

New Amendments through Finance Act, 2021

1. Taxation Rates

(No fresh amendments (changes) in rates of income tax in comparison to Finance Act, 2020)

(i) 'Personal' Tax Rates

(Ay 2022-23/ YE – March 31, 2022)

Under the option 1

For individuals 'other than' Senior Citizens

S.No	Income (Rs)	Rate of tax
(a)	Upto 2,50,000	Nil
(b)	2,50,001-5,00,000	5%
(c)	5,00,001-10,00,000	20%
(d)	10,00,001 and above	30%

For Senior Citizen (Between 60 – 80 years of age)

S.No	Income (Rs)	Rate of tax
(a)	Up to 3,00,000	Nil
(b)	3,00,001-5,00,000	5%
(c)	5,00,001-10,00,000	20%
(d)	10,00,001 and above	30%

For 'Super' Senior Citizen (Above 80 years of age)

S.No	Income (Rs)	Rate of tax
(a)	Up to 5,00,000	Nil
(b)	5,00,001-10,00,000	20%
(c)	10,00,001 and above	30%

Under the option 2

S.No	Income (Rs)	Rate of tax
(a)	Up to 2,50,000	Nil
(b)	2,50,001-5,00,000	5%
(c)	5,00,001-7,50,000	10%
(d)	7,50,001 – 10,00,000	15%
(e)	10,00,001 – 12,50,000	20%
(f)	12,50,001-15,00,000	25%
(g)	15,00,001 and above	30%

- Notes

- (a) Additional cess @4% is to be levied on the amount of income tax and surcharge 'both'.
- (b) Rebate under the section 87A is to be continued for a 'resident' individual where 'taxable' income is 'not' exceeding 5,00,000. The amount of rebate is 100% of income tax calculated (before education cess) or Rs. 12,500 whichever is lower.
- (c) 'Additional' Surcharge

S.No	Income (Rs)	Rate of Surcharge
(ca)	Up to 50 Lac	Nil
(cb)	50,00,001 - 1 Crore	10%
(cc)	1,00,0001 - 2 Crore	15%
(cd)	2,00,00001 - 5 Crore	25%
(ce)	Above 5 Crore	37%

- (d) Surcharge on Dividend incomes and capital gains u/s 111A & 112A will be restricted to 15% only.

(ii) 'Corporate' tax rates

(Ay 2022-23/YE - March 31, 2022)

S.No	Incomes	Rate of tax
(a)	'Domestic' Company having total income less than 1 Crore	30%
(b)	'Domestic' Company having total income more than 1 Crore but less than 10 Crore	30% plus surcharge @7%
(c)	'Domestic' Company having total income more than 10 Crore	30% plus surcharge @12%
(d)	'Foreign' Company having total income less than 1 Crore	40%
(e)	'Foreign' Company having total income more than 1 Crore but less than 10 Crore	40% plus surcharge @2%
(f)	'Foreign' Company having total income more than 10 Crore	40% plus surcharge @5%

Notes:

- (a) 'Additional' cess @ 4% is to be levied on the amount of income tax and surcharge 'both'.
- (b) Reduced rate @25% is to be applicable where total turnover/receipts of domestic company in the financial year ending on March 31, 2018 is 'not' exceeding 400 crores.

(iii) 'Partnership' Firms and LLPs

- (a) Flat tax rate @ 30%, and surcharge @ 12% on the amount of income tax where net income is exceeding Rs 1 Crore
- (b) 'Additional' cess @ 4% is to be levied on the amount of income tax and surcharge 'both'.

(iv) 'Cooperative' Societies

S.No	Incomes	Rate of Tax
(a)	Up to 10,000	10%
(b)	10,001 - 20,000	20%
(c)	Above 20,000	30%

Note:

- (i) 'Additional' surcharge @12% of income tax where net income is exceeding Rs.1 crore.
- (ii) 'Additional' cess @ 4% is to be levied on the amount of income tax and surcharge 'both'.

2. Taxation on the 'Individuals'

(i) **Withdrawal of the exemption on the 'Interest' on Employee's contribution to Provident Fund (EPF)**

➤ [AY 2022-23/ YE - March 31, 2022- Section 10(11) and 10(12)]

- (a) Exemption is 'not' permitted on the 'interest' incomes received on **employee's** contribution where contribution is exceeding Rs. 2,50,000/- per financial year.
- (b) Exemption is 'not' permitted on the 'interest' incomes received on **employee's** contribution where contribution is exceeding Rs. 5,00,000/- per financial year but the 'employer' contribution is 'zero'.

(ii) **Granting of the exemption for LTC 'Cash Scheme'**

➤ [AY 2021-22/ YE- March 31, 2021 'only' - Section 10(5)]

- (a) **Now** exemption for LTC against the cash allowance is permitted where GST is levied minimum 12% on the 'specified' expenditures incurred from 12, October 2020 to 'March 31, 2021' only.
- (b) **Maximum** amount of exemption is permitted up to Rs. 36,000 per person or 33.33% of the 'specified' expenditures whichever is lower

(iii) **Deduction for payments of loan against 'affordable' Residential house property**

➤ [AY 2022-23/ YE – March 31, 2022 – Section 80 EEA]

- **Now** extension of date is permitted for sanction of loan against affordable residential house property up to March 31, 2022 for claiming a deduction upto of Rs. 1, 50,000

(iv) **'Mismatch' between year of taxability and allowance of Foreign Tax Credit (FTC)**

➤ [AY 2022-23/YE - March 31, 2022 'New' section 89A]

- **Now** 'specified' person is permitted to take credit of FTC against foreign incomes on the 'specified' account maintained outside India where mismatch is existed between year of taxability and allowance of FTC in India. Hence 'specified' person is permitted to recompute his tax liability 'after' considering the FTC

(v) **Taxation on income of 'high premium' unit linked insurance policy (ULIP)**

➤ [AY 2021-22/ YE – March 31, 2021 – Section 10(10 D)]

- (a) **Now** exemption is 'not' permitted on the incomes received on Insurance policy under head ULIP where premium is exceeding 2, 50,000 per financial year.
- (b) This income will be taxable as long term capital gains under the section 112-A @10%.

(vi) **'Advance' tax in installments for the dividend incomes**

➤ [AY 2021-22/ YE - March 31, 2021 – Section 234C]

- Advance tax in installments is 'not' required to deposit against the dividend incomes. However 100% tax is to be deposited in 'next' installment against the 'actual' receipt of dividend incomes.

(vii) **'Relaxation' for senior citizen from filing of ITR**

➤ [AY 2021-22/ YE - March 31, 2021 – 'New' Section 194P]

- (a) **Now** relaxation for senior citizen (minimum age 75 years) from filing of ITR is permitted where senior citizen is having 'pension' income and 'bank' interest in 'same' bank only.
- (b) The Bank is required to compute 'actual' income tax liability after allowing deduction under the chapter VI-A and rebate under the section 87A.
- (c) The bank is required to deduct 'actual' tax liability from senior citizen's account and to deposit tax to the income tax deptt. on behalf of senior citizen instead of deducting 'specified' rate of the TDS.

3. Taxation on the 'Business'

- (i) **Late payment by employer against employee contribution 'after' due date**
➤ [AY 2021- 22 / YE – March 31, 2021 – Section 2(24)(X)]
- 'Late' payment by employer against 'employee' contribution towards employee provident fund, superannuation fund, ESI fund or any fund for welfare of employee after due date is 'not' permitted as expenses.
- (ii) **'Depreciation' on the Goodwill**
➤ [AY 2021-22 / YE – March 31, 2021 – section 2(11) & 32(1)]
- Depreciation is 'not' permitted against goodwill as an in-tangible asset.
- (iii) **'Presumptive' taxation for LLPs and HUFs**
➤ [AY 2021-22 /YE – March 31, 2021 – section 44ADA]
- (a) Presumptive taxation @50% is 'not' permitted for LLPs and HUFs.
- (b) Hence presumptive taxable @50% is permitted for individual and partnership only
- (iv) **'Rental' income against affordable housing**
➤ [AY 2022-23 /YE – March 31, 2022 – 'new' insertion in section 80-IBA]
- **Now** rental incomes on affordable houses are permitted for a deduction where the project is approved by the Govt. of India for such purposes.
- (v) **'Safe harbor' limit @ 20% for residential units buyers and real estate developers 'both'.**
➤ [AY 2021-22/YE – March 31, 2021 – section 43CA]
- **Now** sales of 'new' residential units are permitted up to 20% lower than the stamp duty value (circle rate) in the hands of seller and buyer 'both' where sales consideration is 'not' exceeding 2 crore during the period from Nov 12, 2020 to 'June 30, 2021'.
- (vi) **Monetary limits for the 'tax audits'**
➤ [AY 2021-22/YE – March 31, 2021 – Amendment in section 44AB]
- (a) **Now** limits for tax audit is increased from Rs.5 crore to Rs.10 crore of the turnover/business receipts where digital receipts and digital payments 'both' are minimum 95% of the turnover/ business receipts
- (b) Payment or receipt as settled through a 'non' account payee cheque or draft is to be treated as 'non' digital turnover/ business receipts.

4. Taxation on the 'Capital Gains'

(i) 'Zero' coupon bond

- [AY 2022-23/YE – March 31, 2022 – section 10(47)]
- (a) Capital gains tax is 'not' to be levied on zero coupon bonds as issued by the notified infrastructure debt funds.
- (b) TDS is also 'not' to be deducted on these zero coupon bond under the section 194A(3)(X).

(ii) Enhancing the Scope of 'Slump Sale'

- [AY 2021-22/YE – March 31, 2021 – Amendment in section 50B]
- **Now** scope of Slump Sale is also to include exchange, relinquishment and any other way of transferring the business under lump sum consideration concept.

(iii) 'Transfer' of capital assets to the partners

- [AY 2022-23/YE – March 31, 2022 – 'New' section 45(4A)]
- **Now** capital gain tax is also to be levied on transfer of 'capital asset' to a partner on dissolution, reconstitution and retirement or otherwise.

5. Changes in the 'International' Taxations

(i) Equalization Levy

- [AY 2020-21/YE – March 31, 2020 – 'New' insertion in section 165A]
- **Now** royalty or fee for technical services is **not** to be 'included' under E-commerce supply or services for covering under Equalization Levy concept of taxation in India.

(ii) Tax 'incentives' for the units in IFSC

- [AY 2022-23/YE – March 31, 2022 – section 10(4D), 4(E) and 10(23FF)]
- **Now** many 'additional' incentives are permitted to the eligible investment funds or to its eligible fund managers where fund manager is located in IFSC and also started the business operation upto March 31, 2024.

(iii) Minimum 'Alternative' Tax (MAT)

- [AY 2021-22/YE – March 31, 2021 – 'New' insertion section 115JB]
- **Now** adjustment in computation of 'book profit' under the section 115 JB is permitted against 'additional' income of past years which is included in books of account of current year on account of secondary adjustment under the section 92CE or on account of Advance Pricing Agreement (APA). Hence Assessing Officer (AO) is now permitted to rectify the 'book profit' for MAT purpose under the section 154 for the 'past' year.

(iv) **DTAA relief to FII against WHT on dividends**

- [AY 2021-22/YE – March 31, 2021 – section 196D]
- **Now** FII is also permitted to avail lower rate of With Holding Tax (WHT) as specified in the respective DTAA.

6. **Tax Administration and ‘Compliances’**

(i) **Extension of due date for filing the ITRs**

- [AY 2021-22/YE – March 31, 2021 – section 139 (1)]
- **Now** a partner of firm is permitted to file his Income Tax Return (ITR) up to 30th Nov where partnership firm is having transfer pricing audit (Form 3CEB)

(ii) **Reduction of time limit to file ‘Belated’ return and ‘Revised’ return**

- [AY 2021-22/YE – March 31, 2021 – section 139(4) and 139(5)]
- **Now** time limit for filing of belated and revised return is reduced up to 31st Dec. Hence ‘original’ time limit is reduced by 3 months

(iii) **Relaxation for difficulties in cases of ‘Defective’ returns**

- [AY 2021-22/YE – March 31, 2021 – section 139(9)]
- **Now** CBDT is empowered to notify any condition ‘not’ to be apply for a class of assessee against the defective returns

(iv) **Reduction of ‘time-line’ for completing assessment**

- [AY 2021-22/YE – March 31, 2021 – section 153]
- **Now** time-limit for completing an assessment is reduced up to 31st Dec. Hence ‘original’ time limit is reduced by 3 months.

(v) **Return processing and issue of notice for ‘regular’ assessment**

- [AY 2021-22/YE – March 31, 2021 – section 143(1)(a) and 143(2)]
- (a) **Now** Assessing Officer (AO) is permitted to increase the incomes in accordance to findings of tax audit report where such incomes are ‘not’ taken in computing taxable incomes of the assessee.
- (b) **Now** time limit is reduced upto 31st Dec for processing and sending intimation under the section 143(1). Hence ‘original’ time limit is reduced by 3 months.
- (c) **Now** time limit for ‘issue’ of notice for regular assessment is reduced up to 30th June under the section 143(2). Hence ‘original’ time limit is reduced by 3 months.

(vi) **Income ‘escaping’ assessment and search assessments**

- [AY 2022-23/YE – March 31, 2022 – section 147 to 153 C]
- (a) **Now** AO is permitted to reopen the escaped assessment up to 3 assessment

years from end of the assessment year 'practically' 4 assessment years where escaped income is 'not' exceeding 50 Lac.

- (b) **Now** AO is permitted to reopen the escaped assessment up to 10 assessment years from end of the assessment year 'practically' 11 assessment years where escaped income is exceeding 50 Lac.
- (c) (ca) **Now** AO ('New' section 148 A) is required to conduct the enquiry and to provide an opportunity of being heard to the assessee thereafter AO can issue notice under the section 148 where AO think fit to reopen the escaped assessment
- (cb) **However** AO ('New' section 148A) is 'not' required to conduct the enquiry 'already' conducted or requisition is 'already' made under the section 132 or 132A respectively 'before' issue of notice under the section 148.
- (d) **Now** AO is 'not' permitted to reopen the escaped assessment up to 10 assessment years beside escaped income is exceeding 50 lac where 6 assessment years are 'already' expired on March 31, 2021. Hence it's 'not' applicable retrospectively.

(vii) Issue of the Notices

- [AY 2022-23/YE - March 31, 2022 - section 142(1)]
- **Now** Income Tax Authority (ITA) is also permitted to issue notice under this section in addition to AO to enable centralized issuance of the notices by the ITA.

(viii) New Dispute Resolution 'Committee'

- [AY 2021-22/YE - March 31, 2021 - 'New' section 245 MA]
- (a) **Now** Govt. of India is permitted to constitute one or more dispute resolution committee (DRC) to resolve the disputes between assessee and income tax department where income tax return (ITR) of assessee is 'not' exceeding 50 Lac and also 'disputed' amount is 'not' exceeding 10 Lac. Hence now small assesses are also permitted.
- (b) **DRC** is 'not' permitted where cases are relating to search (section 132) requisition (section 132A) or information (section 90/90A).
- (c) **DRC** is 'not' permitted where detention, prosecution or conviction proceeding is 'already' initiated against the assessee.
- (d) **DRC** is permitted to reduce or waive the penalty and also to provide immunity from prosecution under the Income Tax Act, 1961

(ix) Constitution of Board for Advance Ruling (BAR)

- **Now** Authority of Advance Ruling (AAR) is to be discontinued and to form a BAR where members of BAR will be officers from income tax department and order of BAR will be appealable by an appellant or income tax department 'both'.

(x) **Faceless ITAT**

- **Now** Govt. of India is permitted to notify a scheme for faceless disposal of appeals by ITAT and to discontinue face to face proceedings.

(xi) **'Abolishment' of Income-tax Settlement Commission (ITSC)**

- **Now** ITSC is abolished from Feb 01, 2021. Pending cases with the ITSC will be decided by an interim board to be formed by the Govt. of India.

7. Tax Deduction at Source (TDS)

(i) **TDS on 'Dividend' to Business Trust**

- [AY 2020-21/YE – March 31, 2020 – 'New' insertion section 194]
- TDS is 'not' to be deducted by a special purpose vehicle (SPV) on payment of dividend to a business trust

(ii) **TDS on 'Pension' and Interest Income of Senior Citizen**

- [AY 2021-22 / YE March 31, 2021 – section 194 P]
- **Now** bank is required to deduct 'actual' tax liability as TDS where senior citizen is having his bank account and age is exceeding 75 years.

(iii) **TDS on 'purchases' of the goods**

- [Applicable w.e.f. July 01, 2021 – 'new' section 194Q]
- (a) **Now** TDS @ 0.1% is to be deducted by the purchaser against payments of goods where turnover of purchaser is exceeding 10 crore in immediate 'preceding' financial year and also aggregate of purchases from the seller is exceeding 50 Lac in the 'current' financial year
- (b) **Now** TDS @ 5% is to be deducted by the purchaser against payment of goods where seller has 'not' provided his PAN

(iv) **200% TDS/ TCS against the deductee as 'non-filers' of IT Return**

- [Applicable w.e.f. July 01, 2021 – 'new' section 206AB and 206CCA]
- **Now** TDS and TCS is to be deducted twice (@200%) of the normal rate of TDS or TCS as specified in the relevant section of the act or @ 5% whichever is higher where deductee is 'not' filing his income tax returns for last 2 assessment years and also time limit for filing such tax returns under the section 139(1) is already expired for 'both' the assessment years

8. Miscellaneous Amendments

(i) **Application or Accumulation by 'Charitable Trust' and Institutions**

- [AY 2022-23/YE – March 31, 2022 – section 11]
- (a) Voluntary contribution (Donation) received with a 'specific' direction is to be

treated a corpus fund and same is to be invested in modes as specified under the section 11(5).

(b) (ba) 'Payments' out of 'corpus' fund bank account is 'not' to be treated as 'application' for charitable or religious purpose where 'deposits' were also made 'out of corpus donations' received.

(bb) However 'payments' out of bank account is to be treated as application for charitable or religious purpose where 'deposits' into such bank account were also made 'out of the incomes'.

(c)(ca) 'Payments' out of loans and borrowings is not to be treated as application for charitable or religious purpose.

(cb) However 'repayments' against loans and borrowings 'out of incomes' is to be treated as 'application' for charitable or religious purpose.

(d) **Now** set-off, deduction or allowance of any excess application is 'not' permitted in next years.

(ii) Increased threshold limit for 'approval' of charitable institutions

➤ [AY 2022-23/YE – March 31, 2022 – section 10(23) (iiia) & (iiiae)]

- **Now** educational institutions and hospitals are permitted for 'not' taking an approval where aggregate receipts are not exceeding 5 crore in a financial year.

(iii) 'Provisional' attachment against the penalty for the 'Fake' Invoices

➤ [AY 2021-22/YE – March 31, 2021 – 'New' insertion section 281B]

- **Now** 'provisional' attachment is permitted against penalty under the section 271AAD for the 'Fake' Invoices where aggregate amount of penalty is likely to exceed 2 crore.

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