

Direct Tax:

1. Exemption for LTC Cash Scheme

It is proposed to insert second proviso in clause 5 of section 10, so as to provide that, for the assessment year beginning on the 1st day of April, 2021, the value in lieu of any travel concession or assistance received by, or due to, an individual shall also be exempt under this clause subject to fulfilment of conditions to be prescribed. It is also proposed to clarify by way of an Explanation that where an individual claims and is allowed exemption under the second proviso in connection with prescribed expenditure, no exemption shall be allowed under this clause in respect of same prescribed expenditure to any other individual.

The conditions for this purpose shall be prescribed in the Income-tax Rules in due course and shall, *inter alia*, be as under:

- a. The employee exercises an option for the deemed LTC fare in lieu of the applicable LTC in the Block year 2018-21;
- b. Specified expenditure means expenditure incurred by an individual or a member of his family during the specified period on goods or services which are liable to tax at an aggregate rate of twelve per cent or above under various GST laws and goods are purchased or services procured from GST registered vendors/service providers;
- c. Specified period means the period commencing from 12th day of October, 2020 and ending on 31st day of March, 2021;
- d. the amount of exemption shall not exceed thirty-six thousand rupees per person or one-third of specified expenditure, whichever is less;
- e. the payment to GST registered vendor/service provider is made by an account payee cheque drawn on a bank or account payee bank draft, or use of electronic clearing system through a bank account or through such other electronic mode as prescribed under Rule 6ABBA and tax invoice is obtained from such vendor/service provider;
- f. If the amount received by, or due to an individual as per the terms of his employment, from his employer in relation to himself and his family, for the LTC is more than what is allowable to such person under the above discussed provisions, the exemption under the proposed amendment would be available only to the extent of exemption admissible under above listed provisions

Effective AY – 2021-22 only

2. Incentives for affordable rental housing

The due date to get approved under Section 80IBA is proposed to be extended to 31st March, 2022 and same outer time limit be also provided for the proposed affordable rental housing project.

3. Tax incentives for units located in International Financial Services Centre (IFSC)

Government has established a world class financial services centre. Units located in IFSC enjoy some concession. In order to make location in IFSC more attractive, it is proposed to amend/insert certain sections such as Sec 9A, Sec 10(4D), 10(4E), Sec 10(4F), Sec 10(23FF), Sec 47, Sec 80LA, Sec 115AD.

Effective AY – 2022-23 onwards

4. Issuance of zero coupon bond by infrastructure debt fund

In order to enable infrastructure debt fund [which are notified by the Central Government in the Official Gazette under clause (47) of section 10 of the Act] to issue zero coupon bond necessary amendments are proposed in clause (48) of section 2 of the Act. Rules 2F and 8B of Income-tax Rules shall be amendment subsequently after the Finance Bill 2021 is enacted.

Effective AY – 2022-23 onwards

5. Tax neutral conversion of Urban Cooperative Bank into Banking Company

It is proposed to expand the scope of business reorganization to include conversion of a primary co-operative bank to a banking company and the deductions available under section 44DB of the Act shall also be made applicable in relation to such conversion of primary co-operative bank to the banking company. Further it is also proposed that transfer of a capital asset by the primary co-operative bank to the banking company as a result of conversion shall not be treated as transfer under section 47 of the Act. Consequently, the allotment of shares of the converted banking company to the shareholders of the predecessor primary co-operative bank shall not be treated as transfer under the said section of the Act.

Effective AY – 2021-22 onwards

6. Facilitating strategic disinvestment of public sector company

It is proposed to relax the provisions of Section 2(19AA) related to demerger and Sec 72A related to carry forward of losses for public sector companies in order to facilitate strategic disinvestment by the Government.

Effective AY – 2021-22 onwards

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

In order to help such first time home buyers further, it is proposed to amend the provision of section 80EEA of the Act to extend the outer date for sanction of loan from 31st March 2021 to 31st March 2022.

Effective AY – 2022-23 onwards

8. Extension of date of incorporation for eligible start up for exemption and for investment in eligible start-up

In order to help eligible start-up and help investment in them-

- a. it is proposed to amend the provisions of section 80-IAC of the Act to extend the outer date of incorporation to before 1st April, 2022; and
- b. it is proposed to amend the provisions of section 54GB of the Act to extend the outer date of transfer of residential property from 31st March 2021 to 31st March 2022.

Effective AY – 2021-22 onwards

9. Increase in safe harbour limit of 10% for home buyers and real estate developers selling such residential units

In order to boost the demand in the real-estate sector and to enable the real-estate developers to liquidate their unsold inventory at a lower rate to home buyers, it is proposed to increase the safe harbour threshold from existing 10% to 20% under section 43CA of the Act, if the following conditions are satisfied:-

- a. The transfer of residential unit takes place during the period from 12th November, 2020 to 30th June, 2021
- b. The transfer is by way of first time allotment of the residential unit to any person
- c. The consideration received or accruing as a result of such transfer does not exceed two crore rupee

Further it is proposed to provide the consequential relief to buyers of these residential units by way of amendment in clause (x) of sub-section (2) of section 56 of the Act by increasing the safe harbour from 10% to 20%.

Effective AY – 2021-22 onwards

10. Relaxation for certain category of senior citizen from filing return of income-tax

In order to provide relief to senior citizens who are of the age of 75 year or above and to reduce compliance for them, it is proposed to insert a new section to provide a relaxation from filing the return of income, if the following conditions are satisfied:-

- a. The senior citizen is resident in India and of the age of 75 or more during the previous year;
- b. He has pension income and no other income. However, in addition to such pension income he may have also have interest income from the same bank in which he is receiving his pension income;
- c. This bank is a specified bank. The Government will be notifying a few banks, which are banking company, to be the specified bank; and
- d. He shall be required to furnish a declaration to the specified bank. The declaration shall be containing such particulars, in such form and verified in such manner, as may be prescribed.

Effective AY – 2021-22 onwards

11. Rationalisation of provisions related to Sovereign Wealth Fund (SWF) and Pension Fund (PF)

SWFs and PFs are proposed to be given certain relaxations such as allowing Alternate Investment Fund (AIF) to invest up to 50% in non-eligible investments, Investment through holding company, Investment in NBFC- IDF/IFC (non-banking finance company-infrastructure debt fund/Infrastructure finance company), Loan or borrowings by SWF/Pension Fund,etc.

Effective AY – 2021-22 onwards

12. Addressing mismatch in taxation of income from notified overseas retirement fund

It is proposed to insert a new section 89A to the Act to provide that the income of a specified person from specified account shall be taxed in the manner and in the year as prescribed by the Central Government. It is also proposed to define the expression specified person, as a person resident in India who opened a specified account in a notified country while being non-resident in India and resident in that country. Specified account is proposed to be defined as an account maintained in a notified country which is maintained for retirement benefits and the income from such account is not taxable on accrual basis and is taxed by such country at the time of withdrawal or redemption. Notified country is proposed to be defined to mean a country notified by the Central Government for the purposes of this section in the Official Gazette.

Effective AY – 2022-23 onwards

13. Rationalisation of provisions of Minimum Alternate Tax (MAT)

It is proposed to,-

- a. provide that in cases where past year income is included in books of account during the previous year on account of an APA or a secondary adjustment, the Assessing Officer shall, on an application made to him in this behalf by the assessee, recompute the book profit of the past year(s) and tax payable, if any, during the previous year, in the prescribed manner. Further, the provision of section 154 of the Act shall apply so far as possible and the period of four years specified in sub-section (7) of section 154 shall be reckoned from the end of the financial year in which the said application is received by the Assessing Officer.
- b. to provide similar treatment to dividend as already there for capital gains on transfer of securities, interest, royalty and Fee for Technical Services (FTS) in calculating book profit for the purposes of section 115JB of the Act, so that both specified dividend income and the expense claimed in respect thereof are reduced and added back, while computing book profit in case of foreign companies where such income is taxed at lower than MAT rate due to DTAA.

Effective AY – 2021-22 onwards

14. Exemption of deduction of tax at source on payment of Dividend to business trust in whose hand dividend is exempt

It is proposed to amend second proviso to section 194 of the Act to further provide that the provisions of this section shall also not apply to such income credited or paid to a business trust by a special purpose vehicle or payment of dividend to any other person as may be notified. **Retrospective effect**

Effective AY – 2020-21 onwards

15. Rationalisation of provisions relating to tax audit in certain cases

In order to incentivise non-cash transactions to promote digital economy and to further reduce compliance burden of small and medium enterprises, it is proposed to increase the threshold from five crore rupees to ten crore rupees subject to compliance of the following conditions:

- a. aggregate of all receipts in cash during the previous year does not exceed five per cent of such receipt; and
- b. aggregate of all payments in cash during the previous year does not exceed five per cent of such payment.

Effective AY – 2021-22 onwards

16. Advance tax instalment for dividend income

It is proposed to include dividend income in the exclusion list for non-calculation of interest under Sec 234C provided the assessee has paid full tax in subsequent advance tax instalments. but not deemed dividend as per sub-clause (e) of clause (22) of section 2 of the Act.

Effective AY – 2021-22 onwards

17. Raising of prescribed limit for exemption under sub-clause (iiiad) and (iiiiae) of clause (23C) of section 10 of the Act

In order to provide benefit to small trust and institutions, it has been proposed that the exemption under sub-clause (iiiad) and (iiiiae) shall be increased to Rs 5 crore and such limit shall be applicable for an assessee with respect to the aggregate receipts from university or universities or educational institution or institutions as referred to in sub-clause (iiiad) as well as from hospital or hospitals or institution or institutions as referred to in sub-clause (iiiiae).

Effective AY – 2022-23 onwards

18. Extending due date for filing return of income in some cases, reducing time to file belated return and to revise original return and also to remove difficulty in cases of defective returns

- a. It is proposed that the due date for the filing of original return of income be extended to 31st October of the assessment year in case of spouse of a partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, if the provisions of section 5A applies to them.
- b. Further it is proposed that the due date for the filing of original return of income be extended to 30th November in Sec 92E cases of the assessment year in case of spouse of a partner of a firm whose accounts are required to be audited under this Act or under any other law for the time being in force, if the provisions of section 5A applies to them.
- c. It is proposed that the last date for filing of belated or revised returns of income, as the case may be, be reduced by three months. Thus the belated return or revised return could now be filed three months before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.
- d. It is proposed that a proviso be inserted to the said Explanation empowering the Board to specify, vide notification that any of the above conditions shall not apply for a class of assessee or shall apply with such modifications, as maybe specified in such notification.

Effective AY – 2021-22 onwards

19. Payment by employer of employee contribution to a fund on or before due date

In order to provide certainty, it is proposed to –

- a. amend clause (va) of sub-section (1) of section 36 of the Act by inserting another explanation to the said clause to clarify that the provision of section 43B does not apply and deemed to never have been applied for the purposes of determining the —due date under this clause; and

- b. amend section 43B of the Act by inserting Explanation 5 to the said section to clarify that the provisions of the said section do not apply and deemed to never have been applied to a sum received by the assessee from any of his employees to which provisions of sub-clause (x) of clause (24) of section 2 applies.

Effective AY – 2021-22 onwards

20. Constitution of Dispute Resolution Committee for small and medium taxpayers

The new scheme is proposed to be incorporated in a new section 245MA and has the following features:

- a. The Central Government shall constitute one or more Dispute Resolution Committee (DRC).
- b. This committee shall resolve disputes of such persons or class of person which shall be specified by the Board. The assessee would have an option to opt for or not opt for the dispute resolution through the DRC.
- c. Only those disputes where the returned income is fifty lakh rupee or less (if there is a return) and the aggregate amount of variation proposed in specified order is ten lakh rupees or less shall be eligible to be considered by the DRC.
- d. If the specified order is based on a search initiated under section 132 or requisition made under section 132A or a survey initiated under 133A or information received under an agreement referred to in section 90 or section 90A, of the Act, such specified order shall not be eligible for being considered by the DRC.
- e. Assessee would not be eligible for benefit of this provision if there is detention, prosecution or conviction under various laws as specified in the proposed section.
- f. Board will prescribe some other conditions in due course which would also need to be satisfied for being eligible under this provision.
- g. The DRC, subject to such conditions as may be prescribed, shall have the powers to reduce or waive any penalty imposable under this Act or grant immunity from prosecution for any offence under this Act in case of a person whose dispute is resolved under this provision.
- h. The Central Government has also been empowered to make a scheme by notification in the Official Gazette for the purpose of dispute resolution under this provision. The scheme shall impart greater efficiency, transparency and accountability by eliminating interface to the extent technologically feasible, by optimising utilisation of resources and introducing dynamic jurisdiction. The Central Government may, for the purposes of giving effect to the scheme, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. However, no such direction shall be issued after the 31st day of March, 2023. Every such notification shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

Effective AY – 2021-22 onwards

21. Income escaping assessment and search assessments

The Bill proposes a completely new procedure of assessment or reassessment or re-computation of income escaping assessment and the assessment of search related cases. It is expected that the new system would result in less litigation and would provide ease of doing business to taxpayers as there is a reduction in time limit by which a notice for assessment or reassessment or re-computation can be issued. The salient features of new procedure are as under:-

- a. The provisions of section 153A and section 153C, of the Act are proposed to be made applicable to only search initiated under section 132 of the Act or books of accounts, other documents or any assets requisitioned under section 132A of the Act, on or before 31st March 2021.
- b. Assessments or reassessments or in re-computation in cases where search is initiated under section 132 or requisition is made under 132A, after 31st March 2021, shall be under the new procedure.
- c. Section 147 proposes to allow the Assessing Officer to assess or reassess or re-compute any income escaping assessment for any assessment year (called relevant assessment year).
- d. Before such assessment or reassessment or re-computation, a notice is required to be issued under section 148 of the Act, which can be issued only when there is information with the Assessing officer which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year. Prior approval of specified authority is also required to be obtained before issuance of such notice by the Assessing Officer.
- e. It is proposed to provide that any information which has been flagged in the case of the assessee for the relevant assessment year in accordance with the risk management strategy formulated by the Board shall be considered as information which suggests that the income chargeable to tax has escaped assessment. The flagging would largely be done by the computer based system.
- f. Further, a final objection raised by the Comptroller and Auditor General of India to the effect that the assessment in the case of the assessee for the relevant assessment year has not been in accordance with the provisions of the Act shall also be considered as information which suggests that the income chargeable to tax has escaped assessment.
- g. Further, in search, survey or requisition cases initiated or made or conducted, on or after 1st April, 2021, it shall be deemed that the Assessing officer has information which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the three assessment years immediately preceding the assessment year relevant to the previous year in which the search is initiated or requisition is made or any material is seized or requisitioned or survey is conducted.
- h. New Section 148A of the Act proposes that before issuance of notice the Assessing Officer shall conduct enquiries, if required, and provide an opportunity of being heard to the assessee. After considering his reply, the Assessing Office shall decide, by passing an order, whether it is a fit case for issue of notice under section 148 and serve a copy of such order along with such notice on the assessee. The Assessing Officer shall before conducting any such enquiries or providing opportunity to the assessee or passing such
- i. order obtain the approval of specified authority. However, this procedure of enquiry, providing opportunity and passing order, before issuing notice under section 148 of the Act, shall not be applicable in search or requisition cases. (viii) The time limitation for issuance of notice under section 148 of the Act is proposed to be provided in section 149 of the Act and is as below:

- i. in normal cases, no notice shall be issued if three years have elapsed from the end of the relevant assessment year. Notice beyond the period of three years from the end of the relevant assessment year can be taken only in a few specific cases.
- ii. in specific cases where the Assessing Officer has in his possession evidence which reveal that the income escaping assessment, represented in the form of asset, amounts to or is likely to amount to fifty lakh rupees or more, notice can be issued beyond the period of three year but not beyond the period of ten years from the end of the relevant assessment year;
- iii. Another restriction has been provided that the notice under section 148 of the Act cannot be issued at any time in a case for the relevant assessment year beginning on or before 1st day of April, 2021, if such notice could not have been issued at that time on account of being beyond the time limit prescribed under the provisions of clause (b), as they stood immediately before the proposed amendment.
- iv. Since the assessment or reassessment or re-computation in search or requisition cases (where such search or requisition is initiated or made on or before 31st March 2021) are to be carried out as per the provision of section 153A, 153B, 153C and 153D of the Act, the aforesaid time limitation shall not apply to such cases.
- v. It is also proposed that for the purposes of computing the period of limitation for issue of section 148 notice, the time or extended time allowed to the assessee in providing opportunity of being heard or period during which such proceedings before issuance of notice under section 148 are stayed by an order or injunction of any court, shall be excluded. If after excluding such period, time available to the Assessing Officer for
- vi. passing order, about fitness of a case for issue of 148 notice, is less than seven days, the remaining time shall be extended to seven days.
- j. The specified authority for approving enquiries, providing opportunity, passing order under section 148A of the Act and for issuance of notice under
- k. section 148 of the Act are proposed to be —
 - a. Principal Commissioner or Principal Director or Commissioner or Director, if three years or less than three years have elapsed from the end of the relevant assessment year;
 - b. Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General, if more than three years have elapsed from the end of the relevant assessment year.
- l. Once assessment or reassessment or re-computation has started the Assessing officer is proposed to be empowered (as at present) to assess or reassess the income in respect of any issue which has escaped assessment and which comes to his notice subsequently in the course of the proceeding under this procedure notwithstanding that the procedure prescribed in section 148A was not followed before issuing such notice for such income.

Effective AY – 2021-22 onwards

22. Allowing prescribed authority to issue notice under clause (i) of sub-section (1) of section 142

In order to enable centralized issuance of notices etc. in an automated manner, it is proposed to amend the provisions of clause (i) of the sub-section (1) of the section 142 to empower the prescribed income-tax authority besides the Assessing Officer to issue notice under the said clause.

Effective AY – 2021-22 onwards

23. Provision for Faceless Proceedings before the Income-tax Appellate Tribunal (ITAT) in a jurisdiction less manner

In order to ensure that the reforms initiated by the Department to reduce human interface from the system reaches the next level, it is imperative that a faceless scheme be launched for ITAT proceedings on the same line as faceless appeal scheme. This will not only reduce cost of compliance for taxpayers, increase transparency in disposal of appeals but will also help in achieving even work distribution in different benches resulting in best utilisation of resources.

Effective AY – 2021-22 onwards

24. Discontinuance of Income-tax Settlement Commission

It is proposed to discontinue Income-tax Settlement Commission (ITSC) and to constitute Interim Board of settlement for pending cases.

Effective Date – 01st Feb,2021

25. Reduction of time limit for completing assessment

It has been proposed that the time limit for completion of assessment proceedings may be reduced further by three months. Thus the time for completing of assessment is proposed to be nine months from the end of the assessment year in which the income was first assessable, for the assessment year 2021-22 and subsequent assessment years.

Effective AY – 2021-22 onwards

26. Rationalisation of the provision of Charitable Trust and Institutions to eliminate possibility of double deduction while calculating application or accumulation

To ensure that there is no double counting while calculating application or accumulation, it has been proposed that:

- a. Voluntary contributions made with a specific direction that it shall form part of the corpus shall be invested or deposited in one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus.
- b. Application out of corpus shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when it is invested or deposited back, into one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus from the income of the previous year, such amount shall be allowed as application in the previous year in which it is deposited back to corpus to the extent of such deposit or investment.
- c. Application from loans and borrowings shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when loan or borrowing is repaid from the income of the previous year, such repayment shall be allowed as application in the previous year in which it is repaid to the extent of such repayment.
- d. Clarify in both clause (23C) of section 10 and section 11 that for the computation of income required to be applied or accumulated during the previous year, no set off or deduction or allowance of any excess application, of any of the year preceding the previous year, shall be allowed

Effective AY – 2022-23 onwards

27. Taxation of proceeds of high premium unit linked insurance policy (ULIP)

The high premiums paid in ULIPs to the tune of Rs. 2.50 lakhs per annum will not be eligible for exemption u/s 10(10D).

Effective AY – 2021-22 onwards

28. Rationalisation of the provision of slump sale

It is proposed to amend the scope of the definition of the term slump sale by amending the provision of clause (42C) of section 2 of the Act so that all types of transfer as defined in clause (47) of section 2 of the Act are included within its scope.

Effective AY – 2021-22 onwards

29. Rationalisation of provision of transfer of capital asset to partner on dissolution or reconstitution

New proposed section sub-section (4A) of section 45 of the Act applies in a case where a specified person receives during the previous year any money or other asset at the time of dissolution or reconstitution of the specified entity. The money or other asset is required to be in excess of the balance in the capital account of such specified person in the books of accounts of the specified entity

at the time of its dissolution or reconstitution. In this situation, the profits or gains arising from the receipt of such money or other asset by the specified person shall be chargeable to income-tax as income of the specified entity under the head "Capital gains" and shall be deemed to be the income of such specified entity of the previous year in which the money or other asset was received by the specified person. For the purposes of section 48 of the Act,

- a. value of the money or the fair market value of other asset on the date of such receipt shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset; and
- b. the balance in the capital account of the specified person in the books of accounts of the specified entity at the time of its dissolution or reconstitution shall be deemed to be the cost of acquisition.

The balance in the capital account of the specified person in the books of account of the specified entity is to be calculated without taking into account increase in the capital account of the specified person due to revaluation of any asset or due to self-generated goodwill or any other self-generated asset.

Effective AY – 2021-22 onwards

30. Provisional attachment in Fake Invoice cases

In order to protect the interest of revenue, it is proposed to amend the provision of section 281B of the Act to enable the Assessing Officer to exercise the powers under this section during the pendency of proceedings for imposition of penalty under section 271AAD of the Act, if the amount or aggregate of amounts of penalty imposable is likely to exceed two crore rupees.

Effective AY – 2021-22 onwards

31. Depreciation on Goodwill

It has been decided to propose that goodwill of a business or profession will not be considered as a depreciable asset and there would not be any depreciation on goodwill of a business or profession in any situation. In a case where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be considered as cost of acquisition for the purpose of computation of capital gains under section 48 of the Act subject to the condition that in case depreciation was obtained by the assessee in relation to such goodwill prior to the assessment year 2021-22, then the depreciation so obtained by the assessee shall be reduced from the amount of the purchase price of the goodwill.

Effective AY – 2021-22 onwards

32. Rationalisation of the provision relating to processing of returned income and issuance of notice under sub-section (2) of section 143 of the Act

It is proposed to amend the following provisions of sub-section (1) of section 143 of the Act,-

- a. Amend sub-clause (iv) of clause (a) of sub-section (1) of the section 143 of the Act, to allow for the adjustment on account of increase in income indicated in the audit report but not taken into account in computing the total income.
- b. Amend sub-clause (v) of clause (a) of sub-section (1) of the section 143 of the Act so as to give consequential effect to amendment carried out in section 80 AC vide Finance Act, 2018.
- c. Amend the provisions of section 143 to reduce the time limit for sending intimation under sub-section (1) of section 143 of the Act from one year to nine months from the end of the financial year in which the return was furnished.

Consequently, it is also proposed to reduce the time limit for issue of notice under sub-section (2) of section 143 of the Act from six months to three months from the end of the financial year in which the return is furnished.

Effective AY – 2021-22 onwards

33. Rationalisation of the provision of presumptive taxation for professionals under section 44ADA

It is proposed to make this position clear in the law. Hence it is proposed to amend sub-section (1) of section 44ADA of the Act to provide that the provision of this section shall apply to an assessee, being an individual, HUF or partnership firm, not being an LLP as defined under clause (n) of sub-section (1) of section 2 of Limited Liability Partnership Act, 2008.

Effective AY – 2021-22 onwards

34. Tax Deduction at Source (TDS) on purchase of goods

It is proposed to provide for TDS by person responsible for paying any sum to any resident for purchase of goods. The rate of TDS is kept very low at 0.1%. To ensure that compliance burden is only on those who can comply with it, it is proposed that the tax is only required to be deducted by those person (i.e —buyer) whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out. It is also proposed to consequentially amend sub-section (1) of section 206AA of the Act and insert second proviso to further provide that where the tax is required to be deducted under section 194Q and Permanent Account Number (PAN) is not provided, the TDS shall be at the rate of five per cent.

Effective Date – 1st July, 2021

35. TDS/TCS on non filer at higher rates

It is proposed to insert a new section 206AB in the Act as a special provision providing for higher rate for TDS for the non-filers of income-tax return. Similarly it is proposed to insert a section 206CCA in the Act as a special provision for providing for higher rate of TCS for non-filers of income-tax return.

Effective Date – 1st July,2021

36. Taxability of Interest on various funds where income is exempt

It is proposed to insert proviso to clause(11) and clause (12) of section 10 of the Act, providing that the provisions of these clauses shall not apply to the interest income accrued during the previous year in the account of the person to the extent it relates to the amount or the aggregate of amounts of contribution made by the person exceeding two lakh and fifty thousand rupees in a previous year in that fund, on or after 1st April, 2021, computed in such manner as may be prescribed.

Effective AY – 2022-23 onwards

In-Direct Tax:

Goods and Services Tax

Amendment in CGST Act 2017

Amended Sections	7(1)
Chapter	Levy & Colletion of Tax - Scope of Supply
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
New Insertion in Finance bill, 2021	in section 7, in sub-section (1), after clause (a), the following clause shall be inserted:- “(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or viceversa, for cash, deferred payment or other valuable consideration.

Impact :- The person (other than individual) and its members should mandatorily be treated as two separate legal entity.

Amended Sections	16 (2)
Chapter	Input Tax Credit - Eligibility & Conditions for taking input tax credit
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
New Insertion in Finance bill, 2021	In section 16 of the Central Goods and Services Tax Act, in sub-section (2), after clause (a), the following clause shall be inserted, namely:— “(aa) the details of the invoice or debit note referred to in clause (a) has 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 in the manner specified under section 37;”.

Impact :- Reflection of Input Tax Credit in GSTR 2A/2B mandatory condition for availment of Input tax credit

Amended Sections		35(5)
Chapter		Accounts & Records - Accounts & Other records
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
<p>(5) Every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.</p> <p>Provided that nothing contained in this sub-section shall apply to any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force.</p>	Omitted	

Impact :- Mandatory requirement of getting the GST Audit by specified professional removed.

Amended Sections		44
Chapter		Return - Annual Return
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
<p>(1) Every registered person, other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, <i>shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed on or before the thirty-first day of December following the end of such financial year.</i></p> <p>Provided that the Commissioner may, on the recommendations of the Council and for reasons to be recorded in writing, by notification, extend the time limit for furnishing the annual return for such class of registered persons as may be specified therein:</p> <p>Provided further that any extension of time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.</p> <p>(2) Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed.</p>	<p>“Every registered person, other than an Input Service Distributor, a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person <i>shall furnish an annual return which may include a selfcertified reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year, with the audited annual financial statement for every financial year electronically, within such time and in such form and in such manner as may be prescribed:</i></p> <p>Provided that the Commissioner may, on the recommendations of the Council, by notification, exempt any class of registered persons from filing annual return under this section:</p> <p>Provided further that nothing contained in this section shall apply to any department of the Central Government or a State Government or a local authority, whose books of account are subject to audit by the Comptroller and Auditor- General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force.”.</p>	
<p><i>Impact :- Mandatory requirement of getting the GST Audit by specified professional removed, taxpayer can selfcertify the reconciliation statement.</i></p>		

Amended Sections	75
Chapter	Demands & Recovery - General provisions relating to determination of tax

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
New Insertion	‘Explanation.—For the purposes of this sub-section, the expression "self-assessed tax" shall include the tax payable in respect of details of outward supplies furnished under section 37, but not included in the return furnished under section 39.’.

Impact :- Outward supply included in GSTR 1 and not included in GSTR 3B, now recovery can be done without issue of SCN.

Amended Sections	83
Chapter	Demands & Recovery - Provisional attachment to protect revenue in certain cases

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
(1) Where during the pendency of any proceedings under section 62 or section 63 or section 64 or section 67 or section 73 or section 74, the Commissioner is of the opinion that for the purpose of protecting the interest of the Government revenue, it is necessary so to do, he may, by order in writing attach provisionally any property, including bank account, belonging to the taxable person in such manner as may be prescribed.	“(1) Where, after the initiation of any proceeding under Chapter XII, Chapter XIV or Chapter XV, the Commissioner is of the opinion that for the purpose of protecting the interest of the Government revenue it is necessary so to do, he may, by order in writing, attach provisionally, any property, including bank account, belonging to the taxable person or any person specified in sub-section (1A) of section 122, in such manner as may be prescribed.”.

Impact :- Provisional attachment can be done on initiation of any proceeding under chapters mentioned.

Amended Sections	107
Chapter	Appeals & Revision - Appeals to Appellate Authority

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
Insertion	A proviso to sub-section (6) of section 107 of the CGST Act is being inserted - “Provided that no appeal shall be filed against an order under sub-section (3) of section 129, unless a sum equal to twenty-five per cent. of the penalty has been paid by the appellant.”.

Impact :- 25% of the penalty to be paid for filing appeal against order under 129(3).

Amended Sections	129
Chapter	Offences & Penalties - detention , seizure & release of goods & conveyances in transit

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
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(a) on payment of the applicable tax and penalty equal to one hundred per cent. of the tax payable on such goods and, in case of exempted goods, on payment of an amount equal to two per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such tax and penalty;

(b) on payment of the applicable tax and penalty equal to the fifty per cent. of the value of the goods reduced by the tax amount paid thereon and, in case of exempted goods, on payment of an amount equal to five per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods does not come forward for payment of such tax and penalty;

“(a) on payment of penalty equal to two hundred percent. of the tax payable on such goods and, in case of exempted goods, on payment of an amount equal to two per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods comes forward for payment of such penalty;

(b) on payment of penalty equal to fifty per cent. of the value of the goods or two hundred per cent. of the tax payable on such goods, whichever is higher, and in case of exempted goods, on payment of an amount equal to five per cent. of the value of goods or twenty-five thousand rupees, whichever is less, where the owner of the goods does not come forward for payment of such penalty;”;

Impact :- Applicable tax to be paid in GSTR 3B and penalty amount in clause (a) increased from 100% to 200%, and in clause (b) the same will be higher of 50% of the value of goods or 200% of the tax payable

Amended Sections	130
Chapter	Offences & Penalties - confiscation of goods or conveyances & levy of penalty

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
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~~(1) Notwithstanding anything contained in this Act, if~~ any person—

(i) supplies or receives any goods in contravention of any of the provisions of this Act or the rules made thereunder with intent to evade payment of tax; or
(ii)..

(1) where any person—

(i) supplies or receives any goods in contravention of any of the provisions of this Act or the rules made thereunder with intent to evade payment of tax; or
(ii)..

Amended Sections	130
Chapter	Offences & Penalties - confiscation of goods or conveyances & levy of penalty

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
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Provided further that the aggregate of such fine and penalty leviable shall not be less than the amount of penalty leviable under sub-section (1) of section 129:

Provided further that the aggregate of such fine and penalty leviable shall not be less than the penalty equal to hundred per cent. of the tax payable on such goods

Amended Sections		130
Chapter		Offences & Penalties - confiscation of goods or conveyances & levy of penalty
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
(3) Where any fine in lieu of confiscation of goods or conveyance is imposed under sub-section (2), the owner of such goods or conveyance or the person referred to in sub-section (1), shall, in addition, be liable to any tax, penalty and charges payable in respect of such goods or conveyance.	Omitted	

Amended Sections		151
Chapter		Miscellaneous - Power to collect statistics
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
1) The Commissioner may, if he considers that it is necessary so to do, by notification, direct that statistics may be collected relating to any matter dealt with by or in connection with this Act.	“The Commissioner or an officer authorised by him may, by an order, direct any person to furnish information relating to any matter dealt with in connection with this Act, within such time, in such form, and in such manner, as may be specified therein.”.	
(2) Upon such notification being issued, the Commissioner, or any person authorised by him in this behalf, may call upon the concerned persons to furnish such information or returns, in such form and manner as may be prescribed, relating to any matter in respect of which statistics is to be collected .		

Amended Sections		152
Chapter		Miscellaneous - Bar on disclosure of information
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
(1) No information of any individual return or part thereof with respect to any matter given for the purposes of section 150 or section 151 shall, without the previous consent in writing of the concerned person or his authorised representative, be published in such manner so as to enable such particulars to be identified as referring to a particular person and no such information shall be used for the purpose of any proceedings under this Act.	(1) No information with respect to any matter given for the purposes of section 150 or section 151 shall, without the previous consent in writing of the concerned person or his authorised representative, be published in such manner so as to enable such particulars to be identified as referring to a particular person and no such information shall be used for the purpose of any proceedings under this Act, without giving an opportunity of being heard to the person concerned	

Amended Sections		152
Chapter		Miscellaneous - Bar on disclosure of information
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
(2) Except for the purposes of prosecution under this Act or any other Act for the time being in force, no person who is not engaged in the collection of statistics under this Act or compilation or computerisation thereof for the purposes of this Act, shall be permitted to see or have access to any information or any individual return referred to in section 151.	Omitted	

Amended Sections		168
Chapter		Miscellaneous - Power to issue instructions or directions
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
(2) The Commissioner specified in clause (91) of section 2, sub-section (3) of section 5, clause (b) of sub-section (9) of section 25, sub-sections (3) and (4) of section 35, sub-section (1) of section 37, sub-section (2) of section 38, sub-section (6) of section 39, 1 sub-section (1) of section 44, sub-sections (4) and (5) of section 52, sub-section (5) of section 66, sub-section (1) of section 143, sub-section (1) of section 143, except the second proviso thereof", sub-section (1) of section 151, clause (1) of sub-section (3) of section 158 and section 167 shall mean a Commissioner or Joint Secretary posted in the Board and such Commissioner or Joint Secretary shall exercise the powers specified in the said sections with the approval of the Board.	(2) The Commissioner specified in clause (91) of section 2, sub-section (3) of section 5, clause (b) of sub-section (9) of section 25, sub-sections (3) and (4) of section 35, sub-section (1) of section 37, sub-section (2) of section 38, sub-section (6) of section 39, section 44, sub-sections (4) and (5) of section 52, sub-section (5) of section 66, sub-section (1) of section 143, clause (1) of "sub-section (1) of section 143, except the second proviso thereof", sub-section (1) of section 151, clause (1) of sub-section (3) of section 158 and section 167 shall mean a Commissioner or Joint Secretary posted in the Board and such Commissioner or Joint Secretary shall exercise the powers specified in the said sections with the approval of the Board.	

Amended Schedule		Schedule - II
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
7) Supply of Goods The following shall be treated as supply of goods, namely:— Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration.	Omitted	

Amendment in IGST Act 2017

Amended Sections		16
Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021	
Section 16(1)(b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.	Section 16(1)(b) supply of goods or services or both <i>for authorised operations</i> to a Special Economic Zone developer or a Special Economic Zone unit.	

Impact :- Supply for authorised operations to a SEZ will only be treated as zero rated supplies.

Amended Sections

16

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
<p>(3) A registered person making zero rated supply shall be eligible to claim refund under either of the following options, namely:—</p> <p>(a) he may supply goods or services or both under bond or Letter of Undertaking, subject to such conditions, safeguards and procedure as may be prescribed, without payment of integrated tax and claim refund of unutilised input tax credit; or</p> <p>(b) he may supply goods or services or both, subject to such conditions, safeguards and procedure as may be prescribed, on payment of integrated tax and claim refund of such tax paid on goods or services or both supplied, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder.</p>	<p>“(3) A registered person making zero rated supply shall be eligible to claim refund of unutilised input tax credit on supply of goods or services or both, without payment of integrated tax, under bond or Letter of Undertaking, in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder, subject to such conditions, safeguards and procedure as may be prescribed:</p> <p>Provided that the registered person making zero rated supply of goods shall, in case of non-realisation of sale proceeds, be liable to deposit the refund so received under this sub-section along with the applicable interest under section 50 of the Central Goods and Services Tax Act within thirty days after the expiry of the time limit prescribed under the Foreign Exchange Management Act, 1999 for receipt of foreign exchange remittances, in such manner as may be prescribed.</p>

Impact :- Realisation of sale proceeds in case of exports within 30 days from the time limit provided in FEMA Act 1999 , otherwise refund so received to be deposited with interest.

Amended Sections

16

Extracts of the sections/ schedule before amendment in Finance Bill 2021	Extracts of the sections/ schedule after amendment in Finance Bill 2021
	<p>(4) The Government may, on the recommendation of the Council, and subject to such conditions, safeguards and procedures, by notification, specify—</p> <p>(i) a class of persons who may make zero rated supply on payment of integrated tax and claim refund of the tax so paid;</p> <p>(ii) a class of goods or services which may be exported on payment of integrated tax and the supplier of such goods or services may claim the refund of tax so paid.”.</p>

Impact :- Government on recommendation of the GST council may provide the class of person and class of goods/services where export with payment of IGST can be done and refund can be claimed.