

# Union Budget 2021-22

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## Forward

Against the global pandemic and an economic shutdown, Finance Minister presented the first budget of this new decade. The world is closely reviewing the budget of this year, as our country moves towards becoming a truly Atma Nirbhar Bharat and reaching the goal of 5 trillion economy.

We are publishing our analysis on key announcements made in the budget 2021.

Wish you Safe & Healthy life!!!



ATMA NIRBHAR

**B H A R A T**

Step Towards Self Reliant India

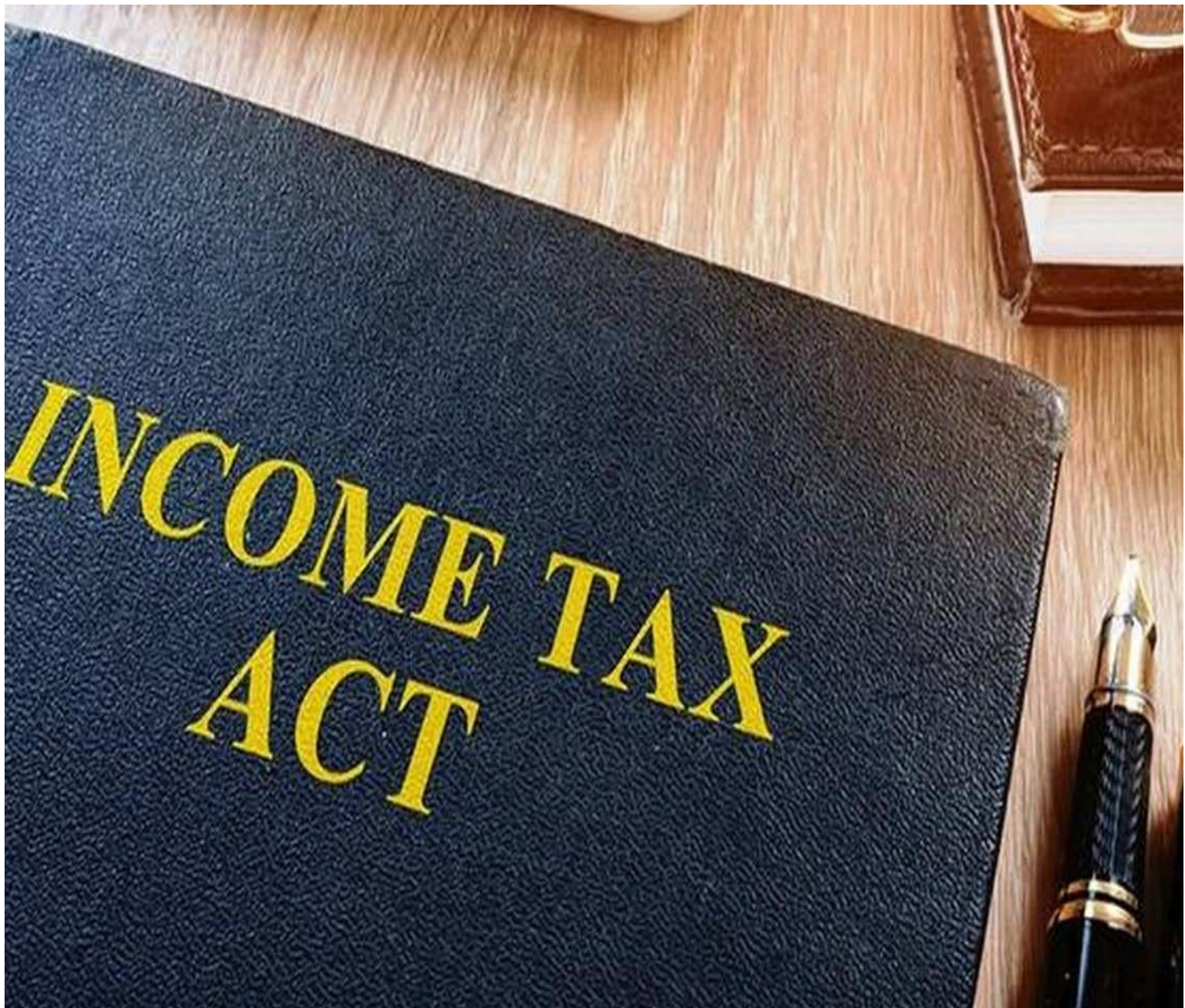
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# CHANGES RELATED TO INCOME TAX



# 1. INCOME TAX RATES

There are no changes proposed in Tax slabs, Rates, Surcharge or Cess for FY 2021-22 in the Budget.

We have summarized the tax rates in tables as under:

## A. Income Tax rates for Individual/HUF:

**Individuals/HUF** are having an option to choose for tax slabs and rates as under: -

### Tax Rates:

Type of Assessee	<u>Option –I Old Scheme</u>		<u>Option –II New Scheme</u>	
	Income Slab	Tax Rate	Income Slab	Tax Rate
<b>Individual below 60 years of age/HUF</b>	Up to Rs.2,50,000	Nil	Upto Rs.2,50,000	Nil
	Rs.2,50,000–Rs.5,00,000	5%	Rs.2,50,001–Rs.5,00,000	5%
	Rs.5,00,000–Rs.10,00,000	20%	Rs.5,00,001–Rs.7,50,000	10%
			Rs.7,50,001–Rs.10,00,000	15%
	Above Rs.10,00,000	30%	Rs.10,00,001–Rs.12,50,000	20%
			Rs.12,50,001–Rs.15,00,000	25%
Above Rs.15,00,000			30%	
<b>Senior Citizen (60 – 80 yrs)</b>	Up to Rs.3,00,000	Nil	<b>Same as Above</b>	
	Rs.3,00,000–Rs.5,00,000	5%		
	Rs.5,00,000–Rs.10,00,000	20%		
	Above Rs.10,00,000	30%		
<b>Super Senior Citizen</b>	Up to Rs.5,00,000	Nil	<b>Same as Above</b>	
	Rs.5,00,000–Rs.10,00,000	20%		
	Above Rs.10,00,000	30%		

**Note:** Rebate u/s 87A of Rs.12,500/- is available to only Resident individual having **income below Rs.5,00,000/-**(after deduction under Ch.-VIA).

### Conditions:

It is an optional scheme and the conditions for availing the **Option II** are as under:

i) Timeline for exercising options

Particulars	In case of Individual/HUF having	
	No Business income	Business income
Time to exercise option	Along with return of income	Any time before due of return filing
Options to exercise	Every year	Only once(opt-out only once)
Again Opt-in possibility	No restriction can opt-in and opt-out any time	Once opt-out of the scheme, then cannot opt-in again

ii) Conditions for availing scheme

Following **deduction or exemption** will not be available under Option II:

- a. Leave Travel Concession
- b. House-rent allowance
- c. Special allowance
- d. Allowances to MP or MLA
- e. Deduction of Rs.1500/- in case of minor income
- f. SEZ – established units
- g. Deduction of any capital nature u/s 35AD
- h. Standard Deduction u/s 16 of Rs.50,000/- and professional tax
- i. Housing Loan interest (Self-occupied)
- j. Additional depreciation
- k. 1/3 of Family pension
- l. Chapter – VIA deduction other than Contribution made by employer in NPS and in respect of additional employees
- m. Set – off of losses brought forward in case of business income

Further, **Alternative Minimum Tax (AMT) shall not be applicable to Individual/HUF exercising the option-II.**

**In Nutshell:**

Individual and HUF has options to be governed by anyone scheme. A detailed analysis is required to choose the most beneficial scheme for each case.

**Surcharge – Individual, HUF, AOP, BOI, AJP (No Change)**

<b>Taxable Income range</b>	<b>Rate</b>
Up to 50 lakhs	Nil
50 lakhs – 1 crore	10%
1 crore – 2 crores	15%
2 crores – 5 crores	25%
Above 5 crores	37%

**Note:** The surcharge is applicable as per taxable income range. This surcharge is applicable on taxes calculated.

**B. Income Tax rates for Companies:**

**Tax Rates:**

<b>Assessee</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>Turnover Criteria</b>
Domestic Company	25%	25%	Turnover Below <b>400 crores</b> in Prev. year i.e. in 2018-19 & 2019-20 respectively
Domestic Company	30%	30%	Other Than above
Domestic Company	22%	22%	Subject to certain conditions. No turnover criteria. (Section 115BAA)
Domestic Company	15%	15%	Manufacturing Company incorporated after 01.10.2019 and commenced manufacturing before 31.03.2023.(Section 115BAB)
Domestic Company	15%	15%	Power Generation Company incorporated after 01.10.2019 and commenced generation before 31.03.2023.(Section 115BAB)
Foreign Company	40%	40%	No change

**Note:** Minimum Alternative Tax (MAT) @15% **shall not be applicable** to Companies exercising the option of Section 115BAA/115BAB.



### Surcharge

(i). Surcharge for company paying 25% or 30% tax

Taxable Income range	Domestic Company	Foreign Company
Up to 1 Crore	Nil	Nil
1 to 10 crores	7%	2%
Above 10 crores	12%	5%

(ii). Surcharge for Domestic company paying 22% or 15% tax (Sec 115BAA,115BAB)

There is **flat rate of 10% surcharge** without any slab of taxable income.

### C. Income Tax rates for Partnership Firms/LLP: (No Change)

Currently Partnership Firms is taxed @ 30% + 12% surcharge (on taxable income above 1 crore). There is **no change in rate of tax or surcharge.**

### D. Income Tax rates for Resident Co-Operative Soc./Banks: (No Change)

Assessee	FY 2020-21	FY 2021-22	Turnover Criteria
Co-operative Soc./ Bank	22%	22%	Subject to certain conditions. No turnover criteria. (Section 115BAD)
Co-operative Soc./ Bank	30%	30%	Other Than above

**Note:** Alternative Minimum Tax (AMT) shall not be applicable to Co-operative Society exercising the option of Section 115BAD.

### E. Health & Education Cess: (No Change)

Health & Education cess @ 4% on TAX + SURCHARGE will be applicable.

## 2. SALARISED PERSONS

### Section 10(5): Exemption of CASH Leave Travel Concession (FOR FY 2020-21 only)

Under the existing provisions of the Act, there is an exemption in respect of the value of leave travel concession(LTC) received by or due to an employee in connection with his proceeding on leave to any place in India.

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 to the extent of Rs.36000 or 1/3rd of Expense, whichever is lower subject to other conditions.





## 3. BUSINESS & PROFESSION

### **A. Section 2(11)(b), 32(1)(ii) and Explanation 3 to 32(1):**

**Removal of Goodwill from definition of Block of Assets for claiming depreciation (w.e.f FY 2020-21).**

Currently depreciation on Goodwill of business was allowed in computation of taxable of income.

It is proposed to remove the goodwill from the definition of Block of Asset and depreciation calculation. So, now depreciation will not be allowed even if the amount is paid for the same.

**This will have impact on the Mergers & Acquisitions.**

### **B. Section 36(1)(va) and 43B:**

**Employee Contribution paid by Employer to a PF/ESI Fund after Due Date (w.e.f FY 2020-21)**

Currently, there is a provision that Employee Contribution paid by an employer to a PF/ESI fund should be paid before the due date, but some courts have taken a view that if it is paid before the due date of filing the return then it will not be added to income while some court (Esp. Gujarat HC ) has taken a view that it is to be paid before the due date as mentioned in the PF /ESI act and if not paid in such time it will be added to the income.

To put a rest in the litigation and make clarity on the Due date, now it is proposed that Due date means Due date specified in the relevant Act i.e. due date mentioned in the PF/ESI Act and not the return filling Due Date.

**Take care to pay PF/ESI before due date of PF/ESI Act.**

#### **Note:**

This change may be applicable retrospectively i.e. can be applicable for past years.

**C. Section 43CA and 56**

**Increase in safe harbor limit for Residential Unit held as Stock in trade.**

Currently in case of sale of immovable property held as stock in trade, if the Jantri value is higher than the actual sale consideration, then Jantri value is to be considered as sale consideration and the difference is taxable as Business income. In case of recipient of the immovable property, such difference is taxable as gift under "Other Sources".

However difference up to **10%** of the sale consideration is allowed.

It is proposed to increase the limit of **10% to 20%** of the sale consideration subject to below conditions:

- 1) The transfer of such **residential unit** takes place during the period from the 12/11/2020 to 30/06/2021;
- 2) Such transfer is by way of **first time allotment** of the residential unit to any person;
- 3) Total sale consideration should not exceed Rs. 2 Crores.

**Example:**

Dastavej Amount (In Rs.)	Jantri Value (In Rs.)	Safe Harbour Limit (A+20%)	Amount Chargeable as <b>Business Income</b> for Seller	Amount Chargeable as <b>Other Income</b> for Purchaser	Remarks
A	B	C	D	E	F
80,00,000	95,00,000	96,00,000	80,00,000	NIL	Jantri Value is Within Safe Harbour Limit
75,00,000	95,00,000	90,00,000	95,00,000	20,00,000	Jantri Value exceeds Safe Harbour Limit

**"SAVE ON STAMP DUTY ON PURCHASE A RESIDENTIAL PROPERTY AT LOWER VALUE."**

**Note:** After 30/06/2021, above limit of 20% will be again reduced to **10%**.

**D. Section 44AB**

**Audits of account of persons carrying on business (w.e.f FY 2020-21)**

Currently any person having turnover above **Rs.1 crore from business activities** is required to get accounts audited under section 44AB before due date of income tax return filing.

In last year, the limit of RS. 1 Crore was increased to Rs. 5 Crore subject to certain conditions. Now, it is proposed to further increase the limit of Rs.5 crore **to Rs.10 crore** if following conditions are satisfied:

i) Total amount received (like sales + loans + capital receipt + other receipt) in cash during the relevant financial year shall not be more than 5% of total amount received.

AND

ii) Total amount paid (like purchases + advances + capital payment + expenses) in cash during the relevant financial year shall not be more than 5% of total amount paid.

**Note:**

1) Both the above conditions should be satisfied

Example:

Scenario	Total Receipt	Receipt in cash	Total Payment	Payment in cash	Eligibility
1	2 crore	15 lakh (7.5%)	1 crore	7 lakh (7%)	Not eligible
2	2 crore	10 lakh (5%)	1 crore	7 lakh (7%)	Not eligible
3	2 crore	10 lakh (5%)	1 crore	4 lakh (4%)	Eligible
4	2 crore	15 lakh (7.5%)	1 crore	4 lakh (4%)	Not eligible

2) Total amount paid and total amount received can be derived from cash flow statement for the year.

**E. Section 44ADA:**

**Presumptive Taxation for  
Professionals (w.e.f. FY 2020-21)**

Currently, Presumptive taxation scheme is available for any assesses who is resident in India carrying specified profession but there was no clarity for LLP incorporated by professional for availing the 44ADA benefits.

It is propose to restrict the applicability of this provision to only **individual, HUF or a partnership firm other than a LLP.**

**LLPs can not avail  
benefit of  
presumptive  
taxation.**



## 4. CAPITAL GAINS

### A. Section 14(c) & 112A:

#### **Clarity of Taxability of ULIP policy under capital gain**

This provision is proposed to bring clarity on taxation of ULIP. It is proposed that Unit Linked Insurance Policy (ULIP) will be taxable (i.e. will not be exempted u/s 10(10D)) as capital gain income subject to certain conditions.

Same will be taxable like listed shares and chargeable to tax @10% without indexation as per section 112A.

However, above taxability is subject to certain conditions which are mentioned below.

#### Conditions:

- 1) Policy taken on or after 01.02.2021
- 2) Premium Payable during any year during the term of policy is more than Rs.2,50,000/-.
- 3) If person holding more than one ULIP, then limit of Rs.2,50,000/- cumulatively. i.e. exemption will be available only for policies upto total Premium of Rs.2,50,000/-
- 4) Amount received at the time of death of the person, NO tax will be applicable.

#### **Example:**

<b>Particulars</b>	<b>Case-I</b>	<b>Case-II</b>
Date of Issue of ULIP	On or After 01.02.2021	On or After 01.02.2021
Sum Insured	50,00,000	55,00,000
Term	10 Years	10 Years
Amt Received at Maturity	60,00,000	65,00,000
Yearly Premium	2,50,000	2,75,000
Treatment at Maturity	Rs.60,00,000/- received at maturity will be exempt as per section 10(10D) as premium	At Maturity Capital Gain @ 10% will be applicable on Rs. 37,50,000/- as under:

	does not exceeds Rs. 2,50,000/-	Amt Received	65,00,000
		Less: Total Premium paid (275000*10)	27,50,000
		<b>Net</b>	<b>37,50,000</b>

**ULIP MATURITY: NO INDEXATION BENEFIT + TAXABLE @ 10%**

**B. Section 45(4) and 45(4A):**

**Transfer of Capital Asset to Partner on Dissolution or Reconstitution of Partnership or AOP or BOI**

Currently, any profit arising from transfer of Capital assets by way of distribution on dissolution or retirement is chargeable to tax as Income of the Partnership or AOP. However, there is an ambiguity regarding taxability of distribution of money or other asset.

So, in order to make clarity, amendment has been proposed in the section.

It is proposed that Firm/AOP/BOI at the time of dissolution or retirement of any partner/member, will be liable to capital gains tax on distribution of capital asset, money, or other asset, whether the amount is upto the balance of capital account or in excess balance in capital account.

The balance in the capital account is required to be calculated without considering increase due to revaluation of any asset or due to self-generated goodwill.

**C. Section 50B:**

**Slump Sale (w.e.f. FY 2020-21)**

Currently, sale of undertaking for a lump sum consideration in terms of MONEY, without assigning value to the individual asset and liabilities is treated as SLUMP SALE and chargeable to tax under capital Gain.

However, if any business is transferred as a continued business for a lump sum Non-Monetary consideration like exchange, then it has been treated as Sale and not falling under Slump Sale Criteria.

So, to clarify the matter, it is proposed that slump sale will include all types of transfer inter-alia sale, exchange, relinquishment, extinguishment, etc.

**D. Section 50 & 55:**

**Capital Gain on Goodwill (w.e.f. FY 2020-21)**

**(i). Treatment for Goodwill as on 01.04.2020**

In a case of existing goodwill, it is required to reduce from Block of Asset and Capital Gain will be calculated as per the method to be prescribed.

**(ii). Treatment on Sale of Goodwill**

Capital Gain will be calculated as per Normal Provision at the time of sale and tax will be levied. It could be Short Term or Long Term Capital Gain.

**(iii). Cost of Goodwill**

**a) In case of Purchased Goodwill**

Cost of Acquisition of purchased Goodwill will be the:-

Original Purchase Price	XXX
Less: Depreciation as per Income Tax already taken till 31.03.2020	XXX
Cost of Goodwill as on 01.04.2020	XXX

**b) In case of Self-generated Goodwill**

Cost of Acquisition of Self-generated goodwill will be **NIL**.

**(iv). Period of Holding**

For the determination of Long Term/Short Term nature, whether the period of holding to be calculated from original purchase date or 01/04/2020? – Clarification for the same is required from Income Tax Department.

## 5. OTHER SOURCE INCOME

### A. Section 10(11 & 12):

#### **Interest accrued on PF Contribution exceeding Rs.2,50,000/-**

Currently if an employee makes contribution to his PF account any amount, interest earned on such contribution is not taxable.

To put a cap on such over contribution, it is proposed to tax **proportionate** interest earned relevant to the contribution in excess of Rs.250000/- made by an employee.



## 6. NRI TAXATION

### A. Section 89A:

#### **Relief from Taxation of income from Retirement Fund Account maintained in a notified Country**

Currently there is mismatch in the year of taxability of withdrawal from retirement funds by residents who had opened such fund when they were non-resident in India and resident in foreign countries. At present the withdrawal from such funds may be taxed on receipt basis in such foreign countries, while on accrual basis in India.

In order to address this mismatch and remove this genuine hardship, it is proposed to insert a new section 89A which will work as a relief like relief given in the case of salary arrears. Exact method for calculating the relief will be prescribed.

**MUCH NEEDED RELIEF FOR RETURNING NRIs.**



## 7. DEDUCTIONS

### A. Section 80EEA:

#### Extension of Time limit

The existing provisions of section 80EEA of the Act provide for additional deduction of Rs.1,50,000/- in respect of interest on loan taken from any financial institution for acquisition of an affordable residential house property where the loan is sanctioned between 01.04.2019 and 31.03.2021 whose purchase value is not more than 45Lakhs.

It is proposed to extend the limit from 31.03.2021 to 31.03.2022

**You can buy house before 31.03.2022 to avail this benefit subject to certain conditions.**

### B. Section 80IBA

#### Extension of Time limit

The existing provisions of section 80IBA of the Act provide for a deduction of 100% profit from affordable housing projects where the project is approved by competent authority before 31.03.2021.

It is proposed to extend the deadline for approval from 31.03.2021 to 31.03.2022.

Such benefit can also be taken for the rental Housing Projects to be notified the government.

**Go and get your project approved before 31.03.2022 and complete the same in 5 years to avail this benefit.**

## 8. TDS/TCS PROVISIONS

### A. New Section 194P:

#### **TDS in case of Specified Senior Citizen (w.e.f. FY 2021-22)**

In the case of senior citizens who have attained 75 years of age, and having income from Pension and Interest income and having no other income, bank is required to compute the total income of such specified senior citizen for the relevant assessment year and deduct income-tax on such total income.

To avail the benefit of this section, Senior citizen must have ONLY ONE bank account.

**This is not going to benefit any senior citizen.**

### B. New Section 194Q:

#### **TDS on Purchase of Goods (w.e.f. 01.07.2021)**

Currently there is no Tax deducted at source on Purchase of Goods.

It is proposed that a Purchaser of **goods** is required to deduct tax at source @ 0.1%, if the amount of total sales, gross receipts or turnover of the Purchaser is more than 10 crore in immediately preceding financial year i.e. for FY 2021-22, turnover of FY 2020-21 shall be considered.

TDS is required to be deducted from the Seller from whom Purchase above Rs.50 lakh (including GST) is made during the year. In case there is no PAN then TDS is required to be deducted @ 5% instead of 0.1%.

However, this provision will **NOT** apply in following cases:

- a) If TDS is required to be deducted under any other section; or
- b) If TCS is required to be collected under any section other than 206C(1H)

So, on a transaction if TDS under this section and TCS under section 206C (1H) i.e. TCS on sale of Goods simultaneously applicable, then only TDS under this section will be required to be deducted.

To have more clarity on whether TDS will be applicable or TCS will be applicable, Consider the below example:

<b>Situation</b>	<b>Turnover of Buyer in FY 20-21</b>	<b>Turnover of Seller in FY 20-21</b>	<b>What is Applicable TDS or TCS?</b>
1	More than Rs. 10 Crores	More than Rs. 10 Crores	TDS will be applicable
2	Less than Rs. 10 Crore	More than Rs. 10 Crores	TCS will be applicable
3	More than Rs. 10 Crores	Less than Rs. 10 Crore	TDS will be applicable
4	Less than Rs. 10 Crore	Less than Rs. 10 Crore	TDS/TCS will not be applicable

**C. Section 206AB/206CCA:**

**Higher TDS/TCS in case of Non-filers of Income Tax return:**

To promote the persons to file the return whose income is liable for TDS deduction, it is proposed that with effect from 01/07/2021 there will be higher deduction of TDS/TCS, as under: -

<b>Payee Having PAN</b>	<b>Payee Not Having PAN</b>
<p>If</p> <ol style="list-style-type: none"> <li>1) Not filed their tax returns for both of the two preceding assessment years; and</li> <li>2) Total amount of TDS and TCS in each of the two year is Rs. 50,000/- or more by Payer</li> </ol> <p>Then, TDS/TCS at a higher of the below rates will be applicable:</p> <ol style="list-style-type: none"> <li>a. Double the rate specified in the section; or</li> <li>b. Double the rate in force; or</li> <li>c. 5%</li> </ol>	<p>TDS/TCS at a higher of the below rates:</p> <ol style="list-style-type: none"> <li>a. Double the rate specified in the section; or</li> <li>b. Double the rate in force; or</li> <li>c. 20% (In case of Section 194-O and 194-Q – 5% instead of 20%)</li> </ol>

**“UTILITY WILL BE PROVIDED TO CHECK WHETHER PAYEE HAS FILED THE RETURN OR NOT.”**



## 9. CHARITABLE TRUST /INSTITUTIONS

### A. Section 10(23C)(iiiad) & (iii ae):

#### **Increase in threshold limit for exemption to University, Educational institution, Hospital or medical institution.**

Sub-clause (iiiad) of clause (23C) of section 10 provides for exemption for the income received by any person on behalf of university or educational institution and sub-clause (iii ae) of clause (23C) of section 10 provides for exemption for the income received by any person on behalf of hospital or institution, subject to the condition that the **annual receipts of such university or educational institution or hospital or medical institution do not exceed Rs. 1 Crore.**

It is proposed to increase the above limit of annual receipts, for exemption under sub-clause (iiiad) and (iii ae), **to Rs. 5 Crore.**

This limit to be check with respect to the **Total receipts from university or educational institution or as well as from hospital or medical institution in aggregate.**

### B. SECTION 11, 10(23C)(iiiad) & (iii ae):

#### **Taxability of Corpus donation and clarity on computation of application of fund from loan**

Currently income in the form of voluntary contributions forming part of corpus (i.e. corpus donation) received by any trust or institution or any university or other educational institution or any hospital or other medical institution, is not treated as income.

However, many trust or institutions wrongly claim the utilization of fund out of Corpus fund as part of mandatory 85% application of income other than corpus income.

So, this result in a double counting, as corpus income is exempted and its utilization is also claimed as application against mandatory 85% application.

So, to ensure no double counting while calculating application of Income;

**1) It is proposed that, such Corpus donation is required to be invested in one or more of the forms or modes specified in sub-section (5) of section 11.**

So to say that it can invest in **following ways** (as mentioned in section 11(5)) and **if not invested then it will be considered as Income:**

- a) Investment in Government Saving Certificates
- b) Deposits with Post office Saving Banks
- c) Deposit with Scheduled banks or Co-Operative banks
- d) Investment in units of the Unit trust of India
- e) Investment in Central or State Government Securities
- f) Investment in debentures issued by any company or corporation where principal and interest both must have been guaranteed by central Govt. /State Govt.
- g) Investment or deposits in any public sector company
- h) Investment in bonds of approved financial corporation
- i) Investment in bonds of approved public companies
- j) Investment in immovable Property excluding Plant & Machinery
- k) Deposits with Industrial Development Bank of India



**Investment of  
Funds by Trusts  
Section 11(5)**



**Fund not Invested  
by Trusts in Section  
11(5)**

**2) It is also proposed that if any loan is taken and is used for the capital or revenue expense then such expense will not be counted for application of income. However, when such loans are repaid back, it will be counted as application of income.**

**3) Clarity on No carried forward of deficit**

Further, it is proposed 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. So to say that deficit will not be allowed to be carried forward.

However, such deficit if funded through corpus as explained hereafter, can be set off against surplus of subsequent years.



**4) Further, it is also proposed that, utilization of Corpus donation will not be considered as application for the purpose of trust/institution. However, when it is transferred back and invested as per above mentioned ways, such amount will be treated as application in the year in which amount invested.**

To understand above change, consider the below example:

<b>Particulars</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Total Income other than Corpus Donation	Rs.1,00,00,000	Rs.1,50,00,000	Rs.1,75,00,000
Corpus Donation Received during the year	Rs.50,00,000	Rs.25,00,000	Rs.35,00,000
Total Revenue Expenditure made during the year	Rs.1,50,00,000	Rs.1,20,00,000	Rs.1,35,00,000
Surplus/ Deficit	Deficit Rs.50,00,000	Surplus Rs.30,00,000	Surplus Rs.40,00,000
<b>"Application of Income"</b> for the year as per Income Tax	Rs. 1,00,00,000	Rs.1,50,00,000 (1,20,00,000+ 30,00,000)  (Rs.30,00,000 is required to invest as mentioned above)	Rs. 1,55,00,000 (1,35,00,000+ 20,00,000)  (Rs.20,00,000 is required to transfer to Corpus Fund out of Surplus and also require to invest as mentioned above)
Remarks	Amount Spent from Corpus Fund will not be treated as "Application of Income"	Amount invested to extend utilized in earlier years out of Corpus Fund, such amount will be treated as Application Income" in the year of transfer.	Amount invested to the extent utilized in earlier years out of Corpus Fund, such amount will be treated as Application Income" in the year of transfer to the extent corpus fund utilized.  Balance Rs. 20,00,000 will be taxable subject to available. 15% Accumulation.

## 10. START-UPS



### Section 80IAC:

#### **Extension of time limit for 100% deduction of Profit in case of eligible start-up**

Currently an eligible start-up incorporated between 01/04/2016 to 31/03/2021 having turnover of less than 100 crores can avail deduction of 100% of its profit in any 3 consecutive years out of first 10 years.

It is proposed to extend the period of incorporation of such eligible start-ups till 1st day of April, 2022.

# 11. RETURNS & ASSESSMENTS

## A. Section 139:

### Exemption to Senior Citizens from filling of income Tax Return

It is proposed that resident senior citizens, who have attained the age of 75 years, are not required to file return of income if-

- A. They have pension income or interest income from a specified bank and have no other income;
- B. Has filed a declaration to the specified bank in this regards; and
- C. TDS under section 194-P has been deducted by the bank.

## B. Section 139

### Change in Due date of filing return

a) In case of a partner of firm who is required to furnish transfer pricing report U/S 92E.

Existing	Proposed
31 <sup>st</sup> July (31 <sup>st</sup> October if Audited)	30 <sup>th</sup> November

b) In case of Revised/Late Return:

Existing	Proposed
12 months from end of Financial year	9 months from end of Financial year

## C. Section 143:

### Time limit for issuance of Intimation & Notices

Particulars	Existing	Proposed
Intimation u/s 143(1)	12 Months from end of FY in which Return Filed	9 Months from end of FY in which Return Filed
Scrutiny Assessment Notice u/s 143(2)	6 Months from end of FY in which Return Filed	3 Months from end of FY in which Return Filed



**D. Section 148:**

**Re-opening of Assessment in Regular/Search Cases**

<b>Particulars</b>	<b>Existing</b>	<b>Proposed</b>
<b>Re-Opening of Assessment</b>		
Where the escaped income is below <b>Rs. 1 Lakh</b>	Within <b>4 Years</b> from the end of relevant AY	Within <b>3 Years</b> from the end of relevant AY
Where the escaped income is likely <b>Rs. 1 Lakh or more.</b>	Within <b>6 Years</b> from the end of relevant AY	
Where the escaped income is in relation to any asset including Financial Asset located outside india	Within <b>16 Years</b> from the end of relevant AY	<b>No Such Provision</b>
Where the escaped income is likely to exceed <b>Rs. 50 Lakh or more.</b>	<b>No Such Provision</b>	Within <b>10 Years</b> from the end of relevant AY
<b>In case of Search</b>		
Where Search has been conducted or Books of Account are requisitioned	Assessment can be done for 6 /10* AY immediately the AY in which search conducted (* Subject to certain condition)	<b>No Such Provision (See Note Below)</b>

**Note:** Existing provisions regarding Search cases shall continue to apply in respect of search already initiated on or before March 31, 2021.

To Summarise:

<b>Escaped Income</b>	<b>If Notice issued before 31.03.2021</b>	<b>If notice issued on or after 01.04.2021</b>
		Notice can be issued
Less than Rs. 1 lacs	For the AY 2016-17 to AY 2020-21	For the AY 2018-19 onwards
From Rs. 1 lacs to Rs. 50 lacs	For the AY 2014-15 to AY 2020-21	For the AY 2018-19 onwards
Above Rs. 50 lacs	For the AY 2014-15 to AY 2020-21	For the AY 2010-11 onwards

**E. Section 153:**

**Time limit for completion of Assessment, Reassessment**

Various time limits for issuance of Notices and completion of Assessments is summarized as under:

<b>FY</b>	<b>AY</b>	<b>Due Date of Filing of Return</b>	<b>Due Date of Filing Late Return/Revised Return</b>	<b>Last Date for Receipt of notice for Regular Assessment</b>	<b>Last date for completion of Regular Assessment</b>
2017-18	2018-19	31/07/2018 or 30/09/2018 or 30/11/2018	31/03/2019	30/09/2019	31/03/2021 (Extended)
2018-19	2019-20	31/07/2019 or 30/09/2019 or 30/11/2019	30/11/2020 (Extended)	31/03/2021 (For Regular Filer)  30/09/2021 (For Late Filer)	31/03/2021 (Extended)  (This may be Further Extended)
2019-20	2020-21	10/01/2021 or 15/02/2021	31/03/2021	30/09/2021	31/03/2022
2020-21	2021-22	31/07/2021 or 31/10/2021 or 30/11/2021	31/12/2021	30/06/2022	31/12/2022
2021-22	2022-23	31/07/2021 or 31/10/2021 or 30/11/2021	31/12/2022	30/06/2023	31/12/2023

**F. Section 234C:**

**Interest on Default in Payment of Advance Tax**

It is proposed that no interest to be charged on shortfall in payment of advance tax on dividend income. However, it is required to pay full tax thereon in subsequent instalments.

## 12. OTHER CHANGES

### **A. Section 271AAD: Penalty for false entry or omission of entry; & Section 281B: Provisional Attachment**

In the last budget, levy of penalty at 100% has been inserted on false entry or omission of entry. The false entry is defined as under:

- 1) Forged invoice or false supporting voucher
- 2) Bogus bills of goods or service i.e. no actual supply of goods or service
- 3) Bogus bills of goods or service from a non-existing person

Now it is proposed to provisionally attach the property of the assessee, if the amount of penalty imposable is likely to exceed Rs. 2 Crores.

**B.** It is proposed that Income Tax Settlement Commission will be discontinued and the same shall be replaced by one or more Interim Boards.

**C.** It is proposed to introduce a new scheme called Dispute resolution Committee to provide early tax certainty to small and medium taxpayers.

In this scheme, following cases will be covered:

- a. Taxpayers whose Total income as per return is less than Rs. 50,00,000/-
- b. Aggregate variations proposed or made by tax authorities to taxable income is less than Rs. 10,00,000/-

**D.** It is proposed that a scheme of Faceless Income Tax Appellate Tribunal (ITAT) will be notified.

**E.** For the ease of compliance of taxpayer, following details will be prefilled in Income Tax Return:

- Salary Income
- Tax Payments, TDS
- Capital Gain from listed Securities
- Dividend Income
- Interest from bank and post Office

# CHANGES RELATED TO GST



# CHANGES RELATED TO GST



“GST is now 4 years old and we have made several efforts to simplify it.”

**NIRMALA SITHARAMAN**  
Finance Minister

## **NO ITC unless reflected in GSTR 2A/2B**

Input Tax Credit shall not be available unless details of invoice or debit note have been uploaded in GSTR 1 by supplier and the same is reflected in GSTR 2A/2B of recipient. Currently, such provision is there in GST rules. Now, GST Act is proposed to be amended for the same.

## **Annual Return & Reconciliation Statement**

GST Audit by professional is now **NOT** required to be done. However reconciliation statement along with annual return to be submitted which is to be self-certified by taxpayer.

## **Interest on Net Liability**

Interest is payable on Net liability and not on gross liability. Though it was many times clarified by GST council as well finance minister, now clarificatory amendment made in GST Act with **retrospective effect from 01.07.2017**.

**Recovery of tax declared in GSTR 1 but not included in GSTR 3B**

It has been proposed to be clarified that the liability declared in GSTR 1 but not included in GSTR 3B will be considered as "self-assessed tax" and direct recovery can be made of such amount.

**SEZ Supplies**

It has been proposed that only the supplies to SEZ developer or a SEZ unit which are for authorised operations (as per the SEZ Act and relevant rules and notifications read with the letter of allotment) shall enjoy the benefit of zero-rating. Hence, supplies other than for authorized operations will be taxable under GST.

**Penalty on seizure and confiscation of goods and conveyances in transit**

Currently, 100 % penalty provision is there in case of violation of rules for transit of goods. Now quantum of penalty u/s 129 has been doubled to 200 % of the tax payable where the owner of the goods comes forward for payment of such penalty.

**Refunds on account of Exports:**

Currently, any exporter of goods or services can make exports with payment of IGST and claim its refund. Now, it has been proposed that the option of making export on payment of IGST shall only be granted to a notified class of taxpayers or notified supplies of goods or services. Details of such taxpayers or categories will be notified by way of rules in due course of time. Further, in case of export goods where foreign remittance not received within 30 days of limit prescribed under FEMA, GST refund amounts will be recovered from exporters.

**Important Note:**

All the proposed amendment in GST Act through Finance Bill, 2021 are to be made applicable after passing of Finance Bill (CGST Act) by President of India and SGST Act by State Assemblies of all the States.



# CHANGES RELATED TO COMPANIES ACT



# CHANGES IN COMPANIES ACT



MCA to Launch MCA-21  
Version 3, Focus on Online  
Compliance Monitoring and  
Ease of Doing Business

## **CHANGE IN DEFINITION OF SMALL COMPANIES:**

The definition of "Small Company" as defined under Section 2(85) of Companies Act, 2013 has been proposed to be amended as under:

<b>Existing Limit</b>	<b>Proposed Limit</b>
Paid up capital < 50 lakhs	Paid up capital < 2 Crore
Turnover < 2 Crore	Turnover < 20 Crore

The main intention of revising the above limit is to provide ease of doing business to a large class of companies and by having minimal compliances required for such companies.

## **CHANGE RELATED TO ONE PERSON COMPANY (OPC):**

<b>Particulars</b>	<b>Existing Provision</b>	<b>Proposed Provision</b>
In relation to Incorporation of OPC	Only an individual who is Indian Citizen and resident in India ( <u>for a minimum period of 182 days</u> ) shall be eligible to incorporate OPC.	Period of 182 days is proposed to reduce to 120 days.
In relation to Conversion of OPC	OPC must be converted to a Pvt. Ltd. Company when paid-up share capital exceeds Rs.50 lakhs or T/o crosses Rs.2 crores.	OPC can be converted into any other type of companies at any time.



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