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Union Budget for 2021-22

India

Discussion on budget highlights

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Transmittal

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February 2, 2021

Dear Reader,

The Honourable Finance Minister, Ms. Nirmala Sitharaman presented the Union Budget for the financial year 2021 – 2022 ('Budget 2021') before the Lok Sabha on February 1, 2021. The backdrop of the Budget was at best paradoxical, on one side the stock market scaling new heights and on the other side, millions being driven to poverty due to the pandemic. There was no denying that Ms. Sitharaman had no choices before her, but to throw caution to the wind by ignoring an ever burgeoning fiscal deficit and spend - and By Golly, did she spend! Or at least propose to. No holds were barred in Budget 2021 by allocating vast sums to the health sector and to development projects. Of course, poll bound states received more than their fair share, but then, every Budget is a populist one.

Ms. Sitharaman left the ever stoical Indian taxpayer flabbergasted by not relying significantly on tax sops to put more money in the citizen's hands. Instead, there was the customary wringing of the rich by taxing income from ULIPs and high contributions to provident fund. There were absolutely no changes in tax slabs or increase in standard deduction. Pensioners over 75 years were promised that they no longer would have to file tax returns, but it came with the caveat that they shouldn't have any other income other than interest and that too in the same bank in which they received their pension. There were extensions in tax benefits to the real estate sector to clear their inventory glut and encourage first time home buyers. Businesses had some reason to cheer with the increase in the threshold limit for tax audit to Rs. 10 crores and the dispensation of GST audits.

Budget 2021 will be remembered for nullifying several decisions favourable to tax payers by amendments in the law and also for complicating the withholding tax regime even further. Digitisation continues to be on the Government's cards with extension of faceless appeals to the tax tribunals and for reduction in time lines for filing returns, processing of returns and completion of assessment proceedings.

As in the earlier years, it gives us great pleasure to present you with a quick snap-shot on Budget 2021. We believe that you will benefit from the early insights on Budget 2021 through this issue of 'Tax News', though more clarity is expected on many of the provisions which will unravel in the coming days. We hope you will also find the ready reckoner and the compliance calendar useful.

Should you require any further clarifications or details on the budget proposals or any assistance in the analysis of the impact of the proposals on your business, please do feel free to get in touch with us. As always, we look forward to your valuable suggestions.

Yours faithfully

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- Senior citizens over 75 years with just pension and interest income no longer have to file tax returns.
- Mismatches in taxation of income from overseas retirement accounts to be looked into.
- Investment in eligible startups encouraged through extension of time limit by one year.
- High value ULIPs and interest on large contributions to provident fund brought into the tax net.
- Real estate sector provided tax sops through extension of tax deductions, increase in safe harbour limits and increased deduction for interest on housing loans.
- Several judicial decisions nullified by way of clarificatory amendments.

- Individual taxpayers were left high and dry without the slightest increase in the basic exemption limits or a reduction in tax rates or at least a nominal increase in standard deduction. The Finance Minister continued with the complex dual option model for individual taxation. The only silver lining was the previously announced LTC cash concession scheme under which the salaried class would be eligible for tax exempted allowance of up to Rs. 36,000. This is in lieu of the usual leave travel concessions which would be difficult to use due to the pandemic restrictions.

- Companies and firms also found their tax rates to be unchanged. Time limit for availing tax deduction by eligible startups was extended for one more year.

- Senior citizens over 75 years of age have been exempted from filing their tax returns provided they have only pension income and interest income from the same bank in which their interest is credited.

- Taxpayers who believed in squirrelling away their money in provident fund were in for a shock when Budget 2021 proposed to tax interest at the time of withdrawals from these funds to the extent contributions exceeded Rs. 2.50 lakhs in a year. Erstwhile NRIs were partially placated when the Budget promised to look into the vexing issue of the Indian tax authorities taxing income on their overseas retirement accounts on accrual basis without them actually receiving it.

- High value ULIPs lost much of their sheen when Budget 2021 proposed to tax policies which have more than Rs. 2.50 lakhs as annual premium in lieu of its erstwhile tax free status.

- The focus on addressing the glut in the real estate industry was visible by permitting sale of property below stamp duty valuation by up to 20% without taxing the difference. Eligibility to avail higher deduction for interest on loans by first time affordable home buyers has been extended for one more year. Tax exemption for affordable housing projects has been extended to projects approved till March 31, 2022.

- Businesses delaying remittance of employees' contribution to provident fund can no longer take shelter behind myriad judicial decisions as Budget 2021 has clarified that delayed remittances will result in the contributions being treated as the employer's income.

- Budget 2021 was also notable for nullifying several judicial decisions by amending the law to bring in greater clarity such as amending the definition of slump sale to include all sorts of transactions, transfer of assets to partners on dissolution or reconstitution of a partnership firm, no longer permitting depreciation on goodwill, etc.

Executive Summary

Direct taxation
Key areas include :

- Tax audit limits increased to Rs. 10 crores provided the business has minimal cash transactions.
- Increased pressure of taxpayers and tax professionals as time limit to revise returns and belated returns reduced by 3 months.
- TDS provisions further complicated through introduction of TDS on purchase of goods and a new requirement to ensure that deductees have filed their tax returns.
- Faceless appeals extended to ITAT.
- Income Tax Settlement Commission and Authority for Advance Rulings abolished. Dispute Resolution Committee and Board for Advance Rulings to be set up.
- Reduced time limits for completion of assessments and return processing.

- Businesses with minimal cash transactions and turnover of up to Rs. 10 crores had much to cheer as income-tax audits will not apply to them.

- The time period to revise income tax returns and file belated returns has been effectively reduced by three months to December 31st, putting taxpayers and tax professionals under further compliance pressure.

- Quick on the heels of the extremely complex TCS on sale of goods introduced during the last budget, Budget 2021 proposes to introduce TDS of 0.1% on purchase of goods exceeding Rs. 50 lakhs in a financial year. Thankfully, the new provisions are applicable only to assessees with a turnover exceeding Rs. 10 crores in a financial year.

- TDS and TCS compliances became a whole lot more difficult with the added requirement of ensuring that deductees from whom more than Rs. 50,000 was deducted or collected had filed their income tax returns for the preceding two years, failing which, deductors would be required to deduct or collect twice the usual percentage.

- The tax department increased its stranglehold over charitable institutions by now providing that use of corpus funds or loan funds would no longer be considered as 'application of funds' for availing tax exemptions.

- The faceless assessment and appeal mechanism of the tax department which was introduced as a taxpayer friendly measure has been extended to appeals before the ITAT. Since the ITAT also looks into substantial questions of law and not just facts, it remains to be seen how effective a faceless mechanism will help in delivering justice to taxpayers.

- Budget 2021 proposes to do away with the Income Tax Settlement Commission and the Authority for Advance Rulings. A new Board for Advance Rulings is proposed to be set up, but will be manned by senior officials of the tax department. It remains to be seen how unbiased such a body can be, but taxpayers can take comfort in the knowledge that the rulings of the new body will no longer be binding on them and can be appealed before the High Court. A Dispute Resolution Committee is also proposed to be set up to take up relatively smaller tax disputes.

- Budget 2021 proposed a slew of measures to tighten tax assessment procedure. The time limit for processing returns as well as completing notices have been reduced to just 9 months. Notices for reassessment in cases of income escaping assessment will have to be issued within 3 years and in serious cases, within 6 years.

Executive Summary

Indirect taxation
Key areas include :

- Tightening of regulations with respect to availment of input tax credit proposed.
- GST audits have been replaced with self certification by assessees.
- GST refunds will now be increasingly difficult with exporters having to ensure realisation of exports and certain classes of suppliers and supplies having to opt for refund of inputs.
- Suppliers to SEZ will have to ensure that supplies are meant for authorised operations of the SEZ unit.
- Appeals against seizure of goods can be filed only after depositing 25% of the penalty.
- Customs duties were increased on several items to encourage domestic manufacture. Gold, silver and certain raw materials will now be subject to lower duties.

- ► The scourge of fake and bogus invoicing was dealt a further blow by the proposed amendments which mandate that suppliers need to correctly report all transactions before recipients can avail input tax credit. Of course, the collateral damage would be that genuine assessees may be put to difficulty if suppliers bungle their tax filings.
- ► GST audits which required a tax professional to certify reconciliation statements have been dispensed with. However, the same reconciliation statements will have to be furnished by assessees on a self certification basis.
- ► The convenient mechanism of obtaining GST refunds by exporters by utilising GST input tax credit to pay GST on exports and then obtaining a refund will now be restricted to specified classes of assessees and supplies. Others will now have to apply for refunds of input tax credit which entail considerable documentation and verification.
- ► Budget 2021 proposes to ensure that exporters will be able to obtain a refund of input tax credit only if they have actually realised the sale proceeds in foreign exchange.
- ► It is proposed to amend the law to implement the decision of the GST Council to levy interest only on the cash component of delayed remittances of GST as opposed to the gross liability which was draconian.
- ► Suppliers to SEZ units will have to be more vigilant and ensure that supplies are meant for 'authorised operations' before supplying to SEZ units on zero rated basis.
- ► In the case of seizure of goods, appeals can be filed only on payment of 25% of the penalty.
- ► Various judicial decisions will be nullified through a proposed amendment under which supplies by associations, societies and clubs to its members will be liable to GST.
- ► On the Customs Duty front, duties for raw materials for industries such as iron & steel, components for manufacture of aircraft, etc. were reduced. To encourage the domestic industry, duties were increased almost across the board in industries such as solar products, electronics, automobile parts, etc.
- ► Domestic telecom, textiles and agriculture were further protected through increases in duties which would make local manufacture more attractive.
- ► Presumably to make smuggling less attractive, customs duty on gold and silver have been reduced.

Direct taxation

Key highlights

- Tax rates for individuals have been left unchanged with two options to choose from.
- To avail the benefit of lower tax rates, individuals will have to forego almost all exemptions including standard deduction and deductions under Chapter VIA.

Tax rates for individuals

- Disappointing individual taxpayers who were expecting some relief in the form of increased standard deduction or enhanced limits of deduction under Chapter VIA, Budget 2021 left all tax rates for individual assessees unchanged from the last year.
- Budget 2021 has retained the twin structure of tax slabs for individuals which is detailed below:
  - Option 1: Structure introduced in Budget 2020 for those individuals who do not have tax saving investments
  - Option 2: Erstwhile tax structure

Income	Option 1	Option 2
Below Rs. 2.50 lakhs	Nil	Nil
Rs. 2.50 to Rs. 5.00 lakhs	5%	5%
Rs. 5.00 to Rs. 7.50 lakhs	10%	20%
Rs. 7.50 to Rs. 10.00 lakhs	15%	20%
Rs. 10.00 to Rs. 12.50 lakhs	20%	30%
Rs. 12.50 to Rs. 15.00 lakhs	25%	30%
Above Rs. 15.00 lakhs	30%	30%

- To avail the benefit of lower tax, individuals will have to forego almost all reliefs and exemptions.
- Surcharge rates remain unchanged

	Income > Rs. 50 lakhs	Income > Rs. 1 crore	Income > Rs. 2 crores	Income > Rs. 5 crores
Surcharge	10% of income tax	15% of income tax	25% of income tax	37% of income tax

Key highlights

- Tax rate of 25% has been retained for to companies with turnover up to Rs. 400 crores. Other companies have a tax rate of 30%.
- Lower tax rates of 22% and 15% for companies upon satisfaction of certain conditions
- Tax rate for LLPs and firms continues at 30%.
- Surcharge of 7% and 12% on domestic companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores respectively.
- Foreign companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores will be subject to a surcharge of 2% and 5% of income tax respectively.

Tax rates for companies and firms

- Reduced tax rate of 25% remains unchanged for companies with a turnover of up to Rs. 400 crores. Companies having turnover exceeding Rs. 400 crores will be taxed at 30%.
- The rates applicable to companies in different scenarios are given below:

Turnover	Income tax	Surcharge on (a)	Education and Health Cess on (a+b)	Effective tax rate
	(a)	(b)	(c)	
Domestic company - profit below Rs. 1 crore:				
Below Rs. 400 crores	25%	Nil	4%	26.00%
Above Rs. 400 crores	30%	Nil	4%	31.20%
Domestic company - profit between Rs. 1 crore to Rs. 10 crores:				
Below Rs. 400 crores	25%	7%	4%	27.82%
Above Rs. 400 crores	30%	7%	4%	33.38%
Domestic company - profit above Rs. 10 crores:				
Below Rs. 400 crores	25%	12%	4%	29.12%
Above Rs. 400 crores	30%	12%	4%	34.94%

Special rates for certain companies on satisfaction of conditions	Income tax	S'charge	Cess	Eff. tax rate
I. Domestic companies availing the benefit of section 115BAA	22%	10%	4%	25.168%
Conditions:				
- No deductions/incentive/exemptions can be claimed such as SEZ benefits, benefits of Sec. 80IA, 80IAB, 80IAC, 80IB				
- Cannot claim additional depreciation				
II. Domestic company been set up and registered on or after 1 October 2019 and has commenced manufacturing on or before 31 March 2023 – Sec. 115BAB	15%	10%	4%	17.16%
Conditions:				
Apart from the conditions mentioned for companies mentioned in I. above, the additional conditions have to be satisfied:				
- Not to be formed by the splitting up and reconstruction of a business already in existence				
- Does not use any plant or machinery previously used for any purpose				
Other matters:				
Companies exercising above options will be excluded from provisions of Minimum Alternate Tax ('MAT')				
Surcharge rates applicable for such companies will be 10% rather than 7% in case of other companies.				

Key highlights

- Senior citizens over 75 years old not required to file IT returns on satisfaction of certain conditions with the responsibility of compliances shifting to their bankers.
- Government to prescribe the countries from where income from retirement funds would be taxed as well the manner of taxation.
- Exemption of maturity proceeds of ULIPs to be restricted to those policies for which the annual premium does not exceed Rs. 2,50,000.
- ULIPs with an annual premium of more than Rs. 2,50,000 would be included within the definition of equity oriented instruments thereby invoking capital gains tax.

Relaxations from filing of income tax returns for certain categories of senior citizens

- Senior citizens over 75 years were in for a pleasant surprise when the Finance Minister extended relief from filing tax returns. However, the relief did come with some stiff riders that the senior citizen should have no other income other than pension and interest income from the same bank in which he is receiving his pension. The responsibility for computing the taxable income and income tax would be shifted to the senior citizen's bankers.

- It remains to be seen how useful this relief would be in reality, as most senior citizens with taxable income would have diversified their investments, diversification being the basic tenet of investment strategy.

Addressing mismatch in taxation of income from overseas retirement funds

- It is common for non-resident Indians to have retirement accounts when they were employed abroad. Taxation of income from such retirement funds were a bone of contention with most foreign countries taxing such income at the time of withdrawal and the Indian Income Tax Department proposing income tax on accrual of such income. To address the mismatch in such taxation, Budget 2021 proposes to notify certain countries where such retirement accounts are maintained and from which income would be taxed in the manner to be prescribed later by the Central Government. Presumably, this would be on receipt basis.

Taxation of proceeds of high premium Unit Linked Insurance Plans ('ULIPs')

- At present, any sum received under a life insurance policy is tax free, provided the premium payable for any of the years did not exceed 10% of the sum assured. It has come to the attention of the tax department that several high net worth individuals were investing in ULIPs and claiming the aforementioned exemption on its maturity. Apparently, the intention was to provide benefit to small and genuine cases of life insurance.

- Therefore in order to restrict those benefiting out of the above exemption, it is proposed to insert a proviso to the effect that this exemption would not apply to ULIPs issued after February 1, 2021 and having a premium payable exceeding Rs. 2,50,000 in a year.

- It is further proposed to treat those ULIPs which have an annual premium of more than Rs. 2,50,000 as capital assets similar to that of equity oriented mutual funds. Therefore, beneficial tax provisions which provide for lower rates of tax for equity oriented mutual funds would apply to ULIPs on maturity or withdrawal.

Key highlights

- Owing to the pandemic, the Leave Travel Concessions forming part of employee's salary structure had become redundant. To provide benefits to employees, they have been permitted to claim reimbursement on purchase of any goods or service with a GST rate of 12% or more. Reimbursement to the extent of 30% of such expense or Rs. 36,000 whichever is less.
- Existing safe harbour of 10% prescribed for the difference between the actual sale price and stamp duty valuation increased to 20% in the case of residential units. This benefit is also extended to real estate developers for transactions entered into between November 12, 2020 to June 30, 2021 for a consideration up to Rs. 2 crores.

LTC cash scheme

- Salaried tax payers have long enjoyed the Leave Travel Concession ('LTC') scheme under which employees and their families were compensated for expenditure incurred on travel when proceeding on leave to any place in India which also had the added benefit of tax exemption. Due to the raging pandemic and consequent restrictions on travel, LTC was largely unutilised. The Finance Minister had earlier announced a cash allowance scheme in lieu of LTC as a part of the economic revival packages rolled out in the earlier part of the year.
- Budget 2021 proposes to formalise the scheme by providing that employees can avail the scheme for expenditure on any goods or services which is liable to GST of 12% or more between October 12, 2020 and March 31, 2021. Employers can reimburse their employees in cash for such expenditure which would be tax free for the employees up to one third the value of such expenditure or Rs. 36,000, whichever is less.

Increase in safe harbour limits for sale of residential units

- Sale of immovable property at a rate which was below the stamp duty valuation was a double-edged sword. At the first instance, the seller would be forced to compute capital gains by assuming that that the stamp duty valuation is the consideration. Further, the buyer would be forced to offer the difference between the actual sale price and the stamp duty valuation as income from other sources and pay tax at the rates applicable to the buyer.
- There are several situations were genuine buyers and sellers were put through considerable hardship when the transaction price was lower than the stamp duty value. To ease this hardship, previous budgets had provided for a safe harbour of up to 10%, i.e., the transaction price could be up to 10% lower than the stamp duty value without attracting the aforementioned provisions.
- Budget 2021 now proposes to increase this safe harbour limit to 20% in the case of buyers of residential units. Real estate developers have also been extended this benefit of safe harbour of 20% for a limited period of November 12, 2020 to June 30, 2021 with respect to first allotment of residential units where the consideration does not exceed Rs. 2 crores.

Key highlights

- 100% tax exemption provided to business engaged in developing affordable housing projects extended to businesses providing rental housing projects as well.
- The tax exemption for start ups extended so as to include start-ups incorporated up to March 31, 2022. This exemption would also be applicable to individuals who invest their capital gains on sale of residential property in equity shares of a start up.
- Budget 2021 proposes to tax interest on contributions to recognized provident funds which exceed Rs. 2,50,000 per year

Incentives for affordable housing

- Previous budgets had provided for 100% tax exemptions for businesses engaged in developing and building affordable housing projects. These projects had to be approved between June 1, 2016 and March 31, 2021. Budget 2021 proposes to extend this deadline to March 31, 2022.
- To promote affordable rentals, this tax exemption is also extended to rental housing projects which are notified by the Central Government.

Extension of date of sanction of loan for affordable residential house property

- In order to help first time home buyers, previous budgets had provided for an additional deduction of upto Rs. 1.50 lakhs towards interest on loans sanctioned for purchase of residential house property with a stamp duty valuation of up to Rs. 45 lakhs. The deduction was applicable to loans which were sanctioned after April 1, 2019, but before March 31, 2021. Budget 2021 proposes to extend this benefit to up to March 31, 2022.

Extension of benefits for investment in start-ups

- Eligible start-ups which had a turnover of up to Rs. 100 crores and were incorporated between April 1, 2016 and March 31, 2021 were eligible for a deduction of 100% of its taxable profits in three consecutive years out of ten years at its option. Further, any person who earned long term capital gains on sale of a residential property on or before March 31, 2021 would be eligible for exemption from tax on such capital gains if the consideration was invested in the equity share capital of an eligible start-up.
- Budget 2021 proposes to extend the above cut off dates by one more year to March 31, 2022.

Interest earned on PF contributions above Rs 2.5 lakh to become taxable

- As of now, any interest earned on EPF was fully exempted from tax in the hands of the employee. On account of this many employees contributed huge amounts into the fund and thereby enjoyed the interest earned as exempt. This Budget has proposed to regulate the exemption enjoyed by such taxpayers. Henceforth, interest on all contribution to the recognized provident funds which exceeds Rs. 2.5 lakhs in a year will be brought under the tax net.

Key highlights

- Turnover threshold for tax audits increased from Rs. 5 crores to Rs. 10 crores provided 95% of transactions should be through digital means.
- Time limit for filing revised returns and belated returns reduced to December 31st of each assessment year.
- Budget 2021 provided clarification regarding allowability of payments made for employees' contribution to statutory funds after due dates.

Relaxation of tax audit limits

- To incentivise non-cash transactions and to reduce the compliance burden of small and medium enterprises, Budget 2021 proposes to increase the threshold limit of income-tax audit from the existing turnover limit of Rs. 5 crores to Rs. 10 crores. However, the assessee should not have cash transactions (receipts or payments) exceeding 5% of total receipts and payments.

Advance tax instalments

- Tax payers are required to discharge their annual tax liability over four instalments throughout the financial year, failing which, they would be required to remit interest on the shortfall. From FY 2020-21 onwards, dividend has become taxable in the hands of the tax payer. It would be impossible for a tax payer to estimate the quantum and timing of dividend which would be earned during a year and thus be liable to interest. Budget 2021 proposes to correct this anomaly by not subjecting the tax payer to interest, provided the entire tax liability has been discharged in the subsequent instalment.

Changes in time limits to file tax returns

- The due date for filing of income–tax returns by partners of firms which are required to submit transfer pricing reports has been extended to November 30th.

- The time limit for revising returns has been reduced from the end of the assessment year, i.e., March 31st to effectively December 31st.

- The time limit of filing belated returns has been reduced by three months to December 31st from the existing end of the assessment year, i.e., March 31st.

Delayed remittance of employees' contribution to provident fund

- Delayed remittance of *employees'* contribution to statutory funds such as provident fund resulted in such contributions being added to the income of the employer. The treatment was different with respect to *employers'* contribution wherein employers were allowed a deduction as and when they remitted the contributions. However, there were numerous judicial decisions which held that *employees'* contributions be also be treated similarly by not adding the delayed remittance to the employers' incomes, provided it was remitted. Budget 2021 seeks to nullify these decisions by clarifying the provisions in greater detail.

Key highlights

- Clarity brought into the definition of slump sale to include all types of transfers include those of a non-monetary nature such as exchange.
- Distribution of assets on the event of dissolution or reconstitution of a firm to attract capital gains tax to the extent of difference between fair value of asset and cost of asset.
- Capital gains tax would also be attracted on excess withdrawal of capital by a partner at the time of dissolution or reconstitution.
- Goodwill will not be treated as a part of assets and no depreciation can be claimed on it.

Changes in provisions of slump sale

- When one or more undertakings of a business are sold as a whole without assigning values to individual assets, it is referred to as a 'slump sale'. Several judicial decisions had held that transactions which involved exchange, relinquishment, etc. and did not include a monetary component did not fall within the purview of slump sale and hence could not be taxed. To address this lacunae, Budget 2021 proposes to expand the definition of a slump sale to include all types of transfers including those of a non-monetary nature such as exchange.

Transfer of capital assets to partners on dissolution or reconstitution of partnership firm

- Plugging yet another loophole, Budget 2021 proposes to introduce provisions to trigger tax on capital gains at the time of dissolution or reconstitution of partnership firms in cases assets are distributed among the partners, by taxing the difference between the fair value of the asset and the cost of the of asset.

- Similarly, excess withdrawal of capital by partners at the time of dissolution or reconstitution of the firm will now be taxed. Where a partner receives any money or other asset at the time of dissolution or reconstitution of the firm which is more than the balance appearing in the capital account (without considering revaluation of assets or self generated goodwill), the profits or gains arising from such receipt shall be chargeable under the head 'capital gains' as income of such firm in the year in which such money or other asset was received by the specified person.

Depreciation on goodwill

- Following a decision of the Honourable Supreme Court of India in which a claim for depreciation on goodwill of business was allowed, Budget 2021 has proposed to clarify that goodwill shall not form part of the 'block of assets' and that depreciation may not be claimed on goodwill.

Key highlights

- New TDS rate of 0.1% for buyers who have a turnover of Rs. 10 crore or more and purchase goods from a vendor for more than Rs. 50 lakhs in a year
- Vendors who are not filers of tax returns will suffer a higher rate of tax deduction.

TDS of 0.1% on purchase of goods above Rs. 50 lakhs

- Budget 2020 brought into force TCS on goods sold which had to be collected by certain specified sellers. Through Budget 2021, the Finance Minister has proposed to bring even buyers into the ambit of tax deduction at source. From July 1, 2021, purchases of goods will be subject to a TDS rate of 0.1%. The parties who procure goods will be liable to deduct tax under this new provision if:
  - Their sales, gross receipts or turnover exceeds Rs. 10 crores in the preceding year; and
  - The total purchase of goods from a vendor is likely to exceed Rs. 50 lakhs in the current year.
- TDS need not be deducted under this section in case TDS is to be deducted under any other head or in case the transaction is subject to TCS provisions which are already in force.

Higher rate of TDS/TCS will apply to vendors not filing IT returns

- Until Budget 2021 a higher rate of TDS/TCS than the prescribed rates were applicable only in cases where the parties did not furnish their PAN. Through Budget 2021, the Finance Minister has proposed to extend the ambit of higher rates of TDS/TCS to parties who have not filed their income tax returns. Effective from July 1, 2021 any person who is liable to deduct TDS/TCS shall ascertain whether the other person has filed his tax returns for previous two years.
- This provision will apply only in case TDS/TCS was deducted from the party aggregating to Rs. 50,000 or more in each of the previous years.
- Rate of TDS/ TCS shall be double of the specified rate or 5% whichever is higher in case of non-filers.
- This move is likely to increase the compliance burden on assesses in the form of higher vigil to keep track of vendors who fall under the criteria's as specified above. Further, the mode of collecting the evidence from vendors to establish that they have filed their tax returns will require clarification from the Govt. as most of the vendors will be reluctant in providing data relating to their tax returns as they would consider it as sensitive personal data.

Key highlights

- Provisions of Charitable Trusts taxation rationalized. With effect from April 1, 2022 applications out of corpus donations will not be considered as eligible applications. Similarly, applications made out of loan funds will also not be considered and only repayment of loans will be considered as applications.

Rationalisation of provision of Charitable Trusts to eliminate possibility of double deduction

- The IT Act provides for exemption to trusts and charitable institutions carrying out religious or charitable activities provided they do not accumulate more than 15% of their income. Further, corpus donations are also outrightly considered as exempt.

- There arose situations where the corpus donations have been exempted and its application claimed against the mandatory 85% application of non-corpus income which resulted in a situation of double deduction being claimed. Similar situation arose when loans were taken and the applications from the loan proceeds as well as repayment of the loan in subsequent periods were both claimed as applications.

- To ensure there are no instances of double deductions it is proposed that:
  - Corpus donations shall be deposited in one or more specified modes such as deposits with banks, post offices, public sector companies or investment in specified bonds or debentures.
  - Applications out of corpus donations will not be considered as eligible application. However, only when the investment is made into one of the modes specified would it be treated as an eligible application.
  - Applications out of loans or borrowings shall not be considered as application, only the repayment of such loan or borrowing will be allowed as an application of funds in the year in which it is repaid.
  - For the purpose of computation of income required to be applied or accumulated during the previous year, set off or deduction or allowance of any excess application, of any previous years shall not be allowed.

- These amendments will take effect from April 1, 2022 onwards.

Key highlights

- Faceless proceedings extended to ITAT also.
- Settlement commission done away with.
- Time limit for processing IT returns reduced by 3 months to correspond with the reduced time lines to furnish IT returns.
- Time limits for completing assessments also reduced by 3 months.

Provision for faceless proceedings before ITAT

- Over the last few years the department had systematically introduced faceless assessment proceedings and faceless appellate proceedings before the Commissioner of Income Tax. While it was initially received with scepticism from professionals and the general public alike, the implementation of the faceless assessment proceedings have been fairly smooth.
- Budget 2021 proposes to extend the faceless scheme to appeals before the Income Tax Appellate Tribunal ('ITAT') as well. The implementation of this scheme was meant to reduce cost of compliance for taxpayers, increase transparency in disposal of appeals and also help in distribution of work between various branches of ITAT for speedy disposal of cases. However, the ITAT more so than in appeals and assessment proceedings, decides on questions of law and therefore it becomes increasingly difficult to explain nuances and interpretations of law through a faceless medium.
- Budget 2021 also proposes to do away with the Income Tax Settlement Commission. An Interim Board will be set up to settle pending cases.

Processing of income tax returns and issuance of notices

- The time limit for processing of income tax returns and sending intimations has been reduced from one year to nine months from the end of the financial year in which the return was furnished.
- The time limit for issuance of notices for scrutiny assessment is proposed to be reduced from six months to three months from the end of the financial year in which the return is furnished.

Reduction of time limit for completing assessments

- Assessment proceedings are presently conducted in a completely faceless and jurisdiction-less manner. From a time limit of 21 months from end of the assessment year, this was reduced to 18 months for AY 2018-19 and 12 months for AY 2019-20.
- Budget 2021 proposes to further reduce this time limit by 3 months. Thus the time limit for completing of assessments is proposed to be 9 months from the end of the assessment year.

Key highlights

- Dispute Resolution Committee to be set up for small and medium tax payers.
- AAR to be replaced with BfAR. Notable change is that the rulings of the BfAR would neither be binding on the assessee or the tax department and would be open for appeal to the High Court.
- Time limit for reopening assessment reduced from 6 years to 3 years. In serious cases, i.e, where the income escaping assessment is Rs. 50 lakhs or more reassessment can be done up to 10 years.

Dispute Resolution Committee

- A Dispute Resolution Committee ('DRC') is proposed to be set up for small and medium tax payers for early resolution of tax disputes. The DRC will take up disputes in cases where the returned income is not exceeding Rs. 50 lakhs and where the income in dispute does not exceed Rs. 10 lakhs. The DRC will also be empowered to reduce or waive penalty and to grant immunity from prosecution.

Replacement of the Authority for Advance Rulings with the Board for Advance Rulings

- The Authority for Advance Rulings ('AAR') was a welcome introduction which helped in avoiding tax disputes and provided tax certainty as its orders were binding on both the assesses and the tax department. However, its functioning was beset with difficulties as eligible candidates to occupy its positions were often not available. To mitigate these difficulties, Budget 2021 proposes to replace the AAR with a Board for Advance Rulings ('BfAR'). The BfAR would be manned by officials of the tax department. Notably, the rulings of the BfAR would not be binding on either the assessees or the tax department. It would be open for the aggrieved party to approach the High Court against the rulings of the BfAR.

Income escaping assessment

- The tax department had the authority to reopen income tax assessment for up to six years in case of income escaping assessment and in serious cases, even up to ten years. Budget 2021 proposes to reduce the time limit for such assessments. Under the new system, reassessments have to be initiated not later than three years from the end of the relevant assessment year. In serious cases, where the income escaping assessment is exceeding Rs. 50 lakhs, reassessment can be initiated up to ten years from the end of the relevant assessment year.

- Such reassessments can be initiated only with the prior approval of the Principal Commissioner of Income Tax and in the case of serious cases, with the permission of the Principal Chief Commissioner of Income Tax.

Automated issuance of notices to file tax returns

- Only assessing officers are currently empowered to direct a person who has not filed a tax return to file the return. In continuation with the faceless interface between assessees and the tax department, Budget 2021 proposes to authorise automated issuance of notices to assessees to file their tax returns.

Indirect taxation

Key highlights

- GST audit has been replaced by self-certified reconciliation statement.
- Retrospective amendment to tax transactions involving consideration between members and clubs.

Input tax credit ('ITC') – Further restrictions

- To curb the menace of fake/bogus invoicing, various amendments are proposed in the GST law through Budget 2021. New restrictions on availing ITC have been introduced. This new provision provides that the ITC on inwards supplies and services are available only if the invoice details are furnished by the suppliers in their GSTR-1. This means that only if GSTR-1 is filed by the supplier and invoice details populated in GSTR2B, would the recipient be able to avail ITC. Earlier, recipients were accorded the benefit of availing inputs on the basis of invoices even if the supplier had not filed their returns. This benefit will no longer apply.

Requirement of audit under GST dispensed with

- Until now, registered persons having an annual turnover exceeding Rs. 5 crores were required to submit a reconciliation statement certified by a specified professional. Budget 2020 has proposed to do away with the certification of such reconciliation statements by a professional. Henceforth, assessees shall have to submit self certified reconciliation statement between their GST annual returns and their financial statements in a format which is yet to be notified.

Restrictions on claiming refunds – Paying IGST and thereafter claiming refunds

- Until now all exporters were accorded the benefit of choosing between the following options:
    - to file a Letter of Undertaking, export goods/services and thereafter claim refund of taxes paid on inputs; or
    - Pay IGST on exports set off the ITC against the GST liability and then apply for refund of the IGST paid on exports.

- The second option is very convenient to exporters requiring minimal documentation. The first option requires documentation for all items of ITC to be furnished to the tax authorities making it time consuming and resulting in working capital blockages.

- With the amendment proposed in Budget 2021, the option of paying tax and claiming refund in case of zero-rated supplies, i.e., exports and supplies to SEZ units, will be available only in case of notified supplies and class of taxpayers. The specified class of taxpayers to which this will apply is yet to be notified.

Key highlights

- Mandatory pre-deposit (25% of penalty) required for filing appeal against detention or seizure order
- Mutuality concept has been done away with through specific provisions to levy tax on such transactions.
- Law has been amended to give effect to interest liability on net tax payment retrospectively from 1 July 2017
- Zero-rated benefit for supplies to SEZ shall be available only for authorized operations.

Export proceeds - to be realised within specified time limits

- Assessees making zero rated supplies of goods are eligible to claim refund of input tax credit. Through the amendment proposed by Budget 2021, it is proposed to recover refunds from taxpayers along with interest in case the sale proceeds are not realized within time limits prescribed under the Foreign Exchange Management Act, 1999.

Scope of supply broadened to include supply between an association and its members

- A retrospective amendment w.e.f. July 1, 2017 has been proposed to broaden the scope of 'Supply' to include transactions between any association/society/clubs and its members. If such supply is for cash, deferred payment or other consideration then such transaction shall be considered as liable under GST law. This will have the impact of nullifying various judicial pronouncements wherein it was held that there is no differentiation between a member and a club/association and hence provision of taxation will not be applicable on transaction between them.

Filing an appeal against seizure of goods – 25% penalty to be paid upfront

- A new provision has been proposed whereby an appeal against seizure of goods can be filed only if 25% of the penalty is paid prior to filing the appeal.

Interest on late remittance of GST – To be levied on net output tax liability

- The Central Goods & Services Tax Act, 2017 has been retrospectively amended w.e.f. July 1, 2017 which is in line with the decision of the 39th GST Council meeting to clarify that the interest on delayed remittance of GST would be levied only on the cash component of GST liability and not on the gross tax liability. This is aimed at bringing clarity to the provisions which had led to several litigations in the recent past.

Zero rated supplies – Change in definition to supplies to SEZ

- Since the inception of the Integrated Goods & Services Tax Act, 2017, all supplies to a SEZ units were considered as zero-rated supplies. Budget 2021 proposes to amend this definition whereby only those supplies which are to be used for 'Authorized Operations' would qualify as zero-rated supplies. Going forward, suppliers making supplies to SEZ units will have to be more vigilant and ensure that supplies are meant for authorized operations before supplying goods/services without charging GST.

Key highlights

- QRMP scheme rolled out to reduce monthly burden of filing returns by small taxpayers.
- A new GSTR 2B has been rolled out in which ITC which can be availed by an assessee will be automatically populated based on returns filed by suppliers.

Other recent amendments in GST:

Quarterly Return Filing and Monthly Payment of Taxes ('QRMP') Scheme

- A registered person who has an aggregate turnover of up to Rs. 5 crore in the preceding financial year is eligible to opt for this scheme.
- Under this scheme the eligible assesses shall have an option to remit taxes on a provisional basis in monthly intervals and then file the actual tax liability pertaining to a quarter in Form GSTR3B on quarterly basis.
- An option is also accorded to certain assesses who are opting for the QRMP scheme to upload invoice level data using a new facility know as 'Invoice Furnishing Facility (IFF)' on a monthly basis. Invoice details uploaded through this facility shall reflect in the GSTR-2B of the input recipient in month to which the invoice relates thereby enabling then to avail the input tax credit on monthly basis rather than wait till the end of the quarter when the GSTR-1 is filed.

GSTR-2B – New facility to enable reconciliation of input tax credits

- Data in GSTR2B is generated on the basis of the GSTR-1, GSTR-5 and GSTR-6 furnished by their suppliers. The statement will clearly show document-wise details of ITC eligibility. The data in GSTR-2B is reported in a manner that allows taxpayers to conveniently reconcile ITC with their own books of accounts and records. Unlike GSTR-2A the data in GSTR-2B remains static or constant, as the GSTR-2B for one month cannot change based on future actions of the supplier. Thereby it ensures that:
  - The input tax credit is not availed twice against a particular document.
  - The tax credit is reversed as per the GST law in their GSTR-3B, wherever required.
  - GST is correctly paid on a reverse charge basis for the applicable documents, including import of services.
- Moreover, the statement indicates the respective tables or column of GSTR-3B under which the input tax credit of an invoice/debit note must be taken.

Indirect Taxation: Customs Duty

Key highlights

- Customs duties for various finished goods have been increased to provide a level playing field for local industries.
- Customs duties on various raw materials have been reduced which is likely to reduce the cost of production for local industries.

Changes in BCD

- Following are the important items for which Budget 2021 has changed Basic Customs Duty ('BCD'):

Item	Existing	Proposed
Carbon black	5%	7.5%
Raw cotton	Nil	5%
Compressors – Air-conditioners and Refrigerators	12.5%	15%
Plastic wares	10%	15%
Printed circuit board for charges and adapters	10%	15%
Parts of automobiles such as safety glass, wipers, electrical lightings, defrosters, ignition wirings etc..	10%	15%
Electric motors	10	15%
Enthanol	2.5	5%
Leather including finished leather	Nil	10%
Welding and plasma cutting machines	7.5%	10%
Tunnel boring machines	Nil	7.5%
Input and parts including printed circuit board and parts of moulded plastic of cellular mobile charger	Nil	10%
Inputs, parts and drivers of LED lights/fixtures including lamps	5%	10%
Solar lanterns and lamps	5%	15%
Solar inverters	5%	20%
Parts of electronic toys	5%	10%
Inputs/raw materials of lithium-ion battery	Nil	2.5%
Screws, bolts, nuts etc.. of iron and steel	10%	15%

Key highlights

- BCD on gold and silver has been reduced with a view to curb smuggling.
- AIDC has been introduced to finance improvement of agriculture infrastructure development expenditure.
- BCD on auto components has been increased to reduce dependency on imports and to encourage the domestic automotive sector

Changes in BCD (contd.)

Item	Existing	Proposed
Iron, steel including stainless steel scrap	2.5%	Nil
Copper scrap	5%	2.5%
Gold and silver	12.5%	7.5%
Components/parts including engines for manufacture of aircrafts	2.5%	0%

The impact of Budget 2021 on key sectors are as follows:

- The proposed changes are mainly to promote indigenous manufacture and production of articles in sectors such as automobiles, cellular mobile phones, machinery, jewellery, textiles etc.
- Budget 2021 has proposed to levy an agriculture infrastructure and development cess ('AIDC') on import of specified goods. This cess is proposed to be used to finance the improvement of agriculture infrastructure development expenditure. To reduce the impact of additional burden to customers the budget has lowered the BCD rates for items on which AIDC is charged.
- The major industries affected by the rate change in customs tariff are:

Automobiles

- Increase in basic customs duty rate of auto components is aimed at reducing imports and reduction in basic customs duty for ferrous and non-ferrous metal products aims at reducing cost of inputs for this sector. These measures are likely to boost the domestic automotive sector.
- Temporary withdrawal of anti-dumping duty and countervailing duty on import of metals from certain countries including China, Germany, Vietnam, Korea and Indonesia is likely to reduce costs on inputs for this sector.
- Further, introduction of Voluntary Vehicle Scrappage Policy to replace old vehicles likely to boost demand for newer and less polluting vehicles.

Key highlights

- Reduced duty rates to act as catalyst to textiles and iron and steel industries.
- AIDC on petrol and diesel to be used to develop the agriculture sector.

Major industries affect by rate change (contd.)

Telecom:

- To promote value addition in the mobile phone industry, customs duty on inputs, parts or sub-parts for manufacture of specified parts of mobile phones have been increased. Further, custom duty exemptions on inputs and raw material used to manufacture certain telecom equipment withdrawn to give thrust to domestic manufacturing.
- In line with industry demand, benefit of concessional duty of customs extended to third party manufacturers.

Textiles

- BCD on caprolactam, nylon chips and nylon fiber & yarn reduced to 5% which are likely to reduce the cost of inputs in this sector.

Agriculture

- Customs duty on cotton has been increased from nil to 10% and on raw silk and silk yarn from 10% to 15% which will provide a level playing field for the local producers of these raw materials. End-use based concession on denatured ethyl alcohol has been withdrawn.
- AIDC on certain products will act as a catalyst for development of the local agricultural sector.

Iron & steel

- Customs duty reduced uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels. Duty on steel scrap has been exempted up to March 31, 2022. Anti-Dumping Duty ('ADD') and Counter-Veiling Duty ('CVD') have been revoked on certain steel products. Duty on copper scrap has been reduced from 5% to 2.5%
- These steps are aimed at reducing the cost of inputs for local production.

Effective date of changes in BCD

- Except in cases specifically mentioned in the table given earlier, if any, the changes in BCD are to be made effective from February 2, 2021.

AIDC will be levied on petrol and diesel

- AIDC will be levied on petrol at the rates of Rs. 2.5 per litre and diesel at Rs. 4 per litre. Consequently, basic excise duty and special additional excise duty on petrol and diesel is reduced so that the ultimate price to customer is not affected.

Ready Reckoner

- Key TDS rates
- Reverse charge mechanism under GST
- Quoting of PAN
- Reporting financial transaction
- Compliance calendar

Ready Reckoner

Key TDS Rates

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194	Dividend	5,000	10%	10%
194A	Interest other than interest on security (by bank)	40,000	10%	10%
194A	Interest other than interest on securities (by others)	5,000	10%	10%
194C	Contracts	30,000	1%	2%
194H	Commission or brokerage	15,000	5%	5%
194I	Rent (Land / building / furniture)	2,40,000	10%	10%
194I	Rent (plant & machinery / equipment)	2,40,000	2%	2%
194IA	Consideration for transfer of immovable property	50,00,000	1%	1%
194IB	Rent paid by individual / HUF not subject to tax audit	50,000 per month	5%	5%
194IC	Payment under joint development agreement to resident individual who transfers land / building	Nil	10%	NA
194J	Professional / Royalty / Non-compete fee	30,000	10%	10%
194J	Technical service (not being a professional service)	30,000	2%	2%
194J(1)(ba)	Any remuneration or commission paid to director of the company (other than those covered under Sec. 192)	-	10%	10%
194M	Contracts / professional charges / paid by individual / HUF not subject to tax audit	50,00,000	5%	5%
194N	Cash withdrawals (from bank, co-operative bank, post office)	Withdrawals in excess of Rs. 1 crore a year	2%	2%
194O	Consideration paid by e-commerce operator for sale of goods or provision of services through its platform	5,00,000 (Individual)	1%	1%
194Q	Purchase of goods by a buyer whose turnover exceeds Rs. 10 crores	50,00,000	0.1%	0.1%

Key TDS Rates – Continued

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
195	Non Residents	TDS is to be deducted on a case to case basis, at rates to be determined based on DTAA or Income Tax Act, whichever is beneficial and also subject to certain conditions		

Notes

- **Sec. 194C**: Where the aggregate of the amounts paid / credited or likely to be paid / credited to a contactor exceeds INR 100,000 during the financial year, TDS has to be deducted.
- **No PAN for the payee**: TDS of 20% has to be deducted if the deductee does not furnish his PAN.
- **Tax returns not filed by deductees**: TDS at double the usual rate or 5%, whichever is higher, needs to be deducted if deductees from whom more than Rs. 50,000 has been deducted in the preceding two years, but have not filed their tax returns.
- **No TDS on goods transport**: No deduction shall be made from any sum credited or paid to the account of a contractor during the course of business of plying, hiring or leasing goods carriages if he furnishes declaration that he owns not more than 10 goods carriage vehicles and also furnishes his PAN, to the person paying or crediting such sum.

Key TCS Rates

- Tax is to be collected at source by sellers at the time of making specified sales to their customers. Seller will have to collect tax at source from the customers at the prescribed rates and remit it to the government on or before the 7th of the following month. Separate returns on quarterly basis will have to be submitted to the tax department.

Section	Nature of receipt	Cut-off amount (INR)	Rate %
206C(1)	Alcoholic liquor for human consumption	Nil	1%
206C(1)	Tendu leaves	Nil	5%
206C(1)	Timber	Nil	2.5%
206C(1)	Waste and scrap from the manufacture or mechanical working of materials	Nil	1%
206C(1F)	Sale of motor vehicle	10,00,000	1%
206C(1G)(a)	Authorized dealer receiving amounts to be remitted outside India under the Liberalised Remittance Scheme ('LRS') of RBI	7,00,000	5%
206C(1G)(b)	Seller of overseas tour package which offers visit to a country outside India including travel and hotel stay	Nil	5%
206C(1H)	Sale of goods by persons whose turnover exceeds Rs. 10 crores in the preceding financial year	50,00,000	0.1%

Furnishing of statement of financial transactions

Prescribed class of persons will have to furnish details of certain financial transaction entered by them during the year with the Income Tax Department. The list of some of these transactions which has to be reported by persons/entities are given below:

Class of persons	Nature of transactions	Value of transaction
Any entity/person who is liable for audit under IT Act	Receipt of cash against sale of goods or services	Cash payments exceeding Rs. 2,00,000/- in a year
Company or institution issuing bonds or debentures	Receipt from any person for acquiring bonds or debentures issued by the company or institution	Aggregating to Rs. 10,00,000/- or more in a year
Company	Receipt from any person for acquiring shares issued by the company	Aggregating to Rs. 10,00,000/- or more in a year
Company listed in a stock exchange	Buy back of shares from any person (other than the shares bought in the open market)	Aggregating to Rs. 10,00,000/- or more in a year
Authorized dealer in foreign exchange	Receipt from any person for sale of foreign currency including credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument	Aggregating to Rs. 10,00,000/- or more in a year
Registrar or sub-registrar	Sale or purchase of any immovable property	Payments/value as per stamp valuation exceeding Rs. 30,00,000/-

Annual reporting of transactions in Form 61A

All transactions covered under the various provisions mentioned in the above table will have to be reported to the Income Tax Department. The reporting will be done electronically in Form 61A. Form 61A will have to be furnished on or before 31st May each year. Non filing will lead to a penalty of Rs. 500 per day.

Mandatory modes of electronic payment

With effect from January 1, 2020, entities with turnover exceeding Rs. 50 crores will have to mandatorily provide the following prescribed electronic modes of payment

- Debit Card powered by RuPay
- Unified Payments Interface (UPI) (BHIM-UPI)
- Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

With effect from February 1, 2020, a penalty of Rs. 5,000 per day will be leviable to entities which fail to provide the above three facilities for electronic modes of payment.

Transactions in relation to which permanent account number is to be quoted in documents

Every person should quote their PAN in all documents pertaining to transactions prescribed. List of such transactions are as below:

Nature of transaction	Value of transaction
Sale / purchase of motor vehicle	All transactions
Application for opening bank account	All transactions
Application for credit / debit cards	All transactions
Opening DEMAT account with depositor	All transactions
Payment to a hotel or restaurant against a bill or bills at any one time	Cash payments exceeding Rs. 50,000
Payments in connection for travelling to a foreign country including purchase of foreign currency	Cash payments exceeding Rs. 50,000
Purchase of mutual fund units	All payments exceeding Rs. 50,000
Purchase of debentures and bonds in a company or an institution	All payments exceeding Rs. 50,000
Payment to the Reserve Bank of India, for acquiring bonds issued by it.	All payments exceeding Rs. 50,000
Deposit with a banking company or a co-operative bank	Cash payments exceeding Rs. 50,000
Purchase of bank drafts or pay orders or bankers' cheques	Cash payments exceeding Rs. 50,000
Fixed deposits with banks, post office, NBFC's and Nidhi Companies	Payments exceeding Rs. 50,000 or aggregating to more than Rs. 5,00,000 during a financial year
Payment for one or more pre-paid payment instruments, to a banking company or a co-operative bank	Amounts aggregating to more than Rs. 50,000 during a financial year
Life insurance premium paid	Amounts aggregating to more than Rs. 50,000 during a financial year
Sale or purchase, by any person, of shares of an unlisted company	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of securities other than shares	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of immovable property	Payments / value as per stamp valuation exceeding Rs. 10,00,000
Any other sale or purchase, by any person, of goods or services	Amount exceeding Rs. 2,00,000 per transaction

Form 60

Any person entering into any transaction referred in the above table and raising bills should ensure that the PAN has been correctly furnished and the same has been mentioned in the document. In case the PAN is not available then a declaration to that extend should be obtained in Form 60.

Details of declarations received in Form 60 needs to be filed with the Income Tax Department on half yearly basis by 31st October and by 30th April each year in Form 61.

Reverse charge mechanism under GST

- Under the normal taxation regime, the supplier collects the tax from the buyer and deposits the same after adjusting the output tax liability with the input tax credit available. But under the reverse charge mechanism, the liability to pay tax shifts from the supplier to the recipient.
- Unlike Service Tax, there is no concept of partial reverse charge. The recipient has to pay 100% tax on the supply.
- The liability for remittance of GST under the reverse charge mechanism by the recipient arises in the following scenarios:

Description of service
Legal services provided by an advocate or a firm of advocates
Services provided by a goods transport agency in respect of transportation of goods by road
Services supplied by an arbitral tribunal to a business entity
Services provided by way of sponsorship to any body corporate or partnership firm
Services supplied by an insurance agent to any person carrying on insurance business
Support services provided by Government / local authority in relation to (1) renting of immovable property (2) other specified services (postal service, transportation of goods or passengers, services in relation to aircrafts or vessels)
Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company
Supply of security services by non-corporate to a registered person
Supply of specified categories of goods and services to notified classes of registered persons [such categories of goods and services and classes of registered persons are yet to be notified]
Services supplied through an E-commerce operator
Services supplied by a directors of a company or a body corporate
Services of lending of securities under Securities Lending Scheme, 1997 of SEBI
Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.
Services supplied by any person by way of transfer of development rights for construction of project by a promoter

Compliance Calendar

2021 February

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10	11 **GST ANX-1**	12	13
14	15 **PF, ESIC, AOC-4 & IT return for FY 2019-20**	16	17	18	19	20 **GST RET-01 GST PMT-08**
21	22	23	24	25	26	27
28 **PT(HALF YEARLY)**						

2021 March

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10	11 **GST ANX-1**	12	13
14	15 **PF ESIC Advance Tax (A.Y 21-22)**	16	17	18	19	20 **GST RET-01 GST PMT-08**
21	22	23	24	25	26	27
28	29	30	31 **Last date for filing ITR for FY 2019-20**			

Compliance Calendar

2021 April

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5	6	7 **Equalisation Levy payment**	8	9	10 **GSTR-7 GSTR-8**
11 **GSTR 1**	12	13 **GSTR-6 and GSTR 1(Q)**	14	15 **PF, ESIC**	16	17
18	19	20 **GSTR-3B & GSTR 5 & GSTR5A**	21	22	23	24
25	26	27	28	29	30 **GSTR-1 * TDS Payment for March 2020 and GSTR 4 PY**	

* for registered person having aggregate turnover upto Rs. 1.50 crores in preceding FY/current FY
GSTR 1(Q) depicts due date for registered persons who have opted for GSTR 1 quarterly returns.

2021 May

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7 **TDS PAYMENT, EQUALISATION LEVY**	8
9	10 **GSTR-7 GSTR-8**	11 **GSTR 1**	12	13 **GSTR 6**	14	15 **PF, ESIC, TCS Quarterly statement**
16	17	18	19	20 **GSTR 3B & GSTR 5 & GSTR 5A**	21	22
23	24	25	26	27	28	29
30 **LLP Form - 11**	31 **TDS RETURN (JAN-MAR) & Statement of financial transaction u/s 285BA**					

2021 June

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
6	7 TDS PAYMENT, EQUALISATION LEVY	8	9	10 GSTR-7 GSTR-8	11 GSTR 1	12
13 GSTR 6	14	15 PF, ESIC Advance Tax A.Y 22-23 & Form 16 to employees AY 2021-22 & Quarterly TDS Certificate for quarter ending March 2021	16	17	18	19
20 GSTR 3B & GSTR 5 & GSTR 5A	21	22	23	24	25	26
27	28	29 DPT-3 Annual Return	30 Form-1 Equalisation Levy Statement			

2021 July

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			0	1	2	3
4	5	6	7 TDS PAYMENT, EQUALISATION LEVY	8	9	10 GSTR-7 GSTR-8
11 GSTR 1	12	13 GSTR 1 (Q) & GSTR 6	14	15 PF , ESIC , Qaurterly statement of TCS for qaurter ending June 2021	16	17
18	19	20 GSTR 3B & GSTR 5 & GSTR 5A	21	22	23	24
25	26	27	28	29	30 Quarterly TCS certificate for the quarter ending June 30, 2021	31 TDS RETURN (APR-JUN), IT RETURN FOR A.Y(21-22)

2021 August

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7 **Tds Payment, Equalisation Levy**
8	9	10 **GSTR-7 GSTR-8**	11 **GSTR 1**	12	13 **GSTR 6**	14
15 **PF ESIC, Quarterly TDS certificate for the quarter ending June 30, 2021**	16	17	18	19	20 **GSTR 3B & GSTR 5 & GSTR 5A**	21
22	23	24	25	26	27	28
29	30	31 **PT(HALF YEARLY)**				

2021 September

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7 **Tds Payment, Equalisation Levy**	8	9	10 **GSTR-7 GSTR-8**	11 **GSTR 1**
12	13 **GSTR 6**	14	15 **PF, ESIC Advance Tax A.Y 22-23**	16	17	18
19	20 **GSTR 3B & GSTR 5 & GSTR 5A**	21	22	23	24	25
26	27	28	29	30 **Susbmission of Tax Audit Report in Form 3CA/CB A.Y(21-22)**		

2021 October

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7 Tds Payment, Equalisation Levy	8	9
10 GSTR-7 GSTR-8	11 GSTR 1	12	13 GSTR 1 (Q) & GSTR 6	14	15 PF ESIC, Quarterly statement of TCS deposited for quarter ending Sept 30, 2021	16
17	18	19	20 GSTR 3B & GSTR 5 & GSTR 5A	21	22	23
24	25	26	27	28	29	30 LLP-Form 8 Last date for AOC 4
31 TDS RETURN (JULY-SEP) , Quarterly statement of TDS deposited for the quarter ending September 30, 2021						

Notes: The following due dates also fall on 31st October
1. ITR for AY 2021-22 for assessees (not having an international or specified domestic transaction) who is:
(a) corporate assessee or (b) non-corporate assessee whose books are required to be audited
2. Audit report in Form 3CA/CB for AY 2021-22 in respect of assessee having an International or specified domestic transaction.

2021 November

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7 Tds Payment, Equalisation Levy	8	9	10 GSTR-7 GSTR-8	11 GSTR 1	12	13 GSTR 6
14	15 PF ESIC , Quarterly TDS certificate (other than salary) for the quarter ending September 30, 2021	16	17	18	19	20 GSTR 3B & GSTR 5 & GSTR 5A
21	22	23	24	25	26	27
28	29 Last date for filing MGT 7	30 INCOME TAX RETURN FOR A.Y(21-22) - Transfer pricing cases				

2021 December

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7 **TDS PAYMENT, EQUALISATION LEVY**	8	9	10 **GSTR-7 GSTR-8**	11 **GSTR 1**
12	13 **GSTR 6**	14	15 **PF, ESIC Advance Tax (A.Y 22-23)**	16	17	18
19	20 **GSTR 3B & GSTR 5 & GSTR 5A**	21	22	23	24	25
26	27	28	29	30	31 **GSTR- 9 (ANNUAL) GSTR-9A (COMPOSITION)**	

2022 January

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7 **TDS PAYMENT, EQUALISATION LEVY**	8
9	10 **GSTR-7 GSTR-8**	11 **GSTR 1**	12	13 **GSTR 1(Q) & GSTR 6**	14	15 **PF ESIC**
16	17	18	19	20 **GSTR 3B & GSTR 5 & GSTR 5A**	21	22
23	24	25	26	27	28	29
30	31 **TDS RETURN (OCT-DEC)**					

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We have used the following sources while preparing this document

1. The Finance Bill, 2021
2. The Finance Minister's Budget speech, February 1, 2021
3. Various notifications issued by the Central Board of Indirect Taxes & Customs

Glossary

AAR	: Authority for Advance Rulings
ADD	: Anti Dumping Duty
AIDC	: Agriculture Infrastructure & Development Cess
AY	: Assessment Year
BCD	: Basic Customs Duty
BfAR	: Board for Advance Rulings
Budget 2020	: Union Budget for 2020 - 21
Budget 2021	: Union Budget for 2021 - 22
CVD	: Counter-veiling Duty
Crores	: Ten millions
DRC	: Dispute Resolution Committee
FY	: Financial Year
GJA	: G. Joseph & Associates
GST	: Goods & Services Tax
HRA	: House Rent Allowance
HUF	: Hindu Undivided Family
IFF	: Invoice Furnishing Facility
IGST	: Integrated Goods & Services Tax
INR /Rs.	: Indian Rupee
ITAT	: Income Tax Appellate Tribunal
IT Act	: Income-tax Act, 1961
ITC	: Input Tax Credit
Lakhs	: Hundred thousands
LLP	: Limited Liability Partnership
LRS	: Liberalised Remittance Scheme
MAT	: Minimum Alternate Tax
NPS	: National Pension Scheme
NRI	: Non Resident Indian
PAN	: Permanent Account Number
PF	: Provident Fund
QRMP	: Quarterly Return filing & Monthly Payment of taxes
QR Code	: Quick Response Code
RBI	: Reserve Bank of India
RCM	: Reverse charge mechanism
SEBI	: Securities & Exchange Board of India
SEZ	: Special Economic Zone
SGST	: State Goods & Services Tax
TCS	: Tax Collected at Source
TDS	: Tax Deducted at Source
UPI	: Unified Payments Interface
u/s	: Under Section

CELEBRATING 33 YEARS!