, Dedicated Freight Corridor, Airports, Warehousing Assets, Sports Stadia) to be launched
- Launch of new Scheme to provide financial incentives of up to INR 15,000 million to promote new digital modes of payments
- Flexibility to One Person Companies to grow without any restriction on capital and paid up turn over, reducing residency limit for Indian citizens while allowing NRIs to also incorporate OPCs in India

# Key Tax & Regulatory Proposals

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Overall a very good budget ramping on stability in taxes and economic growth. Increased public spending particularly infrastructure will boost employments. Extension of concessions to affordable housing welcome step, since construction is a significant contributor to employment and economy.

”

## Sreekumar Chirackal

Regional Head of Tax – Asia  
LafargeHolcim Ltd

“

Union Budget 2021 has set the tone for core infrastructural development with increased outlay on capital expenditure and focus on renewables (i.e. solar push). Overall the budget stands true to its motto of “Sankalp of Atmanirbhar Bharat” while aiming to secure economic revival right up from the grassroots level.

”

## Shreeram Deshpande

Country Tax Manager  
Shell

- With a focus on strengthening NCLT framework and to ensure faster resolution of cases, e-courts to be implemented.
- MCA portal to be updated to allow for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management
- Identification of strategic sectors for Disinvestment
- National Research Foundation with outlay of INR 500 billion over 5 years
- Realigning National Apprenticeship Training scheme for providing post education apprenticeship, training of graduates and diploma holders in Engineering
- Rationalised single Securities Markets Code by 2022 to merge provisions of Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007
- Jal Jeevan Mission (Urban) for universal water supply in all ULBs with an outlay of INR 2,870 billion
- Urban Swachh Bharat Mission with outlay INR 1,417 billion over 5 years
- INR 350 billion allocated for Covid-19 Vaccine in 2021-22
- 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
- Revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of INR 3,060 billion over 5 years
- PPP mode to be utilised for managing operational services of major ports

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