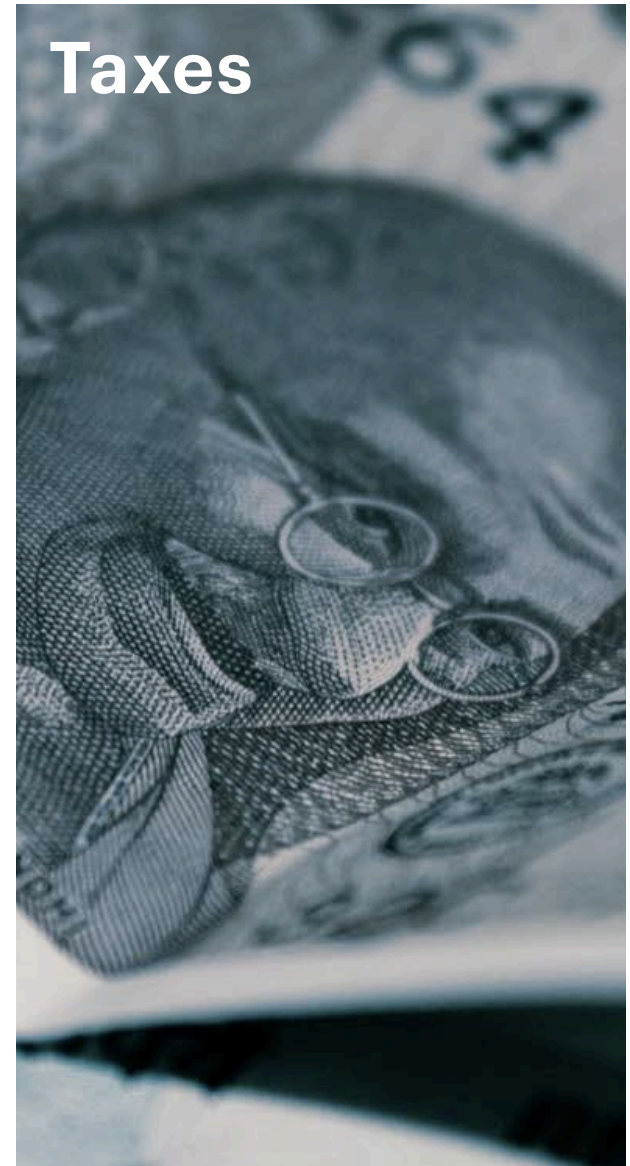


# Budget 2021

## Coverage

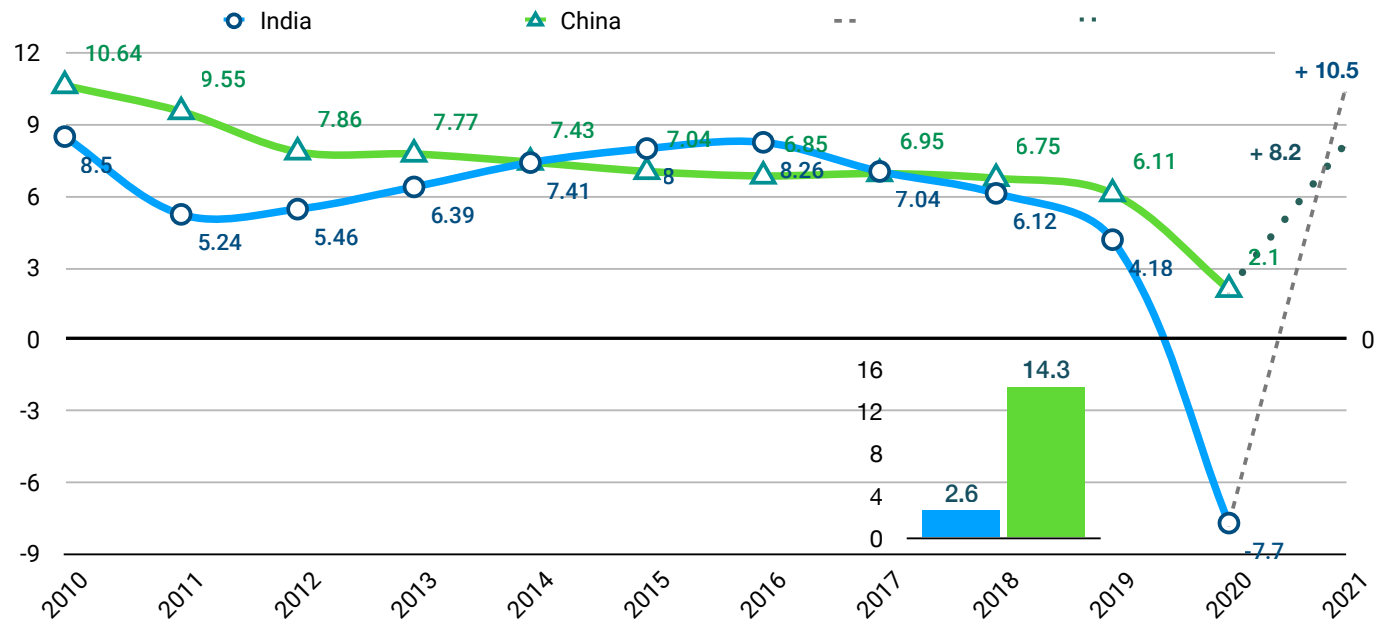


# Indian Economy

## Is India v/s China relevant anymore?

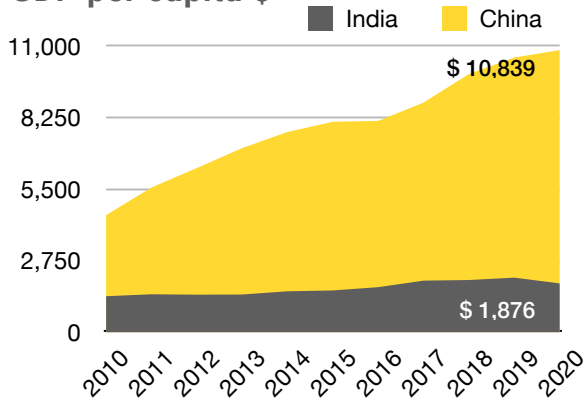
### [ GDP growth ]

- India's GDP to contract by ~8%; biggest since 1952
- China is the only major economy to register +ve growth; albeit its slowest since 1960s.
- India expected to rebound sharply in FY22, "V" shaped growth; RBI pegs growth rate at 10.5%
- China expected to grow at 8.2%

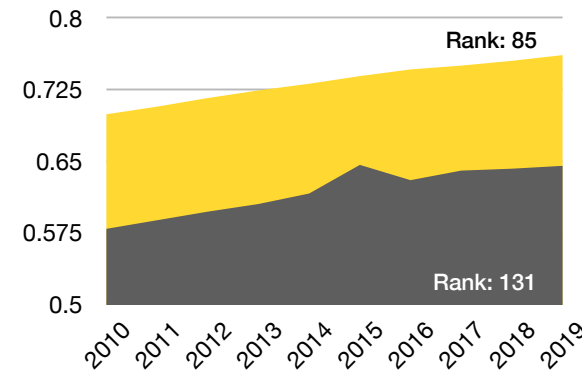


### [ Other measures ]

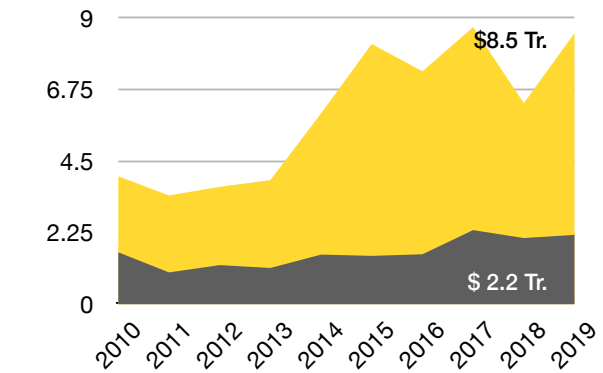
#### GDP per capita \$



#### HDI Ranking



#### Market Capitalisation



## [ The 20L Cr. Atmanirbhar Bharath Package ]

### Part 1

Rs. 594,550 Cr.

#### ECG for MSMEs

Rs. 300,000 Cr.

#### Liquidity scheme for NBFCs

Rs. 75,000 Cr.

### Part 2

Rs. 310,000 Cr.

#### Additional KCC credit

Rs. 200,000 Cr.

#### W/c loan through NABARD

Rs. 30,000 Cr.

### Part 3 - 5 + PMGKY

Rs. 3,90,900 Cr.

#### Agri Infrastructure Fund

Rs. 100,000 Cr.

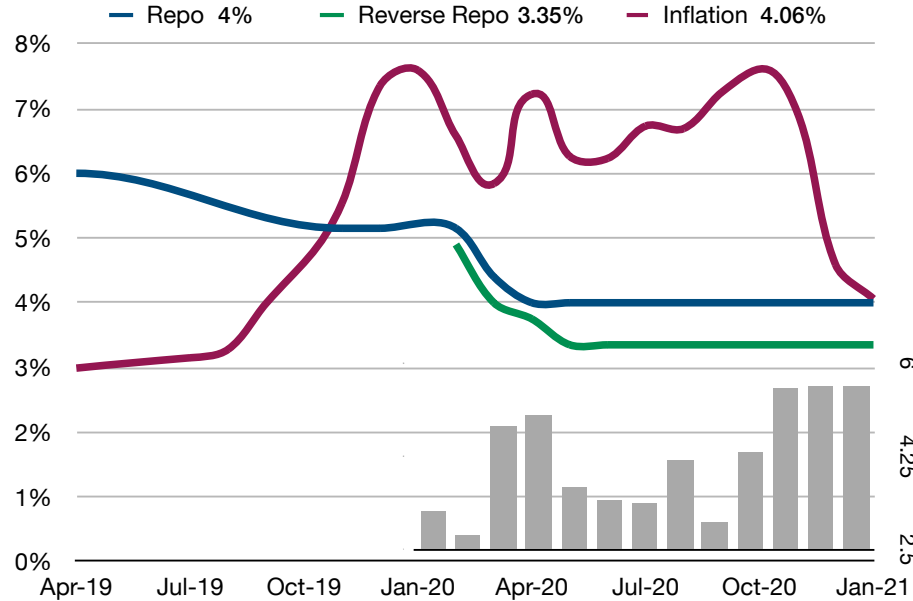
### RBI Measures

Rs. 800,000 Cr.

#### Liquidity measures =

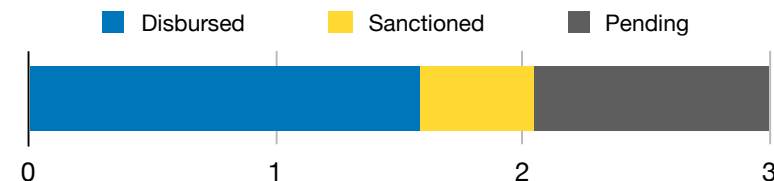
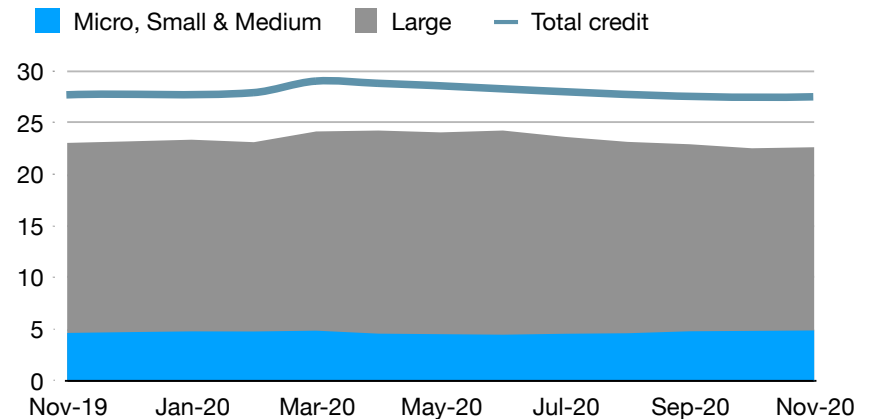
**Rs. 15,00,000 Cr.**

## [ RBI rates ]



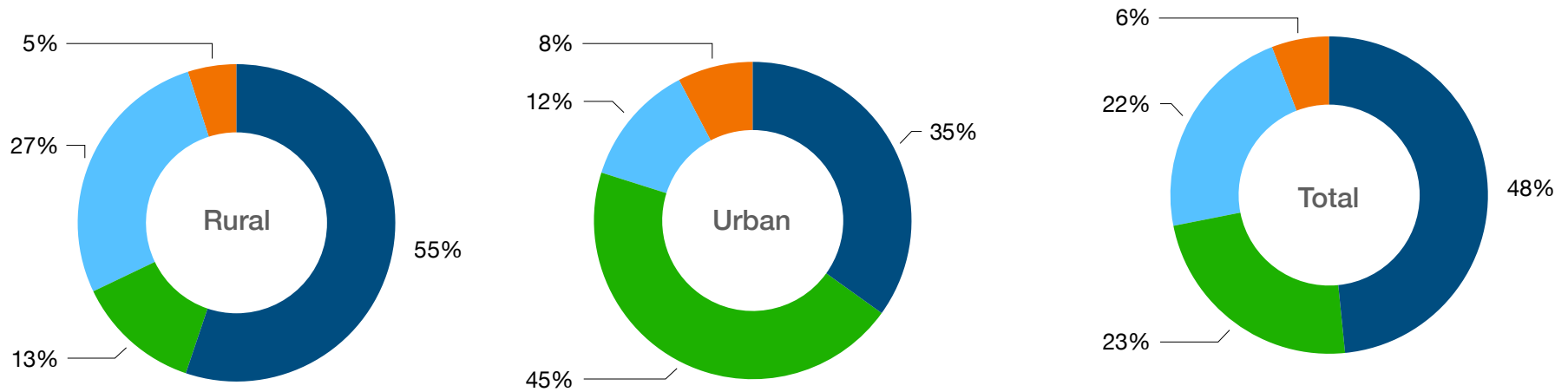
## [ MSME Credit ]

Total credit as of Nov'20 = Rs. 27.5 LC

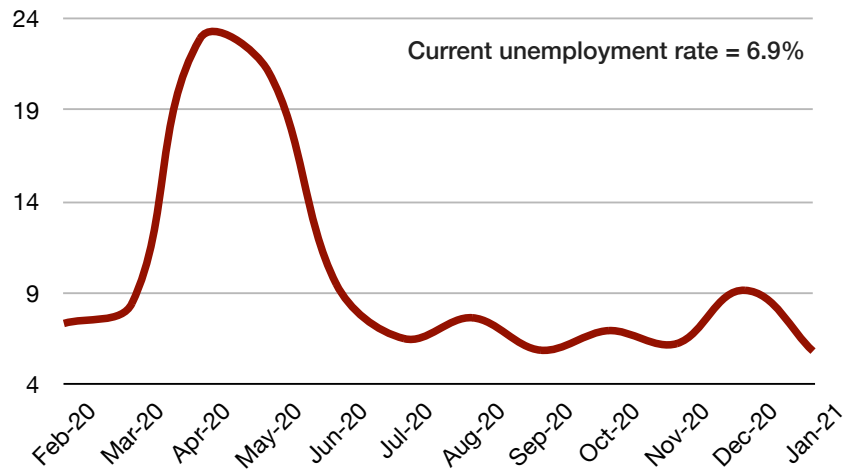


## [ Composition of labour force FY19\* ]

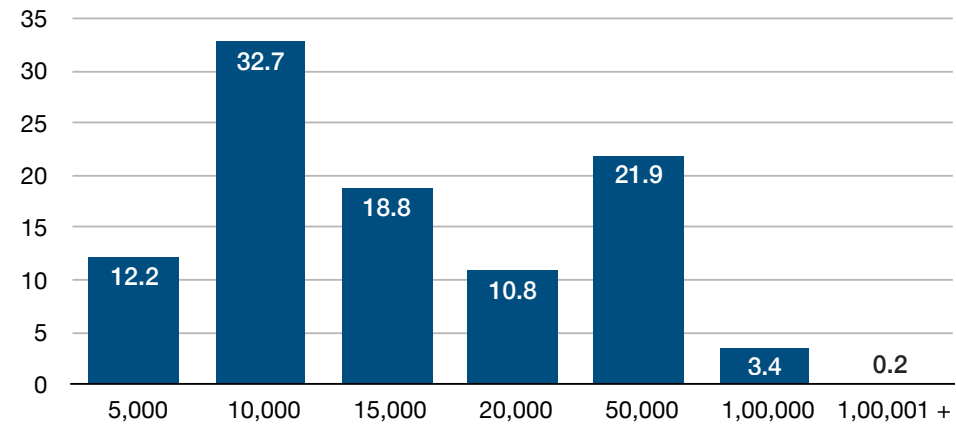
● Self employed ● Regular wage ● Casual labour ● Unemployed



## [ Current Unemployment Rate ]



## [ Pay Scale FY18\* ]

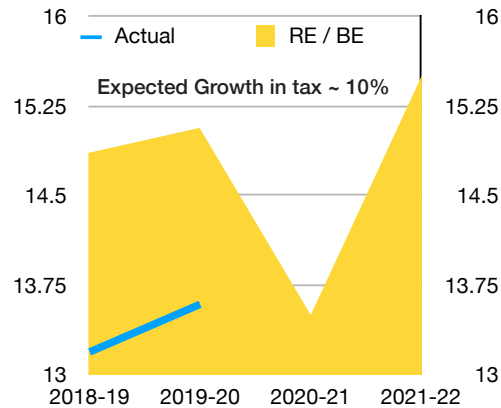


# Sectoral Allocations

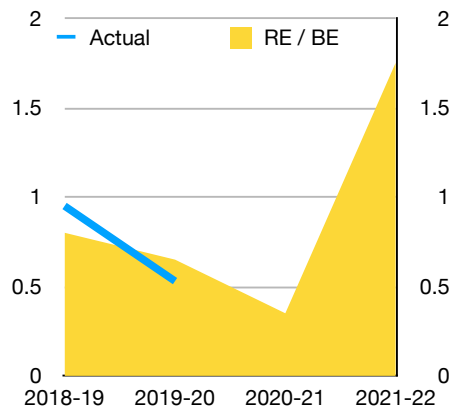
# Gross Receipts & Spending

## [ Receipts ]

Tax collections



Capital receipt via Disinvestment



**Tax collections**  
Rs. 15,5 LC

**Railway receipts**  
Rs. 2,2 LC

**Non-tax Revenue**  
Rs. 3,3 LC

**Revenue Deficit**  
Rs. 11,46 LC

**Capital Receipts**  
Rs. 1,75 LC

**Capital Deficit**  
Rs. 4,59 LC

**Interest payout**  
Rs. 8.47 LC

**Railway expenses**  
Rs. 2,06 LC

**Subsidies**  
Rs. 3.36 LC

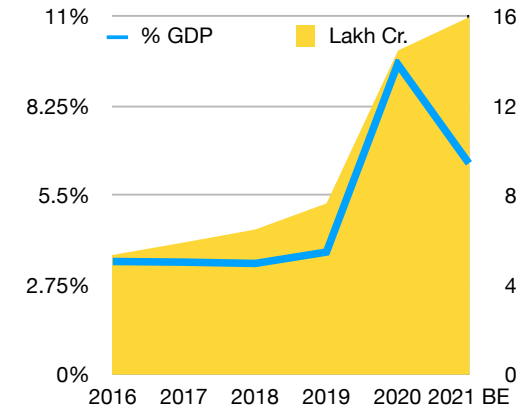
**Other expenses**  
Rs. 18.57 LC

**Capital expenditure**  
Rs. 5,34 LC

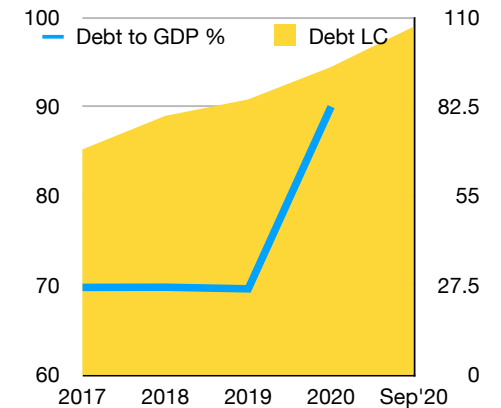
**Other CE (net)**  
Rs. 1,0 LC

## [ Spending ]

Fiscal Deficit Y-o-Y



Government Borrowings

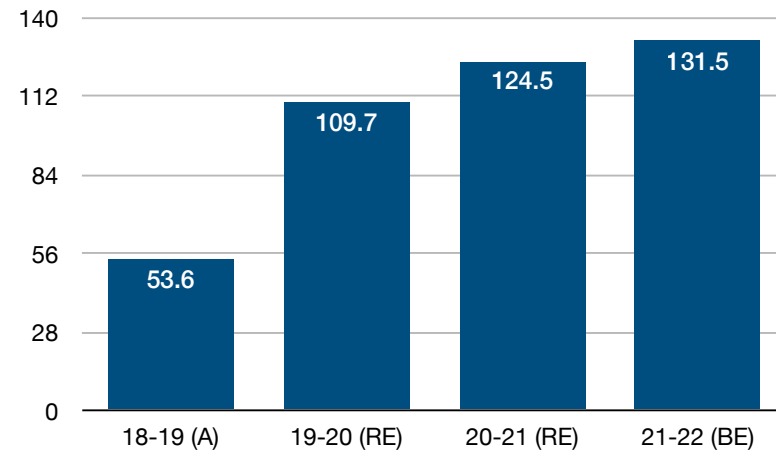


# Sectoral Allocations

## Sector wise spending

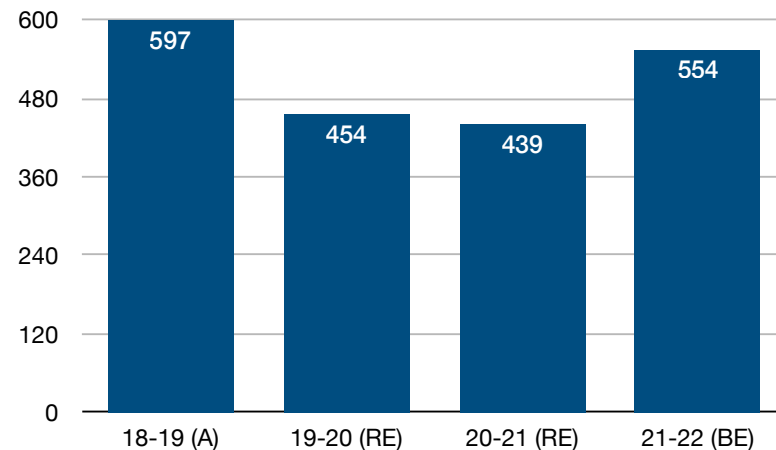
### [ Agriculture ]

- Agriculture Infrastructure Fund to help APMCs improve infra facilities
- Agriculture Infrastructure and Development Cess introduced on import of Cotton (5%), Gold and Silver (2.5%),
- AIDC introduced on petrol and diesel, but BED has been correspondingly reduced.
- Enhanced credit facilities announced.
- Allocation in 21-22 more than 20-21 by ~ Rs. 7,000 Cr.



### [ Infrastructure ]

- Development Financial Institution proposed to be set up, outlay Rs. 20,000 Cr. towards initial capital
- Debt Financing of InVITs and REITs by Foreign Portfolio Investors will be enabled
- National Monetisation Pipeline” of potential brownfield infrastructure assets to be launched
- New economic corridors proposed in Tamil Nadu (Rs. 1.03 LC), Kerala (65 KC), Assam (19 KC), and West Bengal (25 KC) - but these investments will be over the coming years.
- Bengaluru Metro Railway Project Phase 2A and 2B to get Rs. 14.78 KC.

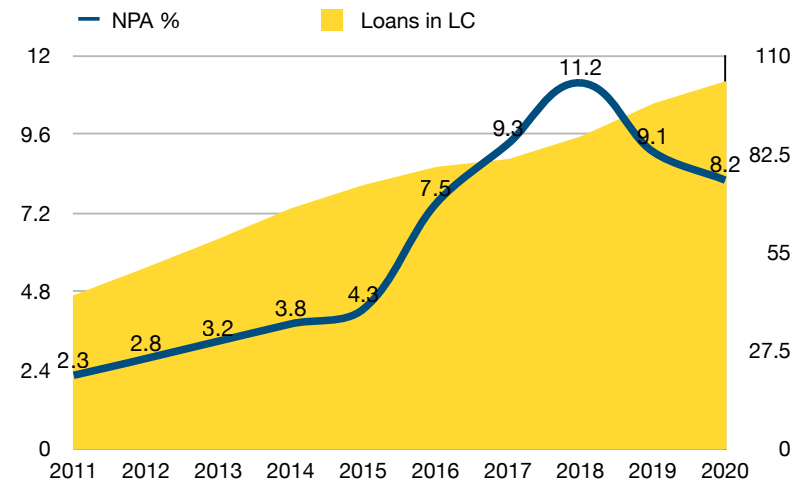


# Sectoral Allocations

## Sector wise spending

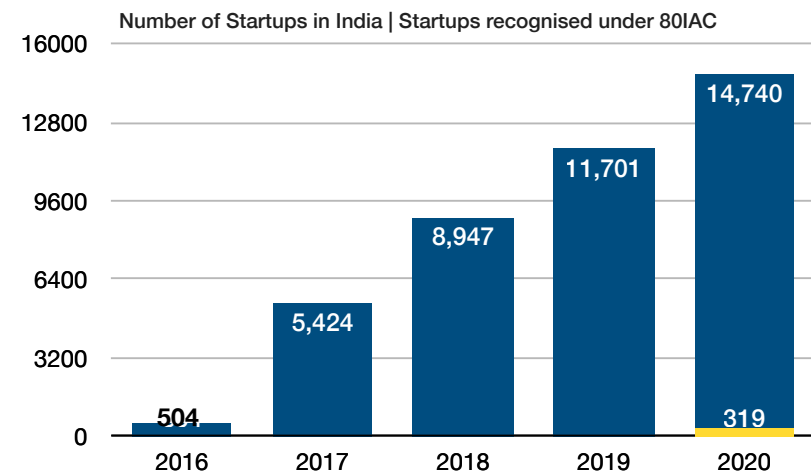
### [ Financial & Insurance ]

- Securities Markets Code announced - it will subsume SEBI, SCRA, Depositories Act and Government Securities Act
- FDI in insurance enhanced to 74%
- Further capitalisation of PSBs, by Rs. 20,000 Cr.
- Asset Reconstruction Company Limited and Asset Management Company would be set up to take over bad loans
- Deposit insurance enhanced from Rs. 1L to Rs. 5L



### [ Corporate Law & Startups ]

- Limits for Small Company enhanced,
  - Turnover - from Rs. 2 Cr. to Rs. 20 Cr., and
  - Capital - from Rs. 50 L to Rs. 2 Cr.
- Small companies enjoy benefits such as, 2 BMs instead of 4, and self certification of annual returns.
- Rules around One Person Company relaxed
  - Turnover cap of Rs. 2 Cr. removed
  - Conversion to any entity permitted
- Tax incentive window extended by 1 year for startups.



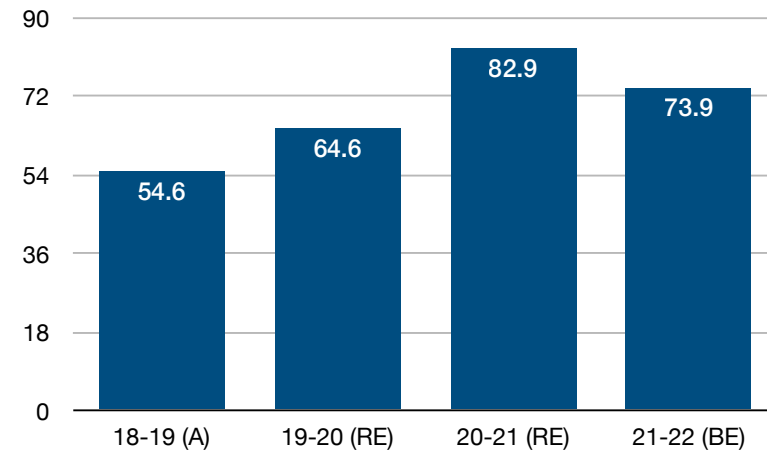


# Sectoral Allocations

## Sector wise spending

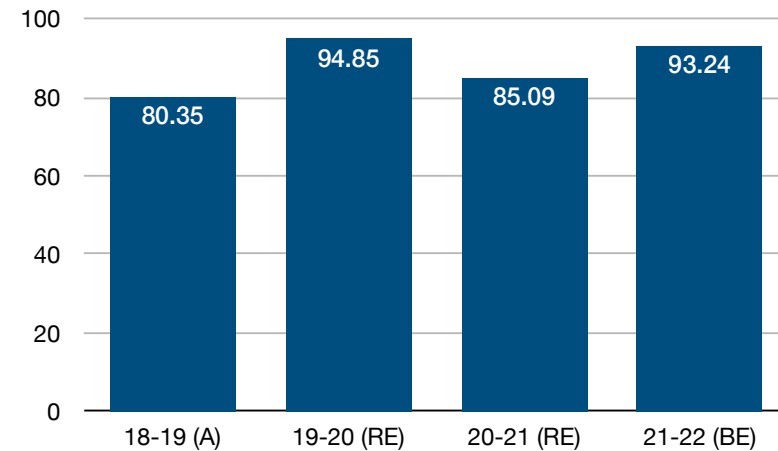
### [ Health ]

- PM AtmaNirbhar Swasth Bharat Yojana launched - Rs. 64,180 Cr. over 6 years
- Rs. 35,000 Cr. for Covid-19 vaccine
- FM claim that Rs. 2,23,846 is being invested on health v/s Actual allocation of Rs. 74,000 Cr, lower than previous year!
- The Pneumococcal Vaccine will be rolled out throughout India (presently in 5 states),
- Integrated public health labs to be set up in all districts.
- 15 Health Emergency Operation Centers and 2 mobile hospitals will be set up as well.



### [ Education ]

- Proposed allocation less than 2019 levels,
- Central University to be set up in Leh
- National Digital Educational Architecture (NDEAR) will be set up
- Students with limited access to digital learning lag behind their affluent peers,
- Covid's impact on household earnings in rural India, has forced students to drop out as well.



## [ Individuals ]

- No change in individual tax rates. No Covid cess!
- Both regimes to continue, with the 'new regime' offering lower tax rate in exchange for limited exemptions.
- Exemption from filing returns to Sr. Citizens 75y+ who earn only pension and interest.

Tax Slabs	With exemptions	Without exemptions	Change %
Upto Rs. 250,000	0%	0%	No change
Rs. 2.5 - 5 lakhs <sup>^</sup>	5%	5%	No change
Rs. 5 - 7.5 lakhs	20%	10%	-10%
Rs. 7.5 - 10 lakhs	20%	15%	-5%
Rs. 10 - 12.5 lakhs	30%	20%	-10%
Rs. 12.5 - 15 lakhs	30%	25%	-5%
Rs. 15 lakhs+	30%	30%	No change

Rate of surcharge (10% - 37%) and cess (4%) remains unchanged

<sup>^</sup> Rebate u/s 87A shall continue,

<sup>^^</sup> Benefit u/s 44AD & 44ADA can still be availed.

## [ Firms & Corporates ]

- No change in firm taxation, rates remain 30%. Profit share exempt from tax.
- No change in corporate tax rates, following options available.

Options currently available to Domestic Companies	% normal tax	% MAT
Those opting for 115BAA - new manufacturing	17.16%	NIL
Those opting for 115BAB - other than manufacturing	25.17%	NIL
Turnover upto Rs. 400 Crores*	25%	15%
Turnover above Rs. 400 Crores*	30%	15%

\* Rate of surcharge (7% - 12%) and cess (4%) as applicable.

\*\* Mandatory surcharge of 10% u/s 115BAA & 115BAB

## [ ULIPs & PF ]

- Monetary limit of Rs. 250,000 introduced on aggregate annual ULIP premium; replaces existing 10% cap for these cases
- For ULIPs issues from 1 Feb, where annual premium is more than Rs. 250,000,
  - no exemption on maturity uS 10,
  - ULIP will be treated as capital asset and subjected to gains tax.
- Interest on PF contributions in excess of Rs. 250,000 per annum would now be taxable.
- How PF is presently taxed
  - Employer contribution in excess of Rs. 750,000 taxed (Budget 2020),
  - Interest on such contribution, taxed
  - Interest on employee contribution in excess of Rs. 250,000, now taxed

## [ Depositing Employee Contributions ]

- Due date of contributions to employee welfare funds, like PF, and ESI shall be that prescribed under respective laws,
- Extended time limit uS 43B no longer available.
- Amendment is a 'clarification' and deems that extension uS 43B was never available!

“ Whatever contribution you are making to Provident Fund, whatever is in excess of ₹2.5 lakh, that will be in a **separate basket** and interest on that particular corpus will be taxable.

But it will work **exactly in the same manner as the way interest income on fixed deposits** is taxed today,



**Kamlesh Varshney**  
Joint Secretary, CBDT

## [ Taxpayer incentives ]

- Pre-filled income tax returns to now include dividend, interest and capital gains from listed securities
- Faceless assessments extended to ITAT proceedings
- Dispute Resolution Committee being set up for small taxpayers (income < Rs. 50L)
- Time limit for reopening cases reduced from 6 to 3 years
- Time limit for completion of assessment reduced by 3 months
- Time limit to file belated return reduced by 3 months, now stands at 31 Dec.

## [ Changes in capital gains tax ]

- Firms would be subject to capital gains if partner's account on reconstitution is settled at value higher than that appearing on books
  - any increase in capital balance on account of self-generated goodwill, revaluation of assets shall be ignored
- Exemption u/s 54GB, investment into startup on sale of residential house / land extended by 1 year

“ Honourable Speaker, it has been the resolve of this Government to reduce litigation, which mars the present taxation system



**Nirmala Sitaraman**  
Finance Minister

## [ Withholding tax ]

- New Section 194Q introduced
- Any Buyer\* who purchases goods of value more than Rs. 50 lakhs, shall deduct tax at 0.1% of the amount in excess of Rs. 50 lakhs
- Buyer would mean a person whose turnover in previous year exceeds Rs. 10 Cr.
- No TDS under 194Q, if tax is deducted under any other section.
- If the transaction is subjected to both TCS uS 206C(1H) and TDS uS 194Q, it is sufficient if TDS alone is deducted by the Buyer.

## [ Equalisation levy ]

- Scope of EL enhanced to cover more activities, including
  - Acceptance of offer of sale
  - Facilitating payment of consideration etc.
- Clarification issued: Levy (2%) shall apply to the full value of transaction.
- Clarification issued: Transactions regarded as Royalty and FTS shall not be hit by EL.

Seller turnover	Buyer turnover	Transaction value	Buyer TDS 194Q	Seller TCS 206C
Rs. 10Cr+	< Rs. 10Cr.	Rs. 75L	No	Yes
Rs. 10Cr+	< Rs. 10Cr.	Rs. 45L	No	No
< Rs. 10Cr.	Rs. 10Cr+	Rs. 75L	Yes	No
< Rs. 10Cr.	Rs. 10Cr+	Rs. 45L	No	No
Rs. 10Cr+	Rs. 10Cr+	Rs. 75L	Yes	No
Rs. 10Cr+	Rs. 10Cr+	Rs. 45L	No	No

“ The fact that clarification has come is good but some of clarification is negative... basically all sale of goods, services by foreign entities will be taxed as #EL



Ashish Aggarwal  
NASSCOM

## [ M&A - Goodwill ]

- No depreciation shall be allowed on goodwill, even if it is purchased goodwill,
- Cost of acquisition shall include such purchase goodwill. If depreciation has been claimed upto 31 Mar 2021, cost of acquisition shall be adjusted accordingly.

## [ Procedural ]

- Tax audit limit enhanced to Rs. 10 Cr, provided <5% of transaction value is through cash
- GST audit proposed to be withdrawn from 2020-21
- LLPs shall no longer be eligible for presumptive tax uS 44ADA
- TDS / TCS at higher rates for non-filers, w.e.f. 1 Jul 21

## [ Other proposals ]

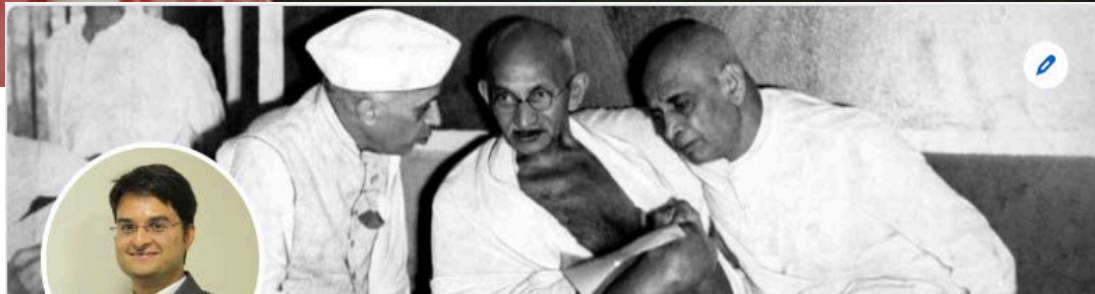
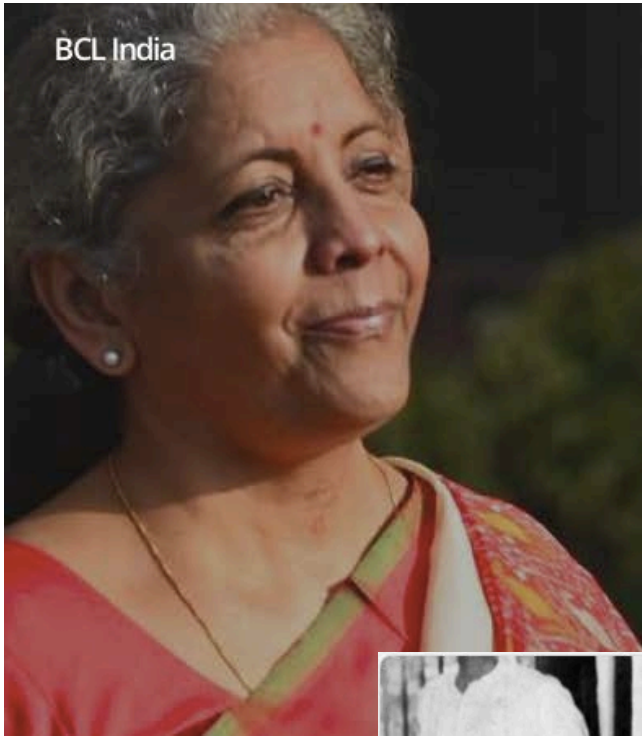
- Advance tax estimation in the case of Dividend is difficult unless declared / paid. This difficulty has been recognised; relevant provisions have been relaxed,
- LTC concession scheme available only till 31 Mar 2021,
  - concession equal to 1/3rd spending or Rs. 36,000 w.e.l
  - spending should be goods / services attracting GST rate of 12%+
  - payment for such goods / services should not be in cash

BUSINESS NEWS

INCOME TAX

# Budget 2021

By BCL India | February 2, 2021 | No Comments




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 BCL India

 The Institute of Chartered Accountants of India