



# E-Marketing Bulletin Rubber4U

Latest update at the earliest time

## Highlights

The Union Budget 2021-22 was presented by the Hon'ble Finance Minister Nirmala Sitharaman on 1st February 2021 in the Parliament. The Budget speech was given by the FM from 11 a.m. to 1 p.m. This year's Budget lays focus on the seven pillars for reviving the economy - Health and Wellbeing, Physical and Financial Capital and Infrastructure, Inclusive Development for Aspirational India, Reinvigorating Human Capital, Innovation and R&D, and Minimum Government Maximum Governance. Several regulations around the securities market are proposed to be merged as a single code. Several direct taxes and indirect taxes amendments were also proposed.

### Economic Reforms & Schemes

The overall capital expenditure for FY 2021-22 is ₹.5.54 lakh crore. Since the healthcare sector's improvement is the need-of-the-hour, FM proposed a new centrally sponsored scheme, PM Aatmanirbhar Swasth Bharat Yojana, with an outlay of about ₹.64,180 crore over six years. Further, the Budget outlay for Health and Wellbeing is estimated to be ₹.2,23,846 crore for FY 2021-22, which is a rise by 137% y-o-y basis. The increased allocation is expected to expand and strengthen existing national health institutions, National Centre for Disease Control (NCDC), Health Emergency Operation Centers and mobile hospitals. Another major highlight was the increase in the FDI limits in the insurance sector from 49% to 74%. The government plans to divest two PSUs as well as one insurance company.

### Direct Tax Proposals

Certain direct tax proposals were introduced, providing relaxation to individual taxpayers and startups to some extent. The individual and corporate tax rates for FY 2021-22 was left unchanged. In a major move, the limit for tax audits under section 44AB has been increased from ₹.5 crore to ₹.10 crore (only where 95% of payments are digitised), providing relief to many corporate houses. The following are other proposed amendments:

- **IT relaxation for senior citizens of 75 years age and above:**

It has been proposed to exempt the senior citizens from filing income tax returns if pension income and interest income are their only annual income source. Section 194P has been newly inserted to enforce the banks to deduct tax on senior citizens more than 75 years of age who have a pension and interest income from the bank.

- **Reduction in time for IT Proceedings:**

Except in cases of serious tax evasion, assessment proceedings in the rest of the cases shall be reopened only up to three years, against the earlier time limit of six years.

- **Constitution of 'Dispute Resolution Committee':**

Those assessed with a taxable income of up to ₹.50 lakh (for small and medium taxpayers) and any disputed income of ₹.10 lakh can approach this committee under section 245MA. It will prevent new disputes and settle the issue at the initial stage.

- **National Faceless Income Tax Appellate Tribunal Centre:**

Provision is made for faceless proceedings before the Income Tax Appellate Tribunal (ITAT) in a jurisdiction less manner. It will reduce the cost of compliance for taxpayers, and increase transparency in the disposal of appeals. Further, it will also help achieve even distribution of work in different benches and ensure efficient administration.

- **Tax incentives to startups:**

The tax holiday for startups has been extended by one more year up to 31st March 2022.



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- **Relaxations to NRI:**  
There is a proposal to notify rules for removing hardship for double taxation.
- **Pre-filing of returns to be forefront:**  
Pre-filing will be allowed for salary, tax payments, TDS, etc. Further, details of capital gains from listed securities, dividend income, etc. will be prefilled.
- **Advance Tax on dividend income:**  
Advance tax will henceforth be applicable on dividend income only after its declaration. Tax holidays are proposed for aircraft leasing and rental companies.
- **Disallowance of PF contribution:**  
In case the employee's PF contribution was deducted but not deposited by the employer, it will not be allowed as a deduction for the employer.
- **Section 43CA stands amended:**  
The stamp duty value can be up to 120% (earlier 110%) of the consideration if the transfer of "residential unit", which means an independent housing unit is made between 12th November 2020 and 30th June 2021.
- **Amendment to Section 44ADA:**  
Section 44ADA applied to all the assesseees being residents in India. Now onwards, it applies only to the resident individual, Hindu Undivided Family (HUF) or a partnership firm, other than LLP.
- **Section 80EEA deduction extended:**  
The affordable housing additional deduction was extended till 31st March 2022. The tax exemption has been granted for affordable rental projects.

## Indirect Tax Proposals

Few of the items on which Customs Duty Rates are revised are as follows:

*Reduced duty on copper scrap from 5% to 2.5%.*

*Basic and Special additional excise duty on petrol and high-speed diesel oil (both branded and unbranded) is reduced.*

*Increased duty on solar inverters from 5% to 20%.*

*Raised duty on solar lanterns from 5% to 15%.*

*The basic customs duty on gold and silver reduced.*

*The department will rationalise duty on textile, chemicals and other products.*

*The revised rates will be applicable from 2nd February 2021 onwards.*

New tariff items under 2404 11 00 and 2404 19 00 have been inserted in accordance with upcoming HS 2022 nomenclature. Further, NCCD of 25% is prescribed on these tariff items with effect from 1st January 2022.

Agriculture Infrastructure And Development Cess (AIDC) has been newly imposed on petrol and diesel at ₹.2.5 and ₹.4 per litre respectively.

Regarding agricultural products, the customs duty is increased on cotton, silks, alcohol, etc.

Exemption of Social Welfare Surcharge on the value of AIDC imposed on gold and silver. Therefore, these items would attract surcharge at the normal rate, only on value plus basic customs duty.

The exemption on import of leather will be withdrawn as they are domestically produced.

A new initiative called 'Turant Customs' will be introduced for faceless, paperless, and contactless customs measures.

(Only for reference purpose)



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CGST Act was amended for several provisions as follows:

*Section 16 amended to allow taxpayers' claim of the input tax credit based on GSTR-2A and GSTR-2B.*

*Section 50 of the CGST Act is being amended to provide for a retrospective charge of interest on net cash liability with effect from the 1st July 2017.*

*Section 35 and 44 amended: Mandatory requirement of furnishing the GST reconciliation report signed by the specified professional is relaxed by allowing the filing of annual return on a self-certification basis. The Commissioner can exempt a class of taxpayers from the requirement of filing the annual return.*

The first Budget of the decade leaves direct taxes unchanged. These are the tax incentives announced. Capital expenditure up 34.5% (Vs FY21 BE), at ₹.5.54 lakh crore. FY21 fiscal deficit at 9.5% of GDP. FY22 fiscal deficit seen at 6.8%. Fiscal deficit will reach below 4.5% by FY26. Divestment target for FY22 at ₹.1.75 lakh crore.

The Finance Minister proposed to revise definition under Companies Act, 2013 for small companies by increasing their threshold for capitalization to not exceeding ₹.50 lakh to not exceeding ₹.2 crore and turnover not exceeding ₹.2 crore to not exceeding ₹.20 crore. MSME allocation to be doubled, government to set aside ₹.15,700 crore in FY22. Minimum wages to now apply to all categories of workers. Women to be allowed to work in all categories with adequate protection. FM announcing a voluntary vehicle scrapping policy, vehicles to undergo fitness tests after 20 years for passenger vehicles, 15 years for commercial vehicles. Government to set-up a Development Finance Institution (DFI), capitalised with ₹.20,000 crore. New health infra scheme with higher outlay of ₹.61,000 crore Highway infra work proposed include building 8,500-km of highways by March 2022. Government allots ₹.20,000 crore for bank recapitalisation, as FM emphasizes the need to clean up banks' books. Government to privatise 2 PSU banks, one general insurance company in FY22. Enhanced agri credit target for FY22, gives update on welfare schemes. Proposes to review more than 400 old exemptions in customs this year. To put into place new customs duty structure by 1st October 2021.

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