

First impressions



UNION BUDGET 2021-22



Vishesh C. Chandiok
CEO,
Grant Thornton Bharat LLP

“ Union Budget 2021 has given a big push to set the Indian economy on a high growth path for the rest of this decade. A path breaking budget that has resisted the calls for fiscal deficit focus and debt/GDP centricity. 2021, along with the Atmanirbhar announcements of 2020, will be remembered as the new 1991. ”



Vikas Vasal
National Managing Partner,
Tax,
Grant Thornton Bharat LLP

“ A bold budget in the backdrop of the pandemic and huge fiscal deficit. Focus has been to open up the economy further, boost capital formation, increase government spending, step up the disinvestment process and continue administrative policy reforms. ”

Status quo on tax rates is a big relief to the taxpayers and provides re-assurance to investors about the government’s resolve to provide certainty on broad tax policy framework. ”

Key direct tax announcements



- Relaxation in tax compliance for senior citizens, aged 75 years and above, with specified income
 - Tax exemption for affordable rental housing projects
 - Tax holiday for affordable housing projects, eligible start-ups and capital gain exemption for investment in start-ups extended by a year
 - Threshold limit for tax audit increased from INR 5 crore to INR 10 crore, provided digital transactions are 95% or more
 - No deduction would be allowed to the employer towards delayed payment of employees' contribution to ESI and PF, i.e. after the due date specified under the relevant regulations
 - Discontinuation of depreciation on goodwill
 - Interest on advance tax liability relaxed on dividend income received by the shareholder
 - Benefits of Tax Treaty to be considered while withholding tax on dividend income to foreign institutional investors
 - Introduction of Tax Deduction at Source (TDS) at 0.1% on purchase of goods by specified residents, if not covered under the existing provisions of Tax Collected at Source (TCS)
 - Tax holiday for a period of 10 years on transfer of asset being aircraft or aircraft engine, leased by a unit in International Financial Services Center (IFSC) to a domestic company engaged in aircraft operation
 - Tax neutral relocation of existing offshore fund to IFSC
 - Debt financing by foreign portfolio investors proposed to enable ease of access of finance to InvITs and REITs for augmenting funds in the infrastructure and real estate sectors
 - Reduction in time limit for reassessment proceedings from six years to three years. Further, specific cases, such as tax evasion proceedings, may take up to 10 years, subject to availability of evidence and with prior approval of Principal Chief Commissioner of Income-tax
 - Constitution of Dispute Resolution Committee (DRC) for small taxpayers, having a returned income up to INR 50 lakh and disputed income up to INR 10 lakh, to reduce litigation
 - Establishment of the National Faceless Income Tax Appellate Tribunal Center with a facility of video-conferencing and e-communication proceedings
 - Board of Advance Ruling to replace the existing Authority for Advance Ruling, effective from a date to be subsequently notified
 - Discontinuance of Income Tax Settlement Commission and constitution of interim board for pending cases
 - Belated and revised return have to be filed before three months from the end of assessment year (AY) or before the completion of the assessment, whichever is earlier
 - Time-limit for completion of assessment proceedings reduced from 12 months to 9 months from AY 2021-22 onwards
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Key indirect tax announcements



Goods and Services Tax (GST)

- Input tax credit (ITC) cannot be availed unless reported by the supplier of goods and services as the supplies in the GST returns
- Mandatory requirement of GST audit has been dispensed and replaced with self-certification process
- Retrospective amendment (effective from 1 July 2017) to clarify that the interest to be charged on net basis
- Mandatory pre-deposit of 25% penalty before filing an appeal against the order passed for seizure of goods in transit
- Seizure and confiscation of goods in transit to be a separate proceeding from recovery of tax
- Provisional attachment of assets to protect revenue would remain valid even after one year from the date of the order
- Supply of goods or services to SEZ developer/unit shall be a zero-rated supply only when the said supply is for authorised operations
- Earning in convertible foreign exchange is a mandatory requirement to claim export benefits
- Government has been empowered to notify class of exporters, goods and services eligible of export benefits



Customs

- All customs-related exemption notifications to automatically expire on 31 March, falling two years after the date of exemption. Existing exemption shall come to an end on or before 31 March 2023
- Grant of power to Commissioner (Appeals) to issue summons and order seizure of goods
- Investigation related to evasion of customs duties has to be completed within two years; it could be extended by one more year
- Goods attempted to be exported for claiming wrongful export benefits would be liable to be seized
- Fraudulent credit availed on the exported goods would be liable to penalty equal to five times of the refund amount
- Common electronic portal proposed to set up to facilitate registration, filing bill of entries, shipping bill, amend the filed documents by the customs authorities, etc.
- Procedural changes to anti-dumping and countervailing duty



Contact us

NEW DELHI

National Office,
Outer Circle, L 41,
Connaught Circus,
New Delhi - 110001
T +91 11 4278 7070

NEW DELHI

6th Floor, Worldmark 2,
Aerocity,
New Delhi - 110037
T +91 11 4952 7400

AHMEDABAD

7th Floor, Heritage
Chambers,
Nr Azad Society,
Nehru Nagar,
Ahmedabad - 380015

BENGALURU

5th Floor, 65/2, Block
A, Bagmane Tridib,
Bagmane Tech Park,
CV Raman Nagar,
Bengaluru - 560093
T+91 80 4243 0700

CHANDIGARH

B-406A, 4th Floor, L&T
Elante Office Building,
Industrial Area Phase I,
Chandigarh - 160002
T +91 172 4338 000

CHENNAI

7th Floor, Prestige
Polygon,
471, Anna Salai,
Teynampet,
Chennai - 600018
T +91 44 4294 0000

DEHRADUN

Suite No 2211, 2nd Floor,
Building 2000, Michigan
Avenue, Doon Express
Business Park,
Subhash Nagar,
Dehradun - 248002
T +91 135 2646 500

GURGAON

21st Floor, DLF
Square, Jacaranda
Marg,
DLF Phase II,
Gurgaon - 122002
T +91 124 462 8000

HYDERABAD

7th Floor, Block III,
White House,
Kundan Bagh,
Begumpet,
Hyderabad - 500016
T +91 40 6630 8200

KOCHI

6th Floor,
Modayil Centre Point,
Warriam Road
Junction, MG Road
Kochi - 682016
T +91 484 406 4541

KOLKATA

10C Hungerford
Street,
5th Floor,
Kolkata - 700017
T +91 33 4050 8000

MUMBAI

11th Floor, Tower II,
One International Center,
SB Marg Prabhadevi (W),
Mumbai - 400013
T +91 22 6626 2600

MUMBAI

Kaledonia,
1st Floor, C Wing,
(Opposite J&J Office),
Sahar Road,
Andheri East,
Mumbai - 400 069

NOIDA

Plot No 19A, 2nd
Floor,
Sector - 16A,
Noida - 201301
T +91 120 485 5900

PUNE

3rd Floor,
Unit No 309-312,
West Wing,
Nyati Unitree,
Nagar Road, Yerwada
Pune - 411006
T +91 20 6744 8800

For more information or for any queries, write to us at contact@in.gt.com



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