

Union Budget 2021


A hand is shown on the right side of the image, interacting with a futuristic digital interface. The interface consists of several concentric, glowing circles that resemble a target or a data visualization. A bright light emanates from the center of these circles, and the hand's index finger is pointing towards it. The background is dark with blue and orange bokeh effects, suggesting a high-tech or digital environment.

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Foreword

The Union Budget 2021 was presented by the Honourable Finance Minister on February 01, 2021.

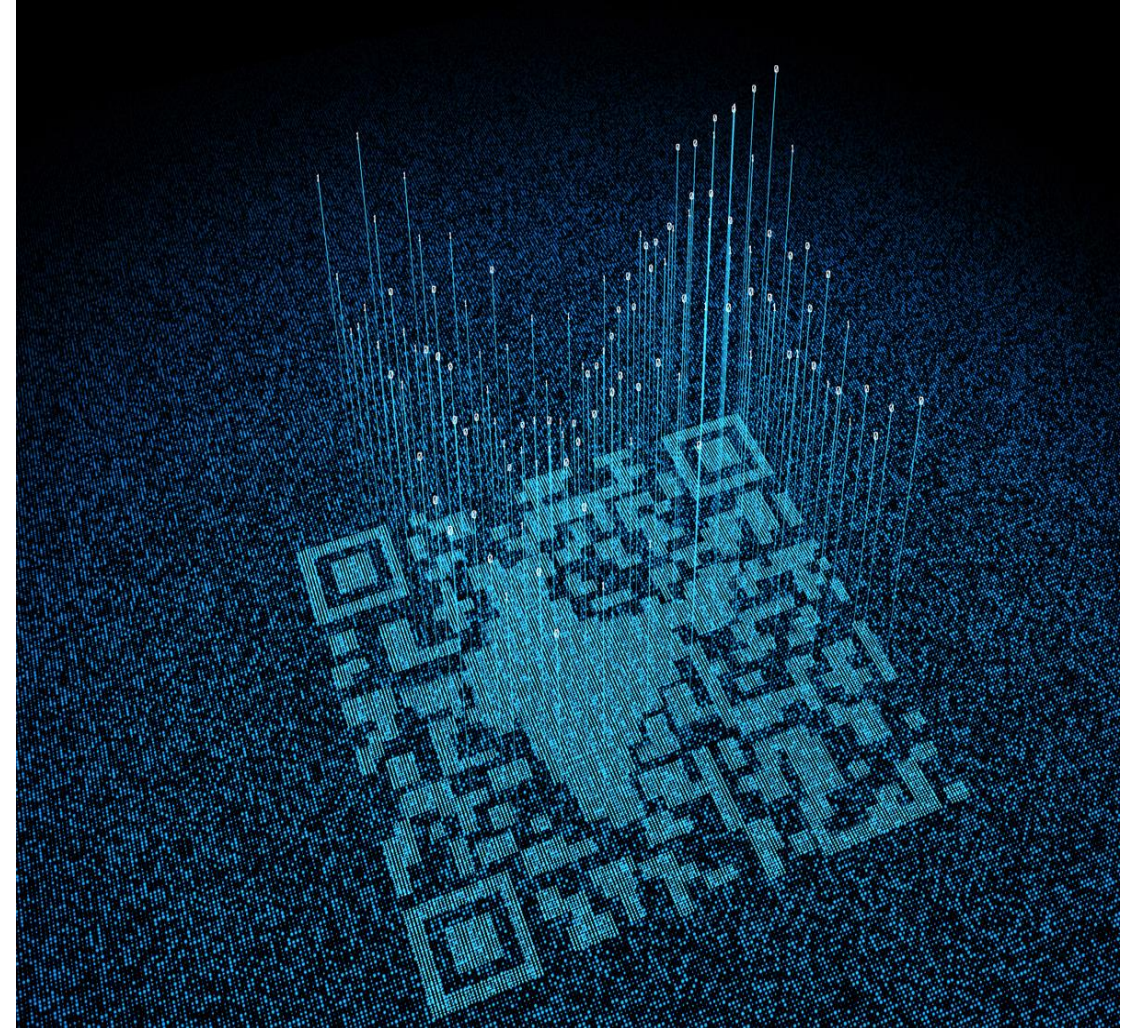
This Budget is first of its kind as it is a digital budget. After the unforeseen pandemic and the subsequent lockdown resulting in economic contraction, this Budget focuses on AtmaNirbhar Bharat and thereby rests on 6 important pillars:

1. Health and Wellbeing
2. Physical and Financial Capital, and Infrastructure
3. Inclusive Development for Aspirational India
4. Reinvigorating Human Capital
5. Innovation and R&D
6. Minimum Government and Maximum Governance

Budget 2021 comes at the backdrop of a year with many milestones for our history. It is 75th year of India's independence, 60 years of Goa's accession to India, and the 8th Census of Independent India. It would also be India's turn at the BRICS presidency and the year for our Chandrayaan-3 Mission.

This Budget focuses on allocation of funds towards various elements of the 6 pillars of AtmaNirbhar Bharat while encouraging investors to invest in infrastructure and real estate including national highways.

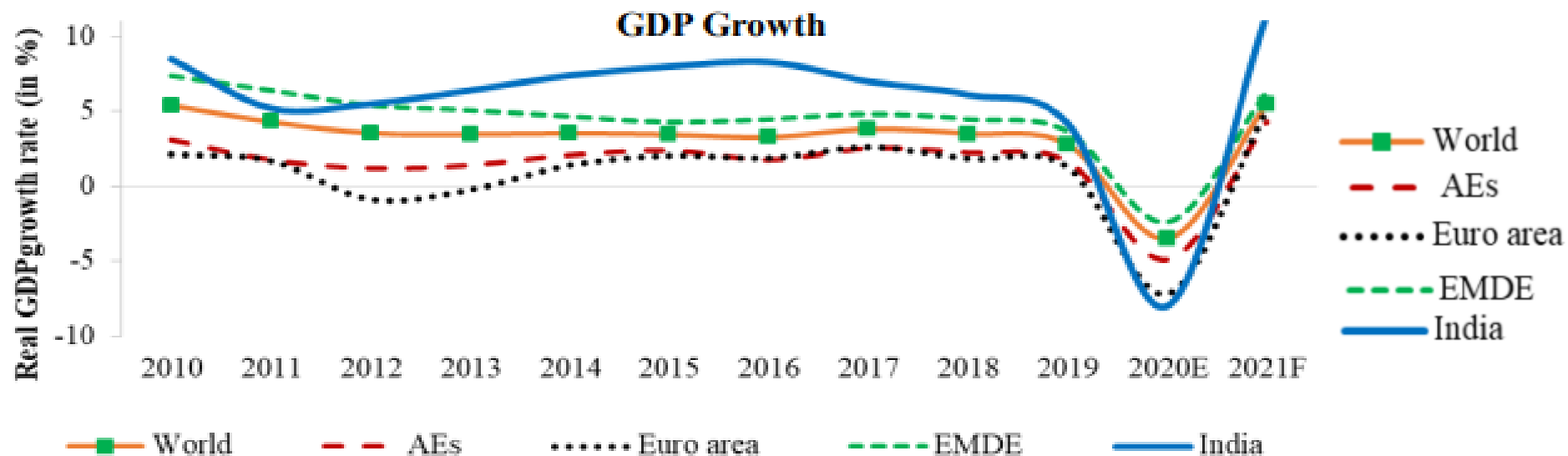
It sends a strong message to the investors globally that government is committed to a long-term low tax rate regime and provides certainty on the broad tax policy framework. The reduction in timeline for return processing, issue of notices and completion of assessments shows the intention of the Government to reduce uncertainty for taxpayers.



The budget for FY 2020-21 was released in February 2020 with expectations of better fiscal and economic outlook. However a month later, the economy suffered a major backlash with series of lockdowns on account of Covid-19. In May 2020, the government announced the AtmaNirbhar Bharat package. To sustain the recovery, further into the year, two more AtmaNirbhar Bharat packages were rolled out. Total financial impact of all AtmaNirbhar Bharat packages including measures taken by RBI was estimated to about ₹ 27.1 Billion which amounts to more than 13% of GDP. The Government consumption and net exports cushioned the fall in growth. However in Q-1 and Q-2 of FY 2020-21 the GDP contracted by 23.9% and 7.5% respectively. Total contraction of Real GDP is estimated as 7.7% in 2020-21.

The Government announced a special economic and comprehensive package under Atmanirbhar Bharat of INR 20 Billion-equivalent to 10 percent of India's GDP—to fight the Covid-19 pandemic in India.

This budget reflects firm commitment of the government to boost economic growth by investing in infrastructure development. This is substantiated by increase in capital expenditure by 34.5% over BE 2020-21. The fiscal deficit and revenue deficit for 2020-21 were budgeted at 3.5% of GDP and 2.7% GDP respectively.



Highlights



Contraction of Real GDP in FY 2020-21 estimated at 7.7%

Fiscal Deficit is 3.5%

Revenue Deficit is 2.7%



26% growth in center's capital expenditure in FY 2021-22

6.8% fiscal deficit for FY 2021-22



Six Pillars of AtmaNirbhar Bharat

Pillar 1 :Health and Wellbeing

- PM AtmaNirbhar Swasth Bharat Yojana
- Mission Poshan 2.0
- Urban Swachh Bharat Mission 2.0
- Clean Air Plan
- Vehicle scrapping policy
- Vaccines

Pillar 2 :Physical and Financial Capital and Infrastructure

- AtmaNirbhar Bharat-Production Linked Incentive Scheme
- Mega Investment Textiles Parks (MITRA)
- National Infrastructure Pipeline
- Development Financial Institution
- Asset Monetization
- Disinvestment and Strategic sale
- Asset Reconstruction Company Limited and Asset Management Company

Pillar 3 :Inclusive Development for Aspirational India

- SVAMITVA Scheme
- Operation Green Scheme
- Fishing harbors and fish landing centres and Multipurpose Seaweed Park
- One Nation One Ration Card Scheme
- Migrant Workers and Laborers Portal
- Financial Inclusion Scheme and MSME Sector

- National Education Policy
- Scheduled Castes and Scheduled Tribes Welfare
- 100 new Sainik Schools
- New Central University in Leh
- Training Inter Training Programme
- National Apprenticeship Promotion Scheme

Pillar 4 :Reinvigorating Human Capital

- National Research Foundation
- National Language Translation Mission
- New Space India Limited
- Ocean Resources
- Gaganyaan mission

Pillar 5 :Innovation and R&D

- Conciliation Mechanism
- Digital Census
- Scheme for Tea Workers in Assam and West Bengal

Pillar 6 :Minimum Government and Maximum Governance

Companies Act

1. Decriminalization of offences under LLP Act :

After completion of decriminalization of compoundable offences under the Companies Act, 2013 , decriminalization of the Limited Liability Partnership (LLP) Act, 2008 is proposed to be taken up.

2. Amendment in definition of Small Companies :

The definition under the Companies Act, 2013 for Small Companies has been amended by increasing the thresholds for paid up share capital from “not exceeding ₹ 5 Million” to “not exceeding ₹ 20 Million” and turnover from “not exceeding ₹20 Million” to “not exceeding ₹ 200 Million”.

3. One Person Company:

- Elimination of restrictions on paid up capital and turnover.
- Permitting conversion to any type of company at any time.
- Reducing residency criteria for OPC eligibility to 120 days from 182 days.
- Allowing NRIs to open OPC.

4. Strengthening of NCLT framework:

NCLT framework will be strengthened, by implementation of e-Courts system. Alternate methods of debt resolution and special framework for MSMEs shall be introduced.

5. MCA 21 version 3.0:

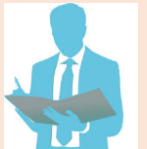
The MCA 21 portal, in addition to existing features, will have a new version which will utilize the technologies of analytics, artificial intelligence and machine learning to have additional modules for e-scrutiny, e-Adjudication , e-consultation and Compliance Management.

Highlights



Increase in threshold of a Small Company

Relaxation in incorporation of OPC



MCA 21 Version 3.0 to be launched



Personal Tax

1. Slab rates:

No change in personal tax rates, rebates, surcharge and health and education cess. The table summarising slab wise tax rates applicable to individuals is as under:



Rates of Income Tax:

Income (INR)	Existing Rates			Alternate Regime
	Age less than 60 years	Age 60 years or more but less than 80 years	Age 80 years or more	
Up to 2,50,000	NIL	NIL	NIL	NIL
2,50,001 - 3,00,000	5%	NIL	NIL	5%
3,00,001 - 5,00,000	5%	5%	NIL	5%
5,00,001 - 7,50,000	20%	20%	20%	10%
7,50,001 - 10,00,000	20%	20%	20%	15%
10,00,001 - 12,50,000	30%	30%	30%	20%
12,50,001 - 15,00,000	30%	30%	30%	25%
Above 15,00,000	30%	30%	30%	30%

Surcharge and Effective TaxRate:

Income (INR)	Surcharge Rates	Health and Education Cess	Effective tax rate
Upto 50 Lakh	NIL	4%	31.20%
Above 50 Lakh upto 1 Crore	10%	4%	34.32%
Above 1 Crore upto 2 Crore	15%	4%	35.88%
Above 2 Crore upto 5 Crore	25%	4%	39.00%
Above 5 Crore	37%	4%	42.74%

Personal Tax

2. Relief to senior citizens from tax filing:

Resident senior citizens who are of the age 75 years and above are exempted from filing tax returns provided their income only consists of interest and pension income.

3. Interest accruing on employee provident fund:

Interest accruing in employee provident fund on employee contributions exceeding INR 250,000 per annum from April 1, 2021 will be taxable.

4. Taxation of ULIP:

- Receipts from ULIPs (including bonus) issued on or after February 1, 2021 are taxable, if the premium paid in any of the previous year exceeds INR 2,50,000 over the policy term.
- Where a person invests in more than one ULIP, the exemption will be available only with respect to ULIPs, where aggregate premium does not exceed INR 2,50,000.
- ULIPs not eligible for exemption shall qualify as capital asset. Redemption of such ULIPs is taxable as capital gains.
- STT to apply on maturity or partial withdrawal of ULIP not eligible for exemption.

5. Overseas retirement fund:

Taxation of withdrawals from foreign retirement funds of Indian tax residents contributed while they were non-residents. Rules in this regard to be notified. This amendment is slated to be effective from April 1, 2022.

6. Interest on affordable housing loan:

Deduction in respect of interest of housing loan for affordable housing extended from March 31, 2021 to March 31, 2022.

Highlights

Tax filing exemption to senior citizens of 75 years & above



Interest on EPF is now taxable

Receipts from ULIP taxable subject to conditions



Withdrawal from foreign retirement funds taxable

Personal Tax

7. Relief on advance tax installment for dividend income:

No interest under section 234C of the Income Tax Act, 1961 shall be leviable for shortfall in payment of advance tax on under/non-estimation of dividend income other than deemed dividend under section 2(22)(e) of the Act.

8. Leave travel concession:

- Exemption for cash allowances in lieu of LTC to be opted for by an employee and shall available only for the FY 2020-21.
- Lower of one third of the specified expenditure or INR 36,000 per employee exempt.
- Specified expenditure means expenditure on goods and services which are subject to a GST rate of 12% and above and have been purchased or procured from GST registered vendors/ service providers during the period commencing from October 12, 2020 to March 31, 2021.

Highlights

No advance tax payable on dividend prior to receipt or declaration



Exemption to cash allowances received in lieu of LTC



Corporate Tax

1. Taxability of capital gains on dissolution or reconstitution of Firm/AOP/BOI

- Any profits or gains arising from receipt of capital asset by partner of a firm or member of an AOP / BOI at the time of dissolution or reconstitution shall be chargeable to capital gains in hands of the Firm / AOP / BOI.
- Any profits or gains arising from receipt of money or other asset, by Partner of firm / Member of AOP / BOI , which is in excess of the capital account balance will be taxed in the hands of the Firm / AOP / BOI as capital gains.

2. Special provisions for deduction of TDS/TCS for non-filers of income tax returns:

- The rate of TDS/ TCS shall be twice the specified rate or twice the rates in force or 5% whichever is higher in case of non-filing of income tax return for the last two years and where TDS /TCS is INR 50,000 or more for the last two years.
- This provision shall not be applicable to the following
 - i. Transactions where the entire amount of tax is required to be deducted such as salary income, income from lottery, horse races, payments in cash etc. and
 - ii. A non-resident who does not have a permanent establishment in India.
- This amendment is slated to be effective from 1st July 2021.

3. No deduction of Employees' contribution to labour welfare funds if not deposited within due date:

Section 43B of the Income Tax Act , 1961 covers only employer's contributions and does not cover employee contributions. However , some courts have applied the provisions of Section 43B on employee contribution as well. To reiterate that delayed deposit of employees contribution to labour welfare funds by the employer shall not be allowed as deduction to the employer, Sec 36 and 43B of the Act have been respectively amended.

4. Relaxation in conditions for exemption of Sovereign Wealth Fund & Pension Fund (SWF/PF):

Relaxation of some of the conditions for availing 100% tax exemption on income received from SWF and PF. The conditions to be relaxed include prohibition on loans or borrowings, restriction on commercial activities, direct investment in entity owning infrastructure.

Highlights

Taxation of capital asset/money/other asset in hand of Firm/AOP/BOI



Increase in TDS/TCS rates for non-filers of income tax returns

Disallowance on delayed remittances of employees contributions



Corporate Tax

5. Tax incentives for affordable housing and affordable rental housing project:

- Tax holiday for ‘affordable housing project’ to also apply to ‘affordable rental housing projects’. Central Government to notify such projects and related conditions.
- Time-limit for approval of affordable housing project for availing tax holiday by the developers and builders extended to March 31, 2022.
- Increase in safe harbour limit from 10% to 20% for home buyers and real estate developers in case of sale of eligible residential units.

6. Relaxation of condition for carry forward of loss and tax neutral demerger for disinvestments:

- In order to promote strategic disinvestment of PSU’s, it is proposed to relax the conditions for carry forward of loss for disinvested PSU in amalgamation.
- Transfer of assets by PSU to resulting company to be deemed as tax neutral demerger.

7. Introduction of new provision on deduction of TDS on purchase of goods:

- TDS of 0.1% shall be levied on an aggregate purchase exceeding INR 5 million in a year. This will be applicable where the turnover of buyer exceeds INR 100 million in the immediately preceding FY.
- This provision shall not be applicable on any purchase of goods transaction if:
 - i. TDS is deductible under any other provisions of the Income Tax Act , 1961
 - ii. TCS is applicable as per Sec 206(1H) for consideration on sale of goods.
- The rate of TDS shall be 5% where PAN is not provided.
- This amendment is slated to be effective from 1st July 2021.

8. Broader Scope of “Slump Sale” definition:

Scope of ‘slump sale’ is broadened to include transfer of undertaking by any means including an ‘exchange’ where no cash consideration is involved.

Highlights

Extension of Tax holiday for affordable housing.



Relaxation of conditions for PSU's

Levy of TDS on purchase of goods



Slump exchange now taxable

Corporate Tax

9. Clarification for claiming depreciation on goodwill:

- Goodwill will no longer be eligible for depreciation irrespective of the mode of its acquisition.
- If a 'block of asset', which includes goodwill is transferred, rules would be prescribed to determine, the written down value and the computation of short-term capital gains.
- Where depreciation on goodwill has been obtained, the cost of acquisition for the acquirer (for the purpose of computing capital gains in the future) will be the amount of purchase price as reduced by the amount of depreciation so obtained upto AY 2020-21 .

10. MAT:

- Where dividend income of foreign company is taxed at lower than MAT rate due to tax treaty, the dividend income and relatable expenditure are to be excluded while calculating the book profit of a foreign company.
- Where the past year income increases the book profit on account of an APA or a Secondary adjustment on filing of application by the taxpayer, the AO to recompute MAT liability for the past year based on a rectification application made u/s 154 of the Income Tax Act made to him.
- Time limit of 4 years to recompute the MAT liability would commence from the end of the financial year in which the said application is received by the AO.

11. Tax incentives for startups:

- To incentivize Start-ups in India ,the last day to incorporate a start-up eligible for claiming tax holiday has been extended from March 31, 2021 to March 21, 2022.
- Similarly, the capital gains exemption available on investment in Start-ups has been extended from March 31, 2021 to March 31, 2022.

12. Tax on income of foreign institutional investors:

Treaty benefits are provided to foreign institutional investors on Income from securities. Therefore, tax deductions at source under section 196D shall be lower of 20% or rates as per Double Taxation Avoidance Agreement.

Highlights

No depreciation
on Goodwill



Rationalisation of
provisions of MAT

Tax holiday for
startups extended
till March 21, 2022



Miscellaneous Income Tax Matters

1. **Fake invoices/Sham transactions:**

The AO is empowered to attach the properties of tax payer in case penalty proceedings are initiated against such taxpayer committing fraud through fake invoices or sham transactions of more than ₹ 20 Million.

2. **Relief on dividend income received by REIT/InvIT:**

Dividend income received by REIT/ InvIT from specified SPVs are not subjected to tax withholding. This amendment is slated to be effective retrospectively from April 1, 2020.

3. **‘Liable to tax’ defined:**

‘Liable to tax’ now defined - a person shall be considered as ‘liable to tax’ in a country, if there is a liability of tax on such person. A person will continue to be considered as liable to tax, even if no tax is payable on account of any exemption.

4. **Relaxation of tax audit applicability:**

Tax audit exemption limit is increased from INR 50 million to INR 100 million for persons who undertake 95% of their transactions digitally.

5. **No option for presumptive taxation of LLP’s income from profession:**

LLP’s who are engaged in any profession shall not be eligible for presumptive taxation.

Highlights

AO can attach properties in cases of fake invoices



No TDS on dividends from REIT/InvIT

Increase in Tax audit threshold limit to INR 100 million



LLP’s engaged in profession not eligible for presumptive taxation

International taxation

Equalisation Levy:

- Equalisation Levy shall not be applicable on transactions which are taxable as technical consultancy and royalties under Income Tax Act 1961.
- For the purpose of defining e-commerce supply or service, “online sale of goods” and “online provision of services” shall include one or more activities to take place online.
 - a) Acceptance of offer for sale
 - b) Placing of purchase order
 - c) Acceptance of purchase order
 - d) Payment of consideration
 - e) Supply of goods or provision of services, partly or wholly
- The consideration received/receivable from e-commerce supply or services shall include irrespective of whether the e-commerce operator owns the goods or provides the service.
- This amendment is slated to be effective retrospectively from April 1, 2020.

Charitable Trusts

1. Corpus Fund Donations and its utilization:

- Corpus donation exempt only if it is invested or deposited in modes specified in section 11(5).
- Amounts utilised from out of such Corpus Fund towards the objects of the trust shall be considered as utilization only when such amount is invested or deposited back in the forms and modes specified under 11(5).
- Excess application of income of earlier year(s) not eligible to be set-off in calculating exempt income of current year.
- Utilization of loans and borrowings will not be allowed as application for charitable or religious purposes. However, repayment of loan will be allowed as application in the year of such repayment.
- These amendments are slated to be effective from April 1, 2022.

2. Educational Institution and Hospitals :

In order to provide benefit to small trust and institutions, the threshold limit of gross receipts has been increased from INR 10 million to INR 50 million with respect to Educational Institutions and Hospitals covered U/s 10(23C)(iiiad) and 10(23C)(iiiie) of the Income Tax Act, 1961

Highlights

Rationalisation of provisions related to Equalisation Levy



Exemption of Corpus donations only if invested in specified modes

Increase in threshold from INR 10M to 50M for education institutions and hospitals



Assessments, Appeals and Authorities

1. Substitution of Authorities:

To digitize the existing process of settling tax disputes and faster disposal of cases:

- Authority for Advance Rulings is to be replaced with Board for Advance Rulings.
- Settlement Commission is to be replaced with Interim Board.

2. Establishment of Dispute Resolution Committee ('DRC') for small and medium tax payers:

- DRCs to be constituted to resolve disputes and provide certainty to 'small and medium taxpayers'. Taxpayers to have the option to opt or not to opt for the dispute resolution through DRC.
- Disputes where returned income is INR 5 million or less and total variation proposed is INR 1 million or less eligible to make application before DRC.

3. Processing of tax return and reduction in time limit for assessment procedures:

- Time-limit for filing belated/revised returns has been reduced from 12 months to 9 months from the end of the relevant AY i.e on or before December 31.
- **Scope of adjustments permissible while processing of returned income (i.e. summary assessment), expanded:**
 - i.to allow for the adjustment on account of increase in income indicated in the tax audit report but not considered while computing the total income
 - ii.to give consequential effect to amendment carried out in section 80AC vide Finance Act, 2018, relating to non-allowance of certain profit linked deductions, where the income-tax return is not filed within the prescribed due date.
- **Reduction in time limit for:**
 - i.**Processing of return of income:** from 1 year to 9 months from the end of the FY in which the return is furnished.
 - ii.**Issuance of notice for initiating scrutiny assessment:** from 6 months to 3 months from the end of the FY in which the return is furnished.
 - iii.**Completion of original assessment proceedings (non-transfer pricing cases) in respect of AY 2021-22 onwards:** from 21 months to 9 months from the end of the respective AY.

Highlights

New authorities for faster disposal of tax disputes



Setting up of DRC for small & medium taxpayers

Revised time lines for:

- Processing of return
- Issue of scrutiny notices
- Completion of assessment



Belated and revised returns to be filed within 9 months from end of AY

Assessments, Appeals and Authorities

4. Faceless proceedings before ITAT:

Faceless scheme before ITAT to be launched.

5. Time limit for issue of notices for initiating reassessment proceedings:

- Cases where the AO has in his possession evidence which reveal that income has escaped or likely to have escaped assessment more than INR 5 million - 10 years from the end of the relevant AY
- Other cases – 3 years from the end of the relevant AY.

6. Vivaad Se Vishwas Scheme:

The Vivad Se Vishwas scheme not applicable for cases covered by an order passed by the Settlement Commission.



Highlights

Faceless ITAT proceedings



Reduced time limits for escaped assessment

Reduced time limits for escaped assessment of INR 5 million & above





Central Goods and Service Tax

1. Transaction by a person to its members or constituents or vice-versa:

Scope of supply has been amended to include activities or by a person, other than an individual, to its members or constituents or vice-versa for consideration (slated to be effective retrospectively from July 1, 2017). Further the explanation to the new sub-section clarifies that the person and its members or constituents shall be deemed to be two separate persons. Also para 7 of Schedule II of the act has also been removed in this effect.

This amendment negates the supreme court ruling under erstwhile service tax law in case of **State of West Bengal vs Calcutta Club Limited**, where in it was held that services rendered by a club to its members is not a service or sale.

2. Additional condition for availment of credit:

Amendments have been made to Section 16 of CGST Act so that input tax credit can be claimed only after it matches with the details furnished by the supplier.

3. Scrapping of GST Audit and changes in GSTR-9:

Amendments have been made in Section 35 and Section 44 of the CGST Act, to do away GST Audit and instead to submit a self certified reconciliation statement along with annual return in GSTR 9. This is expected to be notified for FY 2020-21 and onwards.

4. Interest on output due to late filing not applicable on part set of with input:

Section 50 of the CGST Act, has been amended to state that interest on late filing to be paid only on the net cash liability instead of gross tax liability. This has been brought into effect retrospectively from July 1, 2017.

5. Recovery of tax proceedings:

For the purposes of initiating “recovery of tax” proceedings for self-assessed tax, the term self-assessed tax shall include tax on outward supplies declared in GSTR-1, however not declared in GSTR-3B.

Highlights

Supply to include transactions with members



No GST audit from FY 2021-22

Interest on net cash liability



No ITC if not disclosed by supplier

Central Goods and Service Tax

6. **Delinking of proceedings under section 129 and 130 with that of section 74 and 75:**

The proceedings initiated for detention, seizure, and confiscation of goods are delinked with the proceedings initiated under section 73 and 74 for recovery of tax and penalty.

7. **Power to attach tax payer's properties in all cases**

The scope of Section 83 which allows the commissioner to attach properties of a taxpayer in the interest of revenue and government in proceedings under Sections 62, 63, 64, 67, 73 or 74 (i.e non-filers, unregistered dealers in cases of summary assessment and show cause notices) has been extended to Chapters XII, XIV or XV(i.e all situations of assessments, inspection, search, seizure, arrest, demands and recovery).

8. **Changes in penalties and appeal procedures in relation to seizure of goods and conveyances:**

- Maximum penalty for release of goods and conveyances seized for contravention of the Act (in cases where the owner of goods comes forward to pay such penalty and cases where he does not) is increased from 100% of the tax value to 200% of the tax value.
- A time limit of 7 days has been implemented for issuing of notice with regard to such seizure and passing of order after such notice is served.
- The period in which goods seized can be sold on failure to pay penalty has been increased from 7 days to 15days (In cases of perishable goods the period may be reduced by proper officer).
- While filing an appeal against such penalty, 25% of such penalty must be paid by the appellant.
- Confiscation proceedings to be initiated independently for specified offences of evasion of tax. In such cases, fine and penalty to be limited to 100% of the tax amount.

9. **Power to call for information:**

Additional powers have been granted to the Commissioner or officer to, by way of an order, direct any person to furnish information relating to any matter in connection to the Act instead of matters restricted to statistical information for notified cases. Information collected cannot be used for proceedings without granting opportunity of being heard.

Highlights

Provision to attach properties in all cases



Empowering of revenue in cases u/s 129

Power to call for any additional information



Interstate Goods and Service Tax

1. Restriction in payment of IGST on zero rated supplies and claiming refund thereon:

The option to pay IGST on zero rated supply and later on claim the same as refund has now been restricted to specified class of persons or class of goods or services which are yet to be notified.

This amendment will impact refunds claimed by exporters on capital goods against payment of tax.

2. Supplies to SEZ unit:

Supplies made to SEZ will remain zero rated only if the operation of such SEZ Units is authorized.

3. Linking of foreign exchange remittance in case of export:

Amendment prescribing receipt of foreign exchange within the time-limit prescribed under FEMA, as a condition for refund of unutilized input tax credit in case of export of goods.

Highlights

Sales to SEZ not 0
rated if operations
not authorized



0%

Restriction on
availing refund on
tax paid for zero
rated supplies



Customs Act

1. Common Portal and provision for amendment of documents:

Common customs electronic portal is notified for facilitating registration, service of orders, filing bill of entry. Provisions have been inserted to allow amendments of documents (such bill of entry, shipping bill and other documents and forms under the Act) using the customs automated system based on certain criteria and the same can be done through the common portal under certain situations. Amendment has also been proposed for enabling online service of orders, decisions, summons, or notices issued under the Customs Act, 1962 or Rules thereunder on the common portal

2. Time limit for completion of inquiry or investigation:

Any investigation or inquiry under this Act which may lead to issuance of notice under Section 28 of Customs Act, 1962 shall be concluded within 2 years from the date of initiation of audit, search, seizure or summons, as the case may be. This time limit is extendable up-to 3 years by the Principal Commissioner of Customs or the Commissioner of Customs for sufficient cause being shown which are recorded in writing. This amendment will not be applicable for any proceeding initiated before the finance bill.

3. Filing of Bill of Entry:

Bill of Entry will now have to be presented before the end of the preceding day (including holiday) prior to the day of arrival of goods. Previously, had to be presented by the end of the next day after the arrival of goods(excluding holidays).

4. Confiscation of goods under Section 113 clause (ja):

Goods entered for exports could be confiscated in situations of a wrongful claim for remission or refund of any duty or tax or levy in contravention of the provisions of the Customs Act, 1962 or any other law for the time being in force.

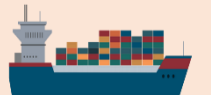
Highlights

Common portal for customs



Time limit for investigations or inquiries

BOE to be filed one day prior



Confiscation in case of wrong claim of refund

Customs Act

5. Penalty for fraudulent utilization of input tax credit for claiming refund:

There shall be a levy of penalty not exceeding 5 times the refund claimed on export of goods by utilizing Input Tax Credit on invoices obtained by fraud, collusion, willful misrepresentation or suppression of facts.

6. Agriculture Infrastructure and Development Cess ('AIDC') :

This levy has been introduced on 25 products from February 02 ,2021. There has been a consequential reduction in customs duty on such products.

Revised BCD and AIDC for the 25 products are given below ::

Items on Customs	Revised BCD	Proposed AID cess
Gold, Silver and dore bars	12.5% , 11.85% , 11%	2.50%
Alcoholic beverages (falling under chapter 22)	50%	100%
Crude palm oi	15%	17.50%
Crude soya bean and sunflower oil	15%	20%
Apples	15%	35%
Coal, lignite and peat	1%	1.50%
Specified fertilizers (Urea etc.)	0% /2.5%	5%
Peas	10%	40%
Kabuli Channa	10%	30%
Bengal Gram/Chick peas	10%	50%
Lentil (Mosur)	10%	20%
Cotton (not carded or combed)	5%	5%

Items on Excise	Revised BCD and SEAD	Proposed cess
Petrol	₹ 1.40 per litre & ₹ 11 per litre	₹ 2.50 per litre
Diesel	₹ 1.80 per litre & ₹ 8 per litre	₹ 4.00 per litre



Customs Act

7. Job Work on imported materials:

Provisions have been introduced to allow job work on materials (other than gold, jewellery and other precious metals) imported under concessional rate of duty subject to fulfillment of certain conditions and procedures. This provision is applicable from February 02 2021.

8. Two years validity for any conditional exemption notification:

Any conditional exemption notification issued henceforth shall be valid for 2 years till March 31 falling immediately from the date of such grant or variation. Further, any exemption which is in force as on the date on which Finance Bill 2021 receives Presidential assent, the period of 2 years shall be reckoned from February 1, 2021 and shall remain valid until March 31, 2023.

Customs Tariff Act

Changes to Anti Dumping Duty and Countervailing Duty:

- ADD and CVD will not be applicable on imports made by 100% EOU or SEZ unit and those used in manufacturing of goods cleared in Domestic Tariff Area.
- Temporary revocation of CVD or ADD which shall be for a period not exceeding one year at a time.
- Modification/ change of duty to counter the impact of any absorption of CVD or ADD in a situation where a decrease in export price dilutes the intended impact of the CVD or ADD imposed earlier or other specified situations.
- CVD or ADD can be imposed on a product or service for any period of time up-to 5 years (Before the period of 5 years was not flexible and could not be adjusted).

Highlights

Concession on import for job work



Sunset clause for conditional exemption

Changing of ADD or CVV if export price changes



Changes in Custom Duty Rates



* Also to attract AIDC @ 5%

S.No	Category	Specific items	Rate of Duty	
			From	To
1.	Agricultural products and fishery sector	Cotton	Nil	5% *
		Cotton waste	Nil	10%
		Raw Silk (not thrown) and silk yarn /yarn spun from silk waste	10%	15%
		Denatured ethyl alcohol (ethanol) for manufacture of excisable goods	2.5%	5%
		Prawn Feed	5%	15%
		Fish feed in pellet form	5%	15%
		Flours, meals and pellets of fish, crustaceans, molluscs or other aquatic invertebrates	5%	15%
		Maize Bran	Nil	15%
		De-oiled rice bran cake	Nil	15%
		Carbon Black	5%	7.5%
2.	Chemicals	Bis-phenol A	Nil	7.5%
		Epichlorohydrin	2.5%	7.5%
3.	Plastics	Builder's ware of plastic, not elsewhere specified or included	10%	15%
		Polycarbonates	5%	7.5%
4.	Leather	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including their splits and slides	Nil	10%
5.	Gems and Jewellery	Cut and Polished Cubic Zirconia	7.5%	15%
		Synthetic Cut and Polished Stones	7.5%	15%
6.	Capital Goods and Machinery	Tunnel Boring Machines	Nil	7.5%
		Parts and components for manufacture of Tunnel Boring Machines	Nil	2.5%
7.	Auto Sector	Specified auto parts like ignition wiring sets, safety glass, parts of signaling equipment, etc.	7.5% / 10%	15%
8.	Metal products	Screws, Nuts, etc.	10%	15%

S. no.	Inputs/Raw materials (for Sector)	Specific Items	Rate of duty	
			From	To
1.	Petrochemical industry	Naphtha	4%	2.5%
2.	Textile industry	Caprolactam	7.5%	5%
		Nylon Chips	7.5%	5%
		Nylon fibre and yarn	7.5%	5%
3.	Ferrous and Non-Ferrous Metals	Iron and Steel melting scrap, including stainless steel scrap [up to 31.3.2022]	2.5%	Nil
		Primary/Semi-finished products of non-alloy steel	10%	7.5%
		Flat products of non-alloy and alloy-steel	10%/12.5%	7.5%
		Long products of non-alloy, stainless and alloy steel	10%	7.5%
		Raw materials used in manufacture of CRGO Steel	2.5%	Nil
		Copper Scrap	5%	2.5%
4.	Aviation Sector	Components or parts, including engines, for manufacture of aircrafts by Public Sector Units of Ministry of Defence	2.5%	0%
5.	Precious Metals	Gold and silver*	12.5%	7.5%*
		Gold Dore bar*	11.85%	6.9%*
		Silver Dore bar*	11%	6.1%*
		Platinum, Palladium, etc.	12.5%	10%
		Gold/silver findings	20%	10%
		Waste & Scrap of Precious Metals	12.5%	10%
		Spent Catalyst or ash containing precious metals	11.85%	9.2%
		Precious Metal Coins	12.5%	10%
6	Animal Husbandry	Feed additives or pre-mixes	20%	15%

S. No.	Description	From	To
1.	Inputs, parts or sub-parts for manufacture of specified parts of mobile phones, including: (1) Printed Circuit Board Assembly (PCBA) (2) Camera module (3) Connectors [To apply with effect from 01.04.2021]	NIL NIL NIL	2.5% 2.5% 2.5%
2.	Printed Circuit Board Assembly [PCBA] and Moulded Plastic, for manufacture of charger or adapter	10%	15%
3.	Inputs and parts [other than PCBA and moulded plastic] of mobile charger	NIL	10%
4.	Inputs, Parts and Sub-parts [other than PCBA and Li-ion Cell] for manufacture of Lithium-ion battery and battery pack [w.e.f. 01.04.2021]	NIL	2.5%
5.	Compressor of Refrigerator/Air Conditioner	12.5%	15%
6.	Specified insulated wires and cables	7.5%	10%
7.	Specific parts of transformer such as Bobbins, brackets, wires, etc.	NIL	Applicable Rate
8.	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
9.	Solar Inverters	5%	20%
10.	Solar lanterns or solar lamps	5%	15%

* Also to attract AIDC @ 2.5%

Glossary:

AAR	Authority for Advanced Rulings
ADD	Anti Dumping Duty
AO	Assessing Officer
APA	Advance Pricing Agreement
AY	Assessment Year
BOE	Bill of Entry
BRICS	Brazil, Russia, India, China, and South Africa
CGST	Central Goods and Service Tax
CVD	Countervailing Duty
DICGC	Deposit Insurance and Credit Guarantee Corporation
DRC	Dispute Resolution Committee
DTAA	Double Taxation Avoidance Agreement
EOU	Export Oriented Unit
FDI	Foreign Direct Investment
FY	Financial Year
GDP	Gross Domestic Product
GST	Goods and Service Tax
IFSC	International Financial Services Centre
IGST	Integrated Goods and Service Tax
INR	Indian Rupees (₹)

InVIT	Infrastructure Investment Trust
ITAT	Income Tax Appellate Tribunal
LLP	Limited Liability Partnership
LTC	Leave Travel Concession
MAT	Minimum Alternate Tax
MSME	Micro, Small and Medium Enterprises
NCLT	National Company Law Tribunal
OPC	One Person Company
PF	Pension Fund
PY	Previous Year
R&D	Research and Development
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SGST	State Goods and Service Act
STT	Securities Transaction Tax
SVAMITVA	Survey of Villages and Mapping with Improved Technology in Village Areas
SEBI	Securities and Exchange Board of India
SWF	Sovereign Welfare Fund
TCS	Tax collected at source
TDS	Tax deducted at Source
ULIP	Unit Linked Insurance Plan



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