Grant Thornton Bharat

Comprehensive analysis

UNION BUDGET 2021-22

Foreword

UNION BUDGET 2021-22

Reforms, disinvestment, status quo on tax rates and long-term infrastructure development have been the focus of this year's Budget. As expected, the government stepped up expenditure on various large-scale projects to provide impetus to the economy and largely relied on asset monetisation and borrowings to fund the same.

No change in the tax rates achieves twin objectives. First, it provides a big relief to taxpayers as their tax outgo does not increase. Second, it sends a strong message to the investors globally that government is committed to a long-term low tax rate regime and provides certainty on the broad tax policy framework.

Administrative reforms, such as faceless assessment at the Tax Tribunal level, reduction in the time period for the re-opening of tax assessments and further impetus to the digital transactions are all moves in the right direction, aimed at helping gain further on ease of doing business.

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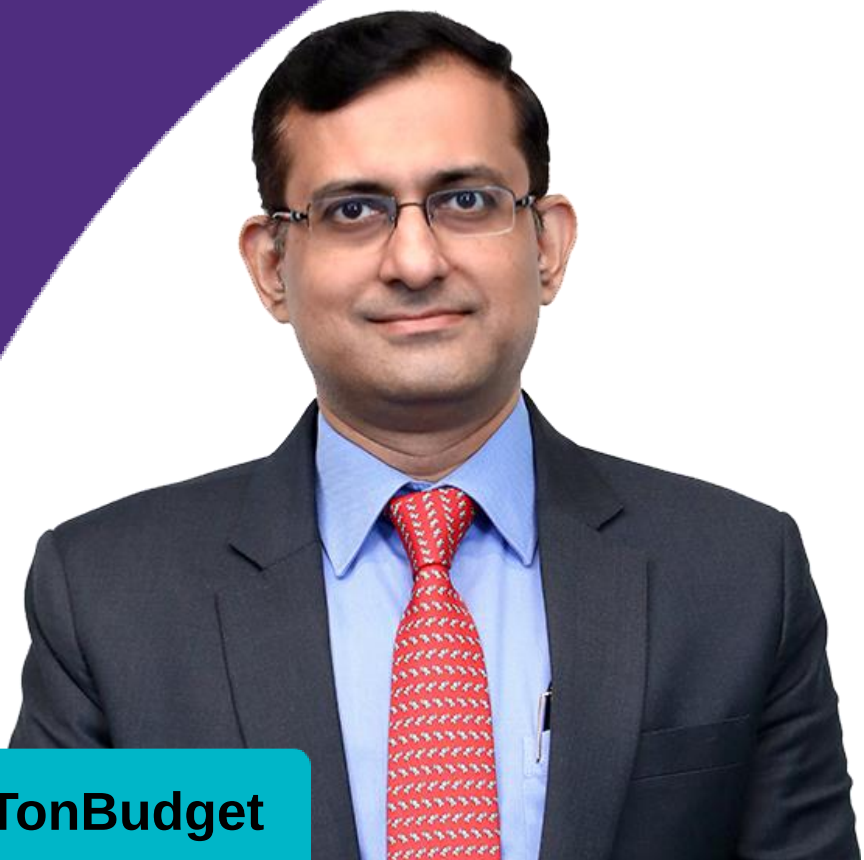
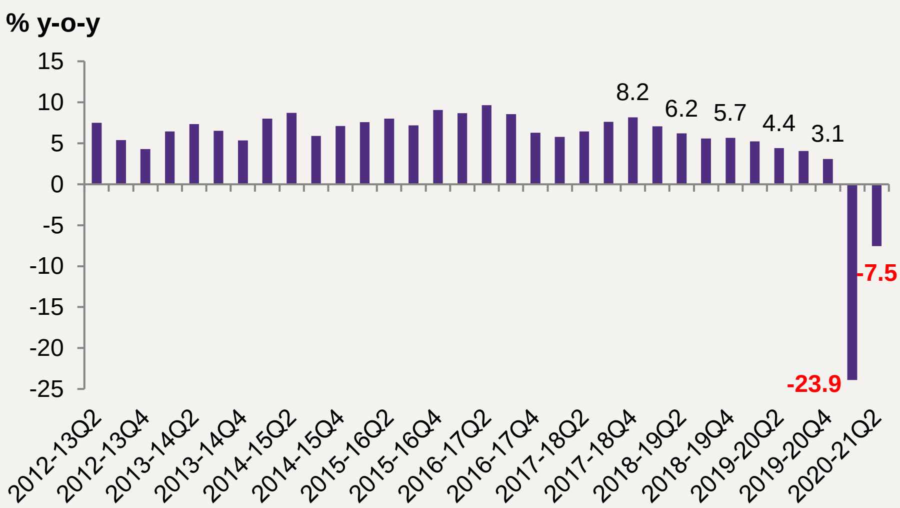


#GTonBudget

Economic overview (1/2)

India's economy is expected to contract for the first time in more than four decades

Real GDP growth

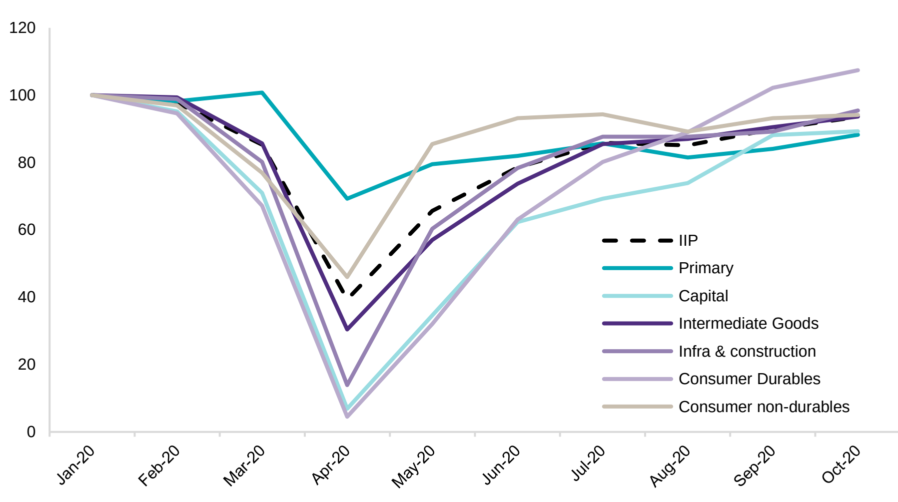


Source: Central Statistics Office

- India's COVID-19 induced gross domestic product (GDP) contraction reduced significantly from -23.9% year-on-year in the April-June quarter to -7.5% in July-September quarter
- Recovery remained uneven with service sector lagging industrial sector and private consumption trailing investment

Economy is witnessing a v-shaped recovery

Recovery in industrial production

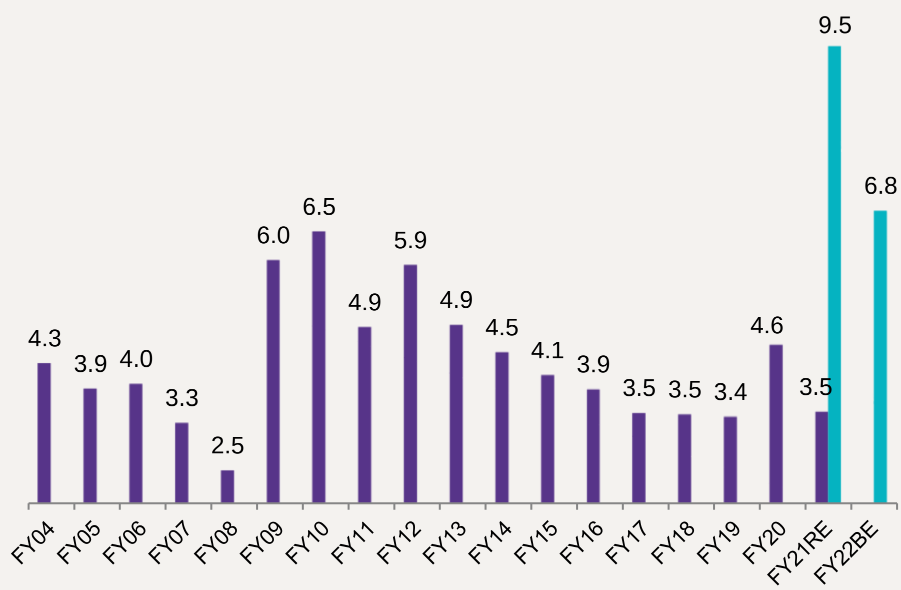


Source: Central Statistics Office

- The Economic Survey indicates signs of a V-shaped recovery of the economy
- Economy is at 94% of the pre-pandemic levels

Economic overview (2/2)

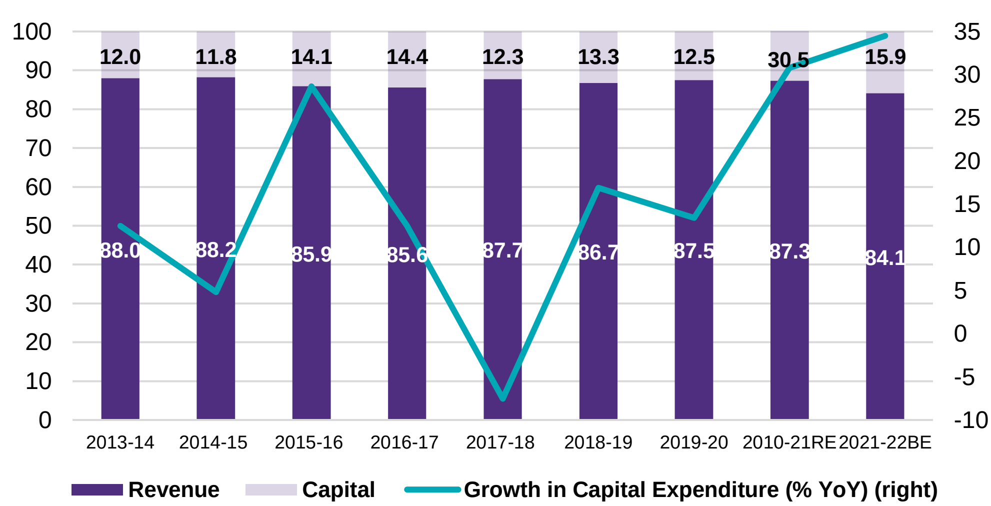
Fiscal deficit much higher than budgeted



Source: Budget documents; RE: Revised estimate; BE: Budgeted estimate

- Fiscal deficit for financial year (FY) 21 has been revised up from budgeted 3.5% to 9.5% of GDP, due to high expenditure and weak revenues on account of COVID-19 induced lockdown
- To ensure that the economy is given the requisite push, the fiscal deficit in FY 22 is also budgeted at 6.8% of GDP
- New glide-path for fiscal consolidation has been announced and fiscal deficit is expected to be steadily reduced to below 4.5% by FY 2025-26

Share of capital expenditure



As per the revised estimates, at INR 5.54 lakh crore, there has been a 34.5% increase in the capital expenditure

Source: Budget Documents

Tax proposals

Key direct tax proposals (1/6)

Key changes in individual taxation

No change in individual slab rates

Taxation of proceeds from high premium unit linked insurance plan (ULIP)

- Any sum received under a ULIP, issued on or after 1 February 2021, is not eligible for tax exemption if the annual premium exceeds INR 2.5 lakh
- Such ULIPs are proposed to be treated as a 'capital asset' and proceeds would be liable to capital gains tax in case of equity oriented mutual funds
- The rules for computation of capital gains shall be prescribed separately

Taxability of interest on employees' contribution to Provident Fund (PF)

Interest attributed to employees' contribution towards PF in excess of INR 2.5 lakh during the previous year is proposed to be taxable in the hands of employee

Relief to resident senior citizens

It is proposed that resident senior citizens, who have attained the age of 75 years, are not required to file return of income if they have pension income or interest income from a specified bank and have no other income

Key changes in corporate taxation

No change in corporate tax rates

Employees' contribution to welfare funds

No deduction will be allowed to employer in case of delay in deposit of employees' contribution to PF and Employee State Insurance (ESI)

This clarification has been introduced to counter existing judicial precedents on the matter.

Tax audit

Turnover threshold for tax audit is proposed to be increased from INR 5 crore to INR 10 crore, in case the cash receipts and payments do not exceed 5% of the total receipts and payments, respectively

Increase in tolerance limit on sale of residential units

Currently, in the hands of real estate developers and buyers, the difference between stamp duty value (SDV) and actual sale consideration (ASC) is taxable if SDV exceeds 110% of ASC

It is now proposed to increase this limit to 120% on fulfilment of below conditions:

- Transfer takes place between 12 November 2020 and 30 June 2021
- Transfer is by way of first-time allotment of the residential unit
- The consideration involved in such transfer does not exceed INR 2 crore

Key direct tax proposals (2/6)

Equalisation levy on e-commerce operators

Following clarifications are proposed for equalisation levy:

- If consideration for e-commerce supply of goods or services are taxable as 'royalty' or 'fee for technical services', the same would be excluded from the purview of equalisation levy
- Any leg of a transaction, such as placing or acceptance of orders/offers, making online payment for supply of goods/provision of services, shall trigger the levy
- Consideration received shall be subjected to equalisation levy on the gross amount irrespective of whether the e-commerce operator owns the goods or provides/facilitates e-commerce services
- Exemption from income tax is now aligned with the date of introduction of equalisation levy, i.e., 1 April 2020

Minimum Alternate Tax (MAT)

- It is proposed to adjust the earlier years' book profits for the purpose of MAT computation for secondary adjustment(s) or advance pricing agreement (APA) by making an application to the tax officer, who must dispose it off within four years from the end of the year in which the application is received
- Expenses and income related to dividend earned by foreign company are required to be adjusted from the book profits where income is taxed at a rate lower than MAT as per double taxation avoidance agreement

Revision of time limits

- Capital gains tax exemption on transfer of residential property, if the consideration is invested in equity shares of a 'start-up'; is proposed to be extended by one year, up to 31 March 2022
- Tax holiday extended by one year for start-ups incorporated upto 31 March 2022
- 100% tax holiday for profits and gains from affordable housing projects extended by one year up to 31 March 2022. It is also proposed to extend this benefit to rental housing projects, as may be notified by the central government
- For first-time home buyers, the existing deduction of INR 1.5 lakh on the interest on loan taken for residential house property, is proposed to be extended by one year up to 31 March 2022
- Time limit for filing belated or revised return is proposed to be reduced by three months. Such return can now be filed within nine months from the end of the assessment year (AY) or completion of the assessment, whichever is earlier
- Time limit for issuing scrutiny notice is proposed to be reduced from six months to three months, from the end of relevant AY
- Time limit for completion of assessment reduced to nine months from existing 12 months for AY 2021-22 onwards

Key direct tax proposals (3/6)

Rationalisation of provisions relating to capital gains and income from other sources

‘Slump sale’ definition amended

- It is proposed that the definition of ‘slump sale’ will include all types of transfers, therefore exchange and other forms of transfer will come within the ambit of capital gains tax
- Computation mechanism provided for slump sale will also apply to slump exchange transactions

Depreciation on ‘goodwill’

- The Supreme Court in Smifs Securities [2012] 348 ITR 302 (SC) had held that depreciation is allowed on goodwill
- It is proposed that goodwill is not eligible for depreciation whether acquired pursuant to a restructuring or specifically purchased
- Depreciation claimed, if any, on such goodwill before 1 April 2020, will need to be adjusted from the cost of acquisition

Transfer of capital asset on dissolution/reconstitution

Profits and gains from receipt by a partner/member of any capital asset at the time of dissolution/reconstitution of firm/association of persons (AOP) /body of individuals (BOI) is subject to capital gains tax in the hands of the firm/AOP/BOI. It is now proposed:

- Balance in the capital account of the partner/member shall be calculated without considering increase due to revaluation of any asset or self generated goodwill/other asset
- Receipt of money or other asset shall also be included for the purpose of computing capital gains tax

Key direct tax proposals (4/6)

Collection and recovery of taxes

Tax deducted at source (TDS) on dividend and interest

It is proposed that tax will not be deducted on:

- Dividend income credited or paid to real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) with retrospective effect from FY 2019-20
- Interest income paid or payable by an infrastructure debt fund with effect from FY 2020-21

TDS on purchase of goods

With effect from 1 July 2021, it is proposed that a buyer of goods shall deduct tax on payments made to domestic sellers in excess of INR 0.5 crore at the rate of 0.1% (5% in case of no PAN/Aadhaar) provided the buyer's turnover exceeds INR 10 crore

In case where TDS and TCS on purchase of goods are both applicable, then provisions of TDS shall apply

Higher TDS/TCS in certain cases

With effect from 1 July 2021, taxpayers who have not filed their tax returns for two years shall be subject to a higher rate of TDS and TCS as follows

- Twice the rate specified in the Act
- Rate of 5%

If the specified person does not have a PAN, the TDS/TCS shall be higher of the rates prescribed or stated above

Lower withholding tax rate for foreign portfolio investors (FPIs)

It is proposed that the benefit of lower tax withholding rate, at the time of payment of dividend, under tax treaties to be made available to FPIs subject to availability of a valid tax residency certificate

No TDS on dividend paid to business trust

With effect from 1 April 2020, it is proposed that dividends paid by special purpose vehicle (SPV) to business trusts (REITs/InvITs) will not be subject to withholding tax

Advance tax on dividend income

No interest is proposed to be charged on shortfall in payment of advance tax on dividend income (except deemed dividend) provided full tax thereon is paid in subsequent installments

Key direct tax proposals (5/6)

Reassessment provisions

It is proposed to revamp reassessment provisions:

- Triggers for reopening will be given a wider import by the substitution of the words ‘information which suggests’ instead of ‘reasons to believe’
- Process to be made more stringent and clearly defined
- Time limit for reopening is revised as follows:
  - Three years (without any monetary limit) and
  - 10 years (where escaped income is likely to exceed INR 50 lakh)

Dispute resolution

Introduction of Interim Board for Settlement (Interim Board)

Income Tax Settlement Commission (ITSC) to be discontinued and the same shall be replaced by one or more Interim Boards

Dispute Resolution Committee

New scheme is proposed to be introduced to provide early tax certainty to small and medium taxpayers. The objective is to prevent new disputes and settle issues at initial stages

Cases proposed to be covered would include:

- Taxpayers whose returned income is less than INR 50 lakh
- Aggregate adjustments proposed or made by tax authorities to taxable income is less than INR 10 lakh

Advance rulings

It is proposed to replace the Authority for Advance Rulings (AAR) with one or more board for advance rulings

The advance ruling will not be binding on the applicant or the tax authority and would be appealable before high courts

Faceless Income Tax Appellate Tribunal (ITAT)

It is proposed that a scheme for disposal of appeals by the ITAT in a faceless manner will be notified

Key direct tax proposals (6/6)

Tax incentives for units located in International Financial Service Centre (IFSC)

Tax incentive to an investment division of an offshore banking unit in IFSC

Investment division of foreign banks is proposed to be tax exempt in respect of income from transfer of specified securities if it is located in an IFSC, subject to specified conditions

Relocation of funds – tax exemption

Relocation of offshore funds before 31 March 2023 to an IFSC is proposed to be tax neutral, subject to certain conditions

Aircraft leasing activities in IFSC

In order to provide tax incentive to aircraft leasing activities, the following tax amendments are proposed:

- Royalty income received by a non-resident on account of lease of aircraft paid by a unit in IFSC would be exempt from income tax subject to specified conditions
- Benefit of tax holiday is proposed to be extended to income earned by a unit in IFSC from transfer of aircrafts or aircraft engines, subject to specified conditions

Other incentives

- It is proposed to provide tax exemption on income earned, by a non-resident on transfer of non-deliverable forward contracts entered into with an offshore banking unit of IFSC
- Location of a fund manager of an eligible investment fund in an IFSC would not constitute taxable presence in India for the fund, subject to conditions which may be relaxed by the central government

Issuance of Zero-coupon bond by infrastructure debt fund

It is proposed that infrastructure debt funds can issue zero-coupon bonds to support fund raising for the infrastructure sector.

Key allied laws proposals

Companies Act, 2013

- It is proposed to widen the ambit of small company definition by increasing the limits of paid-up share capital and turnover limits to INR 2 crore and INR 20 crore, respectively
- Following changes are proposed for one person company (OPC) :
  - Allow non-resident Indians to set up an OPC
  - Remove ceiling on paid up share capital
  - Flexibility for subsequent conversion to any other form of company
  - Criteria for residency of a person setting up an OPC is reduced to 120 days
- It is proposed to de-criminalise offences under Limited Liability Partnership (LLP) Act in line with Companies Act, 2013

Increasing FDI in insurance sector

FDI limit for insurance companies to be increased from 49% to 74% under the automatic route

Foreign ownership and control in such insurance companies shall be allowed with the following safeguards:

- Majority of directors and KMPs should be resident Indians with 50% directors being independent directors
- Specified percentage of profits to be retained as general reserve

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

- Minimum ticket size for debt recovery reduced from INR 50 lakh to INR 20 lakh, for non-banking financial institution (NBFCs) having asset size of more than INR 100 crore
- Asset reconstruction company to be permitted to purchase/securitise defaults/ debts of pooled investment vehicle owed to banks

Indian Stamp Act,1899

Stamp duty to be exempt on specified transfer of business or asset or right in immovable property from government companies (including its subsidiary, unit or joint venture) to the government or other government companies, subject to specific approval

Securities Exchange Board of India Act, 1992 (SEBI)

- An alternative investment fund (AIF)/business trust to obtain a certificate of registration from SEBI prior to commencing any activity
- SEBI to be notified as regulator for gold exchanges

Life Insurance Corporation Act, 1956

- Enabling amendments for proposed initial public offering of Life Insurance Corporation (LIC) have been made
- Government to maintain majority shareholding in LIC of not less than 51%

Key indirect tax proposals (1/3)

Goods and Services Tax

Following proposals to be made effective from the date to be notified

Amendment for zero rated supplies

- Zero rated supplies made to special economic zone restricted to supplies made for authorised operations
- Only notified class of taxpayers or notified class of goods or services eligible for zero-rated supplies on payment of integrated tax (IGST)
- Non-realisation of sale proceeds within prescribed time limits under Foreign Exchange Management Act, 1999 (FEMA) for export of goods to entail return of refund amount along-with applicable interest

Retrospective amendments (1 July 2017)

- Definition of 'supply' amended retrospectively to include activities or transaction involving supply of goods or services by any person (other than individual) to its members or constituents or vice versa
- Interest on delayed payment of tax to be paid on net basis

Self certification of reconciliation statement

- Removal of mandatory requirement of furnishing annual reconciliation statement (GSTR-9C) by certified professionals. Further, annual return (GSTR-9) may contain such details to be submitted on self-certification basis

Additional condition to avail input tax credit (ITC)

- Can be availed by recipient only when supplier has reported the invoice/debit note details in their return statement of outward supplies

Widening the scope of self-assessed tax

- Scope for self-assessed tax enhanced to include details of outward supplies; has been reported in GSTR-1 but not considered in GSTR 3B

Changes in assessment procedures

- Seizure and confiscation of goods in transit to be treated as a separate proceeding from recovery of tax
- Provisional attachment of property/bank applicable from the initiation of any proceedings till the expiry of one year from the date of order
- Mandatory pre-deposit of 25% of penalty amount for filing appeal against any order passed in seizure of goods in transit
- Minimum amount of penalty in case of detention/confiscation of goods or conveyance increased to 200% and 100%, respectively

Power to call information

- Enhancement of power of jurisdictional officer to call for information from any person in relation to any matter within the GST law

Key indirect tax proposals (2/3)

Customs

Effective from enactment of Finance Bill 2021

- Investigation related to evasion of customs duties to be completed within two years (extendable by one more year)
- Any new condition-based customs duty exemption notification to automatically expire on 31 March on completion of two years from the date of exemption
- All existing condition-based duty exemption notifications to expire on the prescribed end date or 31 March 2023, whichever is earlier
- Bill of entry to be filed one day in advance before arrival of goods
- Goods entered for exportation to claim illegitimate export benefits liable to be seized
- Fraudulent credit availed on exported goods liable to penalty equal to five times of the refund amount
- Common electronic portal proposed to set up to facilitate registration, filing bill of entries, shipping bill, amendment in the filed documents by the customs authorities, etc.

Effective from 2 February 2021

- Amendment to Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules):
  - Allow 100% out-sourcing for manufacture of goods on job work
  - Imported capital goods used for the specified purpose to be cleared on payment of differential duty, along with interest, on depreciated value
- Rules in relation to Anti-dumping Duty, Safeguard Duty and Countervailing Duty have been amended to bring further operational clarity

Proposals aimed towards enhancement of trade facilitation, stricter penal action and avoidance of manual interventions

Key indirect tax proposals (3/3)

Rationalisation of customs duty rates on specific goods from 2 February 2021 (refer annexure)

- Changes in product-specific customs duty rates to ensure:
  - Level playing field to domestic manufacturing industry, MSMEs, etc.
  - Promotion of value addition in specific sector electronics
  - Reduction of cost of inputs and correction of inverted duty structure

Changes in above duty rates are in line with the government's aim to protect, safeguard and boost domestic market, ultimately fulfilling the objective of Atmanirbhar Bharat

Other proposal

Concession can be availed under Form C by registered person engaged in reselling or use of goods in manufacturing of goods covered under Central Sales Tax (CST) i.e., petrol or diesel

New levy of Agriculture Infrastructure and Development Cess (AIDC) effective from 2 February 2021

Customs

- AIDC to be levied on specified goods imported into India with simultaneous reduction in basic customs duty rates on such products to ensure no additional duty burden
- Social Welfare Surcharge (SWS) exempted on the value of AIDC imposed on gold and silver

Central Excise

- AIDC to be levied on manufacturing or production of petrol and high-speed diesel (HSD), with simultaneous reduction in excise duty rates on such products to ensure no additional duty burden

Sectoral overview

Infrastructure

Key highlights

- At INR 5.54 lakh crore, perhaps the highest-ever increase in the outlay from the budgeted estimates of last year; a 34.5% increase
- National Infrastructure Pipeline (NIP), the first-of-its-kind, is aimed at improving infrastructure in the country
- Key focus of this budget:
  - Creating institutional capacity and frameworks to boost sector
  - Thrust on monetising assets
  - Increase share of capex in each sub-sector
- Professionally managed Development Finance Institution (DFI) will be set up with a capital of INR 20,000 crore for funding infra projects
- Asset monetisation to be through monetising public infrastructure. A national monetising pipeline for brownfield infrastructure will be launched

Water

- Provision of water supply to 4,378 urban local bodies through the launch of Jal Jeevan Mission Urban, with an outlay of INR 2.87 lakh crore covering 2.86 crore households with tap connection
- Urban Swachh Bharat Mission 2.0 will be implemented with INR 14,1678 crore over the five-year period from 2021

Roads and highways

- INR 1.18 lakh crore budgeted for the Ministry of Road Transport and Highways; of this INR 1.08 lakh crore is for capital expenditure, the highest ever provided
- Another 11,000 km of National Highways corridor to be developed by the end of 2022
- More economic corridors in Tamil Nadu, West Bengal, Kerala and Assam proposed with huge outlays for each state to construct/complete construction of these economic corridors

Railways

- The new National Railway Plan aims at a future-ready railway system will be completed by 2030. The Western Dedicated Freight Corridor (DFC) and Eastern DFC will be commissioned by June 2022
- An outlay of INR 1.10 lakh crore budgeted, of which 1.07 lakh crore is for capital expenditure
- Additional stretches announced including East Coast corridor, East West corridor and North South corridor
- By 2023, 100% completion of Broad-Gauge route

Infrastructure

Urban infrastructure

- Focus on improving urban mobility
- For increasing the share of public transport in the overall urban transportation, expansion of metro line networks and bus transport services announced
- A scheme for INR 18,000 crore for bus transport to be launched. This will include creation of a department of innovative public-private partnership (PPP) to increase operating 20,000 buses
- Central counterpart funding extended to Kochi Metro, Chennai Metro, Nagpur Metro, Nagpur Metro and Bangalore Metro

Power, ports and others

- To increase competition in the power distribution sector, a framework will be put in place so that consumers will have a choice of more distributors
- Reforms-based result-linked power distribution sector scheme will be launched with an outlay of INR 3.05 lakh crores over 5 years. The scheme will provide assistance to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, upgradation of systems, etc., tied to financial improvements
- A hydrogen energy mission to be launched to generate power
- Operations of major ports will be shifted to private sector
- INR 2,000 crore allocated to fund seven port projects under public-private partnership (PPP) for FY 2021-22
- Scheme for promoting Indian companies participating in global tenders for port projects to be launched

Banking, financial services and insurance

Key highlights

- Constitution of asset reconstruction company/asset management company in the banking sector to transfer bad and stressed loans
- To restore confidence of retail depositors in the banking industry, an effective implementation framework would be put in place, where the depositors would be able to withdraw amounts of up to INR 5 lakh against their deposits, which now stands insured under the Deposit Linked Insurance Scheme
- Increase in FDI limit from 49% to 74% in the insurance industry, where control and significant ownership can rest with foreign JV partner/s with safeguards, such as majority directors to be Indian residents and where 50% of the Board to comprise of Independent Directors
- Outlay of INR 20,000 crore proposed to capitalise public sector banks (PSBs)
- Proposed privatisation of two PSBs and one general insurance company in 2021-22
- Life Insurance Corporation of India to come out with an IPO which could constitute a major portion of the budget of INR 1.75 lakh crore of disinvestment target
- SEBI to be notified as the regulator for gold exchange
- Funds that are established in India as trust or any other eligible entity that raises money from investors and invest as per the SEBI regulations, have been brought under unified definition of pooled investment vehicle
- Under Securities Contracts (Regulation) Act, 1956 (SCRA), pooled investment vehicles can now borrow and issue debt securities in accordance with SEBI regulations
- Proposal to consolidate the SEBI Act, 1992, the Depositories Act, 1996, the SCRA and the Government Securities Act, 2007 into a rationalised single securities market code. The text of the code has not yet been notified
- Debt financing by FPIs have been proposed to enable easy access of finance to InvITs and REITs for augmenting funds in the infrastructure and real estate sectors
- Tax benefits proposed to IFSC
  - Royalty income received by a non-resident on account of lease of aircraft paid by a unit in IFSC would be exempt from income tax subject to specified conditions
  - Tax exemption to investment division of a banking unit of a non-resident located in an IFSC
  - Tax exemption for income earned by a non-resident on transfer of non-deliverable forward contracts entered into with an offshore banking unit of IFSC
  - Tax neutral relocation of existing offshore fund to IFSC
- For FPIs, tax to be withheld at source on dividend income received from Indian companies, either at a rate as per the tax treaty or the Income-tax Act, 1961, whichever is lower
- No tax to be withheld on dividend income paid to a REIT/InvIT by a SPV

Auto and manufacturing

Key highlights

- Introduction of the long-awaited voluntary vehicle scrappage policy
  - Commercial vehicles that are 15 years old, and personal vehicles more than 20 years old, will have to be scrapped based on fitness test
  - Details of scheme to be announced by the Ministry of Road Transport and Highways (MoRTH)
- Customs duty reduced to 7.5% on stainless steel; to provide relief to metal recyclers
- Allocation of INR 2,217 crore for 42 urban centres with a million-plus population for clean air
  - Move to spread awareness about the benefits of using electric vehicles (EVs) to the environment and its contribution to make the air clean
  - Immediate acceleration for clean mobility - EVs and charging infrastructure
- Advanced traffic management system with speed radars, variable message signboards, GPS-enabled recovery vans to be installed in all new four and six lane highways
- Scheme to augment public transport system by inducting more buses
  - Allocated spend of INR 18,000 crore to improve public transport; procure 20,000 buses
  - Deployment through public private partnership model
- Step to boost sales for commercial vehicle manufacturers as well as employment opportunities
  - Commercial vehicle demand to receive support from construction-led infrastructure push in sectors such as roads and urban infrastructure
- Proposal to set up DFI
  - Encourage PPP in setting up institutional structures; monetisation of assets and inclusion of states

Healthcare

Key highlights

- Budget allocation increased to INR 223,846 crore, which is 137% more than the previous year's total budgeted expenditure of INR 94,452 crore

Vaccination initiative

- INR 35,000 crore allocated for COVID-19 vaccine
- Pneumococcal vaccine will be extended to the whole country; it is currently limited to five states

National Nursing and Midwifery Commission Bill

- Proposal to introduce a transparent and efficient regulation for 56 allied healthcare professions

PM Atmanirbhar Swasth Bharat Yojana

- Outlay of INR 64,180 crore over six years
- Support for 17,788 rural and 11,024 urban health and wellness centers
- Public health labs in all districts and 3,382 block public health units in 11 states
- Critical care hospital blocks in 602 districts and 12 central institutions

Healthcare systems

- Strengthen National Centre for Disease Control, its five regional branches and 20 metropolitan health surveillance units
- Expansion of Integrated Health Information Platform
- 15 health emergency operations centers and two mobile hospitals to be established
- A national institution for One Health, a regional research platform for World Health Organisation South East Asia to be set up
- Operationalise 17 new public health units (PHUs) and strengthen 33 PHUs
- 9 bio-safety Level III laboratories to be set up
- 4 regional National Institutes for Virology to be set up

Nutrition

- Launching the Mission Poshan 2.0 by merging Supplementary Nutrition Programme and Poshan Abhiyan
- Intensified strategy to improve nutritional outcomes across 112 aspirational districts

Indirect taxes

- Medical devices imported by international organisations and diplomatic missions (reduced customs duty to 0% from 5%)
- Decrease in rates for consumption of nicotine intended for inhalation without combustion (reduced to 0%)
- Placebos/blinded (or double-blinded) clinical trial kits for a recognised clinical trial, put up in measured doses (reduced to 0% from 10%)

Agriculture and allied sectors

Key highlights

- Budgetary outlay for Ministry of Agriculture and farmers Welfare declined to INR 1.31 lakh crore from INR 1.40 lakh crore in the previous budget
  - Department of Agriculture and Farmers Welfare (DAFW) has witnessed INR 10,000 crore shortfall while Department of Agricultural Research and Education has its outlay maintained at previous budgetary levels
- **Operation Greens Scheme**
  - Scope enhanced to cover 22 perishable crops from the earlier coverage of tomato, onion and potato
- **eNAM/APMCs**
  - 1,000 mandis to be integrated with National Agriculture Market
  - Agriculture Infrastructure Fund to be made available to Agricultural Produce Market Committee (APMCs) for augmenting their infrastructure
- **Micro Irrigation Fund**
  - Created under National Bank For Agriculture And Rural Development (NABARD), with an existing corpus of INR 5,000 crore, an additional INR 5,000 crore to be added
- **Multipurpose Seaweed Park**
  - To be established in Tamil Nadu

Fisheries hubs

- Five major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat and other fish landing centers along rivers and waterways to be developed
- Warehousing Development and Regulatory Authority (WDRA) to be strengthened to set up a commodity market ecosystem arrangement including vaulting, assaying, logistics etc. in addition to warehousing
- Rural Infrastructure Development Fund to be enhanced to INR 40,000 crore from INR 30,000 crore
- The Minimum Support Price (MSP) regime has undergone a sea change to assure price that is at least 1.5 times the cost of production across all commodities
- To provide adequate credit to our farmers, the agricultural credit target has been enhanced to INR 16.5 lakh crore in FY22
- To further facilitate credit flow under the scheme of Stand-Up India for SCs, STs, and women, reduce of the margin money requirement is proposed from 25% to 15%, and to also include loans for activities allied to agriculture
- AIDC has been imposed on specified goods -- including alcoholic beverages, gold, silver, cotton, peas, apple, petrol, and diesel. This will be used to develop agri infrastructure to improve production, processing and conservation infrastructure
- To promote the domestic market, customs duty on cotton increased from nil to 10% and from 10% to 15% on raw silk and silk yarn

Micro, small and medium enterprises

Key highlights

- Outlay of INR 15,700 crore; more than double than the allocation in FY21
- Incentivise incorporation of One Person Companies (OPCs) to boost start-ups
- New portal development to collect information on unorganised labour force, migrant workers especially, to help formulate schemes for them
- Stand Up India Scheme for SCs, STs and women
- Social security benefits extended to gig and platform workers
- 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 also, in night-shifts with adequate protection
- Compliance burden on employers will be reduced with single registration and licensing and online returns
- Revision of the definition under the Companies Act, 2013 for small companies by increasing their thresholds for paid up capital from ‘not exceeding INR 50 Lakh’ to ‘not exceeding INR 2 crore’ and turnover from ‘not exceeding INR 2 crore’ to ‘not exceeding INR 20 crore’
- To incentivise digital transactions and reduce compliance burden, the limit for tax audit for such persons/enterprises has been increased from INR 5 crore to INR 10 crore
- Easy access to raw materials and exports of value-added products. Proposition to review more than 400 old exemptions this year. This will be done through extensive consultations to place a revised customs duty structure, free of distortions
- Reduced customs tariffs on raw material imports related to electronic and mobile phone industry, iron and steel, textiles and chemicals, also for gold and silver
- Increased customs tariff to protect leather and gems and jewellery sector product manufacturers
- To improve credit discipline, for NBFCs with minimum asset size of INR 100 crore, the minimum loan size eligible for debt recovery is proposed to be reduced from the existing level of INR 50 lakh to INR 20 lakh
- To ensure faster resolution of cases, strengthen NCLT framework, implement e-courts system and introduce alternate methods of debt resolution, DRC and special framework for MSMEs

Technology, digital and start-ups

Key highlights

Impetus to innovation and R&D

- INR 50,000 crore for National Research Foundation (NRO) over a period of five years
- INR 1,500 crore for a proposed scheme that will further boost the digital payment ecosystem
- Development of a world class Fintech hub at GIFT city
- National Language Translation Mission (NTLM) launched to enable the wealth of governance-and-policy related knowledge on the internet being made available in major Indian languages

Benefits for start-ups

- Start-up tax holiday and exemption from capital gains now extended to eligible start-ups for one more year up to 31 March 2022
- OPC can also be incorporated by non-resident Indians
- Time limit for the residency of a person setting up such companies is reduced to 120 days
- Limit on paid-up capital and turnover removed for OPC

Customs duty

Customs duty rates increased on certain inputs/parts of mobile-phones and electronic products to provide impetus to domestic manufacturing:

- Rate on molded plastics for manufacture of charger or adapter increased from 10% to 15% w.e.f. 2 February 2021
- Rates on inputs/raw materials for manufacture of charger or adaptor (other than printed circuit board assembly (PCBA) and molded plastic) of cellular mobile-phones increased from NIL to 10% w.e.f. 2 February 2021
- Rates on inputs/parts for manufacture of following components of mobile-phones increased from NIL to 2.5% w.e.f. 1 April 2021
  - PCBA
  - Camera module
  - Connectors
  - Specified parts like back cover, side keys etc.
- Rate on inputs/raw materials of certain goods such as ink cartridges, other machines capable of connecting to an automatic data processing machine or to a network, ink spray nozzle increased from NIL to 2.5% w.e.f. 1 April 2021

Technology, digital and start-ups

Key highlights

Digital initiatives of government

- INR 3,786 crore for India’s first Digital Census for 2021
- INR 1500 crore earmarked for providing financial incentive to promote digital payment mode
- The Budget 2021 proposes a whole new gambit of technology for MCA-21 3.0 including data analytics, artificial intelligence, machine learning to make regulatory filings smooth for businesses and startups to improve the experience of the users

Data analytics

- Asset monetisation dashboard proposed for tracking the investment of various mega infrastructure projects of the country including the roads, highways, railways, petroleum
- The real time information available through the proposed dashboards will in the longer run provide data sets ready to be analysed and improve the investor’s decision-making capabilities

Real estate

Key highlights

REITs/InvITs

- Debt financing of REITs/InvITs by FPIs will be enabled by making suitable amendments in the relevant legislations. This will further ease access of finance to InvITS and REITs thus augmenting funds for infrastructure and real estate sectors
- Dividend paid to REITs/InvITs shall be exempt from TDS. The taxability of dividend will be determined in the hand of recipient. This will boost more retail investors participation in primary REIT/InVIT issues

Affordable housing

- Eligibility of incremental deduction of interest of INR 1.5 lakh , introduced in Budget 2019, has been extended by one more year up to 31 March 2022
- To support affordable housing developers, tax holiday has been extended by one more year up to 31 March 2022
- Tax exemption extended to notified affordable rental housing projects primarily focusing on migrant labourers

Safe harbour on real estate property

- To avoid any income tax litigation on sale of real estate property by developers, it is proposed to increase the safe harbour to 20% from 10% between the transaction value and SDV of such property

Annexure (1/4)

UNION BUDGET 2021-22

Changes in basic customs duty for creating level-playing field for the benefit of farmer, MSME and other domestic manufacturers (effective from 2 February 2021)

Category	Description of goods	Pre-budget	Post-budget
Agricultural products and fishery Sector	Cotton	0%	5%
	Cotton waste	NIL	10%
	Raw silk (not thrown) and silk yarn /yarn spun from silk waste	10%	15%
	Denatured ethyl alcohol (ethanol) for manufacture of excisable goods	2.5%	5%
	Prawn feed	5%	15%
	Fish feed in pellet form	5%	15%
	Flours, meals and pellets of fish, crustaceans, molluscs or other aquatic invertebrates	5%	15%
	Maize bran	NIL	15%
	De-oiled rice bran cake	NIL	15%
Chemicals	Carbon black	5%	7.5%
	Bisphenol A	NIL	7.5%
	Epichlorohydrin	2.5%	7.5%
Plastics	Builder’s ware of plastic, not elsewhere specified or included	10%	15%
	Polycarbonates	5%	7.5%

Annexure (2/4)

UNION BUDGET 2021-22

Changes in basic customs duty for creating level-playing field for the benefit of farmer, MSME and other domestic manufacturers (effective from 2 February 2021) (Continued)

Category	Description of goods	Pre-budget	Post-budget
Leather	Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including their splits and slides	NIL	10%
Gems and Jewellery	Cut and polished cubic zirconia	7.5%	15%
	Synthetic cut and polished stones	7.5%	15%
Capital goods and Machinery	Tunnel boring machines	NIL	7.5%
	Parts and components for manufacture of tunnel boring machines	NIL	2.5%
Auto sector	Specified auto parts such as ignition wiring sets, safety glass and parts of signaling equipment	7.5% / 10%	15%
Metal products	Screws, nuts, etc.	10%	15%

Annexure (3/4)

Changes in customs duty to promote value addition in the electronics sector

Description of goods	Pre-budget	Post-budget
Inputs, parts or sub-parts for manufacture of specified parts of mobile phones including: (1) PCBA (2) Camera module (3) Connectors (To apply with effect from 1 April 2021)	0%	2.5%
PCBA and moulded plastic for manufacture of charger or adapter	10%	15%
Inputs and parts (other than PCBA and moulded plastic) of mobile charger	Nil	10%
Inputs, parts and sub-parts (other than PCBA and Li-ion cell) for manufacture of Lithium-ion battery and battery pack (To apply with effect from 1 April 2021)	0	2.5%
Specified insulated wires and cables	7.5%	10%
Inputs and parts of LED lights or fixtures including LED Lamps	5%	10%
Solar inverters	5%	20%
Solar lanterns or solar lamps	5%	15%

Annexure (4/4)

Changes in customs duty on raw materials and inputs used by domestic manufacturers for reducing cost of inputs and correction of inverted duty structure

Inputs/raw materials (for sector)	Description of goods	Pre-budget	Post-budget
Petrochemical Industry	Naphtha	4%	2.5%
Textile Industry	Caprolactam	7.5%	5%
	Nylon chips	7.5%	5%
	Nylon fibre and yarn	7.5%	5%
Ferrous and non-ferrous metals	Iron and steel melting scrap, including stainless steel scrap (up to 31 March 2022)	2.5%	NIL
	Primary/semi-finished products of nonalloy steel	10%	7.5%
	Flat products of non-alloy and alloy-steel	10%/ 12.5%	7.5%
	Long products of non-alloy, stainless and alloy steel	10%	7.5%
	Raw materials used in manufacture of CRGO Steel	2.5%	NIL
	Copper scrap	5%	2.5%
Aviation Sector	Components or parts, including engines, for manufacture of aircrafts by public sector units of the Ministry of Defence	2.5%	0%
Precious Metals	Gold and silver*	12.5%	7.5%*
	Gold dore bar*	11.85%	6.9%*
	Silver dore bar*	11%	6.1%*
	Platinum, Pallidum, etc.	12.5%	10%
	Gold/silver findings	20%	10%
	Waste and scrap of precious metals	12.5%	10%
Animal Husbandry	Feed additives or pre-mixes	20%	15%

** Also to attract agriculture infrastructure and development cess at the rate of 2.5%*

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