



The FINANCE BILL 2021

An IMPACT ANALYSIS – *piecing it together*

This is a gist of some of the key amendments proposed in the Finance Bill 2021. We recommend that you seek suitable professional advice before acting on them.

These Amendments generally apply to income earned from 1st April 2021.

"A Budget undertaken in circumstances like never before..."

February 1st 2021

On Personal Taxes

Tax Rates unchanged.

Advance Tax on Dividend Income to be paid on actual receipt like capital gains –in subsequent installments rather than estimating dividend for the year.

Senior Citizens of 75+ earning just pension income and bank interest will be exempted from return filing provided due tax is deducted by the bank where pension is deposited – *conditions apply*

Changes proposed on taxation of **Income from Individual Retirement Funds** of persons who were Non-Residents earlier but are now Residents – details awaited.

For Employees / Employers

LTC exemption for purchase of goods and services (attracting at least 12% GST) between 12th October 2020 and 31st March 2021 – *conditions apply*.

Interest earned on Employee Provident Fund ("EPF") will now be exempt only to the extent that the EPF contribution does not exceed Rs. 250,000/- per year.

For Businesses

No Tax Audit for Y E March 2021 for turnover upto Rs. 10 Crores (earlier 5 Crores) – *conditions apply*.

Employee Contribution to PF/ ESIC if not paid by due date will now be treated as income – earlier it was not taxed so long as it was paid before filing the return of income.

Depreciation will no longer be available on **Goodwill**.

TDS of 0.1% to be done while **buying goods from a Resident** for cases where the Buyers total sales exceed Rs. 10 crores and the buyer pays a particular seller more than Rs. 50 Lakhs for purchases in the year. This is a TDS and credit will be available to the seller and has to be deducted by the buyer when he pays for the goods. This is the opposite of **TCS** that was introduced earlier where the seller had to collect a 0.1% if his sales were more than 10 crores and the buyer was paying more than 50 Lakhs. Credit for TCS was available to the buyer. TCS will not be needed on the same transaction by the seller where the buyer has actually done TDS under the new provision. Applicable from 1.7.2021

The **penal rates of TDS/ TCS** under 206AA/206CC shall now be triggered not just when there is no PAN but also if the person has not filed tax returns for 2 years and the amount of TDS/ TCS is more than 50,000 for each year per deductee.

On Investment Income

ULIPs taken after 01.02.2021 will not qualify for a tax exemption under 10(10D) if annual premium in any year exceeds Rs. 250,000 and will be treated at par with equity oriented funds for capital gains – both for tax rate, capital gains calculation (no indexing) as well as for levy of STT on withdrawal.

On Eligible Start Ups

Tax incentive extended to startups incorporated till 31.03.2022 (earlier 2021).

Capital Gains tax exemption for sale of residence to invest in a Startup extended till 31.03.2022(earlier 2021)

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On Property Transactions / Constructions

For transactions **between Builders and First buyers of residential units** having sale value of upto Rs. 2 crores per unit and which are done between 12.11.2020 and 30.06.2021, the gap between sale price and reckoner price will be allowed upto 20% (earlier 10%).

Tax concession introduced for profits made from **developing and building rental housing projects** sanctioned till 31.03.2022 – aimed at rentals for migrant labour– details awaited.

Tax benefit for **affordable housing projects** extended to projects approved till 31.3.2022 (earlier 2021).
80EEA deduction for loan taken for purchase as certain smaller residential houses extended to loans sanctioned till 31.03.2022 (earlier 2021).

For Companies / LLPs

For **Dividend paid to an FII** – TDS will be done at DTAA rates if lower than 20%.

Compliance under Companies Act to be eased for Companies with capital of upto 2 crores and Turnover upto 20 crores. Various additional benefits to be given to One Person Companies that are forming startups – details awaited.

Defaults under LLP Act to be decriminalized. Details awaited.

For Reorganisations

Tax is proposed to be levied on the **partnership firm on retirement of partners or dissolution** by withdrawing amounts/assets larger than the capital balance (after excluding capital arising out of revaluation or recognition of self-generated assets).

For Charities

The System of **carrying forward deficits** will not be allowed. Instead, if spending is done from corpus then whenever the corpus is replenished and duly invested it can be treated as an application. If spending is done from borrowing, then repayment alone may be treated as application of income.

On GST

Scope of supply extended to cover all activities/transactions, by persons to its members for cash or other consideration; Persons and members deemed to be separate persons. Retrospective w.e.f. 01.07.17
From FY 20-21 – No **GST audit** will be required. GST Annual return to be filed with self-certified reconciliation statement

Zero rate of **supply of goods or services to SEZ** now exempt only if the same is for SEZ authorised operations.

Interest on late payment of GST on net cash liability only.

ITC on invoice or debit note can only be availed where supplier has filed GST return.

On Tax Administration

Due date for filing return in case of partners of firms where Transfer Pricing applies extended till 30th November.

Returns for the year can now be **filed late / revised** only till the end of December after the year has ended – earlier upto March.

Returns filed shall be **processed** under 143(1) within 9 months from the end of the year when filed.

Scrutiny Assessments which were getting time barred in March will now be completed by December itself – within 9 months of the end of the assessment year. **The Notice for selection** will also therefore be issued within 3 months (earlier 6 months).

A **Dispute Resolution Committee** mechanism will be provided for cases where returned income is upto 50 Lakhs and disputed income is upto 10 Lakhs – so that cases can be settled before the order is passed. Details awaited.

Settlement Commission discontinued with immediate effect.

Advance Ruling Authority replaced by an Advance Ruling Board to ensure speedier disposal.

Reopening of assessments will now be done for only upto 3 years only unless the income that has escaped assessment and is represented by assets exceeds 50 Lakhs – in which case it can be done for 10 years (earlier 6 years). This also applies to **Search and Seizure operations done after 1.4.2021**. The procedure for reopening assessments has also been changed.

Tax Appellate Tribunals will function electronically and in a faceless manner.