



Aditya Cholera & Associates
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UNION BUDGET 2021

Key Provisions of Finance Bill

For Private Circulation



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I DIRECT TAXES

1. Tax rates with regards to all the assessee's (Corporate and Non-corporate) have remained unchanged.

(Refer Annexure at last for the detailed slabs and rates)

2. Relaxation to Senior Citizens

Resident Senior Citizen aged **75 or more** having only Pension and Salary income are exempted from filing return on furnishing a declaration.

3. High premium ULIP under Tax blanket

ULIPs which are issued on or after 1st Feb, 2021 whose **annual premium** is more than **INR 2,50,000** will be **taxable** under the head of Capital gains in the manner prescribed. Amount received on death shall be exempt u/s 10(10D)

4. Relaxation in Tax Audit

Present turnover limit of INR 5 crore for Tax audit is increased to INR 10 crore provided minimum 95% of transactions of receipt and payments are routed via banking channels.

5. Exemption of LTC Scheme

LTC scheme notified through Press release is now made part of the Act. An employee can get a maximum exemption of **INR 36,000** per person of the family subject to fulfillment of certain conditions. Applicable only for AY 2021-22.

6. Taxability of Interest on Provident Fund

Interest accrued on **employee's contribution** made on or after 1st April, 2021 exceeding INR 2,50,000 annually shall be made taxable.

7. Deductions u/Ch VI-A

- Profits from projects of affordable housing shall be allowed for deduction u/s 80IBA which are approved on or before 31st March, 2022
- Interest on affordable housing loan shall be allowed as deduction upto INR 1,50,000 u/s 80EEA for loans sanctioned upto 31st March, 2022





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- Start-ups registered upto 1st April, 2022 shall be eligible for deduction of profits u/s 80IAC.

8. Advance Tax, TDS and TCS

- a. Liability of advance tax on Dividend income will arise only after the dividend is declared [except Dividend u/s 2(22)(e)]

- b. TDS on purchase of Goods

- Buyers who are having turnover of INR 10 crore in the preceding year are required to deduct TDS of their suppliers if the transactions value exceeds INR 50 Lakhs @ 0.1% of value exceeding INR 50 Lakhs.
- In the case of applicability of both, TCS u/s 206(1H) and TDS, provisions of TDS shall prevail.

- c. TDS and TCS for Non-filers of return

Person who has not filed his return for last 2 years and aggregate of TDS and TCS is more than INR 50,000 in each of the 2 previous years,

Rates shall be the **Higher** of:

- Twice the applicable rate; or
- 5% (Non availability of PAN - 20%)

Section not applicable on TDS u/s 192, 192A, 194B, 194BB, 194LBC, 194N)

9. Timeline Updates

- a. Return, Processing and its Regular Assessment

Particulars	Current	Proposed
Belated/revised return of income	End of the relevant assessment year (i.e. 31 st March) or before completion of assessment, whichever is earlier	3 months prior to end of the relevant AY (i.e. 31 st December) or before completion of assessment, whichever is earlier
Processing of the return of income u/s 143(1)	1 year from the end of the financial year in which the return of income is furnished	9 months from the end of the financial year in which the return of income is furnished



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Particulars	Current	Proposed
Selection of Scrutiny Assessment	6 months from the end of the financial year in which the return of income is furnished	3 months from the end of the financial year in which the return of income is furnished
Completion of Assessment	12 months from the end of relevant assessment year	9 months from the end of relevant assessment year

b. Re-opening and Search related assessments:

Particulars	Current	Proposed
Time limit for Regular Re-opening	Case can be re-opened only within 6 years from the end of assessment year.	Case can be re-opened only within 3 years from the end of assessment year.
Time limit for Serious / High pitched income escapements	With regard to income escaping assessment from foreign asset, case could be re-opened upto 16 years.	In case where evidence suggest that income escaping assessment exceeds Rs. 50 Lakh a year, case can be re-opened beyond 3 years but only upto 10 years.
Re-opening procedure instead of certain search/ survey proceedings	In case of search/ seizure/ requisitions/survey, assessment for block period was completed u/s 153A, 153B, 153C & 153D.	In case of search/ seizure/ survey / requisition, assessment shall be completed u/s 148 and it shall reopen for 3 preceding years automatically.
Permission of the IT Authority for Re-opening	Permission of Pr. CCIT, CCIT, Pr. CIT or CIT was required to issue notice beyond 4 years.	Except for Search/ Requisition/ Survey cases, inquiries are to be made by A.O. u/s 148A & order is to be passed for reopening the case.

10. Other Updates regarding Appellate authority

- Faceless proceedings are proposed to be introduced before ITAT
- The Income Tax Settlement Commission shall cease to operate from the 1st of February, 2021



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c. Dispute Resolution Committee

- Person whose returned income is less than INR 50 lakhs and aggregate proposed variation / addition is less than INR 10 lakhs, shall be eligible to be considered by DRC
- It is optional for the assessee to opt in or out for DRC
- Cases with regards to Search u/s 132, Requisition u/s 132A, Survey u/s 133A or information regarding agreement u/s 90 / 90A shall not be eligible to be considered by DRC

11. Employee Contribution to various Funds

Presently, deduction was allowed if Employee Contribution to PF, ESIC, Super annuation, etc. was made before due date of filing of return as it was governed by the section 43B.

It is proposed to bring it out of the governance of section 43B; hence, these are to be deposited before the due dates specified by respective funds.

12. Changes related to Non-profit Organizations

- Presently, corpus donation is exempt in the hands of a charitable institution. It is now proposed that voluntary corpus donation shall be exempt only if it is separately invested in specified modes u/s 11(5). In the event any amount is spent from such corpus, it shall not be considered as an application of income. However, any amount subsequently deposited back in such specified investments shall be considered as application of income.
- Application of income out of loan or borrowing, shall not be treated as application of income in the year of utilization, but can be claimed as application of income in the year of repayment of loan
- Expense/Investment made out of Corpus shall not be considered as application and not be counted for 85%



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13. Safe Harbor for Real Estate

Current relaxation limit of 10% w.r.t. section 43CA and section 56(2)(x) shall be increased to 20% provided the **residential unit** satisfies following conditions:

- a. Transfer takes place between **12th Nov, 2020 and 30th June, 2021**;
- b. Transfer should be a **first-time allotment**; and
- c. Consideration should be **less than INR 2 crore**.

14. Taxability on Dissolution and Reconstruction of a Firm

Distribution of capital asset, money or any other asset to the partner upon dissolution or the reconstitution of firm shall attract **capital gains tax on firm** as under:

- a. Sale Consideration shall be FMV of Capital Asset/ Other Asset or Money; and
- b. Cost of Acquisition shall be Capital balance of partner receiving asset

II INDIRECT TAXES

1. Taxpayer will be eligible to claim ITC on vendor's invoices or debit notes only if such invoice or debit note is declared by the vendor in its statement of outward supply (i.e. Form GSTR-1) Taxpayer will not be entitled to claim ITC until the vendor files Form No GSTR 1 reflecting above referred Invoice or Debit Note.
2. Requirement of GST Audit in GST Form 9C by a Chartered Accountant or Cost Accountant is proposed to be abolished. Certain tables of 9C shall be merged with the Form GSTR 9 and to be self-certified by the Registered Person.

III COMPANIES ACT

Threshold limits for Small companies to be enhanced

- a. Paid-up share capital to be increased from INR 50 Lakhs to INR 2 Crore; and
- b. Turnover to be increased from INR 2 Crore to INR 20 Crore.





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Slab and Tax Rates

1. PERSONAL TAX

- Income Tax Slab Rates applicable to Individual, HUF, AOP and BOI

Total Income	Old Regime	New Regime
0 - 2,50,000	Nil	Nil
2,50,001 - 5,00,000	5% *	5% *
5,00,001 - 7,50,000	20%	10%
7,50,001 - 10,00,000		15%
10,00,001 - 12,50,000	30%	20%
12,50,001 - 15,00,000		25%
More than 15,00,000		30%

* No tax on individual having taxable income upto INR 500,000 as a result of rebate of INR 12,500 u/s 87A.

- Individual or the HUF with Business Income
 - Option once exercised for a previous year shall be valid for that previous year and all subsequent years.
 - The option can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this section.
- Individual or the HUF without Business Income
 - Option to be exercised for every previous year

2. FIRMS AND LLP

- Tax Rates remains unchanged at 30%



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3. CO-OPERATIVE SOCIETY

- Tax Rates under old remains unchanged as follows:

Total Income	Tax Rate
Upto INR 10,000	10%
INR 10,001 to INR 20,000	20%
Above INR 20,000	30%

- Tax rate for co-operative societies as per the new regime under section 115BAD remains unchanged at 22%

4. CORPORATE TAX

- Basic tax rates for Domestic company remains unchanged at 30%. Concessional tax rate of 25% applicable to companies with Turnover upto INR 400 Crore for the FY 2018-19.
- Tax rate on Foreign company remains unchanged at 40%
- Basic tax rate for domestic companies opting for new tax regime under section 115BAA remains unchanged at 22%
- Basic tax rate for new domestic manufacturing companies opting for section 115BAB remains unchanged at 15%

5. SURCHARGE

- Surcharge for domestic and foreign companies remains unchanged as follows:

Particulars	Domestic Company Old regime	Domestic Company New regime	Foreign Company
Income upto INR 1 crore	-	10%	-
Income exceeding INR 1 crore but not exceeding INR 10 Cr	7%	10%	2%
Income exceeding INR 10 crore	12%	10%	5%



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- Surcharge for Individuals, HUF, AOP and BOI remains unchanged as follows:

Particulars	Surcharge
Income exceeding INR 50 Lakhs but not exceeding INR 1 crore	10%
Income exceeding INR 1 crore but not exceeding INR 2 crores	15%
Income exceeding INR 2 crores but not exceeding INR 5 crores	25%*
Income exceeding INR 5 crores	37%*

- However, surcharge @ 25% or 37% shall not be levied on taxable income under section 111A, section 112A, section 115AD and on dividend income
- Surcharge for co-operative societies, firms & LLP remains unchanged at 12% on the total income exceeding INR 1 crore

6. CESS

- The Health & Education Cess in all cases remains unchanged at 4%

Disclaimer:

This is a gist of some of the relevant changes of Budget 2021. We recommend you to seek professional advice before taking any action on the specific issues.

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