

Proposed amendments through Finance Bill (Budget) 2021

1. Taxation Rates

(No fresh changes/amendments 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
(i)	Upto 2,50,000	Nil
(ii)	2,50,001-5,00,000	5%
(iii)	5,00,001-10,00,000	20%
(iv)	10,00,001 and above	30%

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

S.No	Income (Rs)	Rate of tax
(i)	Upto 3,00,000	Nil
(ii)	3,00,001-5,00,000	5%
(iii)	5,00,001-10,00,000	20%
(iv)	10,00,001 and above	30%

For Super Senior Citizen (Above 80 years of age)

S.No	Income (Rs)	Rate of tax
(i)	Upto 5,00,000	Nil
(ii)	5,00,001-10,00,000	20%
(iii)	10,00,001 and above	30%

Under the option 2

S.No	Income (Rs)	Rate of tax
(i)	Upto 2,50,000	Nil
(ii)	2,50,001-5,00,000	5%
(iii)	5,00,001-7,50,000	10%
(iv)	7,50,001 – 10,00,000	15%
(v)	10,00,001 – 12,50,000	20%
(vi)	12,50,001-15,00,000	25%
(vii)	15,00,001 and above	30%

Notes

- (a) Cess @4% is 'additionally' leviable on the amount of income tax and surcharge if any.
- (b) Rebate under Section 87A is continues 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 12,500 whichever is lower.
- (c) **Surcharge is additionally to be added**

S.No	Income (Rs)	Rate of Surcharge
(i)	Upto 50 Lac	Nil
(ii)	50,00,001 - 1 Crore	10%
(iii)	1,00,0001 - 2 Crore	15%
(iv)	2,00,00001 - 5 Crore	25%
(v)	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
(i)	Domestic Company having total income less than 1 Crore	30%*
(ii)	Domestic Company having total income more than 1 Crore but less than 10 Crore	30%* plus surcharge @7%
(iii)	Domestic Company having total income more than 10 Crore	30%* plus surcharge @12%
(iv)	Foreign Company having total income less than 1 Crore	40%
(v)	Foreign Company having total income more than 1 Crore but less than 10 Crore	40% plus surcharge @2%
(vi)	Foreign Company having total income more than 10 Crore	40% plus surcharge @5%

Notes:

- (a) Cess @ 4% is 'additionally' leviable on the amount of income tax and surcharge if any.
- (b) Reduced rate @25% shall be applicable where total turnover/receipts of domestic

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company in the financial year ending on March 31, 2018 is 'not' exceeding 400 crores.

III. Partnership Firms and LLPs

- (i) Flat tax rate of 30%, and surcharge @ 12% of income tax where net income is exceeding Rs 1 Crore
- (ii) 'Additionally', cess of 4% is applicable.

IV. Cooperative Societies

Particular	Rate of Tax
Having total income of less than 10,000	10%
Having total income of more than 10,000 but less than 20,000	1,000 plus 20% of total income in excess for Rs.10,000
Having total income of more than 20,000	3,000 plus 30% of total income in excess of Rs. 20,000

Note:

- (i) Surcharge @12% of income tax where net income is exceeding Rs.1 Crore is applicable.
- (ii) Additionally, cess of 4% shall be levied.

2. Taxation on the Individuals

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

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

- **No** exemption is permitted on 'interest' incomes received on **employee's** contribution to Provident Fund where contribution is exceeding Rs. 2,50,000/- per financial year.

(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 of Rs. 36,000 per person or 33.33% of the 'specified' expenditures whichever is lower

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

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

- **Now** extension of date for sanction of loan for affordable residential house property is permitted upto 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 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) **No** exemption is now 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]

- **No** advance tax in installments is 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 chapter VI-A and rebate under 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 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. Hence amount of late contribution is to be treated as income of the business.

(ii) Depreciation on the Goodwill

➤ [AY 2021-22 / YE – March 31, 2021 – section 2(11) & 32(1)]

- **No** depreciation is now permitted against goodwill as a tangible asset.

(iii) Presumptive taxation for LLPs

➤ [AY 2021-22 /YE – March 31, 2021 – section 44ADA]

- **No** Presumptive taxation @50% is permitted for LLPs.

(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 central Govt. for such purposes.

(v) Safe harbor limit @ 20% for resident units buyers and real estate developers

➤ [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]

- **Now** limits for tax audit is increased from Rs.5 crore to Rs.10 crore of the turnover where digital receipts and payments (both) are minimum 95% of the turnover.

4. Taxation on the Capital Gains

(i) Zero coupon bond

➤ [AY 2022-23/YE – March 31, 2022 – section 10(47)]

(a) **No** capital gains tax is to be levied on zero coupon bonds as issued by the notified infrastructure debt funds.

(b) **No** TDS is also to be deducted on these zero coupon bond under section 194 A(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, 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 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 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 section 154

(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) which is specified in the respective DTAA.

6. Provisional Attachment against the Penalty

(i) **Provisional attachment against the penalty for Fake Invoice**

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

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

7. 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 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 upto 30th June under 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 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 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 section 148 where AO think fit to reopen the escaped

assessment

(cb) **However** AO ('New' section 148 A) is 'not' required to conduct the enquiry and to provide an opportunity of being heard to assessee in case of search conducted or requisition made under section 132 or 132A respectively, before issue notice under 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 ITA.

(viii) **New Dispute Resolution Committee**

➤ [AY 2021-22/YE – March 31, 2021 – 'New' section 245 MA]

- (a) **Now** central Govt. 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 small assesses are 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 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** central Govt. 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 Govt.

8. Tax Deduction at Source (TDS)

(i) TDS on Dividend to Business Trust

➤ [AY 2020-21/YE – March 31, 2020 – ‘New’ insertion section 194]

- **No** TDS is 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.

(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) TDS/ TCS on 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 and 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 section 139(1) is already expired for ‘both’ the assessment years

9. 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 shall be treated a corpus fund and same be invested in modes as specified under section 11(5).
- (b) (ba) Payments out of corpus fund bank account shall ‘not’ be treated as application for charitable or religious purpose where deposits were made out of corpus donations.
(bb) However payments out of corpus fund bank account shall be treated as application for charitable or religious purpose where deposit into such bank account were made out of the incomes.
- (c) (ca) Payments out of loans and borrowings shall not be treated as application

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for charitable or religious purpose.

(cb) However 'repayments' against loans and borrowings out of incomes shall 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) & (iiib)]

- **Now** educational institutions and hospitals are permitted 'not' to take approval where aggregate receipts are not exceeding 5 crore in a year.

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