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India Union Budget 2021-22

Global transition to growth

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February 2021

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Direct tax





1 Direct tax

The COVID-19 pandemic has resulted in a disruption of the global economy including that of India. Due to the lockdown in India, the economy has contracted, and growth is at a multi-year low.

In this backdrop, on 1 February 2021, the Finance Minister presented the Union Budget 2021-22 before Parliament. Key highlights of the budget are summarised below:

Equalisation levy

- Clarified that tax on Royalty/FTS and Equalisation levy (EL) are mutually exclusive effective from 1 April 2020. EL shall not apply if consideration is taxable as Royalty/FTS.
- Scope of online sale of goods/ online provision of services would include instances where one or more of the following activities are carried out online:
 - Acceptance of offer for sale; or
 - Placing or acceptance of purchase order; or
 - Payment of consideration; or
 - Supply of goods or provision of services, partly or wholly
- 'Consideration' for the purpose of levy of EL clarified to include value of goods or services, regardless of ownership or facilitation by e-commerce operator.
- These amendments are applicable from AY 2021-22

Non-resident taxation

- While deducting tax on income of FII from securities, in case of a payee to whom tax treaty is applicable and who has furnished the tax residency certificate, the tax is to be deducted at the rate of twenty per cent or at the tax treaty rate, whichever is lower.

Depreciation on Goodwill

- Goodwill of a business or profession will not be considered as a depreciable asset and no depreciation to be allowed even in respect of purchased goodwill.



- Block of assets shall not include Goodwill for purposes of depreciation.
- If Goodwill is forming part of the block of asset as on AY beginning on 1 April 2020 and depreciation has been claimed, WDV and short-term capital gain to be computed in a manner to be prescribed.
- Cost of acquisition for Goodwill acquired under certain modes of acquisition shall be the purchase price of the previous owner.
- If Goodwill is purchased, such purchase price would be the cost of acquisition. However, depreciation obtained prior to AY 2021-22 shall be reduced from the purchase price of the Goodwill
- These amendments are applicable from AY 2021-22

Litigation and dispute management

- The Authority for Advance Rulings (AAR) to be discontinued and the Central Government to constitute one or more Board for Advance Rulings. Board of Advance Ruling will be comprised of two members, each being an officer not below the rank of Chief Commissioner. Ruling of the Board for Advance Rulings will not be binding on the Department or the taxpayer and it would be appealable before the High Court. Consequential amendments are made in other AAR related provisions.
- Faceless ITAT scheme to be introduced on the same lines as the faceless appeal scheme.
- Income Tax Settlement Commission to be discontinued and an Interim Board to be constituted for pending cases.
- Vivaad se Vishwas (VsV) scheme not available for cases decided by Income Tax Settlement Commission.
- Dispute Resolution Committee to be constituted for preventing new disputes and settling issues at the initial stage in the case of certain SMEs.

Assessment procedures

- New regime introduced for re-assessment for cases of income escaping assessment including search cases, to reduce litigation and provide ease of doing business.



- Time-limit for re-opening of assessment reduced from 4/6 years to 3 years from end of relevant assessment year (reopening with prior approval of PCIT).
- Only in specific cases where income escaping assessment (represented in the form of an asset) exceeds / likely to exceed INR 50 lakh or more, time-limit of 3 years stands enhanced to 10 years (reopening with prior approval of PCCIT).
- Assessment / re-assessment / income re-computation for Search under Section 132 / requisition under Section 132A conducted on or after 1 April 2021 to be included under the new procedure.
- New provisions are introduced to conduct enquiries by AO and provide an opportunity of being heard to the assessee before issuing reopening Notice. No opportunity to be given in search cases.
- Time limit for completion of assessment proceedings under section 153 (in case of TP reference) for AY 2021-22 and onwards, reduced from the earlier 24 months to 21 months from the end of the assessment year. Consequently, the time-limit for completion of TP assessment proceedings also stands reduced from erstwhile 22 months to 19 months. Adjustments on account of increase in income indicated in tax audit report but not taken in the return of income permitted while processing of return of income.
- Due date changed for following –
 - Issuance of intimation pursuant to processing of return of income reduced to nine months from end of financial year in which return was furnished.
 - Issuance of scrutiny notice revised to three months from end of the financial year in which return was furnished.
 - Filing belated return and revised return reduced to earlier of three months before the end of relevant assessment year or before completion of assessment.
- Powers granted to Assessing Officer for provisional attachment of taxpayer's property during pendency of penalty proceedings for fake entries/invoices if penalty likely to exceed INR 2 crore.



- Power granted to income-tax authority (to be prescribed) for issuance of notice requiring filing of return of income to align with policy of moving towards faceless regime.
- Power given to Board to specify class of assesses where conditions of treating a return as defective may be relaxed.

Capital gains

- The scope of definition of slump sale expanded to include all types of 'transfer' (including exchange).
- Profits or gains arising from the receipt of money or other asset by a partner of a firm/member of AOP/BOI at the time of its dissolution or reconstitution shall be chargeable to income-tax as income of firm/AOP/BOI under the head 'capital gains'.

Start-ups

Tax deduction extended to eligible startups incorporated before April 1, 2022. Time limit for investment of net consideration from transfer of house property in startups extended from 31 March 2021 to 31 March 2022.

Business expenditure and compliance

- No deduction is to be allowed to employer relating to employees' contributions to any provident fund or superannuation fund or any other relevant fund, if employer does not credit it into such funds before the due date under respective Acts. Due date applicable to deductions on payment basis i.e. return filing due date will not apply to this transaction.
- It is clarified that presumptive taxation scheme for professionals applicable to the taxpayer, being an individual, HUF or partnership firm, but not to Limited Liability Partnership (LLP) as defined under the LLP Act, 2008.
- The safe harbour limit for taxing a transfer of an asset, being a residential unit in comparison with the value adopted for stamp duty purposes to be 20 per cent if:
 - The transfer of residential unit takes place during the period from 12 November 2020 to 30 June 2021.



- The transfer is by way of first-time allotment of the residential unit to any person.
- The consideration received or accruing as a result of such transfer does not exceed INR2 crore rupee.

Consequential relief is provided to the buyers of such residential unit.

Relaxation for SWFs and Pension Funds

Rationalization of provisions to remove difficulties in meeting conditions and claiming exemption:

- Investment through Holding Co. permitted
 - Hold Co. to be domestic company registered on or after 1 April 2021
 - Minimum 75% investment in infrastructure company(s)
- Investment in NBFC – Infrastructure Debt Fund (IDF) / Infrastructure Finance Company (IFC) allowed
 - NBFC - IDF / IFC to have minimum 90% lending to infra entity(s)
- AIF can invest up to 50% in non-eligible investments
 - SWF / PF may invest in Category I and II AIF having 50% investment in eligible infra company
 - Allow Category I and II AIF to invest in InvIT
- However, exemption will be proportionate in above cases
- Loan or borrowings cannot be for making investment in India.
- 'Cannot undertake commercial activity' condition removed.
- Can appoint Executive Director/Director to monitor investments though cannot participate in day-to-day operations.

IFSC related changes

- Conditions for no business connection to be further relaxed, if fund manager in IFSC.
- Income of investment division of offshore banking unit in IFSC exempt (other than Indian equity).



- Income on transfer of non-deliverable forward contracts entered by non-resident with offshore banking unit to be exempt.
- Aircraft lease rentals income of non-resident from IFSC unit to be exempt. Income arising from transfer of aircraft/aircraft engine eligible for 100% tax deduction.
- Transfer of assets from offshore fund to resultant AIF fund in IFSC not to be treated as a transfer. Further Units exchange by a share / unit holder not a transfer.
- Capital gains on transfer of shares of an Indian Company acquired / relocated from offshore fund to be exempt if capital gains on such shares were not chargeable to tax had that relocation not taken places.

Relief provisions to facilitate disinvestment of a public sector company

- Reconstruction and splitting up of a public sector company into separate companies deemed to be a demerger, if –
 - There is transfer of asset of the demerged company to the resultant company
 - Resultant company is a public company on the appointed date
 - Fulfills other conditions as may be notified
- Benefit of carry forward and set off of accumulated loss and unabsorbed depreciation extended to public sector companies. Further, the accumulated loss and unabsorbed depreciation of the amalgamated company not to be more than the accumulated loss and unabsorbed depreciation of the public sector company as on the date on which it ceases to be a public sector company as a result of strategic investment.

TDS

- A new TDS of 0.1 per cent (5% in the absence of PAN) is introduced on a person (whose total sales, gross receipts or turnover from the business exceed INR10 crore rupees during the relevant year) responsible for paying any sum to any resident for purchase of goods of value exceeding INR50 lakh rupees in the previous year. This TDS is not applicable if a transaction is



subject to other TDS or TCS [except TCS on sale of goods] provisions. The amendment will take effect from 1 July 2021.

- Special provision introduced for higher TDS/TCS for non-filers of income-tax return subject to certain exclusions. Higher of twice the applicable rate or five per cent to be levied:
 - If both existing provisions and new provisions for higher TDS/TCS apply, then higher of the two will apply
 - Applies where aggregate TDS/TCS exceeds INR 50,000 in two previous years
 - These provisions not to apply to non-resident not having a PE in India

Transfer pricing

- The taxpayer may make an application to the AO for re-computation of book profits of earlier year/s, if there is an increase in the book-profits of a previous year as a result of an APA or a secondary adjustment.
- In case of a partnership firm which is required to furnish an accountant's report in Form 3CEB, the due-date for filing of return of income of its partners has been proposed to be extended to 30th November of the assessment year.

Other proposals

- Dividend payments made by special purpose vehicle to business trusts (REITs and InvITs) from specified SPVs exempted from TDS.
- The turnover threshold for applicability of tax audit for persons carrying on business increased from INR5 crore to INR10 crore provided that the aggregate of the receipts in cash do not exceed 5 percent of all amounts received including for total sales, turnover or gross receipts and aggregate of payments in cash do not exceed 5 percent of all payments.
- Relaxation on interest for default in advance tax payments extended to dividend income. No relaxation in respect of deemed dividend under section 2(22)(e).
- No capital gain tax on transfer of capital assets by a primary co-operative bank to a banking company and on issuance of shares



by the banking company to the shareholders of primary co-operative bank.

- The term 'liable to tax' has been defined to mean that there is a liability of tax on a person under any law in any country and includes cases where exemptions are granted subsequent to imposition of such tax.
- Belated and revised returns to be filed three months before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Personal Tax

- Interest, on loans for affordable residential house property (subject to the specified conditions) sanctioned up to 31 March 2022, eligible for additional deduction of INR 150,000 per annum.
- Interest accrued on employee/ individual's contribution (in excess of INR 250,000) to a provident fund account now taxable.
- Expenditure incurred during specified period, in lieu of Leave Travel Concession (LTC) exempt, subject to fulfillment of the prescribed conditions.
- Income accrued to a resident individual from overseas retirement benefit account (where income from such account is not taxable on accrual basis but taxable at the time of withdrawal or redemption) opened by such individual while being a non-resident in India and resident in such overseas jurisdiction, shall be taxed in the manner and in the year as prescribed.
- Maturity proceeds from the unit-linked insurance policy (ULIP) issued on or after 1 February 2021, proposed to be taxable, if the aggregate annual premium exceeds INR 250,000 in any of the financial year during the term of any of those policies. Such taxable ULIPs to be considered as capital asset and subject to capital gains on redemption.

Indirect tax





2 Indirect tax

Goods and Services Tax

- Scope of term 'supply' enhanced to include transactions involving supply of goods or services by any person (other than individual) to its members or constituents and vice-versa for cash, deferred payment or other valuable consideration. Further, the person and its members shall be deemed to be separate entities and transactions between them shall be deemed to take place from one person to another. Simultaneously, similar provision specified under Paragraph 7 of Schedule II to the CGST Act has been omitted. Aforesaid provisions have been made effective w.e.f. 1 July 2017. (To be effective from notification in the official gazette)
- Section 16 of CGST Act amended to provide that input tax credit shall be available to the recipient once the tax invoice or debit note has been reported and reflected on the GSTN portal by the supplier
- Section 35(5) of CGST Act has been omitted thereby, removing the requirement for furnishing of GST audited annual accounts and reconciliation statement
- Section 44 of CGST Act has been substituted to provide that every registered person shall furnish an annual return which may include a self-certified reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement for every financial year as may be prescribed
- Section 44 of CGST Act now provides that the Commissioner may exempt a class of registered person from filing annual return, by notification. Further, the provisions of annual return shall not be applicable to any department of Central Government, State Government or local authority, whose books of account are subject to audit by the Comptroller and Auditor General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force



- Section 74 of CGST Act amended to make seizure and confiscation of goods and conveyances in transit, a separate proceeding from the recovery of tax and the same to be adjudicated independently as per respective Section 129 and 130 of CGST Act
- The amendment in Section 50 of CGST Act, which provided for payment of interest only on tax liability paid in cash has been made applicable retrospectively w.e.f. 1 July 2017
- Section 16(1)(b) of the IGST Act has been amended to provide that supply of goods or services to SEZ developer/ unit would be considered as zero-rated supply, only where the same is used for authorised operations of SEZ
- Section 16(3) provides that in case of non-realisation of sale proceeds within nine months from the date of export, the registered person shall be liable to deposit the refund so received along with interest @ 18 per cent within 30 days after the expiry of nine months
- The Government may restrict, zero-rated supply on payment of IGST to a notified class of exporter/ notified supplies of goods and services
- Explanation has been inserted in Section 75(12) of CGST Act which has clarified that 'self-assessed tax' would include the tax payable on outward supplies furnished under Section 37 but not included in Section 39
- Section 83(1) of CGST Act has been amended to provide that in the interest of revenue, the Commissioner may, in the manner as may be prescribed, after the initiation of proceedings, attach provisionally, any property/ bank account belonging to the taxable person, pertaining to assessments, inspection, search, seizure, arrest, demand and recovery
- A proviso to Section 107(6) of CGST Act has been inserted to provide that no appeal shall be filed against an order made under Section 129(3) in regard to detention or seizure of goods or conveyances, unless a sum equal to 25 per cent of penalty has been paid by the Appellant
- Section 129 amended to increase the penalty for taxable goods to 200 percent of the tax payable on the goods detained, where



the owner comes forward for the payment of the said penalty. In other case, higher of the penalty equivalent to 50 percent of the value of goods or 200 percent of taxes, would be applicable. Further, tax officer is required to issue the order within 15 days from such detention. Also, the transporter has been given an option to get his conveyance released on the payment of penalty so computed or INR 1 Lakh, whichever is less

- Section 130 of CGST Act (dealing with confiscation of goods or conveyances and levy of penalty) has been amended to delink such proceedings from Section 129 of CGST Act (detention, seizure and release of goods and conveyances in transit). Accordingly, reference to penalty under Section 129 has been replaced with penalty equal to 100 per cent of tax payable under second proviso to Section 130(2)
- Section 151 of CGST Act is being amended whereby the Commissioner or any other officer authorized by him is empowered to collect any information from any person in any matter by issuance of an order
- Section 152 of CGST Act has been amended to provide an opportunity of being heard to the concerned person with respect to information sought under Section 150 (Obligation to furnish information return) and Section 151 (Power to collect statistics).

Customs duty

General

- General Basic Customs duty (BCD) rate remains unchanged.

Amendments (effective from enactment of Finance Bill, 2021)

Customs Act, 1962 (Customs Act)

- Introduction of 'Common Customs Electronic Portal' proposed for filing of bill of entry, shipping bills and other documents and forms under the Customs Act.
- All new conditional exemptions under the Customs Act shall be valid up to 31 March falling immediately after the two years from the date of such grant or variation, unless otherwise specified. Furthermore, the existing conditional exemptions shall be valid up to 31 March 2023, until specifically provided otherwise.



- Time period of two years prescribed for issuance of a show cause notice, culminating out of an inquiry or investigation under the Customs Act, from the date of initiation of audit, search, seizure or summons, which may be extended for another year by Principal Commissioner or the Commissioner of Customs.
- Bill of entry to be filed one day (including holidays) prior to the arrival of goods into India. The timeline may be extended by Board till the end of the day of the arrival of such goods in India.
- Any goods entered for export for which any wrongful claim of remission or refund of any tax/duty/levy under Customs Act or any other law is made shall be liable for confiscation.
- Invoices obtained by fraud, collusion, willful misstatement or suppression of facts to attract penalty of up to five times of value of refund claimed on exports with payment of duty.
- Proper officer can amend documents electronically through the customs automated system subject to the specific safeguards. Also, importers and exporter are permitted to make the specified amendments on the common portal.
- Notices, orders, summons etc. may also be served on the common portal.

Customs Tariff Act, 1975

- Countervailing/anti-dumping duty to be levied only from the date of initiation of inquiry on circumvention
- Central Government may modify countervailing/anti-dumping duty to counter the effect of absorption from the date of initiation of inquiry
- The countervailing/anti-dumping duty shall not apply to 100 per cent Export Oriented Undertaking or unit in Special Economic Zone unless
 - it is specifically made applicable in such notification or to such undertaking or unit
 - such article is cleared as such or goods manufactured out of it are cleared into Domestic Tariff Area

Amendments in BCD (effective from 2 February 2021)

Changes in Tariff rates of key products (change in effective rates)

| S. No | Heading, sub-heading tariff item | Commodity | Tariff Duty rates (per cent) | |
|-----------------------------------|----------------------------------|---|------------------------------|-----|
| | | | From | To |
| Chemicals | | | | |
| 1. | 2803 00 10 | Carbon Black | 5 | 7.5 |
| Plastic items | | | | |
| 2. | 3925 | Builder’s ware of Plastics | 10 | 15 |
| Electrical and Electronics Sector | | | | |
| 3. | 8414 30 00 | Compressors equipment of a kind used in refrigerating | 12.5 | 15 |
| 4. | 8414 80 11 | Compressors of a kind used in air-conditioning equipment | 12.5 | 15 |
| 5. | 8504 90 90 | Printed Circuit Board Assembly [PCBA] of charger or adapter | 10 | 15 |
| Parts of Automobiles | | | | |
| 6. | 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 per cent) | 10 | 15 |
| 7. | 8512 90 00 | Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles | 10 | 15 |
| 8. | 8544 30 00 | Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships | 10 | 15 |
| 9. | 9104 00 00 | Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels | 10 | 15 |

Changes in effective BCD rates of key products

| S. No | Heading, sub-heading tariff item | Commodity | Effective Duty rates (per cent) | |
|---------------------------------------|--|---|---------------------------------|-------------|
| | | | 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 |
| Fuels, Chemicals and Plastics | | | | |
| 2. | 2710 | Naphtha | 4 | 2.5 |
| 3. | 3907 40 00 | Polycarbonates | 5 | 7.5 |
| 4. | 3908 | Nylon chips | 7.5 | 5 |
| 5. | 3920 99 99 | Other plates, sheets, films, etc. of other plastics | 10 | 15 |
| Textiles | | | | |
| 6. | 5002 | Raw Silk (not thrown) | 10 | 15 |
| 7. | 5004, 5005, 5006 | Silk yarn, yarn spun from silk waste (whether or not put up for retail sale) | 10 | 15 |
| 8. | 5201 | Raw Cotton | Nil | 5 + 5 AIDC* |
| 9. | 5202 | Cotton waste (including yarn waste or garneted stock) | Nil | 10 |
| 10. | 5402, 5403, 5404, 5405 00 00, 5406, 5501 to 5510 | Nylon Fiber and Yarn | 7.5 | 5 |
| Metals | | | | |
| 11. | 7318 | Screw, bolts, nuts, etc. of iron and steel | 10 | 15 |
| Capital Goods | | | | |
| 12. | 8430 | Tunnel boring machines | Nil | 7.5 |
| 13. | 8431 | Parts and components for manufacture of tunnel boring machines with actual-user condition | Nil | 2.5 |

| S. No | Heading, sub-heading tariff item | Commodity | Effective Duty rates (per cent) | |
|-------------------------------|--|--|---------------------------------|-----------------|
| | | | From | To |
| IT, Electronics and Renewable | | | | |
| 14. | 8544 (other than 8544 70 and 8544 30 00) | Specified insulated wires and cables | 7.5 | 10 |
| 15. | 39, 74 and 85 | Former, bases, bobbins, brackets; CP wires; P.B.T.; Phenol resin moulding powder; Lamination/ EI silicon steel strips for use in manufacture of transformers (entry at S. No. 198 of 25/1999- Customs) | Nil | Applicable rate |
| 16. | Any Chapter | Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones | Nil | 10 |
| 17. | 8504 90 90 or 3926 90 99 | Moulded plastics for manufacture of charger or adapter | 10 | 15 |
| 18. | Any Chapter | Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones | Nil | 10 |
| 19. | Any Chapter | Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones | Nil | 10 |
| 20. | Any Chapter | Inputs and parts of LED lights or fixtures including LED Lamps | 5 | 10 |
| 21. | 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 |
| 22. | 9405 50 40 | Solar lanterns or solar lamps | 5 | 15 |
| 23. | 8504 40 | Solar Inverters | 5 | 20 |

| S. No | Heading, sub-heading tariff item | Commodity | Effective Duty rates (per cent) | |
|---|--|---|---------------------------------|----|
| | | | From | To |
| 24. | 9503 | Parts of Electronic Toys for manufacture of electronic toys | 5 | 15 |
| Aviation Sector | | | | |
| 25. | 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 |
| Goods imported under Project Import Scheme | | | | |
| 26. | 9801 | High Speed Rail Projects being brought under project imports | Applicable Rate | 5 |
| 27. | 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 |

Entries added to the Customs Tariff (effective from 1 April 2021)

| S. No. | Heading, sub-heading tariff item | Commodity | Tariff rate (Per cent) | Effective rate (Per cent) |
|--------|----------------------------------|-----------------|------------------------|---------------------------|
| 1. | 2709 00 10 | Petroleum Crude | 5 | 5 |
| 2. | 2709 00 20 | Other | 5 | 5 |

Changes in effective BCD rates of key products (effective from 1 April 2021)

| S. No | Heading, sub-heading tariff item | Commodity | Effective Duty rates (per cent) | |
|-------|----------------------------------|--|---------------------------------|-----|
| | | | From | To |
| 1. | Any Chapter | Inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) of cellular mobile phone | Nil | 2.5 |
| 2. | Any Chapter | Inputs or parts for manufacture of camera module of cellular mobile phone | Nil | 2.5 |
| 3. | Any Chapter | Inputs or parts for manufacture of connectors of cellular mobile phone | Nil | 2.5 |
| 4. | Any Chapter | Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone | Nil | 2.5 |
| 5. | Any Chapter | Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack | Nil | 2.5 |
| 6. | Any Chapter | Parts or components of PCBA of Lithium-ion battery or battery pack | Nil | 2.5 |
| 7. | 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) | Nil | 2.5 |

Changes in Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (IGCR Rules)

- Material imported under IGCR Rules allowed to be sent to job-worker under prescribed procedure
- Hundred per cent outsourcing of manufacturing of goods on job-work allowed
- The importer is allowed to clear the imported capital goods after having been used for the specified purpose, on payment of differential duty on depreciated value along with applicable interest.

Other changes (effective from 1 January 2022)

- Changes in accordance with HSN 2022 are being proposed (351 amendments) to first schedule of Customs tariff¹.

Excise duty

Rate changes effective from 1 April 2021

| S.No. | Existing | | | Proposed | | |
|-------|--|---|-----------------------------------|--|----------------------|-----------------------------------|
| | Chapter, Heading, Sub-heading, Tariff item | Description of goods | Effective Basic Excise Duty rates | Chapter, Heading, Sub-heading, Tariff item | Description of goods | Effective Basic Excise Duty rates |
| 1A | 2709 10 00 | Petroleum oils and oils obtained from bituminous minerals | ... | 2709 00 10 | Petroleum crude | Nil |
| 1B | 2709 20 00 | Petroleum crude | Re. 1 per tonne | 2709 00 90 | Other | ... |

¹ The changes proposed are not detailed out in this budget booklet

Rate change effective from 2 February 2021

| A | Item | Existing | | | | Proposed | | | | |
|---|-------------------------------------|----------------------|-----------------------|----------------------|-------|----------------------|-----------------------|-----------------------|----------------------|-------|
| | | BED (Rs/ Ltr.) | SAED (Rs/ Ltr.) | RIC (Rs/ Ltr.) | Total | BED (Rs/ Ltr.) | SAED (Rs/ Ltr.) | AIDC (Rs/ Ltr.) | RIC (Rs/ Ltr.) | Total |
| 1 | Petrol (unbranded) | 2.98 | 12 | 18 | 32.98 | 1.4 | 11 | 2.5 | 18 | 32.90 |
| 2 | Petrol (branded) | 4.16 | 12 | 18 | 34.16 | 2.6 | 11 | 2.5 | 18 | 34.10 |
| 3 | High speed diesel (unbranded) | 4.83 | 9 | 18 | 31.83 | 1.8 | 8 | 4 | 18 | 31.80 |
| 4 | High speed diesel (branded) | 7.93 | 9 | 18 | 34.19 | 4.2 | 8 | 4 | 18 | 34.20 |

Further the rates have been calibrated on Automotive diesel fuel, containing Bio-diesel, conforming to standard IS 1460 and Diesel fuel blend (B6 to B20) conforming to standard IS 16531 to bring at par with the standard rate of duty.

Central Sales Tax Act

- Registered dealer is now required to obtain Form C only for inter-state purchase of specified petroleum products and alcoholic liquor for human consumption.

Our comments

The Budget was a largely expenditure driven exercise with significant outlays for capital expenditure, healthcare and infrastructure needs. By keeping rates constant, the Government is banking heavily on buoyancy in tax collections expected along with economic growth.

Many of the tax changes announced in the Budget seek to ease compliance and facilitate dispute resolution. In addition, there are far reaching changes, especially on the regime for claiming depreciation on goodwill, the taxation of slump exchanges, and in relation to the Advance Ruling and Settlement Commission mechanism. There are also areas where incentives / concessions



have been given or extended. These include incentives for affordable rental housing, extensions for start-ups, relaxations for sovereign wealth funds / pension funds and new incentives for units setting up in the International Financial Services Centre.

As was the case with recent budgets, the changes made this year too, are far reaching, and could have a significant substantive and procedural impact on many taxpayers.



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