

## Indian Union Interim Budget 2021- Kamdar Desai Patel

The Indian Union Interim Budget 2021, was presented before the Parliament on 1st February 2021. The below have been produced by our India member firms to help guide you through the salient features of the Finance Bill, 2021

Finance Minister Nirmala Sitharaman unveiled a budget 2021 which focuses on measures to add impetus to the recovery of the economy through infrastructure development, promoting foreign investment in India and reduced compliance burden. The vision was to lay the foundation of 'Atma Nirbhar Bharat' which means to set a goal for the self-dependent and sustainable India.

Below are some of the key highlights of the budget proposals announced:

### A] Income Tax:

1. No change in tax rates for companies, partnership firms, LLPs, trusts, individuals and HUFs.
2. Rules defining accrual of income and foreign tax credit to non-residents to be released so as to reduce the hardships faced by non-residents with respect to double taxation of income.
3. Tax audit limit has been increased from Rs. 5 crores to Rs. 10 crores where 95% of business transactions are carried out in digital mode.
4. Change in time limit for reopening of assessments
  - For normal cases: the time limit has been reduced to 3 years from 6 years.
  - In serious tax evasion cases: Assessment can be reopened till 10 years, only when concealment of income is more than 50 lakhs.
5. Formation of 'Faceless dispute resolution committee and mechanism' in order to reduce litigations for small taxpayers. Any taxpayer with taxable income up to 50 lakhs and disputed income up to 10 lakhs can approach the committee.
6. Senior citizens of 75 years or above who earn only pension and interest income are not required to file income tax returns.

7. To further promote purchase of affordable housing, it is proposed that the period of sanctioning of loan by the financial institution for claiming deduction has been extended from 31<sup>st</sup> March 2021 to 31<sup>st</sup> March 2022.
8. In order to incentivize building affordable housing and to boost the supply of such houses, the period of approval of the project for claiming deduction is extended from 31<sup>st</sup> March 2021 to 31<sup>st</sup> March 2022.
9. With the advent of the e-assessment scheme where assessments are being conducted on faceless basis, it is proposed to introduce faceless Income Tax Appellate Tribunal (ITAT) for providing online resolution. Hearings through video conferencing to be conducted only if required.
10. It is proposed to disallow employee's contribution to PF which is deducted but not deposited by the employer within the due date.
11. It is proposed to extend the deductions and benefits given to start-ups up to 31<sup>st</sup> March 2022.
12. Advance tax liability on dividend income to be considered only after the declaration of dividend.
13. Increasing the concept of Pre-filled ITR, now Capital Gains, dividend incomes, and interest income shall also be pre-filled in addition to TDS/TCS credit and advance tax payments.

## **B] Goods and Service Tax**

1. It is proposed to remove the mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professionals. It is also proposed to remove the mandatory certification by a professional with respect to the reconciliation statement and is to be undertaken by the taxpayer on self-certification basis.
2. It is proposed that input tax credit on invoice or debit note may be availed only when the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note.
3. It has been proposed to add a new clause to determine the eligibility of input tax credits by furnishing the details of the invoice by the vendors and the consequent communication to the recipient.

4. It is proposed to charge interest on net cash liability with effect from 1<sup>st</sup> July, 2017. The liability to pay interest shall be computed on the net cash liability declared in the return. In other words, the interest shall not be computed on the tax paid by utilizing the input tax credit.
5. It has been proposed that the pre-deposit amount for filing the appeal before the first appellate authority in cases of detention and seizure of goods and conveyance during transit shall be 25% of the penalty amount imposed.
6. It is proposed 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 and link the foreign exchange remittance in case of export of goods with refund.

#### **C] COMPANIES ACT, 2013, LLP ACT, 2008 and FEMA**

1. It is proposed to amend the definition of Small Companies as below:  
“Small Company” means a Company, other than a public company, where —
  - (i) Paid-up share capital of the company does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; and
  - (ii) Turnover of which as per profit and loss account for the immediately preceding financial year does not exceed twenty crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees.
2. It is proposed to allow Non-Resident Individual to form an One Person Company (OPC) in India.
3. Restriction on non-conversion of OPC voluntarily into any kind of company till expiry of two years from the date of incorporation of One Person Company is proposed to be removed. Now OPC can be converted into any kind of Company any time.
4. Previously Companies with Paid up share capital up -to fifty Lakhs rupees or average annual turnover during the relevant period up-to two crores rupees were only allowed to register as OPC. This restriction is proposed to be removed.
5. It is proposed to increase Foreign Direct Investment (FDI) in Insurance Sector from 49% to 74%.

6. MCA version 3 expected soon with Data Analysis Machine Learning and Artificial Intelligence. This Version 3.0 will have additional modules for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management.
7. To ensure faster resolution of cases, NCLT framework will be strengthened, e-Courts system shall be implemented and alternate methods of debt resolution and special framework for MSME's shall be introduced.
8. LLP Act, 2008 to be decriminalized for providing Ease of Doing Business to LLPs.

The Government's vision to build up a digital economy and largely shift the compliances to online technology platforms has proven signs of building a transparent and strong economy coupled with rationalization of procedures leading to ease of doing business.

We hope you find these highlights useful.

Thank you.  
Team KDP

Please reach out at [info@kdpaccountants.com](mailto:info@kdpaccountants.com) for any specific queries.

**Disclaimer:**

- The above highlights are proposals and are subject to approval by the parliament.
- The above note is based on the budget speech and is subject to further study and clarifications.
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