



Analysis of the Union Budget 2021-22

REVIVE AND RECOVER

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Foreword

One of the most distressing years by far, 2020 marked the year of a deadly pandemic that drastically impacted health, businesses, and communities across the globe. The Indian economy also got battered due to the subsequent lockdown which exposed gaps in the supply chain and delays in working around the social distancing norms. Critical indicators such as de-growth in the economy, contraction in GDP, widening of fiscal deficit, and high inflation have highlighted the severe strike on the economy in the past year.

But as it is said, 'There is hope after despair and many suns after darkness', similarly, the Indian economy has started showing signs of recovery. Faced with the daunting twin tasks of pulling back the economy from the clutches of de-growth, a slew of fiscal and non-fiscal measures were taken during the year to rebound the economy from the aftermath of the pandemic. This is evidenced by the pre-budget Economic Survey's projection of 11% growth in real GDP for 2021.

Pre-budget, Hon'ble Finance Minister Nirmala Sitharaman hinted that Budget 2021 would be hailed as a "never before Budget." Public sentiment developed to expectations and raised curiosity regarding the growth and policy path to provide the requisite momentum to India's sustainable economic recovery.

Laying a vision for AtmaNirbhar Bharat, the Hon'ble Finance Minister has rested the budget proposals on six pillars – health and wellbeing, physical and financial capital and infrastructure, inclusive development for aspirational India, reinvigorating human capital, innovation and R&D, and minimum government - maximum governance.

With an aim to provide the impetus for growth revival, the Budget has largely focused on aspects of key areas such as healthcare improvement, infrastructure boost, supports for the MSMEs, skill development, etc.

On the direct tax landscape, various proposals such as setting up the Dispute Resolution Committee, relief to senior citizens, further measures to facilitate faceless tax processes, pre-filling of returns, etc., have been added to simplify the tax administration, ease compliance, and reduce litigation. Furthermore, in line with the overall objectives as envisioned in the pillars, measures for attracting foreign investment to the infrastructure sector, affordable housing/rental housing, tax incentives to IFSC, and start-ups have been announced.

The indirect tax front has proposals for rationalizing the customs duty provisions by revising its structure, sector-specific changes in the customs duty rates, and rationalizing certain procedures and easing compliances.

Overall, against the backdrop of the fiscal constraints within which the Finance Minister had to operate, the measures announced seem to be in the right direction. These measures may accelerate overall growth along with healthcare development, consumption surge, and provide support to infrastructure developments, if implemented in the time to come.

Economic Overview



Economic Overview

GDP Growth

- In FY 2019-20, India registered GDP growth of 4%. However, in FY 2020-21, the COVID-19 pandemic led many international organizations to revise their growth predictions.
- Global GDP growth was projected to grow negatively at 4.9% for FY 2020-21.
- The Economic Survey 2020-21 has estimated negative GDP growth at nearly 23.9% for Q1. However, a V-shaped recovery can be seen as Q2 of FY 2020-21 registered a negative growth rate of 7.5%.
- While there has been negative GDP growth in the first two quarters of the financial year, a full economic recovery is expected once the pandemic is over. The manufacturing and distribution of the vaccines made in India are likely to boost GDP growth while re-opening employment opportunities.

Index of Industrial Production (IIP)

- The IIP is estimated to have significantly reduced for FY 2020-21. In comparison, IIP for the three preceding financial years has been steady around the 4% mark.
- The stark fall is primarily due to the nation-wide lockdown imposed in the latter half of March, extending to the end of May 2020. Many organizations continued to limit the number

of people attending workplaces even after the lockdown came to an end, to curtail the viral outbreak and safeguard their employees.

- The index of eight core industries, which make up approximately 40% of the index, registered a negative growth of 2.6% in November 2020 as compared to a growth of 0.7% in November 2019 and negative growth of 0.9% in October 2020.

Inflation

- Headline inflation, based on Consumer Price Index – Combined (CPIC), averaged 6.6% during April -December in FY 2020-21 mainly due to a rise in food inflation and a build-up in vegetable prices. This increase in inflation is greater than the same period in the previous year, which registered a rise of 4.1%.
- Wholesale Price Index (WPI) inflation has been following a downward trend over the past two years. This year continues to follow the trend with WPI for FY 2020-21 estimated to be negative 0.1%.
- CPIC inflation was caused primarily due to a rise in food inflation, whereas the decrease in WPI inflation was mainly caused due to the volatility in global crude oil prices. While demand was subdued by minimal economic activity, supply chain disruptions added to the rise in prices.

Trade

- Total exports during April-December in FY 2020-21 amounted to USD 200.8 billion, registering a decline and negative growth of 15.7% as compared to negative 2.4% during the same period of the previous year.
- India's merchandise exports fell by 21.1% in H1 of FY 2020-21, whereas imports fell more drastically by 38.8% in the same period.
- Agriculture, drugs and pharmaceutical products, and ores and minerals were the only exports that registered a positive growth (within non-POL or 'Petroleum, Oil, and Lubricant' exports). However, key commodities such as organic and inorganic chemicals, electronic goods, textiles & allied products, engineering products, gems, and jewelry pulled export growth down.

Economic Overview

- The top export destinations for April-November 2020-21 were the USA, China, and UAE. China moved up to second place in terms of export destinations, as compared to UAE, which occupied the same spot during the previous year.
- Total imports during April-December in FY 2020-21 amounted to USD 258.3 billion, registering a decline of 29.1% as compared with a decline of 7.2% during the same period last year.
- The continued focus on AatmaNirbhar Bharat (self-reliant India) aims to promote the country as a global manufacturing hub. The initiative is likely to increase trade with several foreign countries and attract FDI while building a strong trade ecosystem.

Fiscal Deficit

- The fiscal deficit (as per revised estimates for FY 2020-21) is pegged at 9.5% of GDP. The fiscal deficit registered a growth of 33.1% during April-November 2020 as compared to 12.7% during the corresponding period in the previous year.
- The Revised Estimates place fiscal and revenue deficits at 9.5% of GDP and 7.5% of GDP respectively in 2020-21.
- Keeping in mind the revenue shortfall and the demand for higher expenditure during the year (to revive the economy),

the government is expected to register fiscal slippage in FY 2020-21. While the government is intent on following through on its promise of fiscal consolidation, the extra expenditure incurred (such as the INR 20 trillion COVID-relief stimulus package) will likely play a crucial role in reviving demand and supply.

Foreign Investments

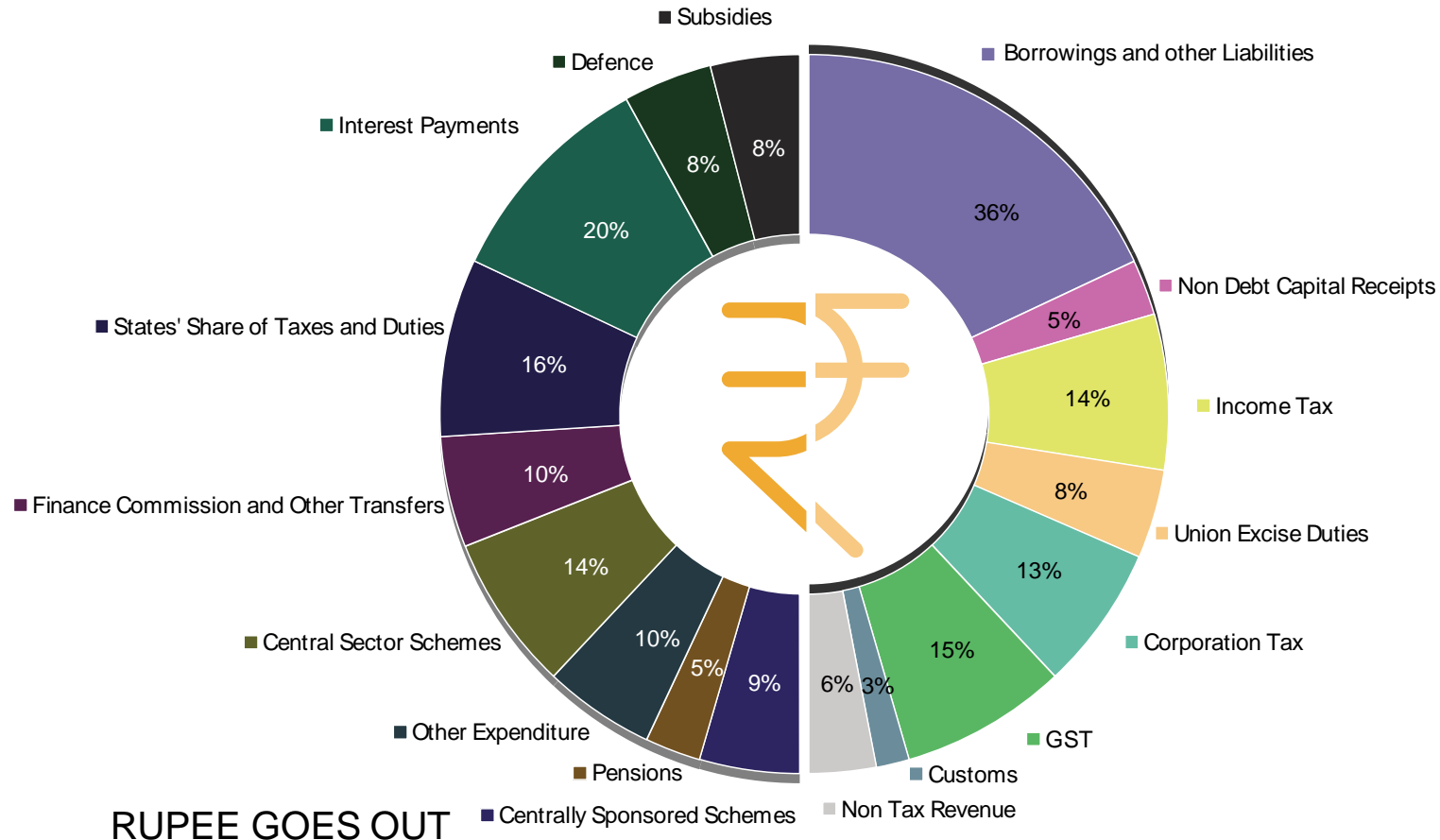
- During April-October 2020, net FDI inflows were recorded at USD 27.5 billion, 14.8% higher as compared to the first seven months of 2019-20. This showcases that global investors view India as a crucial destination for their businesses making India a global hub.
- The government's focus on AatmaNirbhar Bharat (self-reliant India) has positioned India as a global manufacturing hub. Several reforms were introduced within the domain of AatmaNirbhar Bharat, such as fiscal incentives, zero income tax for new manufacturing units, low-to-zero tax rates for exports, and reduced compliances.
- Union Budget 2021 included an announcement of the government's commitment of INR 1.97 trillion (through Production Linked Incentive Schemes) to make India a manufacturing hub for 13 identified sectors, which will result in higher FDI and increased business efforts being focused in India.

Foreign Exchange Reserves and External Debt

- Foreign Exchange Reserves rose to an all-time high of USD 584 billion on 15 January 2021, compared to USD 457 billion in January 2019.
- External debt as a ratio to GDP rose marginally to 21.6% as of September 2020 from 20.6% as of March 2020. External Commercial Borrowings (ECBs), the largest component of external debt, stood at USD 207 billion at the end of September 2020, registering a contraction of 5.8% since March 2020.
- The ratio of foreign exchange reserves to total and short-term debt (original and residual) improved because of the sizable accretion in reserves. The share of short-term debt in the total stock of external debt, which is an important metric to analyze potential debt vulnerability, has also improved.

Economic Overview

RUPEE COMES IN



Key Direct Tax Proposals



Key Direct Tax Proposals

The amendments mentioned below are applicable for FY 2021-22, unless otherwise specified.

Corporate and Personal Income Tax Rates

No Change in corporate and personal income tax rates

- The Budget has not proposed any change in the corporate and personal income tax rates.

Exemptions and Deductions

Exemption on account of Leave Travel Concession (LTC)

- Under the current regime, LTC exemption is available for travel allowance given by the employer to the employee or his family. The exemption is allowed for two journeys in a block of four years.
- Considering the difficult economic environment, in order to incentivize individuals to utilize their unclaimed Leave Travel Allowance (LTA) amounts and to boost consumer demand, it is proposed that an employee will be eligible for deemed LTC fare exemption if he utilizes the amount towards the purchase of goods or services which are exigible to GST at 12% and the payment is made through banking channels.

- It is further proposed that where an individual claims such a deemed exemption in connection with such expenditure, then no other person shall be allowed to claim any exemption on the very same expenditure.
- This amendment is effective from 1 April 2020.

Rationalizing provisions relating to contribution to provident fund/recognized provident fund

- Under the current regime, interest accrued on a recognized provident fund/ payment from the provident fund is exempt from tax.
- A number of taxpayers make higher contributions to provident funds, enabling them to earn a higher interest, which is exempt from tax.
- In order to bring parity among other contributors who are not able to invest a higher amount, it is proposed to cap the amount of exemption on interest accrued during the year up to the contribution to the provident fund/recognized provident fund not exceeding INR 0.25 million during the year.
- The manner in which the taxable interest amount is to be calculated will be notified.

Enhancing income limits for specified institutions

- Presently, an educational institution or medical institution existing for philanthropic purposes and not earning profit are given exemption, provided that the total amount of receipts during the year does not exceed INR 10 million.
- It is proposed to increase the aforesaid limit to INR 50 million.
- Furthermore, it is clarified that corpus donation received by an educational institution/medical institution will not form part of total income, provided that the donations are invested/deposited in specified modes.
- Also, it is proposed that the provision applicable to charitable trusts with respect to exemption of the application of corpus donation will also apply in the case of educational institutions/medical institutions.

Rationalization of benefits extended to the wholly-owned subsidiary of Abu Dhabi Investment Authority and Sovereign Wealth Fund

- Under the present regime, investment from Abu Dhabi Investment Authority or Sovereign Wealth Funds or pension funds were provided exemption (with respect to certain income) on the fulfillment of prescribed conditions.

Key Direct Tax Proposals

- To encourage more investments from such funds, it is now proposed to relax investments made by Category-I and Category-II Alternative Investment Funds from 100% investment to up to 50% in a company engaged in or operating or developing an infrastructure facility.
- The investments by funds can be made in a domestic company having investments, specified companies, or non-banking financial companies.
- Furthermore, the definition of pension fund currently provides for a fund that is not liable to tax. It is now proposed to include those funds which are liable to tax but for the time-being, granted an exemption by such foreign countries.
- In order to promote the eligible start-ups, it is proposed to extend the requirement of the date of incorporation to or before 1 April 2022.

Extension of certain time limits to avail deduction under affordable housing

- Under the current regime, 100% deduction is allowed on income from developing and building affordable housing projects provided that the project is approved by a competent authority before 31 March 2021.
- Furthermore, a deduction up to INR 150,000 in respect of interest on loan taken is allowed provided that the loan has been sanctioned prior to 31 March 2021.
- This outer limit for the approval of a competent authority and the sanction of loan is now extended to 31 March 2022.
- Furthermore, to help migrant laborers and to promote affordable rental, it is proposed to allow a deduction to such rental housing project that is notified by the Central Government and fulfills the conditions as specified. The time limit for the rental housing project is also 31 March 2022.

Extension of date of incorporation for eligible start-up

- Under the existing regime, 100% deduction is allowed by an eligible start-up for three consecutive assessment years out of ten years at the option of the assessee. This is subject to the satisfaction of conditions laid down, which inter-alia include being incorporated before 1 April 2021.

Our Comments

- The relaxation of LTC is a welcome move and will help employees save tax.
- Bringing parity in taxing the contribution to provident funds/recognized provident funds will surely level the playing field to small and medium taxpayers who are not able to contribute large amounts.
- Enhancing limits for accepting donations by educational institutions/medical institutions is a positive move which will boost such institutions carrying on philanthropic activities.
- Relaxing provisions for pension funds/sovereign funds will attract more investment, a much-needed effort for boosting the economy in the current pandemic scenario.



Key Direct Tax Proposals

Relaxation & Relief from Compliances and Removing Difficulties

Increase in threshold limit for applicability of Tax Audit

- Under the current regime, in order to reduce the burden on small and medium enterprises, every person carrying on business is required to get its accounts audited under the Income Tax Act (IT Act), if its turnover, sales, or gross receipts exceeds INR 50 million in the previous year.
- In order to incentivize non-cash transactions, promote a digital economy, and further reduce the burden on small and medium enterprises, it is proposed to increase the threshold limit for getting accounts audited under the IT Act, to INR 100 million, subject to conditions specified.
- This amendment is proposed to be effective from FY 2020-21.

Delay in the deposit of employee's contribution – not deductible

- Under the existing provisions, taxpayers have not been treating the amount of delayed payment of employee's contribution to various welfare funds, provided these are paid before the due date of filing the return of income. This is based on various judicial pronouncements.

- There has been a long drawn out litigation in respect of the said treatment.
- To mark out a clear distinction between employees' contribution and employer's contribution and to provide certainty, it is proposed that that delays in deposits by the employer of employee's welfare contribution, after the due date specified in the relevant fund, the amount involved is to be treated as income and offered to tax.
- This amendment is proposed to be effective from FY 2020-21.

Increase in threshold limits for a safe harbor on transactions for immovable property, for both buyers and real-estate developers

- Under the current regime, in case transactions for immovable property, i.e., land or building or both, are affected below the value considered by the stamp authorities, then the value adopted by such authority is to be considered as the full value of consideration if the deviation is in excess by 110%. Thus, the authorities have provided a safe harbor of 10%.
- However, to boost the demand in the real-estate sector and to enable real-estate developers to liquidate their unsold inventory, it is now proposed to increase the current safe harbor from 10% of the stamp duty value of the asset to 20%, provided the followings conditions are fulfilled:-

- The transfer of residential unit takes place during the period from 12 November 2020 to 30 June 2021;
- The transfer is by way of first time allotment of the residential unit to any person;
- The consideration for such transfer does not exceed INR 20 million.
- Consequential relief is also proposed to be allowed to buyers of these residential units by increasing the safe harbor from 10% to 20% for the said period.
- The amendment is proposed to take effect from FY 2020-21.

LLPs no longer covered under presumptive taxation

- Under the current regime, the option of presumptive taxation is allowed in the case of professionals who are resident taxpayers subject to specified conditions, wherein the taxpayers are not required to maintain books of account.
- It is now proposed to specifically exclude Limited Liability Partnerships from this provision due to the fact that LLPs are required to maintain books of accounts as per the LLP Act 2008.
- This amendment is proposed to be effective from FY 2020-21.

Key Direct Tax Proposals

Rationalization of the Minimum Alternate Tax (MAT) provisions for certain income

- Under the existing regime of taxation of book profits, in the case of a foreign company, an effect is given to the income and expenses in connection with interest, royalties and Fees for Technical Services (FTS).
- Since the dividend is no longer exempt in the hands of shareholders as per Finance Act 2020, in line with the interest, royalty and FTS, it is proposed that a similar effect should be given to dividends.
- This amendment is proposed to take effect from FY 2020-21.

Rationalization of the MAT provisions to align for transfer pricing adjustments

- As per the current regime, no impact is given to the income accruing or arising on account of the Advance Pricing Agreement (APA) or a secondary adjustment.
- It is now proposed that in cases where the income of past years is included in books of accounts on account of an APA or a secondary adjustment, the taxpayer can make an application, in the prescribed format, to the tax authorities to recompute the book profit of the past year(s) and tax payable.
- It has also been proposed that such re-computation/

rectification should be carried out by the tax authorities within the period of four years from the end of the financial year in which such application is received by them.

- This amendment is proposed to take effect from FY 2020-21.

Rationalization of provisions relating to charitable trusts

- Under the present regime, charitable trusts are not liable to pay tax on donations received towards the corpus. Furthermore, charitable trusts are required to expend 85% of the total donations received (other than corpus donations) towards a charitable purpose.
- It is noticed that charitable trusts have been claiming the amount expended out of corpus donation as application towards charitable purposes and including the same in arriving at the 85% ceiling limit. This results in a double benefit to charitable trusts, i.e., at the time of receipt of corpus donation (being tax-exempt) and treating the application of corpus donation towards the mandatory criteria of 85% ceiling limit.
- To remove the above anomaly and ensure that there is no double deduction, it is proposed that:
 - Corpus donations received shall be invested or deposited in the prescribed modes;
 - Any amount used from corpus donation other than a

specific purpose will not be considered as the application of income. However, if subsequently the amount is deposited or invested back out of the income of that year in the specified modes can be treated as an investment of corpus donation in specified modes and hence, shall form part of the application of income;

- Monies applied from loan/borrowing received during the year will not be considered as an application towards a charitable purpose. On the contrary, the repayment of loan/borrowing will be considered as an application.
- Further, there was a debate whether a deficit on account of the excess application of income is carried forward to the subsequent year and set off against income of that year to be covered within the mandatory criteria of 85%.
- Accordingly, it is now proposed to remove the above anomaly and clarify that excess application of income of the preceding year will not be considered for the ceiling limit of 85% application.

Rationalization of provisions for the conversion of Co-operative Banks

- Under the current regime, certain deductions are provided in the case of business re-organization of co-operative banks on a proportionate basis.
- Furthermore, this re-organization is also not considered as a transfer for the purpose of computing capital gains.

Key Direct Tax Proposals

- Similar benefits are proposed to be passed on to the re-organization in case of a conversion of a primary co-operative bank to a banking company.
- This amendment is proposed to take effect from FY 2020-21.

Deemed tax on gains from the redemption of Unit Linked Insurance Policy (ULIP)

- Under the existing provisions, there is no cap on the amount of annual premium of term insurance policies. A number of taxpayers are claiming huge amounts of premium by investing in ULIPs.
- In order to keep the legislative intent of allowing exemption of tax to small and genuine cases of life insurance functioning, it is proposed to cap the premium paid after 1 February 2021 to INR 250,000.
- Further, these high premium ULIPs are now considered as a capital asset and taxable as capital gains at the time of redemption.
- Consequently, these ULIPs would have the same treatment as applicable to units of equity-oriented mutual funds.

Rationalization of the provision of transfer of capital asset to partner on dissolution

- Under the current regime, profit or gains arising from the transfer of capital assets at the time of dissolution of the firm is to be treated as tax on income in the year in which the transfer takes place.
- In order to rationalize the provisions, it is proposed that any amount in excess of the balance in capital account received by a partner on the transfer of capital assets on dissolution should be chargeable to tax without considering the impact of revaluation of assets or self-generated goodwill.
- Furthermore, it is proposed to extend a similar tax treatment in the case of a transfer of an asset other than a capital asset.
- A consequential amendment is proposed to arrive at the cost of such other asset.

Widening the provisions of slump sale

- Under the existing provisions, the benefit of slump sale is taken by taxpayers in case of transfers which in effect and substance are itemized sales or not slump sales, thereby escaping capital gains.
- In order to clear the legislative intent of the provision, it is proposed to amend the definition of slump sale to include transfer by any means.

Depreciation on Goodwill

- The existing provisions provide for depreciation on tangible and intangible assets.
- Goodwill of a business is not specifically covered under the definitions provided.
- The issue of depreciation on goodwill is a long-debated and deliberated topic, based on judicial precedents, with taxpayers claiming depreciation on goodwill.
- In order to bring clarity on the matter, it is proposed to specifically exclude goodwill of a business or profession from the definition of the block of assets.
- Consequently, the authorities may prescribe adjustments in a case where depreciation has been claimed, and also in the cost of acquisition of goodwill.

Allowing carry forward of losses or depreciation in certain amalgamations

- In the current regime, carry forward of accumulated losses and unabsorbed depreciation is allowed only inter-alia in case of amalgamation of a public sector company engaged in the business of aircraft with another public sector company engaged in a similar business.

Key Direct Tax Proposals

- With a view of facilitating the strategic disinvestment of public sector companies, it is proposed to amend this provision and make it applicable to the amalgamation of any public sector company with another public sector company or to the amalgamation of an erstwhile public sector company with one or more company, if amalgamation is carried out within five years from the end of the year in which the restriction of share purchase agreement under strategic disinvestment ends.
- It is further proposed that in case of an amalgamation under strategic disinvestment, the carry forward of losses be restricted to losses of public sector companies as on the date on which it ceases to be part of the public sector as a result of strategic disinvestment.

Rationalization of provisions to carry forward losses in case of a change in shareholding

- Under the current regime, the carry forward of losses is not allowed when the change in shareholding is more than 51%. Certain exceptions have been provided in a few cases.
- This benefit is now proposed to be extended to a company where the change in shareholding in excess of 51% is on account of the relocation of a capital asset by the original fund to the resulting fund.

Rationalization of provisions in case of units located in International Financial Services Centre (IFSC)

- Currently, 100% deduction is provided to units located in an IFSC beginning with the year in which the necessary permission for setting up of the unit in an IFSC is obtained from the relevant authority.
- In order to make IFSCs more attractive, it is proposed that the deduction would be available to the unit if it is only registered under the International Financial Services Centers Authority Act, 2019
- It is further proposed that the income from the transfer of an asset, being an aircraft or aircraft engine, which was leased by a unit to a domestic company engaged in the business of operation of aircrafts, should be eligible for 100% deduction subject to the condition that the unit has commenced operations on or before the 31 March 2024.

Issuance of zero-coupon bond by infrastructure debt fund

- Currently, a zero-coupon bond is defined to mean a bond issued by any infrastructure capital company or infrastructure capital fund or public sector company or scheduled bank and, in respect of which, no payment/benefits are received or receivable before maturity or redemption, and which the Central Government may notify in the Official Gazette in this behalf.

- It is now proposed to include bonds issued by the infrastructure debt fund (which have been notified in the Official Gazette) to fall under zero-coupon bonds.
- It is also proposed to exempt the interest from withholding tax provisions.

Amendment in due-dates for filing returns for certain assessees

- It is proposed that in cases where the taxation of spouses is governed by the Portuguese Civil Code, the due date of filing return of income of the spouse of a partner of a firm should also be aligned with that of the firm.
- Further, it is proposed that the due date of filing the income tax return for a partner of a firm liable to furnish a transfer pricing report be amended to 30 November of the assessment year.
- The due date to file a belated return and revised return is proposed to be reduced. Such returns are now required to be filed three months before the end of the relevant assessment year or before completion of the assessment, whichever is earlier.

Key Direct Tax Proposals

- The government will issue a separate notification to the effect that the conditions prescribed to consider a return to be defective will not apply to certain taxpayers, or will apply with modifications as may be prescribed.
- On furnishing of the declaration, the specified bank will compute the income after considering the allowable deductions and rebate, and deduct the due taxes, thereby doing away with the requirement of filing returns.

Relaxation for a certain category of senior citizens from filing return of income

- In order to provide relief to senior citizens aged 75 and above, it is proposed that an exemption from filing return of income be granted if they earn income in the nature of pension and interest from any account maintained by such individual with the same specified bank in which he is receiving his pension income.
- The specified banks will be duly notified.
- The senior citizen needs to furnish a declaration containing the particulars in a distinct format that will be specified.

Our Comments

- Increasing the tolerance limit for deemed sale consideration is a welcome move and would be appreciated by both real-estate developers and home buyers. This would boost the real-estate players to liquidate their unsold inventories at a faster pace.
- For small and medium enterprises, increasing the threshold for tax audit would certainly ease out the compliances for them, whereas on the foreign companies front, a reduction of dividend income and incidental expense from MAT computation would be a welcome move in cases where MAT tax rate would be lower due to tax treaty benefits. Furthermore, a spillover of previous incomes relating to secondary adjustments and APAs to respective previous years would also help foreign companies to reduce their taxes to some extent.
- The taxation of ULIP will severely affect HNIs as they will not get the benefit of the higher premium despite making a payment for the same.
- With a view to clear anomalies in tax provisions and to reduce litigation, the government has proposed amendments by clarifying certain definitions and tax implications thereon with regard to the transfer of asset on the dissolution of a firm, slump sale, and depreciation on goodwill.



Key Direct Tax Proposals

Tax Deduction, Collection and Equalization Levy

Exemptions to business trusts and other notified persons from deducting TDS on dividends

- Under the current regime, every company is required to withhold tax at specified rates at the time of payment of dividends to resident taxpayers.
- The said provisions are not applicable to companies engaged in the business of life and general insurance, subject to the condition specified.
- It is now proposed to extend the exemption to dividend credited or paid to business trusts by special purpose vehicles or the dividend paid to any other person as may be notified.
- The amendment is proposed to be effective from 1 April 2020.

Insertion of a new provision requiring deduction of tax at source for non-filer of income tax returns

- The existing provisions provide for higher rates of tax deduction and collection for non-furnishing of PAN.
- In order to encourage the obtaining of PAN and filing of

income tax returns, it is proposed to insert new provisions requiring taxpayers to deduct/collect tax at a higher rate (as much as twice the amount specified under the law) in respect of certain specified payments/transactions.

- The new provision would apply to:
 - any person other than a non-resident who does not have a permanent establishment in India;
 - any person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year, in which tax is required to be deducted and the time limit of filing return of income has expired; and
 - the aggregate of tax deducted at source and tax collected at source in this case is INR 50,000 or more in each of these two previous years
- The expression 'permanent establishment' includes a fixed place of business through which the business of the enterprise is wholly or partly carried on.
- This amendment is proposed to be effective from 1 July 2021.

Insertion of a new provision requiring deduction of tax in case of purchase of goods

- The Bill proposes to insert a new section requiring any person paying for the purchase of goods.

- The said provisions would be applicable in respect of purchases exceeding INR 5 million.
- The provisions would be applicable to buyers whose total sales, gross receipts, or turnover exceed INR 100 million during the financial year immediately preceding the financial year in which the purchase of goods is carried out.
- The provisions would not apply where:
 - tax is deductible under any other provision; or
 - tax is collectible under the Act
- This amendment is proposed to be effective from 1 July 2021.

Rationalization of the provision concerning withholding on payment made to Foreign Institutional Investors ('FIIs')

- Under the present provisions, the income of FIIs from securities attracts withholding tax at 20% irrespective of the rates mentioned in the agreement under Section 90 or 90A of the Act.
- The Bill proposes to amend the section to provide for the deduction rate to be the lower of the rates mentioned in the agreement under Section 90 or 90A of the Act or 20%.

Key Direct Tax Proposals

However, in order to claim the beneficial rates mentioned in the agreement, a Tax Residency Certificate from the country or specified territory outside India shall have to be furnished.

Rationalization of provisions of Equalization levy

- Equalization levy on e-commerce supply or services was introduced in Finance Act, 2020, whereby income from such transaction was charged to tax and an exemption was provided for income received after 1 April 2021.
- The above brought about an anomaly in the taxability of such transactions.
- In order to remove the anomaly, it is now proposed that exemption from e-commerce supply or services shall be applicable for income received on or after 1 April 2020.
- Furthermore, it has been clarified that transactions that are subject to tax as royalty or fees for technical services will not be covered within the scope of the equalization levy.

Rationalizing provisions relating to grant of a tax credit on income from an overseas retirement fund

- At present, many foreign retirement funds tax withdrawal on a receipt basis, whereas the same is taxed in India on an accrual basis.
- Considering the issue of a mismatch of tax credit due to the year of taxability, and to bring in clarity with respect to availment of the tax credit, it is now proposed that income shall be taxed in a manner to be notified by the government.
- The above provision is applicable in the case of a person who is currently a resident of India and had opened a retirement account in the notified country, in which income is taxed only at the time of withdrawal or redemption.

Our Comments

- The amendments in tax deduction and collection provisions are to ensure more taxpayers file their income tax returns and the government is able to widen their tax base.
- The amendment in the equalization levy is much-awaited and requires clarification.
- The amendment in relation to tax credits on income from overseas retirement funds is a welcome move by the government, considering that many are facing issues in getting tax credits.



Key Direct Tax Proposals

Improving Effectiveness of Tax Administration

Issuance of notice in line with the Faceless Assessment Scheme

- It is proposed to empower the prescribed income tax authority (besides the tax officer) to issue notices to taxpayers calling for the submission of return of income in order to enable centralized issue of notices under the faceless assessment scheme.

Certain time limits in relation to assessments rationalized

- It is proposed to reduce the time limit to issue summary assessment orders from twelve months to nine months from the end of the relevant assessment year.
- The time limit to issue a notice selecting the case for revenue audit is proposed to be reduced from six months to three months from the end of the relevant assessment year
- For the assessment year 2021-22 and subsequent assessment years, the time limit for completion of the assessment is proposed to be reduced from twelve months to nine months from the end of the relevant assessment year.

Revamp of provisions for Reassessment and Assessment of Search Cases

- It is proposed to introduce a reform in the procedure for assessment, reassessment, and re-computation of income escaping assessment and the assessment of search cases initiated from 1 April 2021 onwards.
- As per the new procedure, the tax authorities can issue a notice of reassessment only when he/she has information that suggests that income chargeable to tax has escaped assessment and the prior approval of this specified authority is obtained to issue such notice. Such 'information' has now been specifically defined.
- In case of search, survey, or requisition cases initiated on or after 1 April 2021, it will be deemed that the tax authorities have information and the income has escaped assessment for three assessment years immediately preceding the assessment year relevant to the previous year in which the search, etc., was initiated.
- Furthermore, it is proposed that before the issuance of notices for reassessment other than in search and requisition cases, the tax officer will conduct enquires including a hearing opportunity to the taxpayer and then, determine the suitability of the case for a reassessment.

- The time limit to issue a notice of reassessment in normal cases is proposed to be revised to three years from the end of the relevant assessment year. In specific cases, where there is evidence available that income escaping assessment amounts to INR 5 million or more, the time limit to issue notice is 10 years.

Dispute Resolution Committee (DRC) for Small and Medium Taxpayers

- In the last Budget, the Hon'ble Finance Minister had launched the Vivad Se Vishwas Scheme to settle long outstanding and pending litigations. This scheme has been successful to an extent and in its endeavor to reduce disputes and provide tax certainty within a reasonable time, the government proposes to introduce a New Dispute Resolution Scheme by setting up DRCs.
- This is intended to reduce new disputes and settle issues at the initial stage itself for small and medium taxpayers.
- A taxpayer will have the option to opt for dispute resolution through DRC.
- The scheme is applicable in cases where the returned income is INR 5 million or less and the aggregate amount of variation proposed in a specified order is INR 1 million or less.

Key Direct Tax Proposals

- Under the Scheme, the DRC will have the powers to reduce/waive any penalty imposed under the Act.
- The scheme will not be available to taxpayers in cases where an order is passed based on a search initiated or based on the information received under a DTAA agreement or if there is detention, prosecution, or conviction under various laws as may be specified.
- The scheme and additional conditions will be prescribed in due course.

Constitution of the New Board for Advance Ruling

- The working of the existing Authority for Advance Rulings (AAR) was hampered on account of the vacant post of Chairman or Vice-Chairman, without which the AAR cannot function. This resulted in the piling of pending applications before the AAR.
- To address the above issue and to dispense rulings to the taxpayers in a timely manner, it is proposed to substitute AAR with a new Board for Advance Ruling (BAR).
- The BAR would comprise of two members, not below the rank of Chief Commissioner.
- It is proposed that the rulings or orders given by the BAR will be appealable.

- The pending applications before AAR would stand transferred to the BAR.
- The consequential amendments will take place in the existing provision of AAR where the authority shall be substituted by the BAR from a date to be notified.

Discontinuance of Income Tax Settlement Commission

- It is proposed to discontinue the Income Tax Settlement Commission (ITSC) effective from 1 February 2021 and to constitute an Interim Board of settlement for pending cases.
- Similar to AAR, it is proposed that all the applications before the ITSC which are not declared to be invalid and in respect of which no order has been passed till 31 January 2021, will be considered as pending applications and will stand transferred to the Interim Board of Settlement.
- The taxpayer has an option to withdraw the pending application within a period of three months from the date of commencement of the Finance Act, 2021, and intimate the tax authorities about such withdrawal.
- These amendments are proposed to be effective from 1 February 2021.

Provision for Faceless Proceedings before the Income Tax Appellate Tribunal (ITAT)

- In order to reduce human interface and in pursuit of the next reform in the digital world, it is proposed to launch a Faceless Scheme for ITAT proceedings similar to the Faceless Appeal Scheme.
- The Scheme will be notified in due course.

Provisional attachment to protect revenue in certain cases

- Under the existing provisions of law, tax authorities have the power to attach any property of the taxpayer provisionally in order to protect the interest of the revenue, during the pendency of any proceeding for the assessment/reassessment of income or escaped income.
- It is now proposed to enhance the scope of the above provision to include proceedings of initiation of penalty (in respect of false entry or omission in books of accounts), where the amount or aggregate of amounts of penalty imposed is likely to exceed INR 20 million.

Key Direct Tax Proposals

Our Comments

- The reduction in time limits for compliances and assessments is a welcome move that will help in bringing closure to income tax matters within a smaller time frame.
- It will be pertinent to see if the reformation in the reassessment and search procedures is able to reduce litigation to a certain extent.
- The amendment relating to DRC is a good move to reduce the number of future tax disputes in the case of small and medium taxpayers and could help the government's endeavor to reduce tax disputes and provide tax certainty.
- The substitution of AAR with the BAR hopefully will address the objective of giving timely rulings to the applicants and provide them tax certainty. However, the effectiveness of the substitution of AAR which comprised of retired judges/chief justices, a revenue member and a law member, with BAR which comprises of two members at the rank of Chief Commissioner will need to be tested in the times to come.
- The Faceless Scheme of ITAT proceedings is a welcome move in reducing the cost of compliance for taxpayers and increasing transparency in the disposal of appeals. However, the effectiveness of the faceless representation in comparison to physical representation will need to be evaluated in the times to come.
- The discontinuance of the Settlement Commission is made effective 1 February 2021. The immunity cover and benefits available to the taxpayers approaching the Settlement Commission for settlement of cases will not be available going forward.



Key Indirect Tax Proposals



Key Indirect Tax Proposals

Goods and Services Tax (amendments to be made effective from the date to be notified)

- Budget 2021 has proposed to amend the definition of 'Supply' to include services by Clubs/ AoPs, Societies, etc. to its members or vice versa, within the ambit of 'Supply'. Also, the corresponding clause has been omitted from Schedule II of CGST Act.

This is a clarificatory amendment to avoid any future disputes in this position and overcome the decision of the Hon'ble Supreme Court of India in the State of West Bengal vs Calcutta Club & Ors. Limited [2019 (29) G. S. T. L. 545 (SC)]

- The conditions to claim Input Tax Credit (ITC) has been proposed to be amended where ITC can now be availed only once the details of the invoice or debit note have been furnished by the supplier in GSTR-1, and such details have been communicated to the recipient.

Whether the benefit of additional credit of 5% available under Rule 36(4) would continue once the above amendment is notified remains to be seen.

- It has been proposed to allow taxpayers to file a self-certified annual return (GSTR-9) along with a reconciliation statement (GSTR-9C), instead of certification by a Chartered Accountant /Cost Accountant. Furthermore, powers have been granted to

the commissioner to exempt certain classes of taxpayers from filing of annual returns.

This is a trade facilitation measure whereby taxpayers can now self-attest their GSTR-9C form.

- The applicability of the provision for discharging interest on 'net cash liability' on account of delayed filing of GSTR-3B was earlier made effective from 1 Sep 2020. It has now been proposed to be made applicable retrospectively with effective from 1 July 2017.

Earlier, a press release was issued to clarify that the benefit of the said amendment would be given retrospectively [despite a prospective amendment in law]. Now, the same is being made part of the GST legislation.

- It has been proposed that for computing 'self-assessed tax' in GSTR-3B, such transactions which are considered in GSTR-1 but not considered in GSTR-3B should also be included.

Recovery proceedings can be initiated on the taxpayer in respect of short-payment of self-assessed tax in GSTR-3B vis-à-vis GSTR-1.

- The power of the Commissioner to provisionally attach any property, including bank account, has been widened to include any person who retains any unlawful benefits.
- The quantum of penalty in case of detention of

goods/conveyance in transit has been proposed to be increased substantially.

Situation	Type of goods	Existing	Proposed
Where a person comes forward	Normal	Applicable tax and 100% penalty	Penalty equal to 200% of tax
	Exempted	2% of the value of goods or INR 25,000, whichever is less	
Where a person does not come forward	Normal	Applicable tax and penalty equal to 50% of goods' value reduced by the tax amount paid thereon	Penalty equal to 50% of the goods' value or 200% of tax payable, whichever is higher
	Exempted	5% of the value of goods or INR 25,000 whichever is less	

- Furthermore, taxpayers would also have to pay 25% of the penalty amount in case an appeal against such orders is to be filed.

The taxpayer needs to be meticulous in maintaining appropriate documentation such as tax invoices, e-way bills, etc., relating to the movement of goods.

Key Indirect Tax Proposals

- The IGST Act is proposed to be amended to provide that supplies made to an SEZ developer/unit shall be considered to be zero-rated only if such supplies are made for the purpose of authorized operations of such developer/unit.
- Zero-rated supplies (other than the class of taxpayers/supplies to be specifically notified) have been mandated to be made without payment of IGST under bond/Letter of Undertaking (LUT).

This amendment is likely to adversely impact the recovery of credit wherever an exporter has accumulation of credit

- It has been proposed that export proceeds, in the case of goods, should be realized within the time limit as prescribed under FEMA Act, 1999. In case of failure to comply with the same, the taxpayer would be liable to deposit the refund received along with applicable interest within 30 days of expiry of the said time limit.

A similar condition is already provided in Rule 96B of CGST Rules, however, the same has now been specifically inserted in the CGST Act.

Customs law

The amendments made to the Customs law by the Finance Bill, 2021 aims to achieve the twin objective of promoting domestic

manufacturing (under Atmanirbhar Bharat and Make in India) and encouraging exports, thereby creating India's place in the global value chain.

Changes in Customs duty (effective from 2 February 2021)

Imposition of Agriculture Infrastructure and Development Cess (AIDC)

- AIDC has been proposed on the import of specified goods. This cess shall be used to finance the improvement of

been lowered in most cases to set off the levy of AIDC. Some of the key rate changes in view of the imposition of AIDC have been captured below:

- Goods imported under Customs duty exemptions available under Free Trade Agreement (FTA), and Export Oriented Units (EOUs), as well as under advance authorization schemes have been exempted from AIDC.

Sector	HS code	Illustrative list of goods	Old rate	Revised rate	
				BCD	AIDC
Agriculture	0713 10	Peas (Pisum sativum)	50%	10%	40%
	0713 20 10	Kabuli Chana	40%	10%	30%
	0713 40 00	Lentils (Mosur)	30%	10%	20%
	0808 10 00	Apples	50%	15%	35%
	1507 10 00 and 1512 11 10	Crude Soya-bean oil and Crude Sunflower seed oil	35%	15%	20%
Beverages	Various products of Chapter 22	Wine, cider, whisky, non-alcoholic beverages in 2206, whiskey, bourbon, etc.	150%	50%	100%
Mineral fuels and oils	2701, 2702 and 2703	Coal, lignite and peat	2.5%	1%	1.5%
Precious metals	7106 and 7108	Silver and gold	12.5%	7.5%	2.5%
Textile	Chapter 52	Raw cotton	NIL	5%	5%

Key Indirect Tax Proposals

Upward revision in rate/withdrawal of exemption

Some of the key upward rate changes have been captured below:

Sector	HS code	Illustrative list of goods	Old rate	Revised rate
Gems and Jewelry	7104	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	10%	15%
Electrical and Electronics	8414 30 00 and 8414 80 11	Compressors of cooling equipment	12.5%	15%
	8504 90 90	Printed Circuit Board Assembly [PCBA] of charger or adapter	10%	15%
	Any chapter	Inputs or parts for manufacture of PCBA of cellular mobile phones	NIL	2.5%*
	Any chapter	Parts or components of PCBA of Lithium-ion battery or battery pack	NIL	2.5%*
Automobiles	Various HS codes	Parts of automobiles	10%	15%
Leather	Chapter 41	Wet blue chrome tanned leather, crust leather and finished leather of all kinds	NIL	10%
Textiles	Chapter 50	Raw silk, silk yarn	10%	15%
Metal Articles	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%
Renewable Energy	9405 50 40	Solar lanterns or solar lamps	5%	15%
	8504 40	Solar inverters	5%	20%

*with effect from 1 April 2021

Downward revision in rates

Some of the key downward rate changes have been captured below:

Sector	HS code	Illustrative list of goods	Old rate	Revised rate
Chemicals	2710	Naptha	4%	2.5%
Textile	Chapter 54	Nylon Fibre and Yarn	7.5%	5%
Metals	Chapter 72	Various types of alloy and non-alloy steel	10% / 12.5%	7.5%
Precious Metals	Various HS codes	Base metals or metals clad with precious metals	12.5%	10%

Key Indirect Tax Proposals

Review of Social Welfare Surcharge (SWS)

- The benefit of reduced rate of SWS (viz. 3% on certain items, including gold and silver) has been withdrawn. Therefore, the applicable rate of SWS on such goods would be 10%.
- SWS would be levied on BCD + AIDC. However, in case of gold and silver, SWS is being exempted on the value of AIDC.

Inclusion of High Speed Rail Projects in Project Import Scheme

- High Speed Rail Projects are included in the list of eligible projects
- Effective 2 February 2021, such a project would attract a BCD of 5%.

Legislative changes in Customs law (effective from the date of enactment of Finance Bill unless otherwise specified)

- To encourage paperless processing, powers have been granted to the Board to notify the Common Customs Electronic Portal, for facilitating registration, filing of Bills of Entry (BoEs), amendments in BoEs, filing of shipping bills, issue of notices, orders/decisions, other documents, forms, payment of duty and for such other purposes.

- Amendments have been carried in Section 5 to empower the jurisdictional Commissioner (Appeals) to allow and dispose of the application in relation to gold seized.
- All existing conditional exemptions under Customs shall come to an end on 31 March 2023, unless an end date is prescribed, or specifically extended/rescinded. Going forward, new conditional exemptions shall come to an end on 31 March, falling immediately two years after the date of such grant, unless otherwise specified/rescinded.
- As a step towards eliminating long Customs investigations, any inquiry or investigation, shall now be completed within a period of two years (further extendable by one year) from the date of initiation of audit, search, seizure or summons, as the case may be.
- Changes introduced in Section 46 require the importer to file the BoE a day before receipt of the goods, including any holiday.

Earlier, the importers could file the BoE before the end of the next day of receipt of the goods, excluding holidays.

- The applicability of the provision of confiscation of goods has now been extended to goods entered for export under a wrongful claim of remission or refund of any duty or tax or levy.

- Section 114AC has been introduced to impose a penalty up to five times the amount of refund claimed for fraudulent availment of ITC under the GST law, pertaining to goods being exported under the claim of refund of any duty or tax. Such penalty has been prescribed in a case where any person has obtained any input invoice by fraud, collusion, willful misstatement, or suppression of facts.

This is a double whammy for fraudsters as they would be saddled with penalty under the GST law as well as the Customs law, that too, to the extent of five times the amount of refund.

Key Indirect Tax Proposals

Other announcements

Customs

- The Import of Goods at Concessional Rate (IGCR) Rules has been amended to allow job-work on the materials imported. The clearance of imported capital goods imported under IGCR on payment of customs duty on the depreciated value has also been allowed.
- There is a temporary revocation (from 2 February 2021 to 30 September 2021) to the applicability of anti-dumping, countervailing duty on certain steel products imported from China, Brazil, Germany, and Korea RP.
- Various other changes have been notified under Anti-Dumping Duty (ADD), Countervailing Duty (CVD), and Safeguard Measures Rules to prescribe the timelines and modalities. These changes in the rules will be carried out in two phases.

Excise

- AIDC of INR 2.50 per litre has been imposed on petrol and INR 4 per litre on diesel as an additional duty of excise [this will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931].
- Furthermore, to ensure the consumer does not have to bear any additional burden consequent to the imposition of AIDC on petrol and high-speed diesel, the Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) on the same are being reduced.

Central Sales tax

- It has been proposed to omit goods intended for use in telecommunications network or in mining or in the generation or distribution of electricity from the ambit of the Central Sales Tax (CST) Act. Thus, now Form C can be issued only where a registered person resells or uses goods in the manufacture or processing for sale of goods covered under the CST Act (e.g. petrol and diesel).

Sectoral Announcements



Sectoral Announcements

In her speech on 1 February 2021, Finance Minister Nirmala Sitharaman announced the Union Budget for FY 2021-22. The Budget focused on the need for a self-reliant India to overcome the challenges of the pandemic and included a number of capital expenditure measures to drive growth for the country. Some of the key policy highlights related to critical sectors for the economy are summarized in this section.

Healthcare

- A new centrally sponsored healthcare scheme called PM AtmaNirbhar Swasth Bharat Yojana has been introduced at the outlay of INR 641 billion over six years. Key areas to be covered under the scheme are as follows:
 - Setting up integrated public health labs in all districts and 3382 block public health units in 11 states;
 - Establishing critical care hospital blocks in 602 districts and 12 central institutions;
 - Strengthening of the National Centre for Disease Control (NCDC), its 5 regional branches and 20 metropolitan health surveillance units;
 - 9 Bio-Safety Level III laboratories and 4 regional National Institutes for Virology.
- INR 350 billion additional funds will be provided for COVID-19 vaccines, and more will be provided as required.
- The Pneumococcal Vaccine, a Made in India product, is presently limited to only 5 states but will be rolled out across the country. This will help avert more than 50,000 child deaths annually.
- The National Commission for Allied Healthcare Professionals Bill in Parliament for 56 allied professions and The National Nursing and Midwifery Commission Bill for the nursing sector will also be introduced by the government.
- The budget envisions a holistic approach to healthcare and hence, has provided significant allocation to the following areas:
 - An outlay of INR 2.87 trillion has been set over the course of 5 years for the Jal Jeevan Mission (Urban), which will aim at providing universal water supply in all 4378 urban local bodies;
 - An allocation of INR 1.41 trillion has been set over the course of 5 years for the Urban Swachh Bharat Mission 2.0, which will focus on fecal sludge management and wastewater treatment, source segregation of garbage, reduction in single-use plastic, and reduction in air pollution;
 - An allocation of INR 22.17 billion has been set to reduce air pollution in 42 urban areas having a population of more than one million.

Agriculture and Food Processing

- Operation Green Scheme to include 22 perishable products which was earlier limited to tomato, onion and potato. The scheme grants incentives ranging from 50% to 70% of the eligible project cost subject to a specified ceiling for integrated value chain development projects.
- Agriculture credit target enhanced to INR 16.5 trillion (10% more than previous year) with a focus on animal husbandry, dairy, and fisheries
- The micro-irrigation corpus created under NABARD has been doubled to INR 100 billion.
- With the successful registration of 16.8 million farmers under eNAM (the electronic National Agriculture Market), 1,000 mandis will be integrated with eNAM.
- Five major fishing harbors are to be developed in Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat.
- A multipurpose seaweed park is to be established in Tamil Nadu to promote seaweed farming.
- Agri-Infrastructure Development Cess (AIDC) introduced on select items.

Sectoral Announcements

- An increase in the Basic Custom Duty (BCD) on select agricultural and fishery products for the benefit of farmers, MSMEs and domestic manufacturers (viz. Cotton, Cotton Waste, Raw Silk, Ethanol, Fish feed, Maize bran, etc.) ranging from 2.5% to 15%.
- The Agriculture Infrastructure Fund will also be available to the Agricultural Produce Market Committee (APMCs) for infrastructure development.

Education and Skill Development

- Revamped Post Matric Scholarship Scheme for welfare of Scheduled Castes (SCs)
- 100 new Sainik schools to be established
- 750 Eklavya schools in tribal areas to be established
- Realigning National Apprenticeship Training scheme for graduates and diploma holders in Engineering
- Partnership with UAE and Japan in area of skill development and recognition

Infrastructure, Power and Transport

- National Infrastructure Pipeline to be expanded to 7400 projects.

- A National Rail Plan has been introduced which aims at developing adequate rail infrastructure by 2030 to cater to the projected traffic requirements up to 2050. The objective is to increase the modal share of rail in freight from the current level of 27% to 45%.
- PPP mode to be utilized for managing operational services of major ports.
- Subsidy support to be provided to promote flagging of merchant ships.
- Recycling of Ships Act, 2019 enacted and recycling capacity to be doubled by 2024.
- Jal Jeevan Mission (Urban) for universal water supply in all Urban Local Bodies (ULBs).
- Urban Swachh Bharat Mission with outlay INR 1.4 trillion over five years.
- INR 22.17 billion for 42 urban centers to tackle air pollution.
- Voluntary Vehicle Scrapping policy to be implemented (15 years for commercial vehicles and 20 years for personal vehicles).
- Innovative PPP models to be used to augment public bus transport.
- MetroLite and MetroNew for Tier 2 and peripherals of Tier 1 cities.

Foreign Investment

- The foreign direct investment limit in insurance has been increased from 49% to 74% with conditions on ownership, control, etc.
- Conditions pertaining to private funding, commercial activities, etc. for specified foreign funds investing in the infrastructure sector have been relaxed to easily avail the 100% tax exemption.
- The Government will set-up a Development Finance Institution (DFI) that will help in long-term debt financing for the infrastructure sector. This will include debt financing to Foreign Portfolio Investors.
- To improve research and development efforts in India, the National Research Foundation has been given an outlay of INR 500 billion for the next five years, which can be availed by Indian citizens as well as foreign nationals.
- Under AtmaNirbhar Bharat, a commitment of INR 1.97 trillion (through Production Linked Incentive schemes) has been made (starting FY 2021-22) to make India a global manufacturing hub for 13 identified sectors which is likely to attract FDI.

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