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CII
Confederation of Indian Industry
RESEARCH

UNION BUDGET

2021-22 An Analysis

UNION BUDGET 2021-22

An Analysis

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FOREWORD

The Union Budget 2021-22 was clearly growth supportive with government going all out to pump-prime the economy even as it meant deferring, albeit, temporarily from the path of fiscal consolidation. It is encouraging to note that the Finance Minister favoured a major expansion in government spending with a focus on capital expenditure to give fillip to demand generation and strengthening the recovery momentum. This was much warranted and is in line with what CII has been strongly advocating with the Government. The 34.5% rise budgeted in the capex spending for FY22 mainly targeted towards major infrastructure expansion initiatives are laudable. This is likely to have multiplier impact on the different sectors of the economy and develop confidence on growth beyond the current recovery.

The financial sector saw the announcement of several landmark announcements, including the setting up a Bad Bank in the form of Asset Reconstruction & Management Company, increasing the FDI limit in the insurance sector to 74% and the proposal to disinvest two Public Sector Banks & one General Insurance Company in FY22 and planning IPO of LIC. All these are bold moves and are expected to buttress the growth recovery process apart from making our financial sector future ready.

Recognizing the need for giving infrastructure investments a renewed push, the sector received key priority from the Government in the form of several important announcements. The announcement regarding the setting up of the Development Financial Institution (DFI) which is likely to play a critical role in channelizing investments in infrastructure and other key sectors of the economy, is in line with CII's recommendations.

CII also applauds the proposal to halve the time frame for reopening of income-tax assessment cases from 6 years to 3 years. For reopening of serious tax evasion cases up to 10 years, the Government has put in a monetary limit of cases involving over Rs 50 lakh in a year. This is expected to reduce instances of tax harassment of income taxpayers. On indirect taxes, the reduction in customs duty on certain inputs & raw materials including long products of alloy & non alloy stainless steel, copper scrap among others which have seen a sharp price increase in the last few months, is laudable as it will help to keep a lid on prices of the final products.

CII is happy to note that the Budget ticked all the right boxes which would propel the economy to the path of recovery. In addition, we expect the reform process to continue beyond the budget announcements as well.

Chandrajit Banerjee
Director General, CII

Chapter 1

KEY FEATURES OF THE UNION BUDGET 2021-22

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A. ECONOMY

I. MACRO-ECONOMY

- India economy has shown resilience in the face of the Once in a Century Crisis as new cases have steadily tapered off in the country while advanced economies and EMDEs (excluding China and India) are witnessing their third and second waves respectively.
- The real **Gross Domestic Product (GDP)** growth is projected to contract by 7.7% in 2020-21, as compared to a growth of 4.0% in 2019-20, mainly on account of contraction in industry and services sector while agriculture sector is projected to expand by 3.4%. However, the economy is expected to experience a V-shaped recovery in 2021-22 as GDP growth is projected to rebound strongly.
- **Consumer Price Inflation** moderated from 5.9% in 2014-15 to 4.8% in 2019-20. During Apr-Dec 2020, it averaged at about 6.6% while standing at 4.6% in December 2020 alone.
- **Fiscal deficit** is pegged at 9.5% of GDP in 2020-21RE while it is expected to moderate to 6.8% of GDP in 2021-22BE. Fiscal consolidation would be pursued, and fiscal deficit is targeted at less than 4.5% of GDP by 2025-26.

The Union Budget 2021-22 strives to strengthen the resolve of Nation First, Doubling Farmer's Income, Strong Infrastructure, Healthy India, Good Governance, Opportunities for Youth, Education for All, Women Empowerment, and Inclusive Development, among others. The budget proposals rest on six pillars:

1. HEALTH AND WELLBEING

a. **PM Atma Nirbhar Swasth Bharat Yojana** to be launched with an outlay of about Rs 64,180 crores over 6 years. This is in addition to the National Health Mission and it will develop capacities of healthcare systems, strengthen existing national institutions, and create new institutions, to cater to detection and cure of new and emerging diseases.

b. **Nutrition: Mission Poshan 2.0** to be launched across 112 aspirational districts by merging the Supplementary Nutrition Programme and the Poshan Abhiyan.

c. **Universal Coverage of Water supply: Jal Jeevan Mission (Urban)** to be launched with an outlay of Rs 2,87,000 crores over 5 years. It aims at universal water supply in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, as well as liquid waste management in 500 AMRUT cities.

d. **Swachch Bharat: Urban Swachh Bharat Mission 2.0** will be implemented with a total financial allocation of Rs 1,41,678 crores over a period of 5 years.

e. **Clean Air:** Proposed allocation of Rs 2,217 crores for 42 urban centers with a million-plus population to tackle air pollution.

f. **Scrapping Policy:** Voluntary vehicle scrapping policy to phase out old and unfit vehicles to be announced.

g. **Vaccines**

 i. Pneumococcal Vaccine to be rolled out across the country from 5 states at present.

 ii. Allocation of Rs 35,000 crores for Covid-19 vaccine in 2021-22 BE.

Total Budget outlay for Health and Wellbeing is Rs 2,23,846 crores in 2021-22 BE as against Rs 94,452 crores in 2020-21 BE, marking an increase of 137%.

2. PHYSICAL & FINANCIAL CAPITAL, AND INFRASTRUCTURE

a. **Textiles: Mega Investment Textiles Parks (MITRA) scheme** to be launched in addition to the PLI scheme to establish 7 Textile Parks over 3 years.

b. **Infrastructure:**

 i. **National Infrastructure Pipeline** will need a major increase in funding from both the government and financial sector and for this, concrete steps are envisioned by:

 - **Creating Institutional structures:**

 i. Bill introduced to set up a **Development Financial Institution (DFI)**. An allocation of Rs 20,000 crore has been earmarked to capitalize this institution.

 ii. Proposal to enable Debt Financing of InVITs and REITs by Foreign Portfolio Investors.

 - **Monetizing Assets: "National Monetization Pipeline"** of potential brownfield infrastructure assets to be launched and an Asset Monetization dashboard to be created for tracking the progress and provide visibility to investors.

 - Enhancing the share of **capital expenditure** in central and state budgets:

i. CapEx to touch Rs 4.39 lakh crore in 20220-21 RE as against the provision of Rs 4.12 lakh crore in 2020-21 BE. Further, **34.5% increase in CapEx has been proposed for 2021-22 BE**.

ii. Allocation of more than Rs 2 lakh crores to States and Autonomous Bodies for their CapEx.

ii. **Road and Highway Infrastructure**

- **More economic corridors** are being planned to augment road infrastructure. National Highway works are being earmarked for states of Tamil Nadu, Kerala, West Bengal and Assam.
- **Outlay for Ministry of Road Transport and Highways** enhanced to Rs 1,18,101 lakh crores of which Rs 1,08,230 crores is for CapEx- **the highest ever**.

iii. Railways Infrastructure

- **National Rail Plan** for India 2030 proposed to create future ready railway system.
- Additional initiatives proposed:
  i. The Sonnagar – Gomoh Section (263.7 km) of Eastern DFC will be taken up in PPP mode in 2021-22.
  ii. **Dedicated freight corridor projects** to be undertaken namely East Coast corridor from Kharagpur to Vijayawada, East-West Corridor from Bhusaval to Kharagpur to Dankuni and North-South corridor from Itarsi to Vijayawada.
- Proposed measures for passenger convenience and safety
  i. Vista Dome LHB coach on tourist routes to be introduced.
  ii. indigenously developed automatic train protection system to be deployed to eliminate train collision due to human error.

Allocation of Rs 1,10,055 crores, for Railways of which Rs 1,07,100 crores is for capital expenditure.

iv. Urban Infrastructure

- A new scheme worth Rs 18,000 crores to support augmentation of public bus transport services proposed.
- Two new metro technologies i.e., '**MetroLite**' and '**MetroNeo'** to be deployed in n Tier-2 cities and peripheral areas of Tier-1 cities.

- Central counterpart funding to be provided to metro projects in Chennai, Kochi, Bengaluru and Nagpur.

v. **Power Infrastructure**

- Framework to be put in place to **promote competition** among distribution companies and give alternative to consumers.
- Reforms-based result-linked **power distribution sector scheme** to be launched with an outlay of Rs 3,05,984 crores over 5 years to aid DISCOMS in Infrastructure creation.
- Proposed to launch a **Hydrogen Energy Mission in 2021-22** for generating hydrogen from green power sources.

vi. **Ports, Shipping, Waterways**

- 7 projects worth more than Rs 2,000 crores will be offered by the Major Ports on Public Private Partnership mode in 2021-22.
- A scheme to promote flagging of merchant ships in India to be launched and Rs 1,624 crores earmarked for this over 5 years.

vii. **Petroleum & Natural Gas**

- **Ujjwala Scheme** extended to cover 1 crores more beneficiary.
- 100 more districts to be added to the City Gas Distribution network in next 3 years.
- **Gas pipeline project** envisioned for J&K.
- An **independent Gas Transport System Operator** will be set up for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines.

c. **Financial Capital:**

i. Proposal to consolidate the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized **single Securities Markets Code.**

ii. To protect investors, **Investor Charter** proposed as a right of all financial investors across all financial products.

iii. Capital infusion of Rs 1,000 crores to Solar Energy Corporation of India and Rs 1,500 crores to Indian Renewable Energy Development Agency to boost **non-conventional energy sector**.

iv. **Increasing FDI in Insurance Sector**: proposed to increase permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards.

v. **Stressed Asset Resolution by setting up a New Structure:** Asset Reconstruction Company Limited and Asset Management Company to be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds (AIFs).

vi. **Recapitalization of PSBs**: additional recapitalization of Rs 20,000 crores is proposed in 2021-22

vii. **Deposit Insurance:** the minimum loan eligible for debt recovery under the SARFAESI Act, 2002 is proposed to be reduced from the existing level of Rs 50 lakhs to Rs 20 lakhs.

viii. Company Matters

- Proposal to **decriminalize the Limited Liability Partnership (LLP) Act**, 2008.
- Proposal to revise **definition of small companies**- threshold for paid up capital increased from "not exceeding Rs 50 Lakh" to "not exceeding Rs 2 Crore" and threshold for turnover increased from "not exceeding Rs 2 Crore" to "not exceeding Rs 20 Crore".
- Incorporation of **One Person Companies (OPCs)** incentivized with proposal to remove restrictions on paid up capital and turnover and reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non Resident Indians (NRIs) to incorporate OPCs in India.

ix. Disinvestment and Strategic Sale

- **Privatization of two Public Sector Banks** and **one General Insurance company** to be taken up in the year 2021-22.
- **Initial Public Offer (IPO) of LIC** to be announced in 2021-22.

Estimated receipts from disinvestment in 2021-22 BE amount to Rs 1,75,000 crores

x. Government Financial Reforms

- **Treasury Single Account (TSA) System** to be extended for universal application from 2021-22.
- **Separate Administrative structure** proposed for streamlining ease of doing business for **cooperatives**.

3. INCLUSIVE DEVELOPMENT FOR ASPIRATIONAL INDIA

a. Agriculture

- **Agricultural credit target enhanced** to Rs 16.5 lakh crores in 2021-22 with focus on ensuring increased credit flows to animal husbandry, dairy, and fisheries.
- Allocation to the **Rural Infrastructure Development Fund increased** by 10,000 crores to Rs 40,000 crores.
- Allocation to **Micro Irrigation Fund** under NABARD doubled to Rs 10,000 crore.
- **Operation Green Scheme** enlarged to include 22 perishable products.
- **1,000 more mandis** to be integrated with e-NAM.
- **Agriculture Infrastructure Fund** would be made available to APMCs for augmenting their infrastructure facilities.

b. Fisheries

i. 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat- identified for **development of modern fishing harbours** and fish landing centres.

ii. **Multipurpose Seaweed Park** proposed in Tamil Nadu to promote seaweed farming

c. **Migrant Workers and Labourers-** Proposal to launch a portal to collect relevant information on gig, building, and construction-workers among others so as to help formulate Health, Housing, Skill, Insurance, Credit, and food schemes for migrant workers.

d. Financial Inclusion

i. Proposal to **reduce the margin money requirement** from 25% to 15%, and to also include loans for activities allied to agriculture in order to facilitate credit flow under Stand-Up India scheme for SCs, STs, and women.

ii. **Budget allocation to the MSME sector doubled** to Rs 15,700 crores in 2021-22 BE.

4. REINVIGORATING HUMAN CAPITAL

a. **School Education-** 100 new Sainik Schools will be set up in partnership with NGOs/ private schools/states.

b. **Higher Education**

i. A Glue Grant to be set aside for research institutions, universities, and colleges supported by the Government of India in 9 cities.

ii. Proposal to set up Central University in Leh.

c. **Scheduled Castes and Scheduled Tribes Welfare**

i. Proposal to increase the unit cost of Eklavya model residential schools in our tribal areas from Rs 20 crores to Rs 38 crores and for hilly and difficult areas to Rs 48 crores.

ii. Allocation to the Post Matric Scholarship Scheme for SC students enhanced to Rs 35,219 crores for 6 years till 2025-2026.

d. **Skilling-** Rs 3,000 crores allocated for re-aligning the **National Apprenticeship Training Scheme (NATS)** for providing post-education apprenticeship, training of graduates and diploma holders in Engineering.

5. **INNOVATION AND R&D**

a. Outlay of Rs 50,000 crores to the **National Research Foundation (NRF)** over 5 years.

b. Rs 1,500 crores earmarked for a proposed scheme that will provide financial incentive to **promote digital modes of payment**.

c. **Deep Ocean Mission** with a budget outlay of Rs 4,000 crore, over 5 years, to be launched to cover deep ocean survey exploration and projects for the conservation of deep-sea biodiversity.

6. **MINIMUM GOVERNMENT AND MAXIMUM GOVERNANCE**

a. The **National Nursing and Midwifery Commission Bill** to be introduced to bring about transparency, efficiency and governance reforms in the nursing profession.

b. **Conciliation Mechanism** to be set up for quick resolution of contractual disputes with CPSEs.

c. Allocation of Rs 3,768 crores for the **first digital census in 2021-22**.

B. TAXATION

1. DIRECT TAXES

- **Senior citizens above 75 years** who are getting only pension and interest income are exempted from filing income tax return. The paying bank will deduct the necessary tax on their income.
- **Time limit for reopening of income tax assessment cases reduced from 6 to 3 years**. Serious tax evasion cases can be reopened till 10 years, only when concealment of income is more than 50 lakhs.
- Setting up of **faceless dispute resolution committee** for small taxpayers up to income up to 50 lakhs and disputed tax of 10 lakhs eligible.
- **National faceless Income Tax Appellate Tribunal** to provide online resolution.
- Rules to be notified for removal of double taxation hardships for NRIs.
- **Increase in tax audit limits from Rs. 5 crores to 10 crores** for assessees who carry out their transactions 95% through digital means.
- **Dividend payment to REIT/ InvIt to be exempted from TDS**.
- **Advance tax liability** on dividend income shall arrive only after declaration of payment of dividend.
- **TDS on FDIs to be deducted at lower treaty rates**.
- Relaxation in conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment in infrastructure.
- **Notified Infrastructure Debt Funds** to be made eligible to raise funds by issuing tax efficient Zero-Coupon Bonds.
- **Deduction of Interest paid on loans taken for affordable housing**, of 1.5 lakhs extended up to 31 March 2022.
- **Affordable housing projects to avail a tax holiday for one more year** – till 31st March 2022.
- **Tax exemption for notified rental housing projects** under affordable rental housing scheme.
- **Tax holiday** for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors; tax incentive for relocating foreign funds in the IFSC; and tax exemption to the investment division of foreign banks located in IFSC.

- Prefilling of returns to also cover capital gains from listed securities, dividend income, interest income etc.
- **Exemption to small charitable trusts** running educational institutions and hospitals having annual receipts up-to Rs 5 crores.
- Late deposit of employee contributions towards provident fund, superannuation fund and other social security fund not to be allowed as deduction.
- **Eligibility for claiming tax holiday for Startups extended by one more year**, till 31st March 2022.
- **Extension of capital gains exemption for investment in start-ups** by one more year - till 31st March 2022.

2. INDIRECT TAXES

a. Custom Duties

Custom Duty policy to be focussed on two important objectives, i.e., promoting domestic manufacturing and helping India get onto global value chain and export better.

- **Overhaul of Customs Duty rates**:
  - 400 old exemptions to be reviewed.
  - New Customs Duty structure to be introduced w.e.f. 1st October 2021.
- **Any new customs duty exemption** henceforth to have validity up to the 31st March following two years from the date of its issue.
- **New Agri Infrastructure and Development Cess** to be imposed to improve agricultural infrastructure.
- **Revoking ADD & CVD on certain steel products.**
- **Benefit of concessional rate of Custom duties to be extended** to third party manufacturers.
- **Custom Duty rationalization** on following products:
  - Rationalization of duty rates for **electronics/ mobile sector** (including chargers & parts of mobiles) - BCD rate on Parts of mobile to increase from Nil to 2.5%
  - **Steel and iron products** – exemption on steel scrap (till 31 March 2022), reducing certain duties on few products to 7.5%
  - Duty on **Copper scrap** reduced from 5% to 2.5%
  - BCD rationalized for **raw materials of textile products**

- BCD rationalized on **certain chemicals** including Naptha
- Custom Duty on **gold & silver rationalized**
- **Renewable energy** – phased manufacturing plan for solar cells. Solar inverter rate increased from 5% to 20% and lantern rates increased from 5% to 15%
- Exemption withdrawn on **tunnel boring machine** which is now taxable at 7.5%
- **For MSME**, duty increased on steel screws and plastic building wares
- BCD exemption on certain **leather products** withdrawn
- BCD on **Cotton r**aised to 10%
- BCD on **Silk** raised to 15% from existing rate of 5%

Chapter 2

SECTOR AND INDUSTRY SPECIFIC ANALYSIS

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SECTOR AND INDUSTRY SPECIFIC ANALYSIS

1. Overview

The Union government has presented a coherent, purposeful and pragmatic Budget which is fully aligned towards meeting the social and economic goalposts of the country amidst the worst ever crisis caused by the pandemic. Few union budgets have been presented under such challenging circumstances as this one. Our GDP growth print is expected to contract by 7.7 per cent. Besides, the fiscally constrained environment, limitations on the financial sector to lubricate the system and little support from the global economy are coming in the way of reviving growth. Given these challenges, the Finance Minister has delivered a bold and realistic Budget that would help revive the economy and take it to the pre-Covid growth path.

The Budget has ticked the right boxes to take India to the path of inclusive growth. A clutch of measures such as higher allocations for physical and social infrastructure and the focus on augmenting capital expenditure are in line with CII recommendations. Further, addressing the concerns of SMEs and start-ups, education reform, scrappage policy for automobiles, specifying the disinvestment roadmap, asset monetization, ensuring simplification, predictability and stability in tax policy, financial sector reform and inclusion, promoting ease of doing business, steps to increase India's involvement in global value chains, measures to facilitate innovation, among others are all moves unveiled by the government to help India get back to its potential growth rate.

2. Fiscal Expansion for Growth

Keeping in mind the requirements for enhancing public investment and social sector expenditure to overcome the pandemic induced economic distress, the government has deviated from the fiscal consolidation roadmap to pursue counter-cyclical fiscal policy which would revive growth. As a result, the fiscal deficit is estimated to expand to 9.5 per cent of GDP during 2020-21 as per the latest revised estimates as against the budgeted target of 3.5 per cent. It has been revised up to 6.8 per cent in the budgeted estimates for 2021-22.

The revenue deficit, which was budgeted at 2.7 per cent of GDP in 2020-21, has been expanded to 7.5 per cent of GDP as per 2020-21 (RE) and the primary deficit has gone up to 5.9 per cent. As a corollary, the gross borrowings of the government have been pegged at 18.5 lakh crore. Revenue deficit has been targeted at a lower 5.1 per cent of GDP in the budget estimates for 2021-22.

Notably, the Budget has raised capital expenditure to meet the enhanced spending requirements of the economy for sectors such as infrastructure. Hence, growth of capital expenditure in the revised estimates is 6.5 per cent higher in 2020-21 than the initial target in the Budget. Capital expenditure in FY22 is budgeted to go up by over 25 per cent over the revised estimates of FY21. This is in line with expectations, given the contraction in growth and disruption in revenues due to the covid-19 pandemic.

However, fiscal prudence has not been discarded. A clear medium-term roadmap has been delineated for a return to the path of fiscal consolidation as the Finance Minister plans to bring down the deficit to less than 4.5 per cent of GDP by 2025-26. The deficit now stands revised and the FRBM Act would be amended to meet the current macro-economic conditions. There is also transparency in the Budget as off-balance-sheet financing is gradually being brought to the mainstream.

The budget proposes aggressive disinvestment and strategic sale, setting up a target of mopping up INR 1.75 lakh crores from the disinvestment. States are also expected to be incentivized to take up disinvestment.

Monetization of operational brownfield assets by setting up a monetization pipeline and sale of idle assets through an SPV are also on the agenda.

These measures will mobilize resources for deployment in more productive assets and new asset creation.

3. Real Sector

i. Agriculture and Allied Sectors

The agriculture and allied sectors were the sole bright spot amidst the pandemic led economic slowdown. The sector demonstrated resilience, supported livelihoods and continued to provide food security.

The Union Budget 2021-22 focusses on creating an efficient agriculture marketing ecosystem, bridging the infrastructure gaps, reducing wastages across the supply chain, enhancing domestic competitiveness, high value creating segments and nutrition.

a. Increased agriculture credit

Agri Credit target has been increased by INR 1.5 lakh crores to INR 16.5 lakh crore with focus on increased credit flows to animal husbandry, dairy, and fisheries.

This will increase credit availability and improve access to institutional credit

b. Higher allocation to rural infrastructure development fund (RIDF)

27 agriculture and related sector activities are eligible for 95 per cent loan under RIDF. The increased allocation from INR 30,000 crore in FY21 to INR 40,000 crores will boost the much-needed rural infrastructure, helping provide seamless connect from farm to fork. It will also generate employment in rural areas.

c. Connecting Mandis to e-NAM & infrastructure support to APMCs

1,000 more mandis will be integrated with the electronic national market and the agriculture infrastructure fund would be made available to APMCs to augment infrastructure facilities.

At present 1000 APMC's across 18 states and 3 UTs are linked to eNAM. Raising the number by another 1000 mandis will enhance the coverage and boost transparent trade. Allowing APMCs to access agri infrastructure fund will strengthen the market infrastructure in terms of storage, sorting, grading, assaying etc bringing in efficiencies in the agri marketing ecosystem and improving access to markets for farmers.

CII has recommending scaling up of eNAM across states and supporting the same with relevant infrastructure. The announcement is aligned to the CII suggestions.

d. Doubling of corpus of micro irrigation fund

The Economic Survey 2020-21 highlights the need to increase area under irrigation for transforming agriculture from a rural livelihood sector to a modern business enterprise. The announcement to double the Micro Irrigation Corpus to INR 10,000 crores will help scale up the existing irrigation projects, benefitting the agriculture sector. The initiative will also improve water productivity by optimising its usage.

The recommendation is in line with the CII view that irrigation efficiency in India needs to be increased and micro irrigation is an effective tool towards the same.

e. Extension of Operation Green Scheme

Ministry of Food Processing Industries (MoFPI) has recently extended the Operation Greens Scheme from Tomato, Onion and Potato (TOP) to all fruits & vegetables (TOTAL) for a period of six months on pilot basis as part of Aatmanirbhar Bharat Abhiyan.

The announcement in the budget, to extend the scheme to 22 more perishable commodities, will strengthen the supply chain and reduce wastages in these perishables.

CII has been advocating for enhancing the coverage of the Operation Greens Scheme to all fruits & vegetables.

f. Proposals for promoting fisheries and aquaculture

The budget proposes to develop 5 major fishing harbours at Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat, as hubs of economic activity. Inland fishing harbours and fish-landing centres are to be developed along the banks of rivers and waterways. The budget also proposes setting up of a multipurpose sea-weed park in Tamil Nadu.

Fisheries sector has huge potential for value creation and livelihood generation. The sector contributes 1.2 per cent to the national Gross Value Add (GVA) and 7.3 per cent to the agriculture GVA.

The focus from the Government on infrastructure to support fisheries & Aquaculture will further help the segment grow.

The CII report on the Champion sector Fisheries, highlights that with the right policy support the sector has the potential to double exports to USD 14 billion by 2022 and further double in 5 years to USD 28 billion. CII has stressed on the need to strengthen the existing infrastructure at farms, harbours, hatcheries, processing plants including the cold chain, and the budget announcements are in line with this.

g. Agriculture Infrastructure and Development Cess (AIDC)

The budget proposes an AIDC of INR 2.5/Litre on petrol, INR 4 on diesel. The cess is also applicable on several other goods.

However, while applying this cess, the budget proposes to take care in not putting and additional burden on the consumers for most items. This would be achieved by reducing the Basic excise duty (BED), Special Additional Excise Duty (SAED) rates and Basic Customs Duty (BCD).

h. Strengthening nutrition

To strengthen nutritional content, delivery, outreach, and outcome, Supplementary Nutrition Programme and the Poshan Abhiyan will be merged to launch the Mission Poshan 2.0. An intensified strategy will be adopted to improve nutritional outcomes across 112 Aspirational Districts.

Mission Poshan 2.O will be a great step to tackle higher malnutrition rates as shown in National Family Health Survey (NFHS) 5. Mission Poshan 2.O should also leverage the emerging PPP model to improve nutritional outcomes.

CII has been aligned to the objectives of the Poshan Abhiyan and strengthening nutrition delivery has been a key focus area of advocacy for CII.

ii. Manufacturing

Starting with the Make in India, promoting manufacturing has been high on government priority. The recently announced PLI schemes envisage government support of INR 1.97 lakh crores for 13 sectors. The initiative aims to bring scale and size in key sectors, create and nurture global champions and provide jobs to India's youth. The Union Budget carries forward this push.

Automobiles

The announcements towards propping up rural and urban infrastructure will boost the automobile sector. The proposals which will have a direct bearing on the demand for the sector include:

a. Voluntary vehicle scrapping policy

The policy is expected to phase out older, and polluting vehicles encouraging demand for new automobiles.

However, the incentives under the policy should be substantive to encourage replacement of old vehicles.

b. Augmentation of public bus transport services

The budget proposes a new scheme with an allocation of INR 18,000 crores to support augmentation of public bus transport services. This will boost demand for buses.

Textiles

India has the potential to become a global textile hub due to lower labour costs and availability of a wide range of fibre and fibre products. The sector is employment intensive and can create millions of jobs.

a. Mega Investment Textiles Parks (MITRA) scheme

The scheme which envisages 7 parks, will create world-class infrastructure with plug-and-play facilities enabling India's textile industry to become an integral part of the global supply chain. The scheme will help attract investment, create demand and employment generation in the textile sector.

iii. MSMEs

MSMEs make an important contribution to India's GDP, exports, and employment. The Union Budget more than doubles the allocation to the MSMEs, at INR 15,700 crore.

a. Proposal for revision of definition of small companies under Companies Act 2013

Increasing the threshold for capitalization from not exceeding to INR 50 lakhs to INR 2 crore and turnover not exceeding from INR 2 crore to INR 20 crore for definition of small companies, will reduce compliance burden on more than 2 lakh smaller companies.

iv. Infrastructure

Overall budget and infrastructure financing

India's intensive infrastructure requirements, needed to bring dynamism to our development journey, are well known. Recognising the importance of infrastructure investment to help the country to overcome the pandemic induced economic distress, the Finance Minister has unveiled a raft of measures to boost public investment in infrastructure. Some such measures are as under:

a. The National Infrastructure Pipeline, which was launched with 6,835 projects, has now expanded to 7,400 projects. A capital allocation of INR 5.54 lakh crore has been provided in 2021-22 (BE) against INR 4.39 lakh crore in 2020-21 (RE). The increase in allocation will help speed up the infrastructure development, create demand and shore up economic growth.

b. The Budget has announced the setting up of a professionally managed Development Financial Institution to act as a provider, an enabler and a catalyst for infrastructure financing. Accordingly, a Bill will be introduced to set up a DFI. A sum of INR 20,000 crores has been allocated to capitalise this institution. This will help in strengthening the financing portfolio for infrastructure and play a critical role in channelizing investments in infrastructure.

c. Tax efficient zero-coupon infrastructure bonds

The Government proposes to notify Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero-Coupon Bonds.

In 2008 when tax-free infrastructure bonds were issued, they attracted a lot of investor interest including retail investors. The proposal is expected to attract much investor interest and help raise low cost funding for infrastructure projects.

d. Debottlenecking investment by sovereign wealth funds in infrastructure

Last budget granted 100 per cent tax exemption, subject to certain conditions, to foreign Sovereign Wealth Funds (SWF) and Pension Funds, on their income from investment in Indian infrastructure. However, some of the funds are facing difficulties in meeting some of these conditions. The budget proposes to relax some of the conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment in infrastructure.

This is expected to attract enhanced flow of long-term stable capital from SWF

e. The "National Monetization Pipeline" of potential brownfield infrastructure assets is proposed to be launched. The monetizing of existing assets through this channel will help generate additional resources which could be ploughed back into infrastructure.

Urban Infrastructure

a. An allocation of INR 2.87 lakh crores has been announced for the Jal Jeevan Mission (Urban) which would focus universal water supply in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, as well as liquid waste management in 500 AMRUT cities over 5 years. The announcement would help provide safe and adequate drinking water to individual household.

b. The Budget proposes an expansion of Metro Rail Network in the Budget. Central counterpart funding would be provided to Nagpur Metro Rail Project Phase-II(INR 5976 crore), Kochi Metro Railway Phase-II(INR 1957 crore), Chennai Metro Railway Phase –II (INR 63246 crore), Bengaluru Metro Railway Project Phase 2A and 2B (INR 14,788 crore) and Nashik Metro (INR 2092 crore). The step would help to boost urban mobility and promote decongestion of city roads. This is also important to reduce pollution in city.

c. An allocation of INR 18,000 crore has been made for launch of a scheme to augment public transport services. A PPP model has been launched to enable private sector players to finance, acquire, operate and maintain over 20,000 buses. This will help improve mobility and boost demand in the automobile sector.

d. The provision of additional tax deduction of INR 1.5 lakh for interest on home loans for affordable housing has been extended till March 2022. This announcement will further boost the vision of affordable housing segment with the aim of ensuring a home for every Indian under Housing for All by 2022.

Roads and Highways

a. An outlay of INR 1.18 lakh crore has been made for the Ministry of Road Transport and Highways. In addition, economic corridors would be created to boost road infrastructure in various states including 3,500 km corridor in Tamil Nadu, 1,100 km in Kerala at investment of INR 65,000 crore, 675 km in West Bengal at a cost of INR 95,000 crore and 1,300 km in Assam in the next 3 years. This will help in the holistic development of infrastructure across the country. It would also help create demand in the economy and generate employment.

Railways

a. An allocation of 1,10,055 Crore would be made to railways of which 1,07,100 would be for incurring capital expenditure. This will bring in much needed funds to modernize the Indian Railways. Capital Expenditure will also boost the demand of domestic manufactures and provide an impetus to the Aatmanirbhar Bharat.

b. The Budget has proposed 100 per cent electrification of Broad-Gauge Network by December 2023. This is an extremely important step from India's COP commitment point of view and also for India's energy security and transition from fossil-based fuel economy. The next step would be to power these segments phase wise with renewable and clean energy sources.

c. Indigenously built Anti Collision System has been proposed for busy routes. This will give a boost to domestic manufacturing and Aatmanirbhar plan of the Indian Government.

Aviation

a. Tax holiday has been announced for aircraft leasing business in GIFT city.

Ports & Shipping

a. Major ports will be moving from managing their operational services on their own to a model where a private partner will manage it for them. For the purpose, seven projects worth more than 2,000 crores will be offered by the Major Ports on Public Private Partnership mode in FY21-22. This will bring more investment under PPP mode. Also, it will lead to effective operational management of ports. This move will also greatly help in greater ease of doing business as it would reduce the dwell time as well as transaction cost due to modernized and well managed port systems.

b. India has enacted Recycling of Ships Act, 2019 and acceded to the Hong Kong International Convention. Ship recycling capacity will be doubled by 2024. This will help India increase its share in ship recycling and generate employment.

c. INR 1,624 crore of subsidy has been provided to Indian shipping companies to promote flagging of merchant ships in India. This initiative would enable greater training and employment opportunities for Indian seafarers besides enhancing Indian companies' share in global shipping. Also, it would help in enhancement of cargo from India and add Additional investment in Indian flag tonnage.

v. Energy

Owing to rapid growth of population and economic development, India's energy consumption has been growing at one of the fastest rates in the world. This enhances the energy-intensity of India's growth. Hence, it is critical to increase availability and accessibility of energy supply at affordable rates. The Budget provisions for the sector are as under:

a. Announcement of a voluntary vehicle scrapping policy to phase out old and unfit vehicles will help in encouraging fuel efficient and environment friendly vehicles.

b. A framework is proposed to be put in place to give consumers alternatives to choose from among more than one distribution company. This will bring in competition amongst the players in the sector and help them to improve their efficiency and services.

c. A revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of INR 3,05,984 crores over 5 years. The scheme is meant to provide help to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, upgradation of systems, etc., tied to financial improvements. Such an announcement would help discoms to revamp their infrastructure and bring in new technologies like smart meters and upgrade systems which will help them to not only reduce their Aggregate technical &Commercial losses (AT&C) but also improve their collection efficiencies thereby making them financially stronger.

d. It is proposed to launch a Hydrogen Energy Mission in 2021-22 for generating hydrogen from green power sources. This is a welcome step and would display India's global commitment to cleaner energy and climate change. This will also bring in new investment, new technology and generate employment.

e. It is proposed that Ujjwala Scheme will be extended to cover 1 crores more beneficiaries; second, hundred more districts would be added in next 3 years to the City Gas Distribution network; third, a gas pipeline project will be taken up in Union Territory of Jammu & Kashmir; and fourth, an independent Gas Transport System Operator will be set up for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines on a non-discriminatory open access basis. All these measures, which are meant for making gas available to all citizens for cooking and transportation, will not only help the country move towards a gas- based economy but further strengthen India's climate change commitments. To make this a reality, it is critical to expand the City Gas Distribution (CGD) network to more cities, build pipelines across the country and allow open access of gas which will be monitored by an independent operator. CII had been recommending open access in the use of gas which can be facilitated and coordinated by an independent Gas Transport System Operator.

f. To build up domestic capacity, a phased manufacturing plan for solar cells and solar panels will be notified. To encourage domestic production, the import duty on solar invertors are being raised from 5 per cent to 20 per cent, and on solar lanterns from 5 per cent to 15 per cent. Such a move would give a clear direction to investors to build solar manufacturing capacities in the country.

g. An additional infusion of INR 1,000 crore to Solar Energy Corporation of India Ltd (SECI) and INR 1,500 crore to Indian Renewable Energy Development Agency (IREDA) would give a further boost to the non-conventional energy sector and attract investments.

vi. Social Sector

Healthcare

The Budget, which has been presented against the backdrop of the pandemic, has rightly made the requisite provisions for India's fragile health system. As the economy recovers from the distress caused by the pandemic, it needs to be reaffirmed that investment in healthcare is a pre-requisite for improving human productivity reducing poverty, enhancing living standards and thereby achieving growth with inclusion.

In this connection, it is noteworthy that the Budget has made pathbreaking interventions on the healthcare sector. The Budget outlay for Health and Wellbeing has been raised to INR 2,23,846 crores in BE 2021-22 as against INR 94,452 crores in the BE of 2020-21- an increase of 137 percentage. This is inclusive of COVID related special provisions and provisions made to the Department of Drinking Water & Sanitisation and is inclusive of allocation on nutrition, Finance Commission (FC) grants for water and sanitation and FC grants for health. Until last year, water, sanitation and nutrition were not included within health and wellbeing segment.

The focus has been clearly been on building capacity in the rural areas going up to the block level and state level requirements in healthcare and focusing on improving the health care infrastructure in the aspirational districts. There is a push to establish more testing labs and promote institutes for research.

The proposal to include water and sanitation as well as nutrition in the overall allocation towards Health and Wellbeing is a holistic approach and would be rightfully directed towards improved healthcare capacity in India.

<u>Education</u>

Overall outlay for education has gone up from INR 85,089 crore in 2020-21 to INR 93,224 crore this year. This translates into an 8.8 per cent increase. The allocation for higher education has seen a significant increase of INR 13,107 crore at INR 38,351 crore against INR 25,244 crore which was allocated last year. The allocation for school education, on the other hand, has come down from INR 59,845 crore last year to INR 54,873 crore this year.

Among the new initiatives in higher education is the announcement of a new Central University in Leh. Also, the legislation on creating a Higher Education Commission (HEC) will be tabled this year. This will be a super regulator which will subsume existing regulatory bodies, i.e., the University Grants Commission (UGC) and the All India Council for Technical Education (AICTE). Setting up of HEC will streamline regulation and governance in higher education and is one of the important recommendations of National Education Policy (NEP) 2020.

Allocation of INR 50,000 crore over a period of five years for National Research Foundation is another significant announcement in the budget which is in sync with NEP and is expected to provide a spur to research and development in the country.

4. Financial Sector

As the economy recovers, the credit needs are going to expand, and the financial sector needs to gear up for the same. The Budget addresses some of the key challenges facing the sector.

a. Setting up of Asset Reconstruction Company Limited and Asset Management Company

The proposed institutional framework will consolidate the existing stressed debt into one entity which can then manage and dispose off the assets to Alternate Investment Funds and other potential investors for eventual value realization.

The cleaning up of bank's balance sheets will encourage them to lend. RBI's recent paper, Asset Quality and Credit Channel of Monetary Policy Transmission in India, identifies high NPAs as one of the reasons for slowdown in credit growth.

CII has suggested creation of multiple bad banks by allowing Alternate Investment Funds (AIFs) to buy bad loans.

b. Recapitalization of PSBs

The budget proposes further re-capitalization of banks to the tune of INR 20,000 crores. This will enhance bank's capacity to lend, although the amount per se may be inadequate to deal with the current levels of bank NPAs.

c. Increasing FDI limit in Insurance Sector

Budget proposes to amend the Insurance Act, 1938 to increase the permissible FDI limit in insurance companies from 49 per cent to 74 per cent and allow foreign ownership and control with safeguards. Under the new structure, majority of Directors on the Board and key management persons would be resident Indians, with at least 50 per cent of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

This is expected to attract enhanced flow of capital to the sector, thus benefiting the economy. It will benefit the insurance companies which are looking to sell stake and raise money.

d. Privatization of banks and insurance companies

Government proposes privatize two Public Sector Banks and one General Insurance company in FY 22 and also bring out an IPO for LIC.

The move will bring the privatized banks at par with private banks in terms of autonomy, enabling operational efficiencies. This will also provide much needed non-tax revenue to the government.

e. Decrease in minimum loan size, eligible for debt recovery under SARFAESI Act, 2002 for NBFCs

The budget proposes to reduce the minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 from the existing INR 50 lakhs to INR 20 lakhs, for NBFCs with minimum asset size of INR 100 crores.

This will improve credit discipline while continuing to protect the interest of small borrowers.

f. Enabling debt financing of InvITs and REITs by FPIs

The government proposes to make suitable amendments in the relevant legislations to enable debt financing of InvITs and REITs by Foreign Portfolio Investors.

This long-awaited move will ease access of finance to InvITs and ReITs augmenting availability of funds for infrastructure and real estate sectors.

g. Consolidation of the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code.

This will improve Ease of Doing Business for the stakeholders in the sector. It is also likely to improve investor protection and security.

h. Institutional Framework for deepening corporate bond market

The Government proposes to create an institutional framework with a body which will purchase investment grade debt securities. This will enhance liquidity in the secondary corporate bond market. India has a reasonably developed G-sec market while the corporate bond market has lagged in terms of liquidity and also in terms of issuers in the public market.

i. Amendments to the DICGC Act

Government proposes to amend the DICGC Act, 1961 in the budget session to streamline the provisions, such that if a bank is temporarily unable to fulfil its obligations, the depositors can get easy and time-bound access to their deposits to the extent of the deposit insurance cover.

This will boost depositor confidence in banks and provide relief to depositors of stressed banks.

j. Exempting dividend payments to REIT/ InvIT from TDS

As the amount of dividend income cannot be estimated correctly by the shareholders for paying advance tax, the budget proposes that advance tax liability on dividend income would arise only after the declaration/payment of dividend. Also, for Foreign Portfolio Investors, it is proposed to enable deduction of tax on dividend income at lower treaty rate.

This gives certainty to the investors in terms of tax levied.

k. Tax exemption to IFSC

The budget proposes tax holiday for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors and tax incentive for relocating foreign funds in the IFSC.

This is expected to incentivize companies and foreign funds to set-up their shop in the stated jurisdiction.

l. Tax exemption to the investment division of foreign banks located in IFSC

The exemption will encourage foreign banks to establish investment divisions in India. It is expected that the foreign banks will move their treasury business to this jurisdiction.

5. Exports and Trade Policy

The government of India is keen to transform India into a leading export hub by giving a big push for promotion of value-added exports. To achieve this target, efforts are underway to strengthen India’s role in global value chains while achieving the goal of self-reliance. One of the major steps proposed in the Budget to make this possible is to rationalize the customs duty on import of raw materials across several sectors. This is extremely critical to get integrated into the GVCs. Some of the other announcements in the Budget to augment exports are as under:

a. Customs duty rationalization for import of raw materials. This would help in breaking the stagnation in exports and boost value added exports. It would also help in promoting domestic manufacturing and integration into global value chains.

b. Overhauling of the customs duty structure, by reviewing more than 400 old exemptions this year through extensive consultations. This reform will facilitate easier compliance for traders and reduce the regulatory burden in terms of procedures and cost. It shall also help in attracting greater investment.

c. Reduction in customs duty uniformly to 7.5 per cent on semis, flat, and long products of non-alloy, alloy, and stainless steels. Second, duty exemption on steel scrap up to 31st March 2022. Third, anti dumping duty (ADD) and countervailing duty (CVD) would be revoked on certain steel products. The announcements would benefit MSMEs and other user industries which have been severely hit by a recent sharp rise in iron and steel prices. It would also provide relief to metal re-cyclers. This will help in enhancing domestic production and boosting exports.

d. Duty on copper scrap will be reduced from 5 per cent to 2.5 per cent which would help the recyclers of copper.

e. The nylon chain is being brought on par with polyester and other man-made fibers. Further, there will be a uniform reduction of the basic customs duty rate

(BCD) rates on caprolactam, nylon chips and nylon fiber & yarn to 5 per cent. This would boost exports of the textiles sector. The MSME segment will be especially benefitted.

f. Launch of seven Mega Investment Textiles Parks (MITRA) over three years will help create world class infrastructure with plug and play facilities to enable create global champions in exports.

6. Enablers

i. Digital Economy

The budget proposals focus on enabling and boosting the use of technology in all spheres including governance, taxation and financial sector.

a. Incentivizing digital payments

The budget provides INR 1,500 crores for a proposed scheme that will provide financial incentive to promote digital modes of payment. This will further increase usage of digital mode of payments enhancing formalisation in the economy.

b. Increase in limit of tax audit from INR 5 Cr to INR 10 Cr

The budget proposes to increase the tax audit threshold to INR 10 Crore from INR 5 Crore for companies doing most of their business through digital modes.

This will encourage digital transactions and simplify compliances for smaller companies opting for the transparent digital mode of transactions. In the medium term the initiative will lead to more formalisation in the economy.

c. First ever digital census

A sum of INR 3,768 crore has been allocated in tis budget for the first Digital Census

This is an important move towards increasing digitisation in governance

d. National Language Translation Mission

The mission will make available a wealth of governance and policy related information on internet in major Indian languages. This will lift language barriers to accessing information and increase internet usage.

e. Launch of MCA21 Version 3.0

This year the Government proposes to launch data analytics, artificial intelligence, and machine learning driven MCA21 Version 3.0. The version will have additional modules for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management thereby rationalizing procedures for the industry.

f. Government support to the development of a world class FinTech hub at the GIFT IFSC

The initiative will give a boost to India's financial digital ecosystem. Given the capacity and potential of India in FinTech, the move will enable the country to compete with other hubs like Singapore and City of London. It will also give domestic participants exposure to international use cases.

ii. Labour

Government has codified 44 labour laws into 4 Codes: Code on Wages, Code on Industrial Relations, Code on Occupational Health Safety & Working Conditions and Code on Social Security. The codes extend social security coverage to the unorganized sector and gig economy workers and reduce compliance burden to industry.

a. Online portal for collecting data on gig workers, building and construction workers & migrant workers

The data captured by the proposed portal will help design schemes for healthcare, housing, skills, insurance and other benefits for gig workers, building and construction workers & migrant workers.

CII has recommended creation of a Labour Market Information System for mapping skills of workers. CII has also suggested registration of migrant workers (identifying key demographics, Skill sets, experience, health and safety) to enable mapping with skilled manpower requirements of Industry.

b. Labour Codes

The process of implementation of labour codes will be completed

This will extend social security benefits to gig and platform workers. All categories of workers will be covered by minimum wages Minimum wages will apply to all categories of workers, and they will all be covered by the Employees State Insurance Corporation. Women will be allowed to work in all categories and in the nightshifts with adequate protection. At the same time, compliance burden on employers will be reduced with single registration and licensing, and online returns.

CII has been working with the Government on the 4 labour Codes and many of CII's recommendations have been accepted.

c. PF contribution by Employer to be disallowed for Tax reduction

There is a possibility of delays in payment of PF contributions by some employers due to unforeseen situations. Currently the delayed contribution is paid with interest and is allowed under Income Tax Act.

Not allowing this tax deduction, as per budget proposal, may have an impact on cash flows of companies facing genuine issues.

iii. Ease of Doing Business

The Union Budget 2021-22 focusses strongly on ease of doing business reshaping the investment environment in the country. Even as India combats the pandemic, several reform measures are being undertaken, cutting across Central Ministries, states, and sectors. Among various areas, special attention is being given to minimizing the regulatory compliance burden for industry.

CII has been advocating for rationalization of procedures, time and cost of starting a business by way of greater digitization, simplification of the process for seeking approvals / NOCs and reducing the physical interface between businesses and government authorities.

a. Amendments in the Customs Act

The budget proposals include mandating filing of bills of entry before the end of day preceding the day of arrival of goods (Section 46); allowing the specified amendments by importer/exporter on self-amendment basis, hitherto all amendments were to be approved by the officer (Section 149); recognizing the use of common portal to serve notice, order etc and the portal to act as a one-point digital interface for the trade to interact with the Customs.

These measures will help in reducing the dwell time, streamline trade related procedures, help in bringing down the transaction costs across all major ports and customs.

CII had advocated for integration of data requirements by all relevant departments - DGFT, Customs, RBI, GST, Environment ministry etc and timely processing of Bills of Entry.

b. Setting up a conciliation mechanism for contractual disputes with Govt or CPSEs

This will expedite the resolution of disputes including disputes related to payments.

c. Decriminalization of the Limited Liability Partnership (LLP) Act, 2008

This will help in reducing the litigation and compliance burden on firms, especially the MSMEs.

CII has been advocating for de-criminalising business laws using compounding of offences and higher fines and penalties to nurture the risk-taking abilities of Indian entrepreneurs.

d. Measures related to One Person Companies (OPCs)

As per the budget, OPCs will be allowed to grow without any restrictions on paid up capital and turnover, and their conversion will be allowed into any other type of company at any time. The budget also proposes reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non-Resident Indians (NRIs) to incorporate OPCs in India

This move will provide a boost to the entrepreneurial spirit in the country and help in easier incorporation of One Person Companies (OPCs). The measure will facilitate setting up of more companies without any regulatory hurdles.

e. Separate administrative structure to be set up for development of Multi-State Cooperatives

This will enhance the ease of doing business for such cooperatives and facilitate streamlining of procedures for them.

iv. Skills and Employment

Skill development and employability are important to meet the aspirations of a young India. The pandemic has accelerated the need for a digitally skilled workforce and corresponding skill development.

a. Employment generation

The interventions for promoting ship re-cycling industry are expected to create 1.5 lakh jobs. Further infrastructure building and the seven mega textile parks will create many jobs as both these sectors are employment intensive.

b. Enhancement of National Apprenticeship Training Scheme (NATS) diploma holders, graduates, in engineering

The enhancement of budget under NATS, INR 3,000 crores, and coverage to will ensure more youth getting practical exposure to youth enhancing their employability.

CII has been suggesting inclusion of graduates in the scheme.

c. Extension of Training Inter Training Programme (TITP) with Japan

The extension of the program to other countries will help transfer of industrial and vocational skills, techniques, and knowledge from multiple countries to Indian youth.

d. Skill partnership with UAE

Benchmarking of skill qualifications, assessment, and certification, will help in deployment of certified workforce, UAE and other countries.

Chapter 3

ANALYSIS OF FISCAL TRENDS

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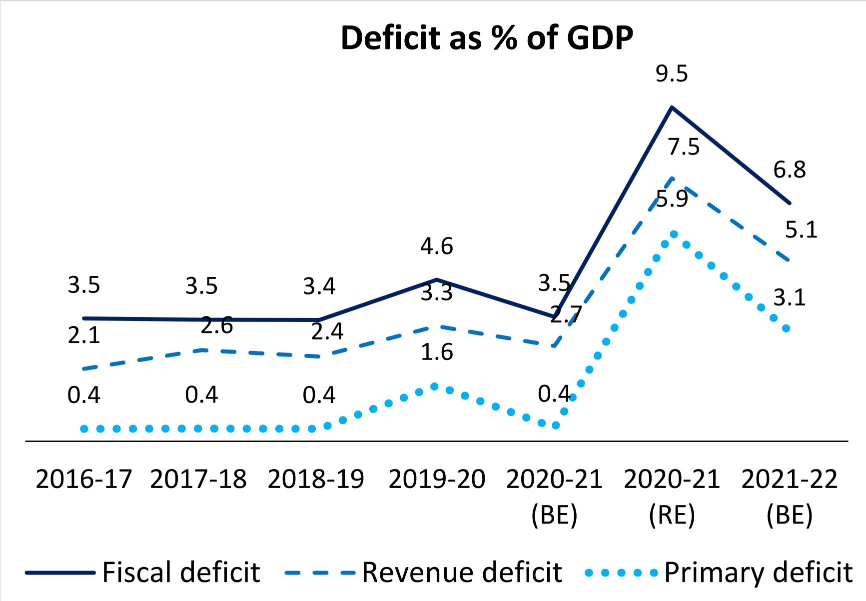
A. Overall Deficit Trends

Revised fiscal deficit at record high of 9.5% of GDP in 2020-21



At 9.5 per cent of GDP, the revised fiscal deficit has increased by a record 6.0 percentage point over budget estimates

For 2021-22, the budget has targeted a fiscal deficit of 6.8 percent, to be brought down further over the medium term

Budget at a Glance 2021-22 (Rs Crore)

	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE
1. Revenue Receipts	**16,84,059**	**20,20,926**	**15,55,153**	**17,88,424**
2. Tax Revenue (net to centre)	13,56,902	16,35,909	13,44,501	15,45,396
3. Non-Tax Revenue	3,27,157	3,85,017	2,10,652	2,43,028
4. Capital Receipts (5+6+7)	**10,02,271**	**10,21,304**	**18,95,152**	**16,94,812**
5. Recoveries of Loans	18,316	14,967	14,497	13,000
6. Other Receipts	50,304	2,10,000	32,000	1,75,000
7. Borrowings and other liabilities	9,33,651	7,96,337	18,48,655	15,06,812
8. Total Receipts (1+4)	**26,86,330**	**30,42,230**	**34,50,305**	**34,83,236**
9. Total Expenditure (10+11)	**26,86,330**	**30,42,230**	**34,50,305**	**34,83,236**
10.Revenue Expenditure	23,50,604	26,30,145	30,11,142	29,29,000
11. Capital Expenditure	3,35,726	4,12,085	4,39,163	5,54,236
12. Revenue Deficit (10-1)	**6,66,545**	**6,09,219**	**14,55,989**	**11,40,576**

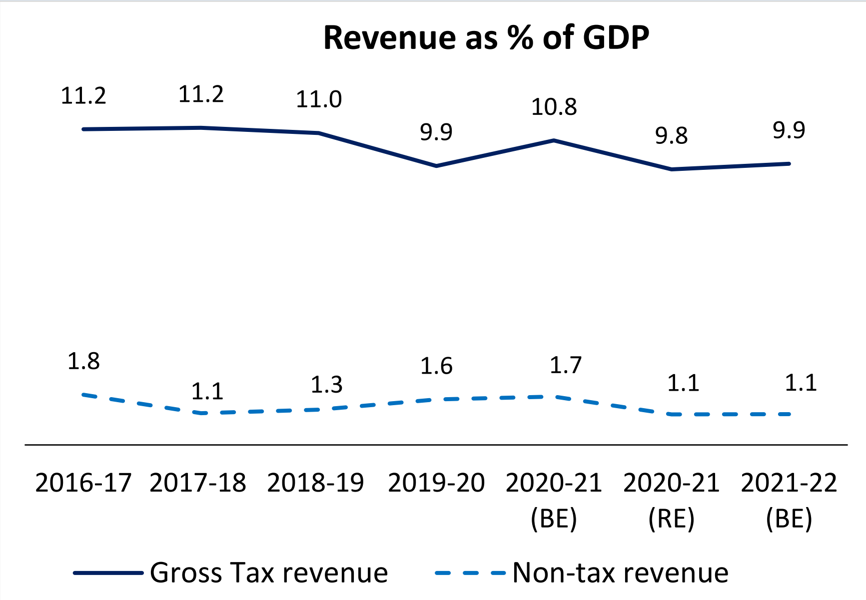
As a percentage of GDP	**3.3**	**2.7**	**7.5**	**5.1**
13. Fiscal Deficit (9-(1+5+6))	**9,33,651**	**7,96,337**	**18,48,655**	**15,06,812**
As a percentage of GDP	**4.6**	**3.5**	**9.5**	**6.8**
14. Primary Deficit	**3,21,581**	**88,134**	**11,55,755**	**6,97,111**
As a percentage of GDP	**1.6**	**0.4**	**5.9**	**3.1**

Capital Expenditure of the Government

(In Rs Lakh Crore)	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE
1. Gross Budgetary Support	3.36	4.12	4.39	5.54
2. Ministry of Railways (IEBR)	0.80	0.91	1.32	1.08
3. IEBR (Excluding Railways)	5.61	5.82	5.13	4.75
4. Total	**9.77**	**10.85**	**10.85**	**11.37**

B. The Revenue Arithmetic

Gross tax revenue declined by 100 basis points in revised estimates for 2020-21



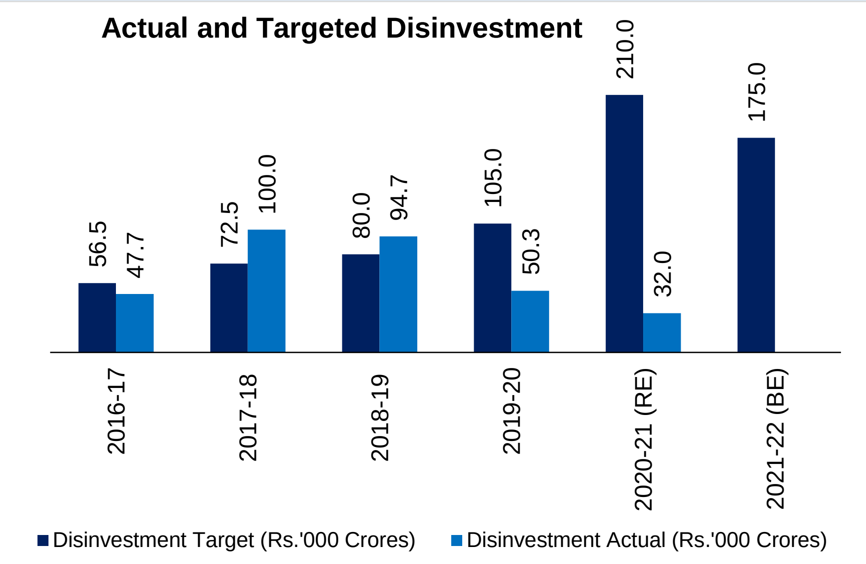
Gross tax revenue (as share of GDP) declined by 1.0 percentage points due to decline in both direct and indirect taxes

Gross tax revenue is budgeted to increase by 10 basis points in 2021-22 on account of improved revenue collection

Tax buoyancy budgeted to improve on higher GST and direct taxes

	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Growth 2020-21 (RE) over 2019-20 (%)	Growth 2021-22 (BE) over 2020-21 (RE) (%)
1. Tax Revenue						
Gross Tax Revenue	**20,10,059**	**24,23,020**	**19,00,280**	**22,17,059**	**-5.5**	**16.7**
Corporation Tax	5,56,876	6,81,000	4,46,000	5,47,000	-19.9	22.6
Taxes on Income	4,92,654	6,38,000	4,59,000	5,61,000	-6.8	22.2
Customs	1,09,283	1,38,000	1,12,000	1,36,000	2.5	21.4
Union Excise Duties	2,40,615	2,67,000	3,61,000	3,35,000	50.0	-7.2
GST	5,98,750	6,90,500	5,15,100	6,30,000	-14.0	22.3
-CGST	4,94,072	5,80,000	4,31,000	5,30,000	-12.8	23.0
-IGST	9,125				-	-
-GST Compensation Cess	95,553	1,10,500	84,100	1,00,000	-12.0	18.9
Taxes on Union Territories	5,835	7,500	5,780	7,059	-0.9	22.1
Less - State's share	6,50,678	7,84,181	5,49,959	6,65,563	-15.5	21.0
Centre's Net Tax Revenue	**13,56,902**	**16,35,909**	**13,44,501**	**15,45,397**	**-0.9**	**14.9**
2. Non-Tax Revenue	**3,27,157**	**3,85,017**	**2,10,653**	**2,43,028**	**-35.6**	**15.4**
Total Revenue Receipts	**16,84,059**	**20,20,926**	**15,55,153**	**17,88,424**	**-7.7**	**15.0**

Government recalibrates disinvestment targets in budget estimates for 2021-22

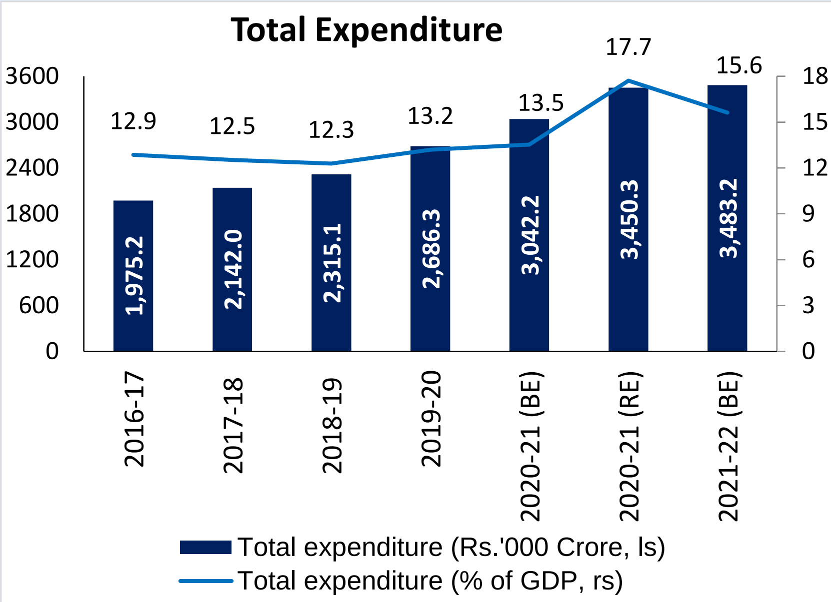


Disinvestment target at Rs 1.75 lakh crore marks a decline of twenty-five thousand crore over 2020-21 (BE)

Of this, government aims to receive one Lakh crore through disinvestment of public sector banks and financial institutions

C. The Expenditure Arithmetic

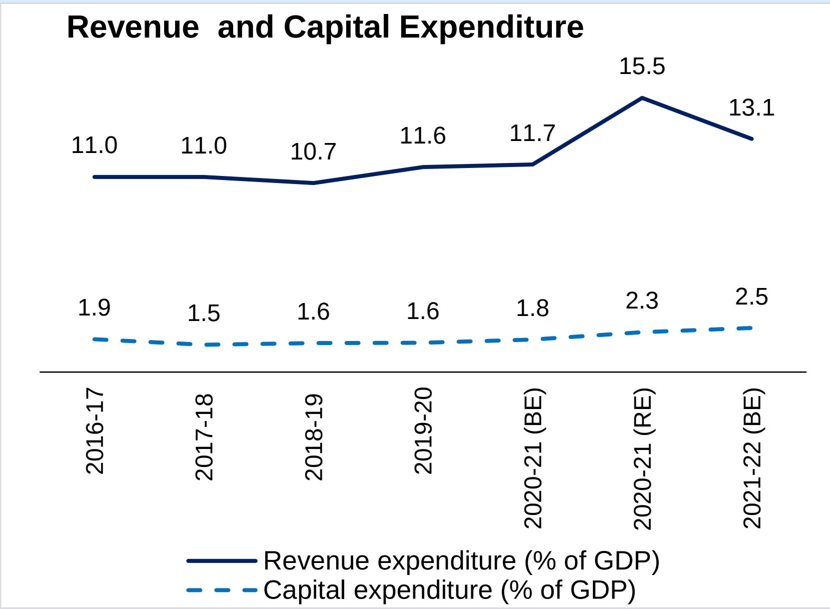
Expenditure-GDP ratio budgeted to decline by 2.1 percent in next fiscal



Total expenditure (as a % of GDP) is budgeted to decline by 2.1 percent in FY22 after increasing by 4.5 percent in FY21 over the previous fiscal

Encouragingly, the budgeted estimates for FY22 takes into account a 34.5 per cent jump (over BE of FY21) jump in capital expenditure.

Capex-GDP ratio budgeted to increase to 2.5 percent of GDP in next fiscal



Capital expenditure as a percent of GDP is budgeted to increase to 2.5 percent in 2021-22, highest in over a decade

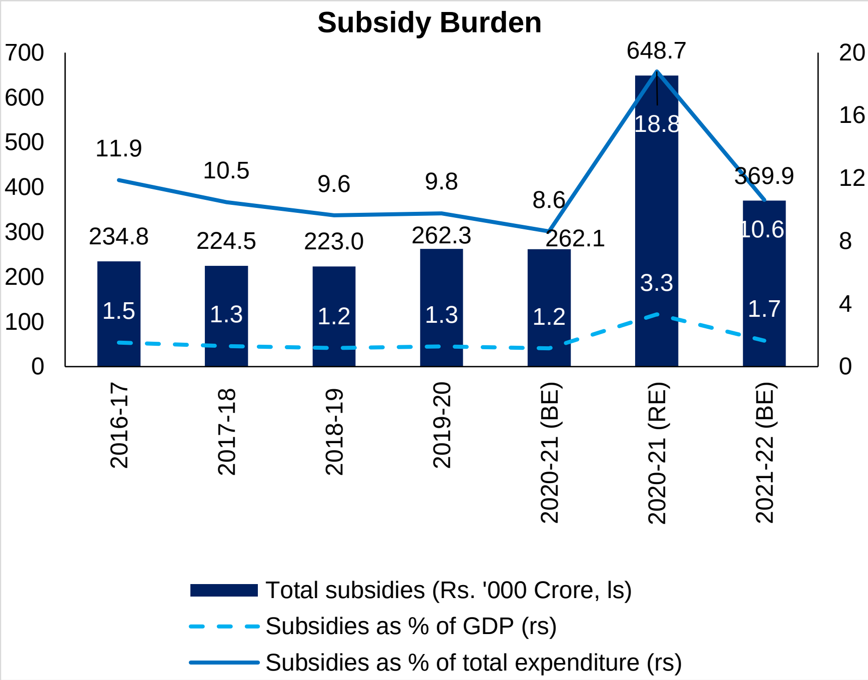
Encouragingly revenue expenditure as a share of GDP is budgeted to moderate to 13.1 percent in 2021-22 after reaching 15.5 percent in revised estimates for 2020-21

Expenditure trend of key ministries and departments

Power & Energy, Telecom and Transport among capital goods see increased expenditure while food and public distribution and rural development see reduction in expenditure

	Ministry/Department (Rs crore)	2019-20	2020-21 (RE)	2021-22 (BE)	FY'21 (RE) % increase over FY'20 (Actuals)	FY'22 (BE) % increase over FY'21 (RE)
Key Infrastructure Ministries/departments	1. New and Renewable Energy	3,309	3,591	5,753	8.5	60.2
	2. Telecommunication	28,395	41,109	58,737	44.8	42.9
	3. Power	15,322	10,835	15,322	-29.3	41.4
	4. Atomic Energy	19,805	14,275	18,265	-27.9	28.0
	5. Water Resources and River Development	7,419	7,262	9,023	-2.1	24.2
	6. Shipping	1,569	1,434	1,702	-8.6	18.7
	7. Housing and Urban Affairs	42,054	46,791	54,581	11.3	16.6
	8. Road Transport and Highways	78,249	1,01,823	1,18,101	30.1	16.0
	9. Defence (Capital Outlay)	1,11,092	1,34,510	1,35,061	21.1	0.4
	10. Railways	69,972	1,11,234	1,10,055	59.0	-1.1
	11. Civil Aviation	3,647	4,132	3,225	13.3	-22.0
Other key ministries/departments	12. Drinking Water and Sanitation	18,264	17,024	60,030	-6.8	252.6
	13. MSME	6,698	5,664	15,700	-15.4	177.2
	14 Women and Child Empowerment	23,165	21,008	24,435	-9.3	16.3
	15. Textiles	4,428	3,300	3,632	-25.5	10.0
	16. Education	89,437	85,089	93,224	-4.9	9.6
	17. Agriculture	1,01,775	1,24,520	1,31,531	22.3	5.6
	18. Health and Family Welfare	62,397	78,866	71,269	26.4	-9.6
	19. Rural Development	1,22,098	1,97,377	1,31,519	61.7	-33.4
	20. Food and Public Distribution	1,15,173	4,38,648	2,53,974	280.9	-42.1

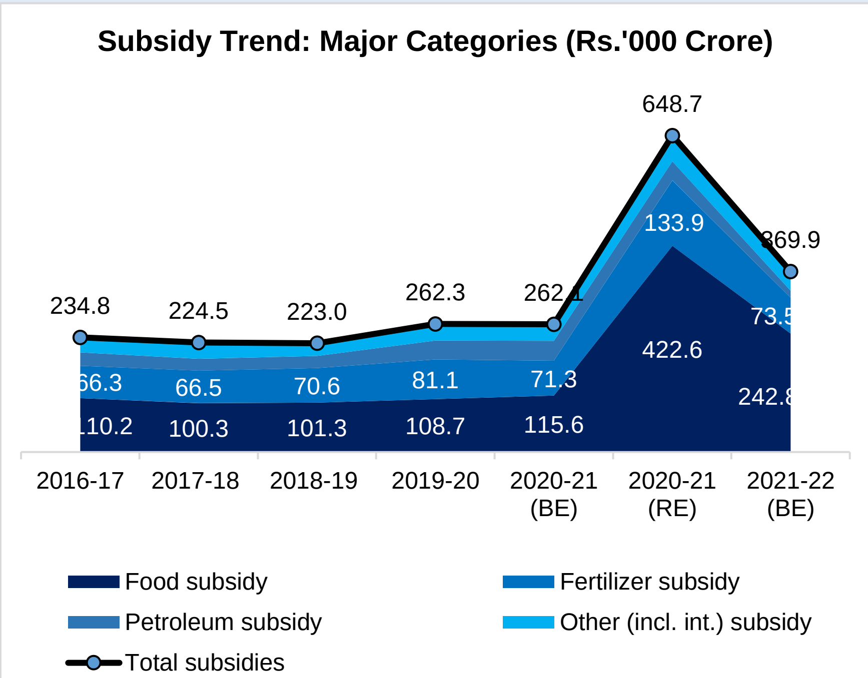
Subsidy burden budgeted to shrink by 1.7 percent in 2021-22



Subsidy burden (as percent of GDP) is budgeted to decline by 1.7 per cent in FY22 over the revised estimates of FY21

After spiking to Rs 6.5 lakh Crore in FY21, the subsidy burden is budgeted to decline by Rs 2.8 lakh Crore to Rs 3.7 lakh Crore in FY22

Total subsidy budgeted to decline on lower food and fertilizer subsidy heads

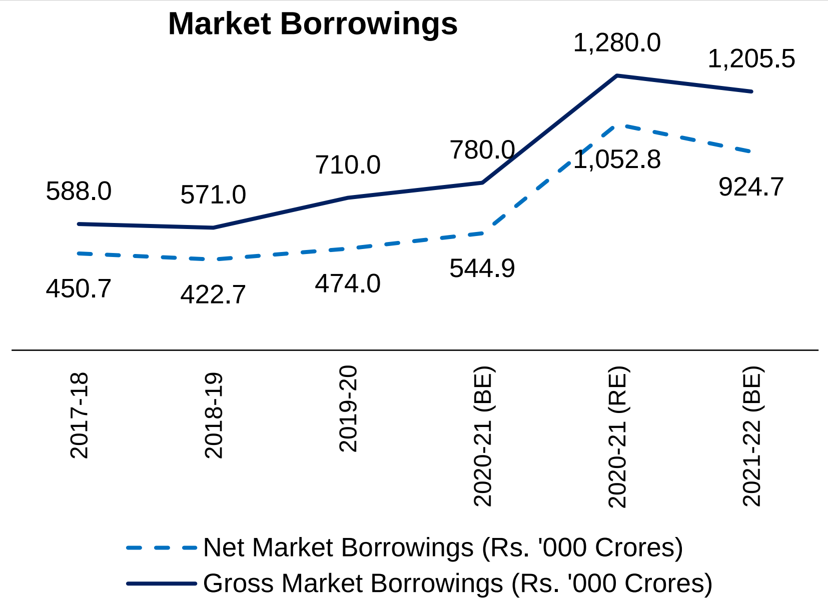


Subsidy burden is budgeted to shrink in FY21 underpinned by a reduction in food and fertilizer subsidy

Food subsidy being the largest share is budgeted to decline by Rs 180 Crore in FY22 compared to revised estimates for FY21

D. Market Borrowings and Debt Servicing

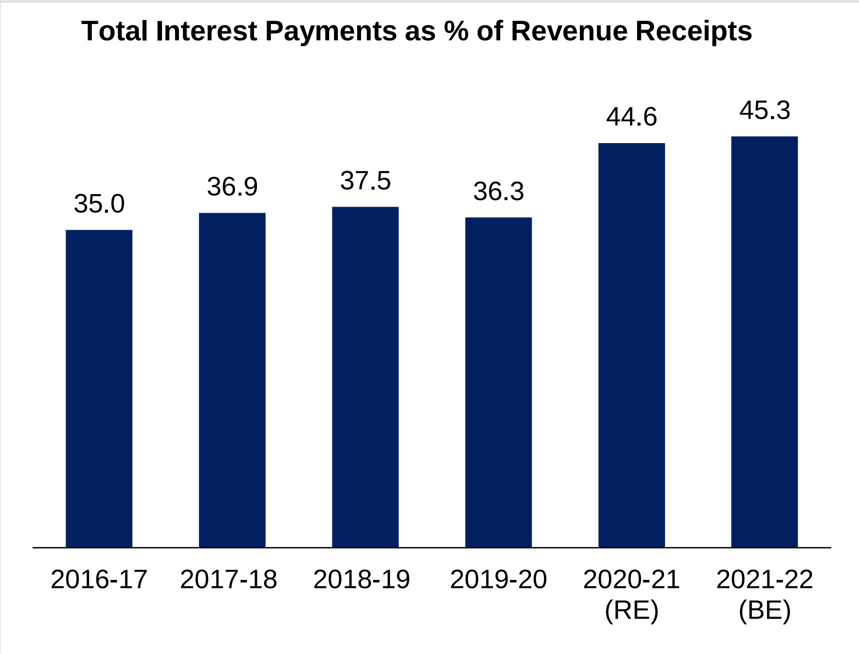
Gross market borrowings budgeted to decline by 5.8 percent in 2021-22



Gross market borrowings are budgeted to contract by 5.8 percent to stand at Rs 12.1 lakh crore in FY22 as compared to revised estimates of Rs 12.8 lakh crore in FY21.

Net market borrowings are also budgeted to contract by Rs 1.3 lakh crore in FY22 as compared to the revised estimates of FY21.

Debt-servicing expected to increase on rising interest payments in 2021-22



Debt servicing as indicated by interest payments as percent of revenue receipts is budgeted to increase by 70 bps to stand at 45.3 percent in FY22.

Interest payments (in absolute terms) are budgeted to rise by 17 per cent in FY22, thus impinging on government's ability to funds various developmental schemes.

Chapter 4

DIRECT TAXES

Chapter 4

DIRECT TAXES

Personal Income Tax

1. Income-tax rates and slabs

- **Regular Scheme of taxation:**

a. No change in Income-tax rates and slabs applicable on individual, Hindu Undivided Family (HUF), Association of Person (AOP), Body of Individual (BOI) and Artificial Juridical Person.

Accordingly, the income tax rates and slabs remain same as applicable last year.

b. For Individuals below 60 years of age

Income	Rate
Upto INR 2,50,000	NIL
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

c. For Senior citizens 60 or more years of age and below 80 years of age

Income	Rate
Upto INR 3,00,000	NIL
INR 3,00,001 to INR 5,00,000	5%
INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

d. For Senior citizens 80 or more years of age

Income	Rate
Upto INR 5,00,000	NIL
INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

e. Surcharge will be payable as follows:

- Surcharge @ 10% of income tax, where total income exceeds INR 50 lakhs upto INR 1 crore
- Surcharge @ 15% of income tax, where total income exceeds INR 1 crore upto INR 2 crores
- Surcharge @ 25% of income tax, where total income exceeds INR 2 crores upto INR 5 crores
- Surcharge @ 37% of income tax, where total income exceeds INR 5 crores

Marginal relief on surcharge will be available as applicable.

Enhanced surcharge of 25% and 37% is not applicable on dividend income and capital gains income under Section 111A and under Section 112A. However, where other income of a person does not exceed INR 2 crores but after including the dividend income and incomes as referred to in section 111A and 112A, the total income exceeds INR 2 crores then irrespective of the amount of other income, surcharge shall be levied at the rate of 15% on the amount of tax payable on both normal income as well as income referred to in dividend income and Section 111A and 112A.

Health and Education Cess will be applicable @ 4% of income tax and surcharge, as computed above.

2. New simplified scheme of taxation (applicable from FY 2020-21 onwards)

- An option to all individuals and HUF under Section 115BAC of the Income Tax Act is provided to pay Income-tax at the reduced slab rates (mentioned below) which are applicable without exemptions & deductions.

a. Income-tax Rates applicable for all individuals (including senior citizens) and HUFs:

Total Income (Rs)	Rate
Upto 2,50,000	Nil
From 2,50,001 to 5,00,000	5%
From 5,00,001 to 7,50,000	10%
From 7,50,001 to 10,00,000	15%
From 10,00,001 to 12,50,000	20%
From 12,50,001 to 15,00,000	25%
Above 15,00,000	30%

b. Following exemptions and deductions would not be available under the new scheme such as:

- Leave travel concession under Section10(5);
- House rent allowance under Section 10(13A);
- Allowances under Section 10(14) except for allowances which are allowed for deduction;
- Allowances to MPs/MLAs under Section 10(17);
- Allowance for income of minor under Section 10(32);
- Exemption for SEZ unit under Section 10AA;
- Standard deduction, deduction for entertainment allowance and employment/professional tax under Section 16;
- Interest under section 24 in respect of self-occupied or vacant property under Section 23(2);
- Loss under the head income from house property for rented house will not be allowed to be set off under any other head and would be allowed to be carried forward;

- Additional deprecation under Section 32(1)(iia);
- Deductions under Section 32AD, 33AB, 33ABA;
- Various deduction for donation for or expenditure on scientific research under Section 35(1) sub-clause (ii) or sub-clause (iia) or sub-clause (iii) of sub-section (1) or sub-section (2AA) of section 35;
- Deduction under section 35AD or section 35CCC;
- Deduction from family pension under Section 57(iia);
- Any deduction under chapter VIA (like section 80C, 80CCC, 80CCD, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80GGC, 80IA, 80-IAB, 80-IAC, 80-IB, 80-IBA, etc).

c. No loss will be allowed to be set-off for:
   - Any loss carried forward of depreciation from past assessment year which resulted from deductions specified above
   - Any loss from "Income under the head "House Property"
   - Any other exemptions or deduction from allowance or perquisites available under any other law
   - Depreciation under Section 32 [except for Depreciation under Section 32(1)(iia)]

d. Deduction under Section 80CCD(2) (employer's share of contribution towards NPS) and Section 80JJAA (for new employment) will be available.

e. Only following allowances notified under Section 10(14) of the Income Tax Act will be allowed to the Individual or HUF exercising option under the proposed scheme:
   - Transport Allowance granted to a divyang employee to meet expenditure for the purpose of commuting between place of residence and place of duty
   - Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office;
   - Any Allowance granted to meet the cost of travel on tour or on transfer;
   - Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty.

f. This section shall apply only if the return is filed on or before the due date.

g. Conditions to exercise the option:
   - Individuals / HUFs, except those having business income, have an option to exercise or withdraw the scheme every year in the Income-tax Return.
   - Individuals / HUFs, having business income, have an option to exercise the scheme in the Income-tax Return. However, once exercised it will be applicable for all subsequent financial years and if withdrawn, the scheme cannot be exercised again except in a case where there is no business income in that financial year.

3. Exemption for LTC Cash Scheme

- In view of the situation arising out of outbreak of COVID pandemic, it is proposed to provide tax exemption to cash allowance in lieu of LTC.
- The conditions for the above exemption shall, inter-alia, be as under:

Condition	Remarks
Applicable for the block	Block year 2018-21
Specified expenditure	Expenditure incurred on goods and services which are liable to tax at 12% or more under GST laws and purchased from a registered GST vendor
Specified period	12 October 2020 to 31 March 2021
Amount of exemption	Lower of INR 36,000 per person or 1/3rd of the expenditure
Mode of payment	The payment must be made through digital mode and employee must produce GST invoice

- No exemption shall be allowed under this clause in respect of same prescribed expenditure to any other individual.
- This amendment shall apply to FY 2020-21 (AY 2021-22) only.

4. Extending time limit for sanctioning of loan for affordable housing for availing deduction under Section 80EEA of the Act for first time home buyers

- In order to continue promoting purchase of affordable housing, the period of sanctioning of loan by the financial institution is proposed to be extended from 31 March 2021 to 31 March 2022.
- The deduction is allowed on interest payable on such housing loan upto INR 1.5 lakh.
- To avail this additional deduction, the following conditions should be satisfied:
  - The stamp duty value of such residential house does not exceed INR 45 lakhs
  - The taxpayer does not own any residential house property on the date of sanction of loan
  - No other deduction will be allowed for such interest under any other provisions of the I-T Act

5. **Relaxation for certain category of senior citizen from filing return of income-tax**

- A relaxation from filing the return of income is proposed for resident senior citizen (aged 75 years or more), if the following conditions are satisfied:-
  - The senior citizen has pension income and no other income, except for interest income from the Bank in which he / she is receiving his pension income;
  - This bank is a specified bank, as may be prescribed later;
  - He / she shall be required to furnish a declaration to the Bank, as may be prescribed later.
- This amendment will take effect from 1 April, 2021.

6. **Amendment in Income-tax return filing due dates**

- Extension of tax filing deadline in some cases

Particulars	Existing provision	Proposed amendment
Due date for filing the return of income in case of spouse of partner of a firm whose accounts are required to be audited under any law, if the provisions of Section 5A applies to them (i.e. taxation if spouses governed by Portuguese Civil Code)	**31 July** of the relevant AY	**31 October** of the relevant AY
Partner of a firm which is required to furnish report from an accountant for entering into international transaction or specified domestic transaction, as per Section 92E of the I-T Act	**31 October** of the relevant AY	**30 November** of the relevant AY
Due date for filing of belated return of income	End of the relevant AY i.e. for FY 2020-21, the due date was 31 Mar 2022	**Three months before** the end of the relevant AY i.e. for FY 2020-21, the due date is proposed to be 31 Dec 2021
Due date for filing of revised return of income	End of the relevant AY i.e. for FY 2020-21, the due date was 31 Mar 2022	**Three months before** the end of the relevant AY i.e. for FY 2020-21, the due date is proposed to be 31 Dec 2021

- Section 139(9) of the I-T Act (defective tax return):

  It is also proposed to notify certain class of taxpayers for whom conditions under which a return of income may be considered as defective and invalid, will not be applicable

- These amendments will take effect from 1 April 2021 onwards.

7. Addressing mismatch in taxation of income from notified overseas retirement fund

- Under the existing provisions, there may be a mismatch in the year of taxation of withdrawal from overseas retirement funds for a person resident in India, who had opened such an account when he / she was a non-resident in India and a resident of that other country.
- In order to remove the genuine hardship faced by the taxpayers in respect of income from such overseas retirement fund account due to mismatch in taxation, it is proposed to notify rules to align the taxation of income arising on specified foreign retirement fund account maintained in specified countries.
- This amendment will take effect from 1 April 2021 onwards.

8. Taxation on redemption of unit linked insurance policy (ULIP) in certain cases

- Under the existing provisions, as per Section 10(10D) of the I-T Act, proceeds received on redemption of a ULIP was exempt, in a case where:
  - Such ULIP was issued on or after 1 April 2012 and where premium amount paid does not exceed 10% of the actual capital sum assured in any year
  - Such ULIP was issued on or after 1 April 2003 but before 1 April 2012 and where premium amount paid does not exceed 20% of the actual capital sum assured in any year
- It is proposed to provide the following:
  - ULIP is proposed to be defined as a life insurance policy which has components of both investment and insurance and is linked to a unit as defined under the Insurance Regulatory and Development Authority of India (Unit Linked Insurance Products) Regulations, 2019.
  - Exemption under Section 10(10D) of the I-T Act will not be available to any ULIP issued on or after 1 February 2021, if the amount of premium payable for any of the previous year during the policy term exceeds INR 250,000. This limit of INR 2.5 lakhs is aggregate of all premiums paid for all ULIPs in the previous year.
  - ULIP to which exemption under Section 10(10D) of the I-T Act is not available (as per above), will qualify as a capital asset and will be chargeable to tax as income from capital gains.

- For the purpose of computation of capital gain, such ULIPs shall be considered as an equity oriented fund and accordingly, the provisions of Section 111A and Section 112A of the I-T Act would apply on sale/redemption of such ULIPs.

- Consequential amendment is proposed to be made to make securities transaction tax (STT) applicable on maturity or partial withdrawal with respect to specified ULIPs.
- This amendment will take effect from 1 April 2021 onwards.

9. Taxability of interest on various funds in some specified cases

- Under the existing provisions, following is considered as exempt:
  - Under Section 10(11) of the I-T Act: Any payment received from a provident fund to which the Provident Funds Act, 1925 applies or from any other provident fund as set-up by the Central Government and notified on its behalf in the Official Gazette (like Public Provident Fund (PPF))
  - Under Section 10(12) of the I-T Act: the accumulated balance of recognised provident fund due and becoming payable, as per rules specified
- It is now proposed that the above stated exemption will not be available to the interest income accrued during the previous year to the extent it relates to the amount or the aggregate of amounts of contributions made by the taxpayer exceeding INR 2.5 lakhs in a previous year in that fund, on or after 1 April 2021.
- The limit of INR 2.5 lakh shall apply to Section 10(11) and Section 10(12) of the I-T Act separately.
- The method of computation of such interest income shall be prescribed separately.
- This amendment will take effect from 1 April 2022 onwards.

10. Pre-filled return of income

- Currently, the return of income is pre-filled with some details such as salary, tax payments, TDS etc. It is proposed to further prefill the return of income for other income – capital gains from listed securities, dividend and interest income from banks, post offices etc.

Corporate Tax

1. Tax rates and Tax Slabs

- Union Budget 2021 introduced on 01st February 2021 has not changed turnover/gross receipt limit from INR 400 crore, for availing lower income tax rate of 25%. Thus, 25% tax rate for FY 2021-22 will be determined basis the turnover for FY 2019-20 (except for those opting for section 115BAA & section 115BAB). In all other cases, rate of income tax shall be 30%.
- Further, there is no change in the levy of surcharge i.e.

  (i) in the case of domestic companies (except for those opting for section 115BAA & section 115BAB) having income exceeding INR 1 crore and up to INR 10 crore, surcharge is to be levied at 7% and if income exceeds INR 10 crore, surcharge is to be levied at 12%; and

  (ii) in the case of foreign companies having income exceeding INR 1 crore and upto INR 10 crore, surcharge is to be levied at 2% and if the income exceeds INR 10 crore, surcharge is to be levied at 5%.

- Marginal relief is provided in surcharge in all cases.
- Additional surcharge called "Health and Education Cess on Income Tax" shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

2. Incentives for affordable rental housing

- The existing provision of the section 80-IBA of the Act provides that where the gross total income of an assessee includes any profits and gains derived from the business of developing and building affordable housing project, there shall, subject to certain conditions specified therein, be allowed a deduction of an amount equal to hundred per cent. of the profits and gains derived from such business. One of the conditions is that the project is approved by the competent authority after the 1st day of June 2016 but on or before the 31st day of March 2021.
- To help migrant labourers and to promote affordable rental, it is proposed to allow deduction under section 80-IBA of the Act also to such rental housing project which is notified by the Central Government in the Official Gazette and fulfils such conditions as specified in the said notification.
- Further, it is also proposed that the outer time limit for 31st March 2021 in this section for getting the affordable housing project approved be extended to 31st March 2022 and same outer time limit be also provided for the proposed affordable rental housing project.

3. **Tax incentives for units located in International Financial Services Centre (IFSC)**

- It is proposed to amend section 9A of the Act, to provide that any one or more of the conditions specified in clauses(a) to (m) of sub-section(3) or clauses (a) to (d) of sub-section (4) of section 9A of the Act shall not apply (or apply with modification) to an eligible investment fund or its eligible fund manager, if the fund manager is located in an International Financial Services Centre and has commenced operations on or before the 31st day of March, 2024;
- It is proposed to amend clause (4D) of section 10 of the Act so as to provide that the exemption under this clause shall also be available in case of any income accrued or arisen to, or received to the investment division of offshore banking unit to the extent attributable to it;
- Explanation (c) in clause 4D of section 10 of the Act which explains the meaning of “specified fund” is proposed to be amended to include under its purview the investment division of offshore banking unit which has been granted a category III AIF registration and fulfils other conditions to be prescribed including the condition of maintaining separate books for its investment division. The investment division of offshore banking unit is proposed to be defined as an investment division of a banking unit of a non-resident located in an International Financial Services Centre and which has commenced operation on or before the 31st day of March, 2024;
- It is also proposed to insert new clause (4E) in section 10 of the Act so as to exempt any income accrued or arisen to, or received by a non-resident as a result of transfer of non-deliverable forward contracts entered into with an offshore banking unit of International Financial Services Centre which commenced operations on or before the 31st day of Mach, 2024 and fulfils prescribed conditions;
- It is also proposed to insert new clause (4F) in section 10 of the Act so as to exempt any income of a non-resident by way of royalty on account of lease of an aircraft in a previous year paid by a unit of an International Financial Services Centre, if the unit is eligible for deduction under section 80LA for that previous year and has commenced operation on or before the 31st day of the March, 2024;
- It is also proposed to insert new clause (23FF) in of section 10 of the Act so as to exempt any income of the nature of capital gains, arising or received by a non-resident, which is on account of transfer of share of a company resident in India by the resultant fund and such shares were transferred from the original fund to the resultant fund in relocation, if capital gains on such shares were not chargeable to tax had that relocation not taken place;
- It is proposed to insert clause (viiac) under section 47 of the Act, to provide that any transfer, in relocation, of a capital asset by the original fund to the resultant fund shall not be considered as transfer for capital gain tax purpose. Further, it is proposed to insert clause (viiad), to provide that any transfer by a shareholder or unit holder or interest holder, in a relocation, of a capital asset being a share or unit or interest

held by him in the original fund in consideration for the share or unit or interest in the resultant fund shall not be treated as transfer for the purpose of capital gains.

- The definition of “Original Fund”, “Relocation” and “Resultant Fund” shall be provided in the Explanation.
- It is also proposed to amend the section 80LA of the Act to:
    - provide that deduction under said section is also available to a unit of International Financial Services Centre if it is registered under the International Financial Services Centre Authority Act, 2019 and thereby removing the earlier requirement of obtaining permission under any other relevant law.
    - provide that the income arising from transfer of an asset, being an aircraft or aircraft engine which was leased by a unit referred to in clause (c) of sub-section (2) of said section to a domestic company engaged in the business of operation of aircraft before such transfer shall also be eligible for 100% deduction subject to condition that the unit has commenced operation on or before the 31st March 2024.
    - to provide that in case the unit is registered under the International Financial Services Centre Authority Act, 2019 then the copy of permission shall mean a copy of the registration obtained under the International Financial Services Centre Authority Act, 2019.
- It is proposed to amend section 115AD to make the provision of this section applicable to investment division of an offshore banking unit in the same manner as it applies to specified fund. However, the provisions of this section shall apply to the extent of income that is attributable to the investment division of such banking unit as a Category-III portfolio investor under the Securities and exchange Board of India (Foreign Portfolio investors) Regulations, 2019 made under the Securities And Exchange Board of India Act, 1992 (15 of 1992), calculated in the prescribed manner.
- This amendment will take effect from 1st April, 2022 and will, accordingly, apply in relation to the assessment year 2022-23 and subsequent assessment years.

4. Issuance of zero-coupon bond by infrastructure debt fund

- In order to enable infrastructure debt fund [which are notified by the Central Government in the Official Gazette under clause (47) of section 10 of the Act] to issue zero coupon bond necessary amendments are proposed in clause (48) of section 2 of the Act. Rules 2F and 8B of Income-tax Rules shall be amendment subsequently after the Finance Bill 2021 is enacted.
- This amendment will take effect from 1st April, 2022 and will, accordingly, apply in relation to the assessment year 2022-23 and subsequent assessment years.

5. **Incentive related to conversion of Urban Cooperative Bank into Banking Company**

- As per section 44DB of the Act, in the case of business re-organisation of cooperative bank, the deduction under section 32, 35D, 35DD and 35DDA is apportioned between the predecessor cooperative bank and successor cooperative bank basis number of days before and after the date of reorganisation. Further, transfer of a capital asset by the predecessor cooperative bank to the successor co-operative bank, as well as transfer of shares by the shareholders in the predecessor co-operative bank, in a case of business reorganization under section 47 of the Act, is also not regarded as transfer.
- Now, since RBI permitted voluntary transition of primary cooperative bank (urban cooperative bank [UCB]) into a banking company the above-mentioned provision of section 44DB and section 47 of the Act is proposed to be extended to the conversion of UCB into Banking Company.
- Necessary amendments to this effect have been proposed in section 44DB and in clause (vica) and clause (vicb) of section 47 of the Act.
- These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

6. **Facilitation of strategic disinvestment of public sector company**

- **It is proposed to amend clause (19AA) of section 2 of the Act to insert Explanation 6 to clarify that the reconstruction or splitting up of a public sector company into separate companies shall be deemed to be a demerger, if**:
    - such reconstruction or splitting up has been made to transfer any asset of the demerged company to the resultant company; and
    - the resultant company is a public sector company on the appointed date indicated in the scheme approved by the Government or any other body authorised under the provisions of the Companies Act, 2013 or any other Act governing such public sector companies in this behalf; and
    - fulfils such other conditions as may be notified by the Central Government in the Official Gazette.
- It is proposed to amend sub-section (1) of section 72A of the Act, to substitute clause (c) to provide that the provision of subsection (1) of section 72A shall also apply in case of amalgamation of one or more public sector company or companies with one or more public sector company or companies
- Further, clause (d) is proposed to be inserted to provide that the provision of sub-section (1) of section 72A shall also apply in case of amalgamation of an erstwhile public sector company with one or more company or companies, if:

- the share purchase agreement entered into under strategic disinvestment restricted immediate amalgamation of the said public sector company; and
- the amalgamation is carried out within five year from the end of the previous year in which the restriction on amalgamation in the share purchase agreement ends.

- Further, proviso is proposed to be inserted after sub-section (1) of section 72A to restrict the amount of accumulated loss and unabsorbed depreciation available to the amalgamated company upto the amount of accumulated loss and unabsorbed depreciation of the public sector company as on the date on which the public sector company ceases to be a public sector company as a result of strategic disinvestment;
- These amendments will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

7. Incentives related to incorporation of start-up and investment in eligible start-up

- Section 80-IAC of the Act, inter alia, provides for a deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years at the option of the assessee.
- The existing provision of eligible start-up would mean a company or a limited liability partnership engaged in eligible business is incorporated before 1st April, 2021.
- **The above-mentioned date i.e. 1st April 2021 has now been proposed to be amended to 1st April, 2022.**
- As per the existing provision of 54GB of the Act, inter-alia, exemption is provided with respect to capital gain arising on account of transfer of residential property, if such consideration is utilised for subscribing the share of an **eligible start-up**. This benefit is available only when the residential property is transferred on or before 31st March, 2021.
- **The above-mentioned date i.e. 31st March 2021 has now been proposed to be amended to 31st March, 2022.**

8. Increase in safe harbour limit of 10% for home buyers and real estate developers selling such residential units

- Proviso to section 43CA provides that where the value adopted/assessed/assessable by the authority for the purpose of payment of stamp duty does not exceed **110 per cent** of the consideration received, the consideration so received or accruing (on transfer of land and building) shall be deemed to be the full value of the consideration for the purposes of computing profits and gains.
- **It is now proposed to increase the above-mentioned safe-harbour limit of 110 percent to 120 percent.**

- Further, section 56(2)(x) of the Act, provides that where the assessee receives any immovable property for a consideration and the stamp duty value of such property exceeds by **10 cent** of the consideration or fifty thousand rupees, whichever is higher, then the stamp duty value of such property exceeding such consideration shall be charged to tax under the head Income from other sources.
- **It is now proposed to increase the above-mentioned safe-harbour limit of 10 percent to 20 percent.**
- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

9. Rationalisation of provisions related to Sovereign Wealth Fund (SWF) and Pension Fund (PF)

- Clause (23FE) of section 10 of the Act provides for the exemption to specified persons from the income in the nature of dividend, interest or long-term capital gains arising from an investment made by it in India.
- In order to rationalise the provision of this clause and to remove the difficulties in meeting some of the conditions, the followings amendments are proposed in the Bill:
    - Allowing Alternate Investment Fund (AIF) to invest up to 50% in non-eligible investments

      Presently SWF/PFs may invest in a Category-I or Category-II Alternative Investment Fund, having 100% investment in eligible infrastructure company. It is proposed to:

        - relax the condition of 100% to 50%.
        - allow the investment by Category-I or Category-II AIF in an Infrastructure Investment Trust (InvIT).
        - Exemption under this clause shall be calculated proportionately, in case if aggregate investment of AIF in infrastructure company or companies or in InvIT is less than 100%.
    - Investment through holding company

      Presently, SWF/PFs are not allowed to invest through holding company. It is proposed to allow the same subject to the following conditions:

        - Holding company should be a domestic company.
        - It should be set up and registered on or after 1st April, 2021.
        - It should have minimum 75% investments in one or more infrastructure companies.

- Exemption under this clause shall be calculated proportionately, in case if aggregate investment of holding company in infrastructure company or companies is less than 100%

- Investment in NBFC- IDF/IFC (non-banking finance company-infrastructure debt fund/Infrastructure finance company)

  Presently, SWF/PFs are not allowed to invest in NBFC-IFC/IDF. It is proposed to allow the same subject to the following conditions:

  - NBFC-IDF/IFC should have minimum 90% lending to one or more infrastructure entities.
  - Exemption under this clause shall be calculated proportionately, in case if aggregate lending of NBFC-IDF or NBFC-IFC in infrastructure company or companies is less than 100%.

- Loan or borrowings by SWF/Pension Fund

  Presently, SWF/PFs are not allowed to have loans or borrowings or deposit or investments as there is a condition that no benefit should enure to private person. It is proposed to provide that there should not be any loan or borrowing for the purpose of making investment in India. It is also proposed to provide that the condition regarding no benefit to private person and assets going to government on dissolution would not apply to any payment made to creditor or depositor for loan taken or borrowing other than for the purpose of making investment in India.

- Commercial activity

  Presently, SWF/PFs are not allowed to undertake any commercial activity. This condition is proposed to be removed and replaced with a condition that SWF/PFs shall not participate in day to day operation of investee. However, appointing director and executive director for monitoring the investment would not amount to participation in day to day operation. The term "investee" is proposed to define to mean a business trust or a company or an enterprise or an entity or a category I or II Alternative Investment Fund or an Infrastructure Investment Trust or a domestic company or an Infrastructure Finance Company or an Infrastructure Debt Fund, in which the SWF or PF, as the case may be, has made the investment, directly or indirectly, under the provisions of this clause.

- Liable to Tax

  Presently, some PFs are liable to tax in their country though given exemption subsequently. It is proposed to amend this sub-clause to provide that if pension fund is liable to tax but exemption from taxation for all its income has been provided by the foreign country under whose laws it is created or established, then such pension fund shall also be eligible.

- Rules to prescribe the method of calculation

  It is also proposed to provide that the Central Government may prescribe the method of calculation of 50% or 75% or 90%referred above.

- This amendment will take effect from 1st April, 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

10. Rationalisation of Minimum Alternate Tax (MAT)

- Since dividend income is now taxable in the hand of shareholders, dividend received by a foreign company and expenditure relatable to such dividend income is required to be reduced and added back for the purposes of calculation of book profit.
- In respect of the same, sub-clause (B) of clause (iid) in Explanation 1, is proposed to be amended to include the dividend besides interest and royalty so that the dividend income is also reduced while computing book profits. Further, sub-clause (B) of clause (fb) in Explanation 1 is also proposed to be amended to add back the expenditure relatable to dividend income arising to a foreign company.
- Further it is proposed to insert sub-section 2D to provide that in cases where past year income is included in books of account during the previous year on account of an APA or a secondary adjustment as per transfer pricing provisions, the Assessing Officer shall, on an application made to him in this behalf by the assessee, recompute the book profit of the past year(s) and tax payable, if any, during the previous year.
- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

11. Exemption of deduction of tax at source on payment of Dividend to business trust in whose hand dividend is exempt

- The second proviso to section 194 provides that the provisions of this section shall not apply to such income credited or paid to certain insurance companies or insurers.
- It is proposed to amend second proviso to section 194 of the Act to further provide that the provisions of this section shall also not apply to such income credited or paid to a business trust by a special purpose vehicle or payment of dividend to any other person as may be notified.
- This amendment will take effect retrospectively from 1st April, 2020.

12. Rationalisation of the provision concerning withholding on payment made to Foreign Institutional Investors (FIIs)

- Section 196D of the Act provides for deduction of tax on income of FII from securities at the rate of 20 per cent. The said section provides for TDS at a specific rate indicated therein and basis principle laid down by Hon'ble Supreme Court in the case of Pilcom (Civil appeal No. 5749 of 2012), there was an apprehension that the deduction is to be made at that specific rate and the benefit of agreement under section 90 or section 90A of the Act cannot be given at the time of tax deduction.

- Unlike section 195 of the Act, the above-mentioned situation is different in cases where the provision mandates TDS at ‘rate in force’. ‘Rate in force’ defined in 2(37A) of the Act allows benefit of agreement under section 90 or section 90A in determining the rate of tax at which the tax is to be deducted at source.
- Therefore, it is proposed to insert a proviso to sub-section 1 of section 196D to provide in case of a payee to whom an agreement referred to in sub-section (1) of section 90 or sub-section (1) of section 90A applies and such payee has furnished the tax residency certificate, then the tax shall be deducted at the rate of twenty per cent or rate or rates of income-tax provided in such agreement, whichever is lower.
- This amendment will take effect from 1st April, 2021.

13. Rationalisation of the provision related to tax audit

- In order to reduce compliance burden on small and medium enterprises, through Finance Act 2020, the threshold limit for a person carrying on business was increased from one crore rupees to five crore rupees in cases where aggregate of all receipts and payments in cash does not exceed 5% of such receipts and payments.
- In order to incentivise non-cash transactions to promote digital economy and to further reduce compliance burden of small and medium enterprises, it is proposed to increase the threshold from five crore rupees to ten crore rupees.
- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

14. Advance tax instalment for dividend income

- The first proviso of the sub section (1) to section 234C of the Act provides for the relaxation from interest under section 234C if shortfall in advance tax is on account of certain specific income.
- Now it is proposed that relaxation of interest under section 234C would also be applied to the shortfall in advance tax which is on account of dividend income except dividend income as per sub-clause (e) of clause (22) of section 2 of the Act.
- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

15. Raising of prescribed limit for exemption under sub-clause (iiiad) and (iiiae) of clause (23C) of section 10 of the Act

- Sub-clause (iiiad) of clause (23C) of the section 10 provides for the exemption for the income received by any person on behalf of university or educational institution as referred to in that sub-clause.

- Further, sub-clause (iiiae) of clause (23C) of the section provides for the exemption for the income received by any person on behalf of hospital or institution as referred to in that sub-clause.
- The exemptions under the said sub-clauses are available subject to the condition that the annual receipts of such university or hospital or institution do not exceed the annual receipts as may be prescribed.
- The presently prescribed limit for these two sub-clauses is **Rs 1 crore** as per Rule 2BC of the Income-tax Rule which has been proposed to be increased to Rs 5 crore.
- Further, an Explanation is proposed to be inserted wherein the above-mentioned limit of Rs 5 crore shall be applicable for an assessee with respect to the **aggregate receipts** from university or universities or educational institution or institutions as referred to in sub-clause (iiiad) **as well as** from hospital or hospitals or institution or institutions as referred to in sub-clause (iiiae).
- This amendment will take effect from 1st April, 2022 and will, accordingly, apply in relation to the assessment year 2022-23 and subsequent assessment years.

16. Rationalisation of provisions related to payment by employer of employee contribution to a fund

- Section 43B specifies the list of deductions that are admissible under the Act only upon their actual payment. Employer's contribution is covered in clause (b) of section 43B. This provision does not cover employee contribution referred to in clause (va) of sub-section (1) of section 36 of the Act.
- Though section 43B of the Act covers only employer‘s contribution and does not cover employee contribution, some courts have applied the provision of section 43B on employee contribution as well. It has now been proposed to amend section 36(1)(va) and 43B of the Act to provide certainty on the said matter.
- Accordingly, it is proposed to amend 36(1)(va) of the Act by inserting another explanation to the said clause to clarify that the provision of section 43B does not apply and deemed to never have been applied for the purposes of determining the “due date” under this clause;
- Further, amendment is proposed in section 43B of the Act by inserting Explanation 5 to clarify that the provisions of the said section do not apply and deemed to never have been applied to a sum received by the assessee from any of his employees to which provisions of sub-clause (x) of clause (24) of section 2.
- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

17. **Dispute Resolution Committee for small and medium taxpayers**

- In order to provide early tax certainty to small and medium taxpayers, it is proposed to introduce a new scheme for preventing new disputes and settling the issue at the initial stage.
- The new scheme is proposed to be incorporated in a new section 245MA and inter-alia has the following features:
    - Central Government would constitute Dispute Resolution Committee (DRC) which shall resolve disputes of such persons or class of person which shall be specified by the Board. The assessee would have an option to opt for or not opt for the dispute resolution through the DRC.
    - Only those disputes where the returned income is **fifty lakh rupee or less** (if there is a return) and the aggregate amount of variation proposed in specified order is ten lakh rupees or less shall be eligible to be considered by the DRC.
    - If the specified order is based on a search initiated under section 132 or requisition made under section 132A or a survey initiated under 133A or information received under an agreement referred to in section 90 or section 90A, of the Act, such specified order shall not be eligible for being considered by the DRC.
    - Assessee would not be eligible for benefit of this provision if there is detention, prosecution or conviction under various laws as specified in the proposed section.
    - The DRC, subject to such conditions as may be prescribed, shall have the powers to reduce or waive any penalty imposable under this Act or grant immunity from prosecution for any offence under this Act in case of a person whose dispute is resolved under this provision.
    - The Central Government has also been empowered to make a scheme by notification in the Official Gazette for the purpose of dispute resolution under this provision. The scheme shall impart greater efficiency, transparency and accountability by eliminating interface to the extent technologically feasible, by optimising utilisation of resources and introducing dynamic jurisdiction. The Central Government may, for the purposes of giving effect to the scheme, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. However, no such direction shall be issued after the 31st day of March, 2023. Every such notification shall, as soon as may be after the notification is issued, be laid before each House of Parliament.
- This amendment will take effect from 1st April, 2021.

18. **Constitution of Board for Advance Ruling**

- Due to large number of pending applications before Authority for Advance Ruling ('AAR'), it is proposed to constitute a Board for Advance Ruling and to make the following amendment in the existing provisions of AAR:
    - The Authority for Advance Rulings shall cease to operate with effect from such date, as may be notified by the Central Government in the Official Gazette.
    - Central Government shall constitute one or more Board for Advance Rulings for giving advance rulings under the said Chapter on and after the notified date.
    - Advance rulings of such Board shall not be binding on the applicant or the Department and if aggrieved, the applicant or the Department may appeal against the ruling or order passed by the Board before the High Court.
    - Since the work of Authority shall be carried out by the Board for Advance Rulings on and after the notified date, amendments are proposed to be made to the various provisions of the Chapter to this effect.
    - Pending application with the Authority i.e. in respect of which order under section 245R(2) or section 245R(4) has not been passed before the notified date shall be transferred to the Board for Advance Rulings along with all records, documents or material, by whatever name called and shall be deemed to be records before the Board for all purpose.
    - Section 245-OB shall be inserted to provide for the constitution of the Board of Advance Rulings.
    - Section 245P, 245R, 245T and 245U is proposed to be amended to provide that on or from the notified date, the provisions of the said section shall have effect as if for the words "Authority", the words "Board for Advance Rulings" had been substituted.
    - Central Government is also proposed to be empowered to make a scheme by notification in the Official Gazette for the purpose of giving advance ruling by Board of Advance Ruling under this provision. The scheme shall impart greater efficiency, transparency and accountability by eliminating interface to the extent technologically feasible, by optimising utilisation of resources and introducing dynamic jurisdiction. The Central Government may, for the purposes of giving effect to the scheme, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. However, no such direction shall be issued after the 31st day of March, 2023. Every such notification shall, as soon as may be after the notification is issued, be laid before each House of Parliament.
    - Section 245V is proposed to be amended to provide that nothing contained in the said section shall apply on and after the notified date;

- A new section 245W is proposed to be inserted to provide for appeal to High Court against the order passed or ruling pronounced by the Board for Advance Ruling. This appeal can be filed by the applicant as well as by the Department. Such appeal shall be filed within sixty days from the date of the communication of such ruling or order, in such form and manner as may be prescribed. However, where the High Court is satisfied, on an application made in this behalf, that the appellant was prevented by sufficient cause from presenting the appeal within the period specified in this section, it may allow a further period of thirty days for filing such appeal. The Central Government shall be empowered to notify a scheme for filing of appeal by the Assessing Officer so as to impart greater efficiency, transparency and accountability by optimising utilisation of the resources through economies of scale and functional specialisation; introducing a system with dynamic jurisdiction. The Central Government may, for the purposes of giving effect to the scheme, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. However, no such direction shall be issued after the 31st day of March, 2023. Every such notification shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

- This amendment will take effect from 1st April, 2021.

19. Income escaping assessments and search assessments

- The bill proposes a completely new procedure of assessment of such cases. It is expected that the new system would result in less litigation and would provide ease of doing business to taxpayers as there is a reduction in time limit by which a notice for assessment or reassessment or re-computation can be issued. The salient features of new procedure are as under:
    - The provisions of section 153A and section 153C, of the Act are proposed to be made applicable to only search initiated under section 132 of the Act or books of accounts, other documents or any assets requisitioned under section 132A of the Act, on or before 31st March 2021. Where such search or requisition is made after 31 March 2021, the same shall be under new procedure.
    - It is proposed to provide that any information which has been flagged in the case of assessee for the relevant assessment year in accordance with the risk management strategy formulated by the Board shall be considered as information which suggests that the income chargeable to tax has escaped assessment. The flagging would largely be done by the computer-based system.
    - A final objection raised by the Comptroller and Auditor General of India to the effect that the assessment in the case of the assessee for the relevant assessment year has not been in accordance with the provisions of the Act shall

also be considered as information which suggests that the income chargeable to tax has escaped assessment

- In search, survey or in survey or requisition cases initiated or made or conducted, on or after 1st April, 2021, it shall be deemed that the Assessing officer has information which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the three assessment years immediately preceding the assessment year relevant to the previous year in which the search is initiated or requisition is made or any material is seized or requisitioned or survey is conducted.
- New Section 148A of the Act proposes that before issuance of notice the Assessing Officer shall conduct enquiries, if required, and provide an opportunity of being heard to the assessee. After considering his reply, the Assessing Office shall decide, by passing an order, whether it is a fit case for issue of notice under section 148 and serve a copy of such order along with such notice on the assessee. The Assessing Officer shall before conducting any such enquiries or providing opportunity to the assessee or passing such order obtain the approval of specified authority. However, this procedure of enquiry, providing opportunity and passing order, before issuing notice under section 148 of the Act, shall not be applicable in search or requisition cases
- The time limitation for issuance of notice under section 148 of the Act is proposed to be provided in section 149 of the Act and is as below:
  - No notice shall be issued if three years have elapsed from the end of the relevant assessment year except in certain specific cases.
  - In specific cases, where the Assessing Officer has in his possession evidence which reveal that the income escaping assessment, represented in the form of asset, amounts to or is likely to amount to fifty lakh rupees or more, notice can be issued beyond the period of three year but not beyond the period of ten years from the end of the relevant assessment year;
  - Notice under section 148 of the Act cannot be issued at anytime for assessment year beginning on or before 1 April 2021, if such notice couldn't have been issued at that time on account of being beyond the time limit prescribed under provisions of section 149(1)(b) (as they stood before amendment)
  - Considering that assessment or reassessment or re-computation in search or requisition cases (where such search or requisition is initiated or made on or before 31 March 2021) are to be carried out as per provisions of section 153A, 153B, 153C and 153D of the Act, the aforesaid time limits shall not apply to such cases.
  - It is further proposed that for the purposes of computing the period of limitation for issue of section 148 notice, the time or extended time allowed

to the assessee in providing opportunity of being heard or period during which such proceedings before issuance of notice under section 148 are stayed by an order or injunction of any court, shall be excluded. If after excluding such period, time available to the Assessing Officer for passing order, about fitness of a case for issue of 148 notice, is less than seven days, the remaining time shall be extended to seven days.

- The specified authority for approving enquiries, providing opportunity, passing order under section 148A of the Act and for issuance of notice under section 148 of the Act are proposed to be:
  - Principal commissioner or Principal Director or Commissioner or Director, if three years or less than three years have elapsed from the end of the relevant assessment year.
  - Considering Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General, if more than three years have elapsed from the end of the relevant assessment year.
- Once assessment or reassessment or re-computation has started the Assessing officer is proposed to be empowered (as at present) to assess or reassess the income in respect of any issue which has escaped assessment and which comes to his notice subsequently in the course of the proceeding under this procedure notwithstanding that the procedure prescribed in section 148A was not followed before issuing such notice for such income.

- This amendment will take effect from 1 April 2021.

20. Allowing prescribed authority to issue notice under clause (i) of sub-section (1) of section 142

- Section 142(1) of the Act gives Assessing Officer the authority to issue notice to an assessee, who has not submitted a return of income, asking for submission of return. This power can currently be invoked only by Assessing Officer.
- The Central Government is following a conscious policy of making all the processes under the Act, where physical interface with the assessee is required, fully faceless by eliminating person to person interface between the taxpayer and the Department. In line with this policy, and in order to enable centralized issuance of notices etc. in an automated manner, it is proposed to amend the provisions of clause (i) of the sub-section (1) of the section 142 to empower the prescribed income-tax authority besides the Assessing Officer to issue notice under the said clause.
- This amendment will take effect from 1 April 2021.

21. **Provision for faceless proceedings before the Income-tax Appellate Tribunal ('ITAT') in a jurisdiction less manner**

- In order to impart greater efficiency, transparency and accountability to the assessment process, appeal process and penalty process under the Act a new faceless assessment scheme, faceless appeal scheme and faceless penalty scheme have already been introduced. Further, vide Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 the Central Government has been empowered to notify similar schemes in respect of many other processes under the Act that require a physical interface with the taxpayers.

  It is proposed to insert new sub-sections in the section 255 of the Act so as to provide that the Central Government may notify a scheme for the purposes of disposal of appeal by the ITAT so as to impart greater efficiency, transparency and accountability by

  - Eliminating the interface between ITAT and parties to the appeal to the extent technologically feasible:
  - Introducing an appellate system with dynamic jurisdiction. It is also proposed to to empower the Central Government, for the purpose of giving effect to the scheme made under the proposed sub-section, for issuing notification in the Official Gazette, to direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. Such directions are to be issued on or before 31st March, 2023. It is proposed that every notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

- This amendment will take effect from 1 April 2021.

22. **Discontinuance of Income-tax settlement commission**

- It is proposed to discontinue Income-tax Settlement Commission (ITSC) and to constitute Interim Board of settlement for pending cases. The various amendments proposed are as under:

  - ITSC shall cease to operate on or after 1 February 2021 and no application under section 245C of the Act for settlement of cases shall be made on or after 1 February 2021;
  - All applications that were filed under section 245C of the Act and not declared invalid under sub-section (2C) of section 245D of the Act and in respect of which no order under section 245D(4) of the Act was issued on or before the 31 January, 2021 shall be treated as pending applications
  - Where in respect of an application, an order, which was required to be passed by the ITSC under section 245(2C) of the Act on or before the 31st day of January, 2021 to declare an application invalid but such order has not been passed on or

before 31st January, 2021, such application shall be deemed to be valid and treated as pending application.

- The Central Government shall constitute one or more Interim Board for Settlement (hereinafter referred to as the Interim Board), as may be necessary, for settlement of pending applications. Every Interim Board shall consist of three members, each being an officer of the rank of Chief Commissioner, as may be nominated by the Board. If the Members of the Interim Board differ in opinion on any point, the point shall be decided according to the opinion of majority.
- From 1 February 2021 and onwards, provisions related to exercise of powers or performance of functions by ITSC like provisional attachment, exclusive jurisdiction etc. shall apply mutatis mutanda to the Interim Board for the purpose of disposal of pending applications. However, where the time limit for amending any order of filing of rectification application under section section 245(6B) of the Act expires on or after 1st February 2021, in computing the period of limitation, the period commencing from 1st February 2021 and ending on the end of the month in which the Interim Board is constituted shall be excluded and the remaining period shall be extended to sixty days, if less than sixty days.
- With respect to a pending application, the assessee who had filed such application may, at his option, withdraw such application within a period of three months from the date of commencement of the Finance Act, 2021 and intimate the Assessing Officer, in the prescribed manner, about such withdrawal.
- Where the option for withdrawal of application is not exercised by the assessee within the time allowed, the pending application shall be deemed to have been received by the Interim Board on the date on which such application is allotted or transferred to the Interim Board.
- The Board may, by an order, allot any pending application to any Interim Board and may also transfer, by an order, any pending application from one Interim Board to another Interim Board.
- Where the pending application is allotted to an Interim Board or transferred to another Interim Board subsequently, all the records, documents or evidences, with whatever name called, with the ITSC shall be transferred to such Interim Board and shall be deemed to be the records before it for all purposes.
- Where the assessee exercises the option to withdraw his application, the proceedings with respect to the application shall abate on the date on which such application is withdrawn and the Assessing Officer, or, as the case may be, any other income-tax authority before whom the proceeding at the time of making the application was pending, shall dispose of the case in accordance with the provisions of this Act as if no application under section 245C of the Act had been made. However, for the purposes of the time-limit under sections 149, 153,

153B, 154 and 155 and for the purposes of payment of interest under section 243 or 244 or, as the case may be, section 244A, for making the assessment or reassessment, the period commencing on and from the date of the application to the ITSC under section 245C of the Act and ending with the date on which application is withdrawn shall be excluded. Further, the income-tax authority shall not be entitled to use the material and other information produced by the assessee before the ITSC or the results of the inquiry held or evidence recorded by the ITSC in the course of proceeding before it. However, this restriction shall not apply in relation to the material and other information collected, or results of the inquiry held or evidence recorded by the Assessing Officer, or, as the case may be, other income-tax authority during the course of any other proceeding under this Act irrespective of whether such material or other information or results of the inquiry or evidence was also produced by the assessee or the Assessing officer before the ITSC.

  - The Central Government may make a scheme, by notification in the Official Gazette, for the purposes of settlement in respect of pending applications by the Interim Board, so as to impart greater efficiency, transparency and accountability by eliminating the interface between the Interim Board and the assessee in the course of proceedings to the extent technologically feasible; optimising utilisation of the resources through economies of scale and functional specialisation; and introducing a mechanism with dynamic jurisdiction. The Central Government may, for the purposes of giving effect to the said scheme, by notification in the Official Gazette, direct that any of the provisions of this Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. However, no such direction shall be issued after the 31st March 2023. Every such notification issued shall, as soon as may be after the notification is issued, be laid before each House of Parliament.

- The above amendments will take effect from 1 February 2021.

23. Reduction of time limit for completing assessment

- As per the existing provision of section 153 of the Act, the time limit for completion of assessment proceedings under sections 143 or 144 of the Act is 12 months from A.Y. 2019-20 onwards.
- Since, assessment procedure is now conducted in a completely faceless and jurisdiction-less way where all internal and external communication is made electronically and different aspects of the assessment procedure like verification, scrutiny of books of accounts etc. are carried on by different units has resulted in saving of time.
- Considering the above it is proposed to further reduce the time limit from **12 months to 9 months** for AY 2021-21 and onwards.

24. **Rationalisation of the provision of Charitable Trust and Institutions to eliminate possibility of double deduction while calculating application or accumulation**

- Instances have come to notice where charitable, religious trusts etc. claim corpus donations to be exempt and at the same time claim their application as part of mandatory 85% application from income other than such corps. This results in a situation here corpus income has been exempted and its application has been claimed as application against the mandatory 85% application of non-corpus income.

  Further, in certain cases these entities take loans or borrowings and make application for charitable or religious purposes out of the proceeds of loans and borrowings. Such loans or borrowings when repaid, are again claimed as deduction. The results in unintended double deduction.

  To ensure that there is no double counting while calculating application or accumulation, it has been proposed that:

  - Voluntary contributions made with a specific direction that it shall form part of the corpus shall be invested or deposited in one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus.
  - Application out of corpus shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when it is invested or deposited back, into one or more of the forms or modes specified in sub-section (5) of section 11 maintained specifically for such corpus from the income of the previous year, such amount shall be allowed as application in the previous year in which it is deposited back to corpus to the extent of such deposit or investment.
  - Application from loans and borrowings shall not be considered as application for charitable or religious purposes for the purposes of third proviso of clause (23C) and clauses (a) and (b) of section 11. However, when loan or borrowing is repaid from the income of the previous year, such repayment shall be allowed as application in the previous year in which it is repaid to the extent of such repayment.
  - Clarify in both clause (23C) of section 10 and section 11 that for the computation of income required to be applied or accumulated during the previous year, no set off or deduction or allowance of any excess application, of any of the year preceding the previous year, shall be allowed.
- These amendments will take effect from 1 April 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

25. **Rationalisation of provisions of slump sale**

- A transfer which 'in effect and substance' is by way of sale is also covered in definition of slump sale under section 50B of the Act as interpreted by various courts. However, it is still seen that tax avoidance schemes are drawn to defeat the intent of this provision and Courts can always intervene to find the true substance and purpose of section 50B of the Act.
- In order to make the intention clear, it is proposed to amend the scope of definition of the term 'slump sale' by amending the provision of clause (42C) of section 2 of the Act so that all types of transfer as defined in clause (47) of section 2 of the Act are included within this scope.
- This amendment will take effect from the 1 April 2021 and shall accordingly apply to the assessment year 2021-22 and subsequent assessment years.

26. **Rationalisation of provision of transfer of capital assets to partner on dissolution or reconstitution**

- There is a uncertainty regarding applicability of provisions of section 45(4) to a situation where assets are revalued or self-generated assets are recorded in the books of accounts and payment is made to partner or member which is in excess of his capital contribution.
- Hence, it is proposed to substitute the existing sub-section (4) of section 45 of the Act with a new sub-section (4) and also insert a new sub-section (4A) to this section. New proposed sub-section (4) of section 45 of the Act applies in a case where a specified person who receives during the previous year any capital asset at the time of dissolution or reconstitution of the specified entity. The capital asset represents the balance in the capital account of such specified person in the books of the specified entity at the time of its dissolution or reconstitution.

  In this situation, the profit and gains arising from the receipt of such capital asset by the specified person shall be chargeable to income-tax as income of the specified entity under the head —capital gains and shall be deemed to be the income of such specified entity of the previous year in which the capital asset was received by the specified person.

  For the purposes of section 48 of the Act, the fair market value of the capital asset on the date of such receipt shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset. The balance in the capital account of the specified person in the books of account of the specified entity is to be calculated without taking into account increase in the capital account of the specified person due to revaluation of any asset or due to self-generated goodwill or any other self-generated asset.
- New proposed section sub-section (4A) of section 45 of the Act applies in a case where a specified person receives during the previous year any money or other asset

at the time of dissolution or reconstitution of the specified entity. The money or other asset is required to be in excess of the balance in the capital account of such specified person in the books of accounts of the specified entity at the time of its dissolution or reconstitution. In this situation, the profits or gains arising from the receipt of such money or other asset by the specified person shall be chargeable to income-tax as income of the specified entity under the head "Capital gains" and shall be deemed to be the income of such specified entity of the previous year in which the money or other asset was received by the specified person. For the purposes of section 48 of the Act,

- Value of the money or the fair market value of other asset on the date of such receipt shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of the capital asset; and
- The balance in the capital account of the specified person in the books of accounts of the specified entity at the time of its dissolution or reconstitution shall be deemed to be the cost of acquisition.

  The balance in the capital account of the specified person in the books of account of the specified entity is to be calculated without taking into account increase in the capital account of the specified person due to revaluation of any asset or due to self-generated goodwill or any other self-generated asset.

- Specified person is proposed to be defined as a person who is partner of a firm or member of other association of persons or body of individuals (not being a company or a cooperative society), in any previous year;
- Specified entity is proposed to be defined as a firm or other association of persons or body of individuals (not being a company or a cooperative society); and
- Self-generated goodwill and —self –generated assets are proposed to be defined as goodwill or asset, as the case may be, which has been acquired without incurring any cost for purchase or which has been generated during the course of the business or profession.
- Consequential amendment is also proposed in section 48 of the Act to provide that in case of specified entity, the amount included in the total income of such specified entity under sub-section (4A) of section 45 which is attributable to the capital asset being transferred, shall be reduced from the full value of the consideration to compute income charged under the head —capital gains. This is to be calculated in the manner to be prescribed later. This is to mitigate the double taxation which may have happened but for this provision in a situation where an asset which was revalued and for which income under the proposed sub-section (4A) of section 45 of the Act was brought to tax is transferred subsequently by the specified entity.
- These amendments will be effective from the 1 April 2021 and will accordingly apply to the assessment year 2021-22 and subsequent assessment years.

27. Provisional attachment in Fake invoice cases

- Section 281B of the Act contains provisions which provide that in cases of assessment or reassessment the Assessing Officer may provisionally attach any property of the assessee, if necessary, in order to protect the interest of revenue. This can be done only with prior approval of Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General or Principal Commissioner or Principal Director or Commissioner or Director, of Income-tax. Such provisional attachment is valid for a period of 6 months.
- Section 271AAD of the Act was inserted vide the Finance Act, 2020 to impose penalty on a person or a person who causes such person to make a false entry or omit an entry from his books of accounts. It is an anti-abuse provision. Upon initiation of such penalty proceedings, it is highly likely that the taxpayer may also evade the payment of such penalty, if imposed. Hence, in order to protect the interest of revenue, it is proposed to amend the provision of section 281B of the Act to enable the Assessing Officer to exercise the powers under this section during the pendency of proceedings for imposition of penalty under section 271AAD of the Act, if the amount or aggregate of amounts of penalty imposable is likely to exceed two crore rupees.
- This amendment will take effect from 1 April 2021.

28. Rationalisation of provisions of Equalisation Levy

- It is seen that there is need for some clarification to correctly reflect the intention of various provisions concerning equalisation levy on e-commerce supply of goods or services. Hence, it is proposed to carry out the following amendments in Finance Act, 2016.
  - Insert an Explanation to section 163 of the Finance Act, 2016, clarifying that consideration received or receivable for specified services and consideration received or receivable for e-commerce supply or services shall not include consideration which are taxable as royalty or fees for technical services in India under the Income-tax Act read with the agreement notified by the Central Government under section 90 or section 90A of the Income-tax Act.
  - Insert an Explanation to clause (cb) of section 164 of the Finance Act, 2016, providing that for the purposes of defining e-commerce supply or service, online sale of goods‖ and —online provision of services shall include one or more of the following activities taking place online:
    - Acceptance of offer for sale;
    - Placing the purchase order;
    - Acceptance of the Purchase order;
    - Payment of consideration; or
    - Supply of goods or provision of services, partly or wholly

- Amend section 165A of the Finance Act, 2016, to provide that consideration received or receivable from e-commerce supply or services shall include:
    - consideration for sale of goods irrespective of whether the e-commerce operator owns the goods; and
    - consideration for provision of services irrespective of whether service is provided or facilitated by the e-commerce operator.

  These amendments will take effect retrospectively from 1 April 2020.
- It is also proposed to amend section 10(50) of the Act to -
    - provide that section 10(50) will apply for the e-commerce supply or services made or provided or facilitated on or after 1 April 2020.
    - clarify that exemption under section 10(50) will not apply for royalty or fees for technical services which is taxable under the Act read with the agreement notified by the Central Government under section 90 or section 90A of the Act.
    - define e-commerce supply or services under section 10(50) as the meaning assigned to it in clause (cb) of section 164 of Chapter VIII of the Finance Act,2016.

- This amendment will take effect from 1 April 2021 and will accordingly apply to the assessment year 2021-22 and subsequent years.

29. Depreciation on Goodwill

- It has been decided to propose that goodwill of a business or profession will not be considered as a depreciable asset and there would not be any depreciation on goodwill of a business or profession in any situation. In a case where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be considered as cost of acquisition for the purpose of computation of capital gains under section 48 of the Act subject to the condition that in case depreciation was obtained by the assessee in relation to such goodwill prior to the assessment year 2021-22, then the depreciation so obtained by the assessee shall be reduced from the amount of the purchase price of the goodwill.
- Therefore, to give effect to the above decision, it has been proposed to,
    - amend clause (11) of section 2 of the Act to provide that block of asset shall not include goodwill of a business or profession;
    - amend clause (ii) of sub-section (1) of section 32 of the Act to provide that goodwill of a business or profession shall not be considered as an asset for the purpose of the said clause and therefore not eligible for depreciation. Further, it is also proposed to amend Explanation 3 to sub-section (1) of the said section to

provide that goodwill of a business or profession shall not be considered as an asset for the said sub-section.

- amend section 50 of the Act to provide that in a case where goodwill of a business or profession formed part of a block of asset for the assessment year beginning on the 1 April 2020 and depreciation has been obtained by the assessee under the Act, the written down value of that block of asset and short term capital gain, if any, shall be determined in the manner as may be prescribed.
- amend section 55 of the Act by substituting clause (a) of sub-section (2) to provide that in relation to a capital asset, being goodwill of a business or profession, or a trade mark or brand name associated with a business or profession, or a right to manufacture, produce or process any article or thing, or right to carry on any business or profession, or tenancy rights, or stage carriage permits, or loom hours,—
  - in the case of acquisition of such asset by the assessee by purchase from a previous owner, means the amount of the purchase price; and
  - in the case falling under sub-clause (i) to (iv) of sub-section (1) of section 49 and where such asset was acquired by the previous owner (as defined in that section) by purchase, means the amount of the purchase price for such previous owner; and
  - in any other case, shall be taken to be nil
- provide that in case of goodwill of business or profession acquired by the assessee by way of purchase from a previous owner (either directly or through modes specified under sub-clause (i) to (iv) of sub-section (1) of section 49) and any deduction on account of depreciation under section 32 of the Act has been obtained by the assessee in any previous year preceding the previous year relevant to the assessment year commencing on or after the 1 April 2021, then the cost of acquisition will be the purchase price as reduced by the depreciation so obtained by the assessee before the previous year relevant to assessment year commencing on 1 April 2021.

- This amendment will take effect from 1st April, 2022 and will, accordingly, apply in relation to the assessment year 2022-23 and subsequent assessment years.

30. Processing of returned income and issuance of notice under sub-section (2) of section 143 of the Act

- It is proposed to amend the following provisions of sub-section (1) of section 143 of the Act:
  - Amend sub-clause (iv) of clause (a) of sub-section (1) of the section 143 of the Act, to allow for the adjustment on account of increase in income indicated in the audit report but not taken into account in computing the total income.

- Amend sub-clause (v) of clause (a) of sub-section (1) of the section 143 of the Act so as to give consequential effect to amendment carried out in section 80 AC vide Finance Act, 2018.
- Amend the provisions of section 143 to reduce the time limit for sending intimation under sub-section (1) of section 143 of the Act from one year to nine months from the end of the financial year in which the return was furnished.

- Consequently, it is also proposed to reduce the time limit for issue of notice under sub-section (2) of section 143 of the Act from six months to three months from the end of the financial year in which the return is furnished.
- These amendments will take effect from 1st April, 2021

31. Adjudicating authority under the Prohibition of Benami Property Transactions (PBPT) Act

- It is proposed to provide that the Competent Authority constituted under sub-section (1) of section 5 of the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 (SAFEMA) shall be the Adjudicating Authority under the PBPT Act which shall commence discharging the function from 1st July, 2021. As the said Adjudicating Authority under PBPT Act is proposed to commence the discharging the functions from 1st July, 2021, it is proposed to extend the period of limitation under sub-section (7) of section 26 of the PBPT Act to provide that where the time limit for passing order under subsection (7) of section 26 of the PBPT Act expires during the period beginning from 1st July, 2021 and ending on 29th September, 2021, the time limit for passing such order shall stand extended to 30th September, 2021.
- This amendment will take effect from 1st July, 2021.

32. Rationalization of the provision of presumptive taxation for professionals under section 44ADA

- The provisions of section 44ADA of the Act were made applicable to individual, Hindu undivided family (HUF) and partnership firm but not a Limited Liability Partnership (LLP) as defined under clause (n) of sub-section (1) of section 2 of Limited Liability Partnership Act, 2008. This is for the reason that LLP are required to maintain books of accounts in any case under LLP Act.
- It is proposed to make this position clear in the law. Hence it is proposed to amend sub-section (1) of section 44ADA of the Act to provide that the provision of this section shall apply to an assessee, being an individual, HUF or partnership firm, not being an LLP as defined under clause (n) of sub-section (1) of section 2 of Limited Liability Partnership Act, 2008. All other provisions like being a resident in India engaged in a profession referred to in sub-section (1) of section 44AA and whose total gross receipts do not exceed fifty lakh rupees in a previous year, shall remain same.

- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

33. Clarification regarding the scope of Vivad se Vishwas (VsV) Act, 2020

- With a view to remove any ambiguity, it is proposed to amend the provisions of VsV Act to clarify the original legislative intent for which the definitions of "appellant" in section 2(1)(a), "disputed tax" in section 2(1)(j) and "tax arrear" in section 2(1)(o), of the VsV Act are proposed to be amended by way of removal of doubts by this Finance Bill.
- The said amendments are proposed to take effect retrospectively from the 17th March 2020.

34. Definition of the term "Liable to tax"

- The Act currently does not define the term "liable to tax" though this term is used in section 6, in clause (23FE) of section 10 and various agreements entered into under section 90 or section 90A of the Act. Hence, it is proposed to insert clause (29A) to section 2 of the Act providing its definition. The term "liable to tax" in relation to a person means that there is a liability of tax on that person under the law of any country and will include a case where subsequent to imposition of such tax liability, an exemption has been provided.
- This amendment will take effect from 1st April, 2021 and will, accordingly, apply in relation to the assessment year 2021-22 and subsequent assessment years.

35. Income Declaration Scheme (IDS) amendment

- A proviso was inserted in section 191 of the Finance Act, 2016 vide Finance (No. 2) Act, 2019 empowering the Board to specify a class of persons to whom such tax paid in excess shall be refundable. It is now proposed to amend the proviso of section 191 of the Finance Act, 2016, so as to provide that the excess amount of tax, surcharge or penalty paid in pursuance of a declaration made under the Scheme shall be refundable to the specified class of persons without payment of any interest.
- This amendment will take effect retrospectively from 1st June, 2016.

36. Tax Deduction at Source (TDS) on purchase of goods

- It is proposed to provide for TDS by person responsible for paying any sum to any resident for purchase of goods. The rate of TDS is kept very low at 0.1%. To ensure that compliance burden is only on those who can comply with it, it is proposed that the tax is only required to be deducted by those person (i.e. "buyer") whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the purchase of goods is carried out. Central Government is proposed to be empowered by notification in the Official Gazette to exempt a person from obligation under this section on fulfilment of conditions as may be specified in that notification.

- Tax is required to be deducted by such person, if the purchase of goods by him from the seller is of the value or aggregate of such value exceeding fifty lakh rupees in the previous year. It is also proposed to provide that the provisions of this section shall not apply to,-
    - a transaction on which tax is deductible under any provision of the Act; and
    - a transaction, on which tax is collectible under the provisions of section 206C other than transaction to which sub-section (1H) of section 206C applies.
- This means, if on a transaction a TDS or tax collection at source (TCS) is required to be carried out under any other provision, then it would not be subjected to TDS under this section. There is one exception to this general rule. If on a transaction TCS is required under sub-section (1H) of section 206C as well as TDS under this section, then on that transaction only TDS under this section shall be carried out.
- It is also proposed to consequentially amend sub-section (1) of section 206AA of the Act and insert second proviso to further provide that where the tax is required to be deducted under section 194Q and Permanent Account Number (PAN) is not provided, the TDS shall be at the rate of five per cent.
- These amendments will take effect from 1st July, 2021.

37. TDS/TCS on non-filer at higher rates

- It is proposed to insert a new section 206AB in the Act as a special provision providing for higher rate for TDS for the non-filers of income-tax return. Similarly, it is proposed to insert a section 206CCA in the Act as a special provision for providing for higher rate of TCS for non-filers of income-tax return.
- Proposed section 206AB of the Act would apply on any sum or income or amount paid, or payable or credited, by a person (herein referred to as deductee) to a specified person. This section shall not apply where the tax is required to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act. The proposed TDS rate in this section is higher of the followings rates:-
    - twice the rate specified in the relevant provision of the Act; or
    - twice the rate or rates in force; or
    - the rate of five per cent
- If the provision of section 206AA of the Act is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA of the Act.
- Proposed section 206CCA of the Act would apply on any sum or amount received by a person (herein referred to as collectee) from a specified person. The proposed TCS rate in this section is higher of the following rates:-

- twice the rate specified in the relevant provision of the Act; or
- the rate of five percent

- If the provision of section 206CC of the Act is applicable to a specified person, in addition to the provision of this section, the tax shall be collected at higher of the two rates provided in this section and in section 206CC of the Act.
- The specified person is a person who has not filed the returns of income for both of the two assessment years relevant to the two previous years which are immediately before the previous year in which tax is required to be deducted or collected, as the case may be. Further the time limit for filing tax return under sub-section (1) of section 139 of the Act has expired for both these assessment years. There is another condition that aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in each of these two previous years. Specified person shall not include a non-resident who does not have a permanent establishment in India. Consequential amendment is proposed in sub-section (4) of section 194-IB of the Act
- This amendment will take effect from 1st July, 2021.

38. Taxability of Interest on various funds where income is exempt

- It is proposed to insert proviso to clause(11) and clause (12) of section 10 of the Act, providing that the provisions of these clauses shall not apply to the interest income accrued during the previous year in the account of the person to the extent it relates to the amount or the aggregate of amounts of contribution made by the person exceeding two lakh and fifty thousand rupees in a previous year in that fund, on or after 1st April, 2021, computed in such manner as may be prescribed.
- These amendments will take effect from 1st April, 2022 and shall apply to the assessment year 2022-23 and subsequent assessment years.

Chapter 5

INDIRECT TAXES

Chapter 5

INDIRECT TAXES

Amendments in the Customs Act, 1962

1. New section 154C is notified for introducing 'Common Customs Electronic Portal' for facilitating registration, filing of bills of entry, shipping bills, any other document or form prescribed, payment of duty and for carrying out such other purposes as be notified.
2. Section 25 of the Customs Act is amended to prescribe that all conditional exemptions (unless otherwise specified or varied or rescinded) shall come to an end on 31st March falling immediately two years after the date of such grant or variation. Further, all existing conditional exemptions in force as on the date on which the Finance Bill 2021 receives the assent of the President unless having a prescribed end date, shall come to an end on 31st March 2023.
3. New section 28BB is being introduced prescribing a two-year time-limit (further extendable by one year by the Principal Commissioner or Commissioner) for completion of any proceedings under the Custom Act which would culminate in issuance of a notice under section 28 of the Customs Act, 1962.
4. Section 46(3) is amended to provide mandatory filing of bill of entry before the end of the day preceding the day (including holidays) of arrival of goods.
5. New clause (1D) to Section 110 is inserted to revise the procedure for pre-trial disposal of seized gold. Commissioner (Appeals) having jurisdiction is thereby empowered to certify the correctness of seized inventory and carry out other procedures.
6. Explanation to Section 139 is amended to give evidentiary value to inventories, photographs and list certified by Commissioner (Appeals) under section 110(1D)
7. New subsection (ja) is inserted in section 113 to include confiscation of any goods entered for exportation under claim of remission or refund of any duty or tax or levy, so as to make a wrongful claim in contravention of the provisions of law.
8. New section 114AC is inserted to prescribe penalty amount not exceeding five times the refund claimed in cases where any person has utilized ITC on the basis of invoice obtained by fraud, collusion, wilful misstatement or suppression of facts for discharging any duty or tax on goods that are entered for exportation under claim of refund of any duty or tax.
9. Section 149 is amended to allow amendment of documents through the customs automated system based on risk evaluation through appropriate selection criteria.
10. Section 153 is amended to enable service of order, summons, notice etc. by making it available on the common portal.

Amendments in Customs Rules- IGCR Rules, 2017 (effective from 2nd February)

1. Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 [IGCR Rules] are being amended to provide the following facilities:
   a. to allow job-work of the materials (except gold and jewellery and other precious metals) imported under concessional rate of duty
   b. to allow 100% out-sourcing for manufacture of goods on job-work
   c. to allow imported capital goods that have been used for the specified purpose to be cleared on payment of differential duty, along with interest, on the depreciated value.
2. Definition of capital goods, job-work and manufacture has been inserted
3. Importer to give prior information for all the imported goods and maintain prescribed records and file quarterly returns
4. The depreciation norms would be the same as applied to EOUs, as per Foreign Trade Policy.

Amendments in the Customs Tariff Act,1975

1. Section 9 and 9A of the Customs Tariff Act which empowers the Central Government to impose countervailing duty and anti-dumping duty is being amended to include:
   a. retrospective levy of countervailing duty or anti-dumping duty from the date of initiation of investigation in anti-circumvention cases;
   b. provisions for anti-absorption of countervailing duty is introduced in circumstances such as decrease in the export price of an article without any commensurate change in the resale price in India of such article imported from the exporting country or territory;
   c. aligning countervailing duty provisions with those in safeguard measures in respect of levy on goods cleared from EOU and SEZ into Domestic Tariff Area;
   d. imposing countervailing duty or anti-dumping duty on review for period not exceeding 5 years at a time, instead of the 5 years at present;
   e. wherein countervailing duty or anti-dumping duty is revoked temporarily, such revocation shall be for a period not exceeding one year at a time;

Amendments in the Central Excise

1. New tariff items inserted in Chapter 24 in the fourth Schedule of the Central Excise Act, 1944 in accordance with upcoming Harmonised System 2022 Nomenclature.

2. The Fourth Schedule to the Central Excise Act, 1944, is being amended with effect from 01.01.2022 to prescribe the rates following tariff items.

Tariff Item	Description of goods	Unit	Rate of Duty
(1)	(2)	(3)	(4)
2404 11 00	Products intended for inhalation without combustion, containing tobacco or reconstituted tobacco	Kg.	81%
2404 19 00	Products intended for inhalation without combustion Other	Kg.	81%

3. The Seventh Schedule of the Finance Act 2001 is being amended with effect from 01.01.2022 to insert the following tariff items.

Tariff Item	Description of goods	Unit	Rate of Duty
(1)	(2)	(3)	(4)
2404 11 00	Products intended for inhalation without combustion, containing tobacco or reconstituted tobacco	Kg.	25%
2404 19 00	Products intended for inhalation without combustion Other	Kg.	25%

4. Amendment in Notification No. 11/2017-Central Excise vide Notification No. 01/2021-Central Excise dated 1 February 2021

Change in rate of Excise Duty					
S.No	Chapter or heading or sub-heading or tariff item	Description of goods	From	To	Increase/ Decrease
1.	2710	Motor spirit commonly known as petrol-			
		(i) intended for sale without a brand name	₹2.98 per litre	₹1.40 per litre	Decrease
		(ii) other than those specified at (i)	₹4.16 per litre	₹2.60 per litre	Decrease
2.	2710 19 44, 2710 19 49	High speed diesel (HSD)			
		(i) intended for sale without a brand name	₹4.83 per litre	₹1.80 per litre	Decrease
		(ii) other than those specified at (i)	₹7.19 per litre	₹4.20 per litre	Decrease

**It shall not apply to the goods manufactured on or before the 1st February 2021 and cleared on or after the 2nd February, 2021.*

5. Amendment in Notification No. 5/2019-Central Excise vide Notification No. 02/2021-Central Excise dated 1 February 2021

Special Additional Excise Duty on Petrol and Diesel					
S.No	**Chapter or heading or sub-heading or tariff item**	**Description of goods**	**From**	**To**	**Increase/ Decrease**
1.	2710	Motor spirit, commonly known as petrol	₹12 per litre	₹11 per litre	Decrease
2.	2710	High speed diesel oil	₹9 per litre	₹8 per litre	Decrease

* It shall not apply to the goods manufactured on or before the 1st February, 2021 and cleared on or after the 2nd February, 2021.

6. Exemption from Agriculture Infrastructure and Development Cess (AIDC) is provided to blended fuels namely 5% ethanol blended petrol, 10% ethanol blended petrol, 20% bio-diesel blended High speed diesel, and new category of blended fuels namely, 15% Methanol blended Petrol (M-15 fuel) and 20% ethanol blended Petrol (E-20 fuel).
7. Exemptions from Special Additional Excise Duty (SAED) and Road and Infrastructure Cess (RIC) is being provided to new category of blended fuels namely, 15% Methanol blended Petrol (M-15 fuel) and 20% ethanol blended Petrol (E-20 fuel), provided appropriate excise duty on Petrol and appropriate GST on ethanol/methanol and cosolvents has been paid.
8. The Exemptions available to blended fuels, 5% ethanol blended petrol, 10% ethanol blended petrol, 20% bio-diesel blended High speed diesel from Basic Excise Duty, Special Additional Excise Duty and Road and Infrastructure Cess is being amended to include the reference to the AIDC in the definition of appropriate duty of excise on petrol/diesel being blended

Amendments in GST Act (date to be notified)

1. Retrospective amendment made in section 7 of CGST Act to add a new clause (aa) in section 7(1) to include the activities or transactions by a person (other than individual) to its members or constituents or vice-versa for cash, deferred payment or other valuable consideration in the scope of supply. Further, corresponding entry in paragraph 7 of schedule II has been omitted with effect from 1 July 2017.
2. New clause (aa) introduced in Section 16(2) of the CGST Act to insert one new condition for availment of input tax credit (‘ITC’), i.e., ITC for an invoice or debit note may be availed

only when the details of such invoice or debit note is reported by supplier in GSTR-1 and such details have been communicated to the recipient;

3. Mandatory requirement for getting the annual accounts audited and reconciliation statement submitted by specified professionals is removed;
4. Section 44 of the CGST Act which provides for filing of annual return is substituted with a new section to include a self-certified reconciliation statement. Further, it has been provided that the commissioner may exempt any class of registered persons from filing annual return.
5. Retrospective amendment in section 50 of the CGST Act to charge interest net cash liability with effect from 1 July 2017.
6. Section 74 of the CGST Act is amended to make seizure and confiscation of goods and conveyance in transit a separate proceeding from recovery of tax.
7. Explanation to Section 75(12) of CGST Act has been inserted to clarify that self-assessed tax shall include the tax payable in respect of outward supplies which are reported in GSTR-1 but not included in GSTR-3B.
8. Section 83(1) of the CGST Act is amended so as to widened the scope for provisional attachment of any property including bank account during the entire period starting from the initiation of any proceedings under Chapter XII, Chapter XIV or Chapter XV till the expiry of one year from the date of order.
9. Proviso to Section 107(6) is inserted to provide that no appeal shall be filed against any order issued under section 129(3) unless a sum equal to 25% of the penalty has been deposited
10. Provision related to detention, seizure and release of goods and conveyance in transit provided under section 129:
    a. Where the goods are detained or seized the same shall be released after payment of penalty (earlier tax and penalty) equal to two hundred percent (earlier one hundred per cent) of the tax payable on such goods;
    b. Wherein the goods are seized the owner of the goods does not come forward for payment of such penalty, such goods shall be released after payment of penalty (earlier tax and penalty) equal to two hundred percent of the tax payable on such goods or fifty percent of the value of goods, whichever is higher;
    c. Section 129(2) of the CGST Act, relating to releasing of seized goods on a provisional basis upon execution of bond and furnishing of security is omitted.
    d. Section 129(3) is substituted to provide the timelines for issuance of notice in seven days in case of detention and seizure of goods and thereafter pass an order within a period of seven days from the date of service of such notice.

e. Section 129(6) is substituted to provide a time period of 15 days (from the date of receipt of notice) for payment of penalty. Further, it has provided that in case of non-payment of penalty the goods so detained or seized shall be liable to be sold or disposed to recover the penalty.

11. Section 168 of the CGST Act is being amended to enable the jurisdictional commissioner to exercise powers under section 151 to call for information.

12. Section 152 of the CGST Act is being amended so as to provide that no information obtained under sections 150 and 151 shall be used for the purposes of any proceedings under the Act without giving an opportunity of being heard to the person concerned.

13. Under Section 130 where the confiscation of goods or conveyances and levy of penalty is defined, now the amount of penalty is quantified equivalent to 100% of the tax payable on such goods.

14. Section 16 of IGST Act is amended to provide as below:

    i. Supply of good or services or both to SEZ developer or unit shall be zero rated only when the said supply is for authorised operations.

    ii. Refund on account of zero-rated supply on payment of IGST is restricted to only a class of persons or a class of goods or services which may be notified.

    iii. The refund amount received on account of zero-rated supply of goods shall be refunded along with interest in case of non-realisation of foreign exchange remittance within the prescribed time limit.

CHANGES IN CUSTOM DUTY RATES

AMENDMENTS IN FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

A.	**Tariff rate changes for Basic Customs Duty [to be effective from 02.02.2021, unless otherwise specified] * [Clause [95 (i)] of the Finance Bill, 2021]**			
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
		Chemicals		
1.	2803 00 10	Carbon Black	5%	7.5%
		Plastic items		
2.	3925	Builder’s ware of Plastics (such as reservoirs tanks, vats and similar containers, of a	10%	15%

		capacity exceeding 300 litres; Doors, windows and their frames etc.)		
		Gems and Jewellery Sector		
3.	7104 9090	Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	10%	15%
		Electrical and Electronics Sector		
4.	8414 30 00	Compressors of a kind used in refrigerating equipment	12.5%	15%
5.	8414 80 11	Compressors of a kind used in air-conditioning equipment	12.5%	15%
6.	8504 90 90	Printed Circuit Board Assembly [PCBA] of charger or adapter (All goods under this tariff item, other than above, will continue to attract the existing effective rate of BCD at 10%)	10%	15%
		Parts of Automobiles		
7.	7007	Safety glass, consisting of toughened (tempered) or laminated glass. (All goods under this heading, other than those used with motor vehicles, will continue to attract the existing effective rate of BCD at 10%)	10%	15%
8.	8512 90 00	Parts of Electrical lighting and signalling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles	10%	15%
9.	8544 30 00	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	15%
10.	9104 00 00	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	15%

B.	Tariff rate changes				
S. No.	Heading, sub-heading tariff item	Commodity	From	To	Effective rate (Notification No. 50/2017 as amended by 02/2021 dated 1st Feb 2021)
1.	8414 40	Air compressors mounted on a wheeled chassis for towing	7.5%	15%	7.5%
2.	8414 80 (except 8414 80 11)	Gas Compressors (other than of a kind used in air-conditioning equipment), free-piston generators for gas turbine, turbo charger and other compressors	7.5%	15%	7.5%
3.	8501 10 to 8501 53	Electric Motors	10%	15%	10%
4.	8536 41 00 and 8536 49 00	Relays	10%	15%	10%
5.	8537	Boards, panels, consoles, etc. for electric control or distribution of electricity	10%	15%	7.5% (effective rate as per old Notification)
6.	9031 80 00	Other instruments, appliances and machines	7.5%	15%	7.5%
7.	9032 89	Electronic automatic regulators and other controlling instruments or apparatus	10%	15%	7.5% (effective rate as per old Notification)

C.	New entries added to the First Schedule [Clause 95 (ii) and 95 (iii) of the Finance Bill, 2021]
1.	**Harmonizing the Customs Tariff Act 1975 with the HSN 2022** a) Changes to the first schedule to the Customs Tariff Act are being proposed that are to come into effect from 01.01.2022. This is in accordance with HSN 2022, which proposes 351 amendments to the existing harmonized nomenclature, covering a wide range of goods moving across borders. b) The amendments are necessary to adapt to the current trade through the recognition of new product streams, the changing nature of commodities being traded, advent of new technologies and addressing the environmental and social issues of global concern- all with a prime focus on the larger goal of ease of doing business and trade facilitation.
2.	New tariff lines under the heading 2709 in the Customs Tariff Act, 1975#: 2709 00 10 -- petroleum crude 2709 00 20 -- other

Will come into effect on 1.4.2021.

CHANGES IN BASIC CUSTOMS DUTY RATES IN RESPECTIVE NOTIFICATIONS [with effect from 2.2.2021, unless specified otherwise]

S. No	Chapter, Heading, subheading, tariff item	Commodity	From	To
		Agricultural Products and By Products		
1.	2207 20 00	Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	5%
2.	23	All goods except dog and cat food, and shrimp larvae feed	Nil/ 5%/ 10%/ 15%/ 20%/ 30%	15%
		Minerals		
3.	2528	Natural borates and concentrates thereof	Nil/ 5%	2.5%
		Fuels, Chemicals and Plastics		
3.	2710	Naphtha	4%	2.5%
5.	2907 23 00	Bis-phenol A	Nil	7.5%
6.	2910 30 00	Epichlorohydrin	2.5%	7.5%

S. No	Chapter, Heading, subheading, tariff item	Commodity	From	To
7.	2933 71 00	Caprolactam	7.5%	5%
8.	3907 40 00	Polycarbonates	5%	7.5%
9.	3908	Nylon chips	7.5%	5%
10.	3920 99 99	Other plates, sheets, films, etc. of other plastics	10%	15%
		Leather		
11	41	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	Nil	10%
		Textiles		
12.	5002	Raw Silk (not thrown)	10%	15%
13.	5004, 5005, 5006	Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	15%
14.	5201	Raw Cotton	Nil	5% + 5% AIDC
15.	5202	Cotton waste (including yarn waste or garneted stock)	Nil	10%
16.	5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510	Nylon Fibre and Yarn	7.5%	5%
		Gems and Jewellery Sector		
17.	7106	Silver	12.5.%	7.5%+ 2.5% AIDC
18.	7106	Silver Dore	11%	6.1% + 2.5% AIDC
19.	7108	Gold	12.5%	7.5%+ 2.5% AIDC

S. No	Chapter, Heading, subheading, tariff item	Commodity	From	To
20.	7108	Gold Dore	11.85%	6.9%+ 2.5% AIDC
21.	7107 00 00, 7109 00 00, 7111 00 00	Base metals or precious metals clad with precious metals	12.5%	10%
22.	7110	Other precious metals like Platinum, Palladium, etc.	12.5%	10%
23.	7112	Waste and scrap of precious metals or metals clad with precious metals	12.5%	10%
24.	7112	Spent catalyst or ash containing precious metals	11.85%	9.17%
25.	7113	Gold or Silver Findings	20%	10%
26.	7118	Coin	12.5%	10%
		Metals		
27.	7204	Iron and steel scrap, including stainless steel scrap [up to 31.03.2022]	2.5%	Nil
28.	7206 and 7207	Primary/Semi-finished products of non-alloy steel	10%	7.5%
29.	7208, 7209, 7210, 7211, 7212, 7225 (except 7225 11 00) and 7226 (except 7226 11 00)	Flat products of non-alloy and alloy steel	10% /12.5%	7.5%
30.	7213, 7214, 7215, 7216, 7217, 7221, 7222, 7223, 7227 and 7228	Long product of non-alloy, stainless and alloy steel	10%	7.5%
31.	7225	Raw materials for use in manufacture of CRGO steel [up to 31.03.2023]	2.5%	Nil
32.	7404	Copper Scrap	5%	2.5%

S. No	Chapter, Heading, subheading, tariff item	Commodity	From	To
33.	7318	Screw, bolts, nuts, etc. of iron and steel	10%	15%
		Capital Goods		
34.	8430	Tunnel boring machines	Nil	7.5%
35.	8431	Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	2.5%
		IT, Electronics and Renewable		
36.	8544 (other than 8544 70 and 8544 30 00)	Specified insulated wires and cables	7.5%	10%
37.	39, 74 and 85	Former, bases, bobbins, brackets; CP wires; P.B.T.; Phenol resin moulding powder; Lamination/ El silicon steel strips for use in manufacture of transformers (entry at S.No. 198 of 25/1999-Customs)	Nil	Applica ble rate
38.	Any Chapter	Inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
39.	Any Chapter	Inputs or parts for manufacture of camera module of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
40.	Any Chapter	Inputs or parts for manufacture of connectors of cellular mobile phone (w.e.f. 1.4.2021)	Nil	2.5%
41.	Any Chapter	Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone (w.e.f. 1.4.2021)	Nil	Applicable BCD rate
42.	Any Chapter	Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones	Nil	10%
43.	8504 90 90 or 3926 90 99	Moulded plastics for manufacture of charger or adapter	10%	15%

S. No	Chapter, Heading, subheading, tariff item	Commodity	From	To
44.	Any Chapter	Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	Nil	10%
45.	Any Chapter	Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones	Nil	10%
46.	Any Chapter	Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack (w.e.f. 1.4.2021)	Nil	2.5%
47.	Any Chapter	Parts or components of PCBA of Lithium-ion battery or battery pack (w.e.f. 1.4.2021)	Nil	2.5%
48.	Any Chapter	Inputs or raw materials of following goods: - (i) Other machines capable of connecting to an automatic data processing machine or to a network (8443 32 90) (ii) Ink cartridges, with print head assembly (8443 99 51) (iii) Ink cartridges, without print head assembly (8443 99 52) (iv) Ink spray nozzle (8443 99 53) (w.e.f. 1.4.2021)	Nil	2.5%
49.	Any Chapter	Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
50.	Any Chapter	Inputs for use in the manufacture of LED driver or MCPCB (Metal Core Printed Circuit Board) for LED lights or fixtures including LED Lamps	5%	10%
51.	9405 50 40	Solar lanterns or solar lamps	5%	15%
52.	8504 40	Solar Inverters	5%	20%
53.	9503	Parts of Electronic Toys for manufacture of electronic toys	5%	15%
54.	85076000	[All goods other than following goods, namely: - (i) battery pack of cellular mobile phones; (ii) Power Bank;] Lithium-ion battery of cellular mobile phones Lithium ion cell for use in the manufacture of battery pack of cellular mobile phone. Lithium ion cell for use in the manufacture of power bank of Lithium ion	5% -15%	Applicable rate

S. No	Chapter, Heading, subheading, tariff item	Commodity	From	To
		Aviation Sector		
55.	Any Chapter	Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector Units under Ministry of Defence subject to condition specified.	2.5%	0%
		Medical devices		
56.	9018-9022	Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	Health Cess @ Nil
		Goods imported under Project Import Scheme		
57.	9801	High Speed Rail Projects being brought under project imports	Applicable Rate	5%
		Others		
58.	8714 91 00, 8714 92, 8714 93, 8714 94 00, 8714 95, 8714 96 00, 8714 99	All goods other than Bicycle parts and components	10%	15%

REVIEW OF CONCESSIONAL RATES OF BCD PRESCRIBED IN NOTIFICATION NO. 50/2017 – CUSTOMS DATED 30.6.2017:

S. No.	S. No. of Notification	Description/ CTH
1.	209	Diphenylmethane 4, 4-diisocyanate (MDI) for use in the manufacture of spandex yarn
2.	230	Ink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage, for use in printers for computers
3.	229 [w.e.f 1.4.2021]	71 items like wax items, wood polish materials, prints for photo frames, velvet fabric/paper, handles/blades for cutlery, jigat, wine tools etc.
4.	311 [w.e.f 1.4.2021]	35 items like fasteners, zippers, shoulder pads, buckles, rivets, Velcro tape, toggles, stud, elastic cloth and band, bobbin, hooks, anglets etc.

S. No.	S. No. of Notification	Description/ CTH
5.	312	42 items like buckles, buttons, stamping foil, sewing thread,
	[w.e.f 1.4.2021]	Loop rivets, Glove Liners, shoe laces, inlay cards etc.
6.	313 [w.e.f 1.4.2021]	18 items like lace, Velcro tape, curtain hooks, Tassel, Beads, Sequins, sewing threads, poly wadding materials, quilted wadding materials etc.

CHANGES IN BASIC CUSTOM DUTY OWING TO LEVY OF AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

S.No.	HSN	Description	From (effective BCD rate)	To
1	0713 10	Peas (Pisum sativum)	50%	10%
2	0713 20 10	Kabuli Chana	40%	10%
3	0713 20 20	Bengal Gram (desi chana)	60%	10%
4	0713 20 90	Chick Peas (garbanzos)	60%	10%
5	0713 40 00	Lentils (Mosur)	50%	10%/ 30%*
6	0808 10 00	Apples	50%/ 70%*	15% / 35%*
7	1511 10 00	Crude Palm Oil	27.5%	15%
8	1507 10 00	Crude Soya-bean oil	35%	15%
9	1512 11 10	Crude Sunflower seed oil	35%	15%
10	2204	All goods (Wine)	150%	50%
11	2205	Vermouth and other wine of fresh grapes, flavoured	150%	50%
12	2206	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages and non-alcoholic beverages	150%	50%
13	2208	All goods (Brandy, Bourbon whiskey, Scotch etc.)	150%	50%
14	2701	Various types of coal	2.5%	1%
15	2702	Lignite, whether or not agglomerated	2.5%	1%
16	2703	Peat, whether or not agglomerated	2.5%	1%
17	3102 10 00	Urea	5%	Nil
18	3102 30 00	Ammonium nitrate	7.5%	2.5%

S.No.	HSN	Description	From (effective BCD rate)	To
19	31	Muriate of potash, for use as manure or for the production of complex fertilisers	5%	Nil
20	3105 30 00	Diammonium phosphate, for use as manure or for the production of complex fertilisers	5%	Nil
21	5201	Cotton (not carded or combed)	Nil	5%
22	7106	Silver (including imports by eligible passengers)	12.50%	7.50%
23	7106	Silver Dore	11%/ 12.50% (depending on content of silver)	6.10%
24	7108	Gold (including imports by eligible passengers)	12.50%	7.50%
25	7108	Gold Dore	11.85%/ 12.50% (depending on content of gold)	6.90%

* All goods originating in or exported from the United States of America.

LIST OF CUSTOMS DUTY EXEMPTION NOTIFICATONS, NOW RESCINDED

S. No.	Notification No.	Notification Subject
1.	1/2011-Customs, dated 6th January, 2011	Exemption to all items of machinery, instruments, appliances, components or auxiliary equipment for initial setting up of solar power generation project or facility
2.	34/2017-Customs dated 30th June, 2017	This notification provided exemption to tags or labels (whether made of paper, cloth, or plastic), or printed bags (whether made of polyethene, polypropylene, PVC, high molecular or high density polyethene) imported for fixing on articles for export or for the packaging of such articles. Similar exemption exists at S. No.257 of notification No. 50/2017-Cus. These have been merged in the said S.No.257 and notification No 34/2017-Cus has been omitted.
3.	75/2017Customs dated 13th September, 2017	Exemption for goods imported for organizing FIFA Under-17 World Cup, 2017.

OTHER MISCELLANOUS CHANGES

S.No.	Notification No.	Notification Subject
1.	42/1996 – Customs dated 23rd July, 1996	High Speed Rail Projects are being included in list of projects to which Project Imports Scheme is applicable
2.	230/1986 – Customs dated 3rd April, 1986	National High Speed Rail Corporation Ltd. is being nominated as the "Sponsoring Authority" under Project Import Regulations, 1986 for approving the items required to be imported under the Project Imports Scheme for High-Speed Rail Projects

Other Miscellaneous changes pertaining to Anti-Dumping Duty (ADD)/ Countervailing Duty (CVD)/ Safeguard Measures

Notification	Description
Notification 10/2021 – Customs (N.T.) dated 01 February 2021	Amendments made in Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 to provide: - Issuance of final findings by the designated authority, in review cases, at least three months prior to expiry of the ADD under review (applicable w.e.f. 01st July 2017) - provisional assessment allowed in anti-circumvention investigation - other clarificatory changes
Notification 11/2021 – Customs (N.T.) dated 01 February 2021	Amendments made in Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 to provide: - Issuance of final findings by the designated authority, in review cases, at least three months prior to expiry of the ADD under review (applicable w.e.f. 01st July 2017) - provisional assessment allowed in anti-circumvention investigation - other clarificatory changes
Notification 12/2021 – Customs (N.T.) dated 01 February 2021	Amendment in Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997 (Safeguard Duty being changed to Safeguard Measures) to provide for manner and procedure for causing investigation into the cases of imports in increased quantity that cause injury to domestic industry.

Anti-Dumping duty is being temporarily revoked for the period commencing from 2.2.2021 till 30.09.2021, on import of the following-

Notification	Description
Notification 05/2021-Customs (ADD) dated 01st February 2021	Straight Length Bars and Rods of alloy-steel, originating in or exported from People‟s Republic of China, imposed vide notification No. 54/2018-Cus (ADD) dated 18.10.2018;
Notification 06/2021-Customs (ADD) dated 01st February 2021	High Speed Steel of Non-Cobalt Grade, originating in or exported from Brazil, People‟s Republic of China and Germany, imposed vide notification No. 38/2019-Cus (ADD) dated 25.09.2019;
Notification 07/2021-Customs (ADD) dated 01st February 2021	Flat rolled product of steel, plated or coated with alloy of Aluminum or Zinc, originating in or exported from People‟s Republic of China, Vietnam and Korea RP, imposed vide notification No. 16/2020-Cus (ADD) dated 23.06.2020.

- Sunset of Anti-dumping duty leviable on Cold-Rolled Flat Products of Stainless Steel of width 600 mm to 1250 mm and above 1250 mm of non bonafide usage originating in or exported from People‟s Republic of China, Korea RP, European Union, South Africa, Taiwan, Thailand and United States of America *(refer notifications no. 61/2015-Customs (ADD) dated 11th December, 2015 and 52/2017-Customs (ADD) dated 24th October, 2017)*

Countervailing duty is being temporarily revoked for the period commencing from 2.2.2021 till 30.09.2021, on imports of the following

Notification	Description
Notification 01/2021-Customs (CVD) dated 01st February 2021	Provisional Countervailing duty is being revoked on imports of Flat Products of Stainless Steel, originating in or exported from Indonesia, imposed vide notification No. 2/2020-Customs (CVD) dated 9.10.2020
Notification 02/2021-Customs (CVD) dated 01st February 2021	Countervailing duty is being temporarily revoked for the period commencing from 2.2.2021 till 30.09.2021, on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People‟s Republic of China, imposed vide notification No. 1/2017-Cus (CVD) dated 07.09.2017.

Agriculture Infrastructure and Development Cess on imported goods (effective from 2nd February)

- Clause 115 of the Finance Bill, 2021 seeks to levy Agriculture Infrastructure and Development Cess (AIDC), as duty of customs on certain imported goods. Enabling provisions made for levy of this cess at the rate not exceeding the rate specified in the First Schedule to the Customs Tariff Act, 1975.

- Further, the tariff rates have been simultaneously lowered on items on which cess is being imposed. The list of items on which cess has been levied with effect from 02.02.2021, is as follows:

SNo.	HSN	Description	AIDC – Notification 11/2021 dated 01 February 2021
1	0713 10	Peas (Pisum sativum)	40%
2	0713 20 10	Kabuli Chana	30%
3	0713 20 20	Bengal Gram (desi chana)	50%
4	0713 20 90	Chick Peas (garbanzos)	50%
5	0713 40 00	Lentils (Mosur)	20%
6	0808 10 00	Apples	35%
7	1511 10 00	Crude Palm Oil	17.50%
8	1507 10 00	Crude Soya-bean oil	20%
9	1512 11 10	Crude Sunflower seed oil	20%
10	2204	All goods (Wine)	100%
11	2205	Vermouth and other wine of fresh grapes, flavoured	100%
12	2206	Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages and nonalcoholic beverages	100%
13	2208	All goods (Brandy, Bourbon whiskey, Scotch etc.)	100%
14	2701	Various types of coal	1.50%
15	2702	Lignite, whether or not agglomerated	1.50%
16	2703	Peat, whether or not agglomerated	1.50%
17	3102 10 00	Urea	5%
18	3102 30 00	Ammonium nitrate	5%
19	31	Muriate of potash, for use as manure or for the production of complex fertilisers	5%
20	3105 30 00	Diammonium phosphate, for use as manure or for the production of complex fertilisers	5%
21	5201	Cotton (not carded or combed)	5%
22	7106	Silver (including imports by eligible passengers)	2.50%
23	7106	Silver Dore	2.50%
24	7108	Gold (including imports by eligible passengers)	2.50%
25	7108	Gold Dore	2.50%

- For the purpose of calculating the AIDC, the import value of such goods shall be calculated in the same manner as the value of goods is calculated under the provisions of section 14 of the Customs Act, 1962.
- Social Welfare Surcharge (SWS) would be levied on AIDC. However, exemption from SWS on AIDC has been given to gold and silver vide notification 13/2021 dated 1st February 2021
- Further, the said goods if imported under certain Notifications allowing conditional exemptions (Advance Authorization, EOU, FTA related) shall be exempted from levy of AIDC

Agriculture Infrastructure and development cess on excisable goods (effective from 2nd February)

- AIDC of Rs 2.5 per litre has been imposed on petrol and Rs 4 per litre on diesel as an additional duty of excise [Clause 116 of the Finance Bill, 2021 refers].

Sector & Industry Specific Analysis

Aluminium

Industry Issues

High import duties on raw materials is a huge disadvantage for domestic aluminium producers which are heavily dependent on imported raw materials. It results in Indian finished goods costlier and uncompetitive in international markets, rendering negative protection against cheaper imports of finished products, and discourages domestic value addition within the country. While other Aluminium producing countries support their domestic industry with cheaper raw material availability, power subsidies etc, India is struggling to retain competitiveness despite having natural advantage of 5th largest bauxite and 5th largest coal reserves in the world. Import duty on raw materials needs to be reduced to make the industry globally competitive.

What CII wanted

- *Reduce import duty on Calcined Petroleum Coke for from 7.5% to 2.5%.*
- *Reduce import duty on raw Petroleum Coke from 10% to 2.5%.*
- *Reduce import duty on Aluminium Fluoride from 7.5% to 2.5%.*
- *Reduce import duty on Green Anode/Pre-Baked Carbon Anode from 7.5% to 2.5%.*
- *Reduce import duty on Calcined Alumina from 5% to Nil.*
- *Reduce import duty on Coal Tar Pitch from 5% to 2.5%.*
- *Reduce cess on coal (from Rs. 400/MT) to support power intensive industries.*

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII Wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Aluminium- unwrought such as Ingots, Billets 7601	18	18	18	7.5	7.5	7.5
Aluminium Powder and Flakes 7603	18	18	18	7.5	7.5	7.5
Aluminium Bars, Rods, wire, Plates, sheets 7604,7605, 7606	18	18	18	7.5	7.5	7.5
Aluminium Waste and scrape 7602	18	18	18	2.5	2.5	2.5
Calcined Petroleum Coke	2.5	2.5	2.5	7.5	2.5	7.5
Petroleum Coke	2.5	2.5	2.5	10	2.5	10
Coal Tar Pitch (2708 10 90)	9	9	9	5	2.5	5
Aluminium Fluoride (28261200)	18	18	18	7.5	2.5	7.5
Calcined Alumina (2818 20 10)	18	18	18	5	Nil	5
Green Anode/Pre-Baked Carbon Anode (38019000)	18	18	18	7.5	2.5	7.5

Impact of Budget 2021-22

- There is no change in customs duty rates.

Auto Components

Industry Issues

The industry has been making their best efforts to meet the PMP timelines for various xEV parts as prescribed by Department of Heavy Industry and rapidly arranging for localisation of these xEV exclusive parts. In the process, current assessment has revealed that all the child parts required for manufacturing of these xEV exclusive parts are not indigenously available and after localization of the xEV parts, many of the child parts will have to be imported by the xEV manufacturers. This will result in increase of the cost of manufacturing of the xEV in India due to the Customs Duty currently leviable on import of such child parts at full rate as no concession on import of such child parts are currently available.

Also, most of the automobile products have an operating life of at least 10-15 years and requires after-sales servicing and replacements of parts from time to time - subject to wear and tear, warranty/AMC claims and other factors. However, presently import of xEV parts at concessional duty for after-market service obligation, is not permitted.

What CII Wanted

- *Rationalize Import duty on xEV parts and exempt child parts required for manufacturing of such xEV exclusive parts.*
- *Allow import of xEV parts at concessional duty for after-market service obligations.*
- *Allow import of listed xEV parts at concessional rate of duty for use in fulfilling warranty and AMC obligations.*
- *Allow import of Battery charger at a concessional duty for use in manufacture or providing charging facility of a hybrid/electric vehicle.*
- *Allow suppliers to OEMs to import semi-finished battery packs on behalf of OEMs at 5% concessional rate of duty.*
- *Exempt import duty on components used in "Engines After Treatment System (EATS)" which are unique for BS6.*

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Engine for vehicles other than cars and 2-wheeler (8407 31, 8407 32, 8407 33, 8407 34, 8408 20)	28	18	28	7.5	7.5	7.5
Other Parts for Motor Vehicles/cars	28	18	28	15	15	15
Parts of Motor vehicles (EV) for which no technology is available for manufacture	28	18	28	15	10	15
Inputs						
Battery pack for use in the manufacture of electrically operated vehicle or hybrid vehicle (8507)	28	18	28	5	5	5

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Specified parts for use in manufacture of Electrically operated motor vehicles.	28	18	28	Nil	Nil	NIL

Impact of Budget 2021-22

- BCD on Screws, bolts, nuts etc. increased from 10% to 15%.
- BCD on Ignition wiring sets and other wiring sets of a kind used in vehicles falling increased from 10% to 15%.
- BCD on specified auto parts increased from 10% to 15%.

Chemicals & Petrochemicals

Industry Issues

Methanol consumption in country is estimated at 1.8 - 2.0 million tones and is expected to reach 2.5 million tons by the end of the 12th five-year plan. The current production capacity in the country is 0.385 million tonnes/annum thereby creating a significant gap which would primarily be met through imports from Middle East and China. The downstream products of methanol are Acetic Acid, Formaldehyde, Di Methyl Ether, Methyl Tertiary Butyl Ether, Gasoline etc. which are major basic building blocks for majority of chemicals in India. The removal in duty of methanol will surely boost the downstream industry and will reduce outgo of foreign exchange from country also the resultant lower cost of production will increase the profitability of products exported out of country.

Acetic acid is an important organic chemical and critical building block/raw material for various downstream industrial chemicals like ethyl acetate, acetic anhydride, poly vinyl acetate etc. Specific exemption for Acetic Acid should be extended. India is net exporter of these downstream products.

Vinyl Chloride Monomer (VCM) plants have been set up in India only for captive use. There is no local manufacture of VCM for merchant sale in the Indian market. In countries with developed petrochemical infrastructure, VCM is sourced off pipeline, whereas in India, VCM is shipped under highly specialized conditions involving huge logistics cost, making domestic Indian manufacturers uncompetitive compared to their international counterparts.

Ethane (29011000) is a major feedstock for production of ethylene, a building block used for production of polyethylene and ethylene glycol. Unlike methane and propane which are used for cooking and home heating, ethane is a commonly-used feedstock in ethylene production. Today, there are world-scale crackers that run almost exclusively on ethane.

What CII Wanted

- *Reduce import duty on Feedstock Methyl alcohol from 5% to Nil.*
- Reduce import duty on Acetic Acid from current level of 7.5% to Nil.
- *Reduce import duty on Vinyl Chloride Monomer (VCM) from 2% to Zero.*
- *Reduce import duty on ethane from 2.5% to Nil.*

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Feedstocks						
Naphtha (2710 12 90)	18	18	18	5	5	5
Reformate(Aromatic naphtha) (2707 50 00)	18	18	18	2.5	2.5	2.5
Liquefied propane gas (2711 12 00) Liquefied Butanes (2711 13 00)	5	5	5	2.5	2.5	2.5
Saturated acrylic hydrocarbons including Ethane (2901 10 00)	18	18	18	2.5	2.5	2.5
Feedstock Methyl alcohol (2905 11)	18	18	18	5	NIL	5
Acetic Acid (2915 21)	18	18	18	7.5	NIL	7.5

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Vinyl Chloride Monomer (VCM-29032100)	18	18	18	2	Nil	2
Ethane (29011000)	18	18	18	2	Nil	2

Impact of Budget 2021-22

- Bis-phenol A and Epichlorohydrin will now attract 7.5% BCD.
- Diphenylmethane 4,4-diisocyanate (MDI) will now attract 7.5% BCD

Copper

Industry Issues

Copper is an important input for numerous industries as diverse as power, telecommunication, air-conditioning, electronics, transport and construction. Primary producers use ore/ore concentrate as input whereas secondary producers use the scrap as their input which is either imported or procured from the indigenous sources. The Indian Copper Industry is under a compulsion to source Copper Concentrate through imports on account of its limited availability in India as the domestic availability is merely 4% of the total requirement. Copper is among the most efficiently recycled metals in global commerce and about 40% of global copper demand is met through recycling. The recyclability of copper without loss of its intrinsic properties encourages its production from scrap.

In India, the secondary producer of copper in the organized sector find itself in a disadvantageous position due to 5% customs duty on scrap which is at par with customs duty on copper, whereas, scrap of aluminium and brass attract 2.5% duty. There is also needed to encourage recycling of copper by reducing basic customs duty on scrap of copper to 2.5%.

What CII Wanted

- *Reduce customs duty from 5% to 2.5% on copper scrap.*
- *Reduce custom duty from 2.5% to NIL on Copper concentrate (2603).*

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Copper rods, copper wire-bars (7403)	18	18	18	5	5	5
Copper cathodes (7403 11 00)	18	18	18	5	5	5
Electrolytic copper rods (7407 10 10)	18	18	18	5	5	5
Inputs						
Copper ores and concentrates (2603)	5	5	5	2.5	Nil	2.5
Brass scrap (7404 00 22)	18	18	18	2.5	2.5	2.5
Copper scrap (7404 00 12)	18	18	18	5	2.5	2.5

Impact of Budget 2021-22

- BCD on copper waste and scrap reduced to 2.5%

Healthcare & Pharmaceuticals

Industry Issues

Medical technologies are an integral component of healthcare industry that help physicians and healthcare providers by offering innovative, precise and desired therapeutic, diagnostic and palliative care solutions across the globe. The indigenous manufacturing is attempted with the help of know how transfer but only for low energy equipment and is in nascent state and to be able to build high end medical equipment in India we need to build technical know-how, skilling of manufacturing resource, transfer of technology, sourcing of parts and assembling and setting up of factory lines which will need several years to acquire.

COVID-19 Pandemic has also brought into focus the criticality of access and availability of quality medical technologies. Therefore, CII has put forward following pre-budget recommendations not only to ensure the growth of this important sector but also to make sure that desired medical devices that are of highest quality are accessible and available for the patients in the country.

What CII Wanted

- *Reduce import duty on inputs and parts used in the manufacture of medical equipment.*
- *Exempt import duty on all items procured by R&D.*
- *Suitable clarification be issued that duty exemption also applicable on the instruments for Joint Replacement and spinal Instruments being used by doctors for surgery.*
- *Reduce import duty on IOLs from 10% to 5%.*
- *Clarification be issued that Endoscopy medical devices to be considered as Kit.*

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Drug formulations (3001, 3003, 3004)	12	12	12	10	10	10
Specified lifesaving drugs / medicines including their salts and esters and diagnostic test kits – list 4 of customs (28,29,30,38)	5	5	5	Nil	Nil	Nil
Specified drugs, medicines, diagnostic kits or equipment – list 3 of customs (28,29,30)	5	5	5	5	5	5
API- Inorganic/organic chemicals (28, 29)	18	12	18	7.5	7.5	7.5
Medical Laparoscopic devices (90189021)	12	12	12	7.5	2.5	7.5
Medical Equipment (9018, 9019, 9022)	12	12	12	5%	Nil	5%
Parts/components used for manufacture of medical equipment (90 or any other chapter)	5	5	5	2.5	Nil	2.5

Impact of Budget 2021-22

- Health Cess exempted on medical devices imported by international/diplomatic organizations.

Hydrocarbons

Industry Issues

Natural gas is transported through pipelines but its import through pipelines is impractical across oceans. Therefore, natural gas is turned into liquefied natural gas (LNG) and then supplied to other countries. Imported LNG is converted to re-gasified liquid natural gas (RLNG) at the import terminal and then supplied to industrial users through pipe lines. Setting up a LNG terminal as well as creating of re-gasification facilities requires huge investments and is not feasible for all users of natural gas to do so.

Customs duty on crude oil is NIL whereas natural gas attracts customs duty of 5%. Indigenous production of natural gas is not sufficient to meet the requirement of various users and to meet the shortfall. Keeping in view the limited availability of indigenous natural gas, customs duty on natural gas and LNG needs to be reduced to NIL without mentioning any end use condition so that all users can avail the concessional duty benefit.

What CII Wanted

- Reduce customs duty from 5% to NIL on LNG and natural gas without any end use condition.
- Reduce import duty on mixed petroleum gases from 5% to 2.5%.
- Levy import duty on MPG on the net quantity received/retained by a unit in DTA from a refinery in SEZ.

What the Government Gave

Item	Excise duty/ GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Crude Oil (2709 00 00)	Cess 20% advalorem	Cess 20% advalorem	Cess 20% advalorem	Re1 per tonne	Re1 per tonne	Re1 per tonne
Natural Gas (2711 21 00)	NIL	NIL	NIL	5	Nil	5
Liquefied Natural gas (LNG) (2711 11 00)	NIL	NIL	NIL	5	NIL	5
Naphtha imported by electricity generating company (2710)	NIL	NIL	NIL	NIL	NIL	NIL
Compressed Natural Gas (CNG) (2711 29 00)	18	18	18	5	Nil	5

Impact of Budget 2021-22

- There is no change in customs duty rates.

Infrastructure – Railways and vessels

Industry Issues

With an increase in the requirement of High-speed rail projects, it is suggested to include such projects in the “Project imports” scheme – to be notified under Assessment heading 98.01 through specific notification. Further, the said concessional benefit to be made applicable for all the goods and machinery imported for the specific projects. High speed rail projects require import of huge materials and machineries and being new innovative projects, they are not included in the “Project Imports” applicability scheme. For Infrastructure projects, it is suggested to reduce the rate of duty on Ice Making Machinery (8418 69 10) from 15% to 7.50%.

Import of Barges under 8901 are exempted from Customs Duty whereas Barges classified under 8905 are not exempted. Exemption from BCD be provided to all goods (excluding Vessels and other floating structures as are imported for breaking.

Ship Repair industry generates huge number of jobs. There are a number of Shipyards in the country that have the status of SEZ / EOU. Currently, on invoicing of material from SEZ Unit to DTA is suffering BCD of 11% (On account of withdrawal of CDEC).

What CII Wanted

- *Exempt project imports for High speed rail projects.*
- *Exempt import duty on Barges classified under HS 8905.*
- *Reduce import duty on Ice Making Machinery from 15% to 7.5%.*
- *Exempt import duty on material imported for Ship Repairs in order to enhance country’s competence in Ship Repairs and employment generation.*
- Exempt import duty on such equipment invoiced by SEZ / EOU Units to DTA.

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Complete equipment such as excavators/dozers/ shovel loaders/ mechanical shovels (8429, 8430)	18	18	18	7.5	7.5	7.5
High speed rail Project Import (9801)	18	18	18	7.5	Nil	5
16 specified equipment for construction of roads – list 14 of customs (84 or any other chapter)	18	18	18	NIL	NIL	NIL
6 specified equipment for construction of roads – list 15 (84 or any other chapter)	18	18	18	NIL	NIL	NIL
Complete Off-highway dumpers (8704 10 10)	28	18	28	30	30	30
Barges (8905)	5	5	5	5	Nil	5
Ice Making Machinery (8418 69 10)	18	18	18	15	7.5	15

Impact of Budget 2021-22

- High Speed Rail Projects included in the list of projects eligible for benefit under Project Imports Scheme

Iron & Steel

Industry Issues

Anthracite Coal, coking coal, Coke, Pet Coke, Limestone, Dolomite are vital inputs for the Steel Industry. The non-availability of these items in good quality and quantity hinders growth of Steel Industry. 50%-80% of all low ash metallurgical coal and steel making quality limestone is imported into India. Raw material such as Ferrous waste and Stainless-Steel Scrap (HSN 7204, 7204) Iron ore (HSN 2601), Nickel (HSN 7505), Graphite Electrode (HSN-8545) Metallurgical Coke (HSN 2704) accounts for 70% of total cost in case of Steel. Many raw materials like ferrous scrap, coking coal, metallurgical coke and consumable like Graphite Electrode are not available in the domestic market in sufficient quantity. So, the domestic steel manufacturers have to rely on imports. Zero duty on imports of raw material will increase the cost competitiveness. Rectification of import duty structure is required in respect of above said products.

Ferrous & Stainless-Steel Scrap (7204 10, 7204 21 and 7204 49) is not available indigenously in sufficient quantities. Hence, domestic steel companies rely on imports of this key raw material. Imposition of BCD on the scrap increases the raw material cost adversely affecting the steel manufacturers' competitiveness.

What CII Wanted

- *Reduce import duty on Ferrous and Stainless-Steel Scrap from 2.5% to 'NIL'.*
- *Reduce import duty on Anthracite Coal (CTH 27011100) from 2.5% to NIL.*
- *Reduce import duty on low ash Metallurgical Coke from 5% to NIL.*
- *Reduce import duty on Coking coal without any technical definition of coking coal from 2.5% to Nil.*
- Reduce import duty on Graphite Electrodes from 7.5% to Nil.

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Articles of iron & steel Castings, forgings, tubes, pipes etc. (73)	18	18	18	10	10	10
Pig Iron (7201 10 00, 7201 20 00)	18	18	18	5	NIL	5
Cast iron (7201 50 10)	18	18	18	5	5	5
Iron and non-alloy steel Ingots, billets, blooms, slabs, bars, rods, angles, shapes, sections, wires etc. (7206, 7207, 7213 to 7217, 7227, 7228)	18	18	18	10	10	10
Iron or non-alloy steel flat rolled products (7208 to 7212,7225 30 90, 7225 40 19, 7225 50, 7225 99 00)	18	18	18	12.5	12.5	12.5
Stainless steel Ingots, billets, flat rolled products (7218 to 7220)	18	18	18	7.5	7.5	7.5

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Stainless steel bars, rods, angles, shapes and sections (7221, 7222, 7223)	18	18	18	10	10	10
Alloy steel ingots, billets and other primary forms (7224)	18	18	18	7.5	7.5	7.5
Alloy steel flat rolled products (7225, 7226, except 7225 11 00, 7225 30 90, 7225 40 19, 7225 50, 7225 99 00, 7226 11 00)	18	18	18	10	10	10
Inputs for steel						
Coking coal (2701 19 10)	5	5	5	2.5	NIL	2.5
Metallurgical coke (met coke) (2704 00)	5	5	5	5	NIL	5
Melting scrap of iron or steel (7204)	18	18	18	2.5	NIL	Nil
Liquefied natural gas (LNG) (2711 11 00)	NIL	Nil	Nil	5	NIL	5
Graphite Electrodes (8545)	18	18	18	7.5	Nil	7.5

Impact of Budget 2021-22

- BCD on Scrap of iron or steel including stainless steel and alloy steel Nil
- BCD on Specified inputs for manufacturing CRGO exempted.
- BCD Long Products of iron or nonalloy steel, stainless steel and alloy steel reduced to 7.5 %
- BCD on Flat Products of iron or nonalloy steel and alloy steel reduced to 7.5%
- BCD on Primary/Semi-finished products of iron or non-alloy steel reduced to 7.5%.
- Anti-dumping duty or countervailing duty on certain products of steel are being temporarily revoked for the period 02.02.2021 to 30.09.2021.
- CVD imposed *vide* notification No. 02/2020-Cus(CVD) dated 09.10.2020 on Flat rolled products of stainless steel originating in or exported from Indonesia, is being revoked

Synthetic Fibres and Yarn

Industry Issues

Synthetic Fibre Industry manufactures Polyester Filament Yarn (PFY), Polyester Staple Fibre (PSF), Nylon Filament Yarn (NFY – Textile Grade), Nylon tyre Yarn (NTY) and special fibres for technical textiles. National Textile Policy envisages an investment of US$ 150 billion to achieve the Textile Vision 2020. The synthetic fibres will be required to play a significant role to achieve this vision in view of limitations to cotton production. The Indian synthetic fibre industry has been investing heavily to meet the textile Vision 2020 targets. Polyester filament yarn (PFY), polyester staple fibre (PSF), nylon filament yarn (NFY) and acrylic staple fibre (ASF) are the main types of Synthetic Fibre/ Yarn. Polyesters, because of its superior properties and lower prices have found increasing use in India as well other developing countries. In India over 70% of the synthetic fibres are consumed by the middle- and lower-income strata of the society.

Caprolactam *(2933.71)* is a vital input in manufacture of synthetic fibres and filament yarns. Caprolactam attracts customs duty of 7.5%. With customs duty on synthetic fibres at 5%, customs duty on caprolactam needs to be reduced to 5% to lower the cost and remove the existing anomaly.

What CII wanted

- *Reduce import duty on Caprolactam from 7.5 to 5.*

What the Government Gave

Item	GST (%)			Customs Duty (%)		
	2020-21	What CII wanted	Budget 2021-22	2020-21	What CII wanted	Budget 2021-22
Fibres / Filaments						
Polyester staple fibre (PSF) (5503 20 00, 5506 20 00)	12	5	12	5	5	5
Yarns						
Polyester filament yarn (PFY) (5402, 5406),Polyester high tenacity yarn (5402 20)	12	12	12	5	5	5
Inputs						
Caprolactam (2933 71)	18	18	18	7.5	5	5

Impact of Budget 2021-22

- BCD on Caprolactam is being reduced from 7.5% to 5%.
- BCD on Nylon chips is being reduced from 7.5% to 5%.
- BCD on Nylon fibre and yarn is being reduced from 7.5% to 5%.

Annexure

KEY INDICATORS: 2020-21

Annexure

KEY INDICATORS: 2020-21

Data Categories	Unit	2017-18	2018-19	2019-20	2020-21
1. GDP & Related Indicators					
1.1. GDP (2011-12 Prices)	Rs. Lakh Crore	131.4	140.0	145.7[a]	134.4[b]
1.2 Growth Rate	%	6.8	6.5	4.0[a]	-7.7[b]
1.3 GVA at Basic Prices (2011-12 prices)	Rs. Lakh Crore	120.3	127.4	132.7[a]	123.4[b]
1.4 Growth Rate	%	6.2	5.9	4.1[a]	-7.2[b]
1.5 Gross Savings Rate	% of GDP	32.1	30.6	31.4[a]	N.A.
1.6 Gross Capital Formation Rate	% of GDP	33.9	32.7	32.2[a]	N.A.
1.7 Per Capita Net National Income (At Current Prices)	Rs.	1,15,224	1,25,883	1,34,186[a]	1,26,968[b]
2. Production					
2.1 Food grains	Million Tonnes	285.0	285.2	296.7[c]	144.5[c]
2.2 Index of Industrial Production (Growth)	%	4.4	3.8	-0.8	-15.5[d]
2.3 Electricity Generation (Growth)	%	5.4	5.2	1.0	-4.6[d]
3. Prices					
3.1 WPI Inflation (average)	%	3.0	4.3	1.7	-0.1[e]
3.2 CPI (Combined) Inflation (average)	%	3.6	3.4	4.8	6.6[e]
4. External Sector					
4.1 Merchandise Export Growth (USD)	%	10.0	8.8	-5.1	-15.7[e]
4.2 Merchandise Import Growth (USD)	%	21.1	10.4	-7.7	-29.1[e]
4.3 Current Account Balance	% of GDP	-1.8	-2.1	-0.9	3.1[f]
4.4 Foreign Exchange Reserves (end of year)	USD bn	424.4	411.9	475.6	586.1[k]
4.5 Average Exchange Rate	Rs/USD	64.45	69.92	70.90	74.64[j]
5. Money & Credit					
5.1 Broad Money (M3) Growth (Annual)	%	7.8	10.2	10.1	12.4[g]
5.2 Scheduled Commercial Bank Credit (Growth)	%	10.0	13.3	6.1	6.1[g]
6. Fiscal Indicators (Centre)					
6.1 Gross Fiscal Deficit	% of GDP	3.5	3.4	4.6[h]	9.5[i]
6.2 Revenue Deficit	% of GDP	2.6	2.4	3.3[h]	7.5[i]
6.3 Primary Deficit	% of GDP	0.4	0.4	1.6[h]	5.9[i]
7. Population[l]	Million	1288.5	1302.9	1317.0	1330.8

Source: Economic Survey 2020-21; CSO

N.A.: Not Available
a: First Revised Estimate; b: First Advance Estimate; c: Fourth AE for 2019-20 and First AE for 2020-21;
d: (April-November) 2020; e: (April – December) 2020; f: (April – September) 2020; g: As on December 18, 2020; h: Actuals;
i: Revised Estimate; j: End of December 2020; k: As on 8th January 2021; l: Relates to calendar year 2017, 2018, 2019, 2020

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry.

For 125 years, CII has been working on shaping India's development journey and, this year, more than ever before, it will continue to proactively transform Indian industry's engagement in national development. The premier business association has more than 9100 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 288 national and regional sectoral industry bodies.

With 68 offices, including 10 Centres of Excellence in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry

RESEARCH

CII Research is an Industry think-tank providing thought leadership on strategic economic and industry issues critical to national growth and development. Drawing on a deep reservoir of industry leaders and industry associations spanning all sectors and present across the country, CII Research originates analytical reports in consultation with stakeholders. Based on strategic perceptions and data, these in-depth insights suggest specific policies and action plans that would enhance the role of Indian industry in nation-building.

Confederation of Indian Industry
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