



ASA & ASSOCIATES LLP
CHARTERED ACCOUNTANTS

INDIA BUDGET 2021

Synopsis of Recent Policy Changes and
Proposals for Direct and Indirect Taxes,
Impact and Economic Indicators

www.asa.in



For use by clients and firm personnel only

We have taken all steps to ensure that the information contained herein has been obtained from reliable sources and that this publication is accurate. However, this publication is not intended to give legal, tax, accounting or other professional advice. We recommend appropriate advice be taken prior to initiating action on specific issues.

INDEX

Foreword.....	4
Rupee Movement.....	6
In Brief.....	8
Proposals.....	10
Direct & Indirect Taxes	
Commerce & Trade Focus.....	21
Impact.....	25
Recent Policy Changes.....	27
Economic Indicators.....	34



FOREWORD



PRIORITIZE SPENDING, BOOST INFRASTRUCTURE AND SELL PSUs

Our Finance Minister started her speech - “this budget has been made during unprecedented circumstances”. She was referring to the pandemic and the mayhem it created. However, this budget is not merely unprecedented on that count. We have been having a difficult economic run for a few years now. Foreign Direct Investment (‘FDI’) has been generally lower than expectation, and given the growing nationalistic views around the globe, we may continue to see this trend. The aggressive geo-political situation is also pushing up our defense spending, besides the rather hefty health bill that the government has to now foot. The MSME sector is under stress given the fallout of prior years that was then exacerbated by the pandemic - their credit lines are squeezed, and expansion plans are conservative. In effect, the overall tax collection is low and plans to divest assets were put aside given concerns of muted business valuations. Expectedly, the Government resorted to borrowings. This is likely to result in a higher fiscal deficit of 9.5 per cent for fiscal year ending 2021 and projection for next year is at 6.8 per cent - on either count too high and it will have bearing on inflation. Shall we say, “The perfect storm”!

In such a situation, over aggressive planning as equally underestimation can cause trouble. The old economic technique that the government should prioritize spending, boost infrastructure and sell PSUs seems to be the wise route adopted.

Capital expenditure is projected at ₹5.5 trillion, an increase of 34 per cent over last year’s estimate. Infrastructure outlays are

well spread across sectors. Roads received significant attention, as did ports, 5 new major fishing harbors and freight corridors (3 new ones are being considered). There are also plans to divest PSUs like Air India, BPCL, IDBI bank, etc. and raise ₹1.75 trillion. This would need deft handling as the government seeks the best price and buyer views it as a distress sale. The proposed IPO of LIC could be a big boost to the government coffers, though this will close future recurring dividend flows. To bring in further recurring incomes, there is an interesting talk of monetizing assets like roads, power transmission, rail stations, airports etc. She also indicated possibly monetizing unproductive land assets lying with the government. All this could be a winner if directed well.

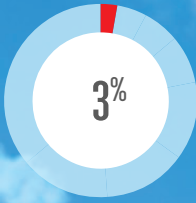
The foreign insurance firms have something to cheer with the investment threshold increasing from 49 to 74 per cent - a step similar to that taken for the defense sector some months back. A fair number of sops for start-ups, spread across company law and the income tax act. With the decriminalization of unnecessary provisions in company law now over, she plans to turn her attention to LLP law. These, together with the rationalization of 29 central labour laws into 4 sensible codes, does offer better business environment.

A tax officer can now go back only 3 years where he feels an income has escaped tax. Additionally, Faceless Assessments and Appeal, brought in last year for income tax payees, is being extended to second level of appeal i.e. Tribunal. This maybe a bit tricky as the first phase has not yet settled in. Customs duty is being rationalized to place a sunset clause on 400 odd exemptions, proceedings to be time barred at 2 years, a portal created for electronic filing and Indian HSN to be in line with international. While expectedly some customs duty moved up, primarily for those products where Indian MSME have the capability, direct taxes were left untouched. There was a hope that GST would be rationalized to 2 as well as the fear that inheritance/wealth tax may reappear, all of which has been wisely side stepped. That energy can be better used to monetize assets and divest PSUs.

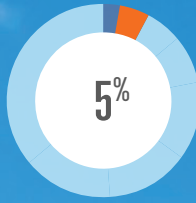
Our FM has set aside our fiscal concerns and the pandemic is also waning. Time to get back to work with fervor – to rebuild and recoup.

Ajay Sethi

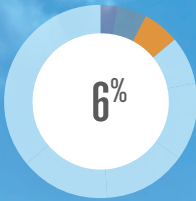
RUPEE COMES FROM



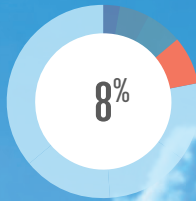
Customs



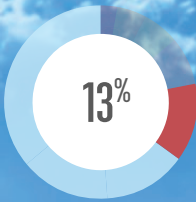
Non-Debt Capital Receipts



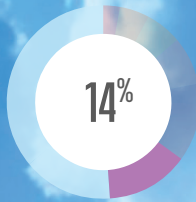
Non-Tax Revenue



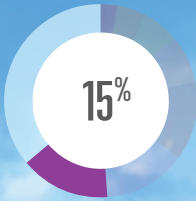
Union Excise Duties



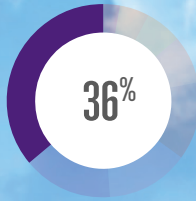
Corporation Tax



Income Tax

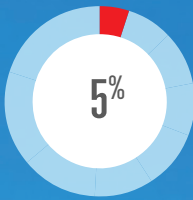


Goods and Services Tax

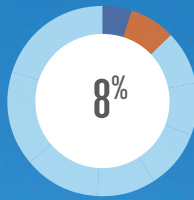


Borrowings & Other Liabilities

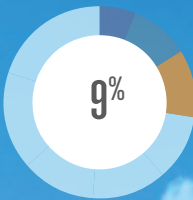
RUPEE GOES TO



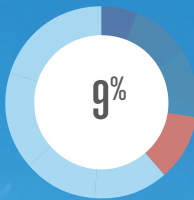
Pensions



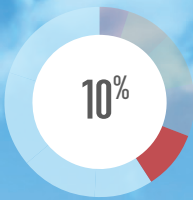
Defence



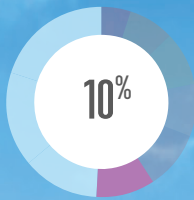
Subsidies



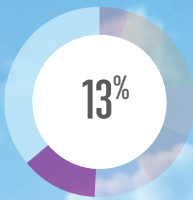
Centrally Sponsored Scheme



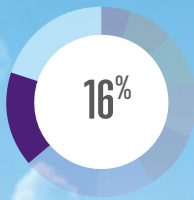
Finance Commission & Other Transfers



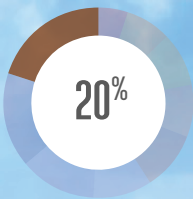
Other Expenditure



Central Sector Scheme



State's Share of Taxes & Duties



Interest Payments

IN BRIEF

Budget Statement

DIRECT TAXES

- No depreciation on Goodwill
- Significant incentives to promote IFSCs
- Alternate dispute resolution avenues introduced/ revamped
- Wide scope of online activities for levy of EQL
- Time limits rationalized for assessments, tax filings

INDIRECT TAXES

- Common Customs Electronic Portal to be notified
- Introduction of Agriculture Infrastructure and Development Cess
- GST audit requirement scrapped
- Input Tax Credit available only if GSTR-1 is filed

COMMERCE & TRADE

- In focus – healthcare, infrastructure, finance and inclusive development
- Securities Market Code to replace existing securities legislations
- FDI in insurance hiked from 49 to 74 per cent
- NRIs permitted to incorporate OPCs

SOCIAL FOCUS

- 100 cities covered under Gas Distribution Network
- Benefits enhanced for scheduled casts and scheduled tribes
- 1,000 more mandis to be integrated under e-NAM

ECONOMIC INDICATORS

- Real GDP contracts at 7.7 per cent in FY 2020-21
- WPI based inflation at 1.7 per cent
- Foreign exchange reserves at US\$ 586.1 billion
- Decline in production of core industries including natural gas, refinery products, steel and cement

BUDGET PROPOSALS

This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on February 1, 2021. The direct tax provisions in the Finance Bill, 2021 would ordinarily apply to the Financial Year commencing on April 1, 2021 (Assessment Year 2022-23) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified. Finance Minister is likely to propose further amendments through separate Bills.

The proposals contained in the Finance Bill are subject to ratification by the Parliament



DIRECT TAXES

INCOME TAX

- The basic tax slabs for individual & HUF remains unchanged i.e.

INCOME RANGE (₹)	EXISTING ¹ (%)	OPTIONAL ² (%)
Upto 250,000 ¹	Nil	Nil
250,001 – 500,000	5	5
500,001 – 750,000	20	10
750,001 – 1,000,000		15
1,000,001 – 1,250,000	30	20
1,250,001 – 1,500,000		25
1,500,001 and above ³		30

¹Exemption limit for individuals reaching 60 and 80 years remains unchanged at ₹300,000 and ₹500,000 respectively

²Deductions, exemptions and carried forward losses restricted, with certain conditions

³Surcharge remains unchanged at 10 per cent on income exceeding ₹5 to 10 million; stands at 15 per cent on income exceeding ₹10 to 20 million; stands at 25 per cent on income exceeding ₹20 to 50 million; stands at 37 per cent on income exceeding ₹50 million. However, surcharge on STT paid capital gains shall not exceed 15 per cent

- Tax rates on partnership firms, local authority and co-operative societies remain unchanged. Surcharge at 12 per cent where, income exceeds ₹10 million. However, concessional tax rate of 22 per cent is also available to resident cooperative society with certain conditions and Surcharge at 10 per cent.
- Corporate tax rate remains unchanged i.e.

COMPANY	RATE (%)
Domestic ¹	
‣ MSME / New enterprise	25 ²
‣ Others	30
Foreign	40 ³

¹Surcharge remains at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

²The benefit of lower rate of tax is applicable to companies with turnover up to ₹4 billion during financial year 2019-20

³Surcharge remains at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Concessional Tax Scheme

COMPANY	RATE (%)
Domestic ¹	
▷ New enterprise	15 ²
▷ Others	22 ³

¹Surcharge at 10 per cent and education cess at 4 per cent will be applicable

²The benefit applicable to companies registered on or after October 01, 2019 and commencing manufacturing (including electricity generation) on or before March 31, 2023 with certain conditions

³Deductions under chapter VIA restricted for availing concessional tax rate

INCOME FROM BUSINESS & PROFESSION

- Effective FY 2020-21, goodwill, even when purchased, is not eligible for claim of tax depreciation by a business or profession.
- The safe harbour threshold i.e. acceptable variance between stamp duty valuation and the sale consideration of immovable property, enhanced from 10 to 20 per cent.
- Benefit of presumptive basis of taxation to professionals does not apply to companies and LLPs.
- The amount deposited after the statutory due date in respect of employee's share of contribution to Provident Fund ('PF'), Employee State Insurance and other welfare funds is not tax deductible.
- On a request by the taxpayer, AO to re-compute Minimum Alternate Tax ('MAT') book-profit and the tax payable of the past year(s) on account of both 'Advance Pricing Agreement' and 'Secondary Adjustment'.
- Where dividend income arising to a foreign company is taxed at a rate lower than MAT due to tax treaty, adjust such income (and expenses thereof) while computing the book profit.

CAPITAL GAINS

- Transfer of capital asset to partner or member, on dissolution or reconstitution of a Firm/AOP/BOI, taxable as capital gain in the hands of said Firm / AOP / BOI, in the year of receipt of capital asset by such partner or member.

TAX WITHHOLDING / TAX COLLECTION

- 0.1 per cent tax deduction on purchase of goods in excess of ₹5 million by a buyer whose turnover exceeded ₹100 million

in the preceding year. Higher rate at 5 per cent applies where PAN is not available.

- 5 per cent or higher rate of tax deduction / collection applies to resident taxpayers who have not filed tax returns in two preceding years.
- Beneficial rate under tax treaty, on income from securities of Foreign Institutional Investor, subject to furnishing of tax residency certificate.

INTERNATIONAL TAXATION

- Retrospective amendments effective April 1, 2020:
 - Equalisation Levy ('EQL') not to apply where the online advertisement services/any related service, and e-commerce supply or services is taxed as Royalty or Fees for Technical Services in India.
 - Scope of online sale of goods or services for EQL to include acceptance of offer for sale, placing purchase order, acceptance of purchase order, payment of consideration, supply of goods/ services.
 - For the purpose of EQL, consideration includes sale of goods or services provided/ facilitated (not owned) by the e-commerce operator.

TAX INCENTIVES FOR START-UPS

- Start-ups incorporated before March 31, 2022 are now eligible for tax holiday.
- Long term capital gains on residential property sold by March 31, 2022, available for investment linked exemption into equity shares of an eligible start-up.

TAX INCENTIVES – INTERNATIONAL FINANCIAL SERVICES CENTRE ('IFSC')

- Specific tax incentives for funds relocating to IFSC. viz.
 - Capital gains exemption to the original fund and its investors, arising from transfer of assets before March 31, 2023.
 - Subsequent capital gains exemption on sale of shares of an Indian company by the non-resident transferor.
 - Carry forward of business losses not impacted by relocation.
- Benefits extended to units in IFSC that have commenced operations by March 31, 2024

- Capital gains tax exemption to the investment division of an offshore banking unit in IFSC.
- Income arising to a non-resident from transfer of non-deliverable forward contracts with an offshore banking unit in IFSC.
- Royalty income of a non-resident from lease of aircraft to a unit in IFSC.
- Income from transfer of aircraft or aircraft engine leased by an IFSC unit to a domestic aircraft business eligible for tax holiday.

EASE OF COMPLIANCE

- Resident individuals aged 75 years or more, earning interest & pension, are exempt from filing income-tax return.
- Income Tax Appellate Tribunal, the second level of appeals, to be made faceless.
- A Dispute Resolution Committee to be constituted as an alternate forum to settle disputes relating to 'small taxpayers' whose returned income is upto ₹5 million or aggregate tax adjustment proposed is ₹1 million.
- Income-tax Settlement Commission ('ITSC') dissolved effective February 01, 2021. An Interim Board to be set up to settle pending cases.
- The Board of Advance Ruling ('BAR') to replace the existing Authority for Advance Rulings. Order of BAR not binding on either parties and is subject to appeals before the High Court.
- Proposed to bring in faceless method for dispute redressal viz. dispute resolution committee, interim board for settlement and board for advance ruling.

ASSESSMENT & APPELLATE PROCEEDINGS

- Time limit for assessment proceedings rationalised:
 - Summary assessment – Reduced from 12 to 9 months, from end of financial year in which tax return is filed.
 - Scrutiny assessment:
 - Issue of notice – Reduced from 6 to 3 months, from end of financial year in which tax return is filed.
 - Conclusion of assessment for AY 2020-21 and subsequent years reduced to 9 months from end of assessment year.

- Assessment / re-assessment timelines related to search and non-search cases revamped, where serious evasion is not established:
 - Notice for re-assessment to be issued within three years from end of assessment year.
 - Opportunity provided to the taxpayer prior to issue of re-assessment notice.

OTHERS

- Interest accrued on PF to be taxable if aggregate contribution during the year exceeds ₹250,000 by the taxpayer.
- For claim of tax holiday in respect of affordable housing projects, time limit for seeking approval extended till March 31, 2022. Benefit extended to notified rental housing projects as well.
- Deduction towards additional interest of ₹150,000 to first time home buyers of affordable housing can be availed for loans sanctioned upto March 31, 2022.
- Slump sale taxation to include all transfers for consideration other than cash viz. slump exchanges, relinquishment etc.
- Threshold of tax audit for a person carrying on business increased from ₹50 to 100 million, where aggregate cash receipts / payments do not exceed 5 per cent of such gross receipts / payments.
- No interest to be charged on shortfall in advance tax payments on account of dividend income if such tax is remitted in full in subsequent installments.
- The time limit to file belated (overdue) tax return and the revised tax return reduced from the end of relevant assessment year to December 31 of relevant assessment year.
- Where a firm or LLP is subjected to transfer pricing reporting, its partners can also file tax returns by November 30 of relevant assessment year.

INDIRECT TAXES

CUSTOMS DUTY

Basic Customs Duty ('BCD') maintained at 10 per cent.

HIGHLIGHTS

- Amendments
 - High Speed Rail Projects included in the list of projects to which Project Imports Scheme is applicable.
 - All conditional exemptions to end in two years from grant. Existing ones to end on March 31, 2023 unless specifically extended or rescinded on review earlier.
 - Two years' time-limit for completion of any proceedings and issuance of show cause notice under the Act. Extendable by one year by Commissioner.
 - Bill of entry to be filed one day in advance before arrival of goods.
 - Provisions introduced for penalty in case of fake invoices for taking credit to avoid taxes on refund claim on exportation.
 - Common Customs Electronic Portal to be notified.
 - Service of order, summons, notice to be also through common portal.
 - Social Welfare Surcharge ('SWS') on petrol, high speed diesel, silver and gold has been increased from 3 to 10 per cent.
 - Introduction of Agriculture Infrastructure and Development Cess ('AIDC') on import of specified goods. Cess to be used to improve agricultural infrastructure and other development expenditure.
- Change in BCD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
AUTOMOBILE PARTS			
‣ Safety glass, consisting of toughened (tempered) or laminated glass used with motor vehicles	10	↑	15

INDUSTRY	RATE (%)		
	From	↑↓	To
‣ Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles	10	↑	15
‣ Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10	↑	15
PRECIOUS STONES AND METALS			
‣ Coin	12.5	↓	10
‣ Iron and steel scrap, including stainless steel scrap printing of newspaper	2.5	↓	0
‣ Primary/Semi-finished products of non-alloy steel	10	↓	7.5
‣ Flat products of non-alloy and alloy steel	10/12.5	↓	7.5
‣ Long product of non-alloy, stainless and alloy steel	10	↓	7.5
‣ Screw, bolts, nuts, etc. of iron and steel	10	↑	15
MACHINERY			
‣ Compressors of a kind used in refrigerating or air-conditioning equipment	12.5	↑	15
‣ Printed Circuit Board Assembly of Charger or adaptor	10	↑	15
‣ Gas Compressors, free- piston generators for gas turbine, turbo charger and other compressors	7.5	↑	15
‣ Electric Motors and Relays	10	↑	15
‣ Boards, panels, consoles etc. for electric control or distribution of electricity	10	↑	15
‣ Other instruments, appliances and machines	7.5	↑	15

INDUSTRY	RATE (%)		
	From	↑↓	To
FUELS, CHEMICALS AND PLASTICS			
‣ Naphtha	4	↓	2.5
‣ Bis-phenol A	0	↑	7.5
‣ Epichlorohydrin	2.5	↑	7.5
‣ Caprolactam, Nylon chips	7.5	↓	5
‣ Polycarbonates	5	↑	7.5
‣ Other plates, sheets, films etc. of other plastics	10	↑	15
‣ Carbon black	5	↑	7.5
‣ Builder's ware of plastics	10	↑	15
TEXTILES			
‣ Raw silk, silk yarn, yarn spun from silk waste	10	↑	15
‣ Cotton waste (including yarn waste or garneted stock)	0	↑	10
‣ Nylon fibre and yarn	7.5	↓	5
IT, ELECTRONICS AND RENEWABLE			
‣ Specified insulated wires and cables	7.5	↑	10
‣ Inputs or parts for manufacture of Printed Circuit Board Assembly ('PCBA'), camera module and connectors of cellular mobile phone (w.e.f. 1.4.2021)	0	↑	2.5
‣ Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charger or adapter of cellular mobile phones	0	↑	10
‣ Moulded plastics for manufacture of charger or adapter	10	↑	15
‣ Inputs or parts of PCBA and moulded plastic of charger or adapter of cellular mobile phones	0	↑	10

INDUSTRY	RATE (%)		
	From	↑↓	To
‣ Inputs & parts of LED lights or fixtures including LED Lamps	5	↑	10
‣ Solar Inverters	5	↑	20
AVIATION			
‣ 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

EXCISE DUTY

- As a rationalization measure Agriculture Infrastructure and Development Cess ('AIDC') has been introduced on Petrol and Diesel with corresponding reduction in Basic Excise Duty ('BED') and Special Additional Excise Duty ('SAED')

(₹Per Ltr)

ITEMS	BED	SAED	AIDC
PETROL			
‣ branded	2.6	11	2.5
‣ unbranded	1.4	11	2.5
HIGH SPEED DIESEL			
‣ branded	4.2	8	4
‣ unbranded	1.8	8	4

- Exemption from SAED and Road and Infrastructure Cess on 15 per cent methanol blended petrol and 20 per cent Ethanol Blended petrol.

ITEMS	BED (%)	NCCD(%)*
‣ Products intended for inhalation without combustion containing tobacco or reconstituted tobacco	81	25
‣ Products intended for inhalation without combustion, others	81	25

*National Calamity Contingent Duty

GOODS AND SERVICE TAX

▪ Amendments

- ▶ Input Tax Credit ('ITC') to be available only if GSTR-1 is filed by supplier.
- ▶ GST audit requirement scrapped.
- ▶ Provision introduced for self-certification of reconciliation statement.
- ▶ Tax recovery can be made for dues as per GSTR-1 filed.
- ▶ Provision for filing of appeal in case of order passed for detention/seizure of goods and conveyance only upon payment of 25 per cent of penalty levied.
- ▶ In case of detention /seizure of goods and conveyances in transit:
 - Penalty provisions enhanced
 - Facility of provisional release of goods on furnishing of bond and security has been withdrawn
 - Opportunity of being heard to be provided only in case of penalty
 - Power to dispose off the detained /seized goods if penalty is not paid
 - Conveyance can be released if transporter pays penalty amount or ₹0.1 million, whichever is less
- ▶ Any information may now be asked for by the Authority in connection with the Act.
- ▶ Zero-rated supply to SEZ developer or unit shall be only for authorized operations.
- ▶ Government on the recommendation of GST Council, may specify class of persons who shall compulsorily export goods/services under payment of IGST.
- ▶ Linking of refund with foreign exchange remittance in case of export of goods.

▪ Retrospective Amendments

- ▶ Effective July 01, 2017, in case of delay in filing GSTR-3B, interest to be paid on amount of tax paid by debit to electronic cash ledger.
- ▶ Effective July 01, 2017, definition of supply to cover transactions between a person (not being an individual) and its members or constituents.

COMMERCE & TRADE FOCUS



HEALTHCARE

- Total outlay for health and well-being increased by 137 per cent from ₹944.52 billion (US\$ 12.94 billion) to ₹2.23 trillion (US\$ 30.66 billion).
- PM *AatmaNirbhar Swastha Bharat Yojana* to be launched with an outlay of ₹641.8 billion (US\$ 8.79 billion) to develop capacities of health systems and for detection and cure of new diseases.
- *Mission Poshan 2.0* to be launched in 112 aspirational districts to improve malnutrition.
- *Jal Jeevan Mission (Urban)* to be launched with an outlay of ₹2.87 trillion (US\$ 39.31 billion) to provide tap water connections to 28.6 million households.
- ₹22.17 billion (US\$ 303.70 million) outlay earmarked to combat air pollution in 42 urban centers.
- The pneumococcal vaccine presently limited to 5 states, to be rolled out across the country, to avert more than 50,000 cases of child mortality.
- ₹350 billion (US\$ 4.79 billion) earmarked for Covid-19 vaccine.

SELF RELIANT INDIA

- ₹1.97 trillion (US\$ 26.97 billion) outlay earmarked over the next 5 years, for scaling domestic manufacturing under the Production Linked Incentive ('PLI') schemes in 13 sectors.
- *Mega Investment Textiles Parks ('MITRA')* scheme to be launched to boost global competitiveness of textile industry, attract large investments and enhance employment generation by establishing seven textile parks over the next 3 years.

INFRASTRUCTURE

- Capital expenditure outlay increased by 34.5 per cent from ₹4.12 trillion (US\$ 56.44 billion) in FY 2020-21 to ₹5.54 trillion (US\$ 75.89 billion) in FY 2021-22.
- Debt financing enabled for Foreign Portfolio Investors ('FPI') in Infrastructure Investment Trusts ('InVITs') and Real Estate Investment Trusts ('REITs').
- Ministry of Road Transport and Highways allocated a highest ever outlay of ₹1.18 trillion (US\$ 16.18 billion), of which, ₹1.08 trillion (US\$ 14.83 billion) is towards capital expenditure.
- Western Dedicated Freight Corridor ('DFC') and Eastern DFC to be commissioned by June 2022 to bring down the overall logistic costs.

- Upgradation of power distribution infrastructure sector proposed by introducing pre-paid smart metering, feeder separation, upgradation of systems, etc. The proposed outlay for the scheme to be ₹3.05 trillion (US\$ 41.78 billion).
- Major ports to manage their operational services on Public Private Partnership ('PPP') mode. 7 projects exceeding ₹20 billion (US\$ 273.97 million) to be offered under this scheme.
- Additional 10 million free LPG connections to be provided under Ujjwala scheme.
- 100 more cities to be covered under the city gas distribution network. New gas pipeline project proposed for Jammu and Kashmir.

FINANCE

- Securities Markets Code to consolidate SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007.
- Public Sector Banks ('PSBs') to get additional capitalization of ₹200 billion (US\$ 2.74 billion).
- FDI in insurance sector proposed to be hiked from 49 to 74 per cent. Under this provision, majority of Directors and Key Management Persons to be being resident Indians. Also, 50 per cent of the directors to be independent directors.
- Development Financial Institution ('DFI') to be set up with an initial corpus of ₹200 billion (US\$ 2.74 billion) with an objective of achieving a lending portfolio of ₹5 trillion (US\$ 68.49 billion over the next 3 years).

CORPORATE LAWS

- Definition of Small Companies revised by raising the threshold of paid up capital from ₹5 million (US\$ 70,000) to ₹20 million (US\$ 274,000) and the threshold of turnover from ₹20 million (US\$ 274,000) to ₹200 million (US\$ 2.75 million).
- To boost start-ups and innovators, One Person Companies ('OPCs') granted general permission for conversion of OPCs to other forms of Companies. In addition, Non-Resident Indians permitted to incorporate OPCs.

DISINVESTMENT

- Disinvestments proposed in a number of Public Sector Undertakings ('PSUs') such as BPCL, Air India, Pawan Hans, IDBI Bank, Container Corporation of India. Privatization of two PSBs and one Insurance Company also proposed during FY 2021-22.

- Dilution of government's stake in Life Insurance Corporation of India through an Initial Public Offering in FY 2021-22.

INCLUSIVE DEVELOPMENT

- Agricultural credit to be enhanced to ₹16.5 trillion (US\$ 226.03 billion) by FY 2022-23 with a focus towards animal husbandry, dairy and fisheries.
- Allocation to Rural Infrastructure Development Fund enhanced from ₹300 billion (US\$ 4.11 billion) to ₹400 billion (US\$ 5.48 billion).
- 1,000 more mandis will be integrated with National Agriculture Market ('e-NAM') to enhance transparency and competitiveness in the agricultural market.
- Under the 'Stand Up India' scheme, margin money requirements reduced from 25 to 15 per cent for loans made to SCs, STs and women.
- Allocation of MSME sector doubled to ₹157 billion (US\$ 2.15 billion).

HUMAN CAPITAL

- ₹352.19 billion (US\$ 4.82 billion) allocated to 'Post Matric Scholarship Scheme' for the welfare of Schedule Castes.
- A special scheme with an outlay of ₹10 billion (US\$ 136.99 million) announced for the welfare of women and their children working in tea estates of Assam and West Bengal.

INNOVATION AND R&D

- ₹15 billion (US\$ 205.48 million) earmarked for financial incentive to promote digital payment.
- Deep Ocean Mission to be launched with an outlay of ₹40 billion (US\$ 547.95 million) to cover deep ocean survey exploration and for conservation of deep sea bio-diversity.
- To ease up doing business with the Government and Public Sector Undertakings, a conciliation mechanism is proposed to be set up to expeditiously resolve any contractual disputes.

FISCAL MANAGEMENT

- Fiscal deficit as percentage of GDP pegged at 6.8 per cent for FY 2021-22 as against 9.5 per cent in FY 2020-21.
- Contingency Fund of India proposed to be augmented from ₹5 billion (US\$ 68.49 million) to ₹300 billion (US\$ 4.11 billion).

IMPACT

CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 5 per cent higher at 48,6006.61 up by 2314.84 points. The National Stock Exchange ('Nifty') gained 4.74 per cent, up by 646.60 points to finish at 14,281.20 points. The Sensex touched an intra-day high of 48,764.40 and a low of 46,433.65 while Nifty touched a high 14,336.35 of and a low of 13,661.75 during the day.

KEY SECTORS

HEALTHCARE

Key reforms in healthcare sector reflect a holistic approach towards nutrition, sanitation, clean air, and water resource management. This would provide access to medical care, stimulate job creation and increase economic impetus. Outlays for monumental schemes such as *PM AatmaNirbhar Swasth Bharat Yojana* would strengthen capacities in primary, secondary & tertiary healthcare and would boost public healthcare infrastructure and disease control measures. Further, budget allocation towards COVID-19 and pneumococcal vaccines across the country would help in reducing child deaths across the country.

INFRASTRUCTURE

Infrastructure financing through dedicated DFI and monetizing infra projects would aid in creation of resources through InVITs and REITs, enabling in reduction of infrastructure funding burden from the banking institutions. Cash stressed infrastructure and real estate sector would gain momentum from proposed FPI debt financing mode. This will also promote private sector involvement in increasing credit availability for development and monetization of infrastructure assets.

POWER

The reform-based result linked scheme and framework for portability of distribution companies would accelerate infrastructure creation and investment in power sector. This would directly have positive impact on related industries such as power sector supplies, prepaid smart metering systems, feeder separation infrastructure and would accelerate reforms and efficiency in this sector.

URBAN INFRASTRUCTURE

Jal Jeevan Mission (Urban) to provide household tap connections and liquid waste management. Further, augmentation of public bus transport services through PPP mode would create potential opportunities for private sector in transportation as well as boost investment in the area of leasing and finance of buses. Ease of mobility through cheaper metro rail system in Tier-2 cities would encourage economic growth and create more employment opportunities.

AUTOMOBILE

Voluntary Vehicle Scrapping Policy aimed at phasing out unfit vehicles would have a positive impact on automobile sector and overall economic growth, including encouragement to environmentally friendly technologies. Proposal for vehicles to undergo fitness test after 20 years for personal vehicles and 15 years for commercial vehicles would reduce vehicular pollution. This may also aid electric vehicle eco-system and investment in enabling infrastructure.

TEXTILES

Production Linked Incentive Scheme (PLI) and Mega Investment Textiles Parks Scheme (MITRA) would ensure that the textile industry can be globally competitive and be able to attract investors in technical textile and manmade fibre segment. Proposal of creating seven textile parks with world-class infrastructure with plug and play facilities would strengthen the industry and exports.

AGRICULTURE AND RURAL DEVELOPMENT

Continued support to the APMC system through Agriculture Infrastructure Fund and Agriculture Infrastructure Development Cess would enhance facilities for production, conservation and processing of farm produce. Operation Green Scheme will boost value addition by extending coverage to 22 perishable crops. Rural Infrastructure Fund and Micro Irrigation Fund allocation would address the financial constraints in the sector.

SECURITIES MARKET

Integrated 'Securities Markets Code' for all rules related to securities market would rationalize regulation, ensure effective administration, aid ease of doing business and reduce compliance burden. Proposal to introduce an 'Investor Charter' would strengthen transparency and enforcement of rights of investors in financial market.

RECENT POLICY CHANGES

Legislative Initiatives

Reserve Bank of India

Taxation

Company Law

Insolvency and Bankruptcy Code

Foreign Direct Investment ('FDI')

Others



LEGISLATIVE INITIATIVES

- 29 central labour laws merged into 4 comprehensive yet simplified labour codes namely Code on Wages 2019, Industrial Relations Code 2020, Social Security Code and The Occupation Safety, Health and Working Conditions Code 2020.

Particulars	Code on Wages 2019	The Occupational Safety, Health & Working Conditions Code 2020	Industrial Relations Code 2020	Social Security Code 2020
Old Laws subsumed	4 laws	13 laws	3 laws	9 laws
Description	Payment of Wages, Bonus, Minimum Wage	Provision for Safety and Health measures, working conditions	Industrial Disputes and Trade Union, Lay-off, Lock-out, Closure, Retrenchment	Insurance, Gratuity, Provident Fund

- Consumer Protection Act, 2019 and Consumer Protection (e-commerce) Rules, 2020 ensuring consumer rights and prevention of unfair trade practices notified in July 2020.
- Dual criteria of investment and turnover introduced for Micro, Small and Medium Enterprises ('MSMEs'). Enterprises crossing the ceiling limit either in investment or turnover, shall automatically be placed in higher classification.

RESERVE BANK OF INDIA ('RBI')

- 'Fair Practices Code' issued for Asset Reconstruction Companies ('ARCs') to ensure transparency and non-discriminatory practices in acquisition of assets.
- To facilitate external trade, RBI permitted write-off of unrealized export bills, set-off of export receivables against imports and refund of export proceeds.
- Introduction of 'Positive Pay System' to secure cheque payments for cheque payments exceeding ₹0.05 million. The issuer who wishes to opt for this, may submit specified details to the bankers electronically.
- Final directions issued to ease access to the domestic foreign

exchange derivative markets. This became effective June 01, 2020. The final directions will replace the existing directions in Part A - Section I and II of the Master Direction on Risk Management and Interbank Dealings.

- Liquidity Coverage Ratio ('LCR') requirement of scheduled commercial banks brought down from 100 to 80 per cent during pandemic and is proposed to be restored by April 2021.

TAXATION

- Quarterly Return Monthly Payment ('QRMP') Scheme introduced from January 2021, for taxpayers having aggregate turnover not exceeding ₹50 million.
- Taxpayers having aggregate turnover exceeding ₹5 billion in any preceding financial year since 2017-18 shall mandatorily issue e-invoices from January 2021. E-invoicing shall apply to all B2B transactions.
- Relief extended through waiver of penalty for taxpayers who were mandatorily required to have QR code on B2C invoices.
- With effect from April 01, 2021, taxpayers having aggregate turnover exceeding ₹50 million in preceding financial year shall mention 6 digits HSN code. For other taxpayers, 4 digits will be mandatory for tax invoices issued to registered persons.
- In line with its transparent taxation initiative 'Faceless Appeals Scheme' launched to conduct appeals in a faceless manner.
- Aadhaar authentication is mandatory for obtaining GST registration. In absence of such authentication, physical verification of business premises shall be conducted prior to grant of registration.
- To enhance liquidity in the hands of taxpayers, the rates of Tax Deducted at Source ('TDS') and Tax Collected at Source ('TCS') reduced by 25 per cent upto March 31, 2021.

COMPANY LAW

- Significant reduction in penalties and decriminalization of certain offences not amounting to fraud under Companies Act, 2013.
- Listing in foreign jurisdictions permitted to certain classes of Public Companies.
- Exemption from formulation of Corporate Social Responsibility ('CSR') Committee for Companies which have spending obligations upto ₹5 million. In addition, starting April 01, 2021, Companies to mandatorily register CSR projects with the authorities.

- Remuneration to an independent or non-executive director permitted, in the absence or inadequacy of profits.
- Contribution made to 'Chief Minister's Relief Funds' or 'State Relief Fund for COVID-19' not to qualify as CSR expenditure. However, any ex-gratia payment to temporary/ casual/daily wage workers over and above disbursement of wages for fighting against COVID-19, to qualify as CSR expense.

INSOLVENCY AND BANKRUPTCY CODE, 2016

- The minimum threshold of default for initiating the Corporate Insolvency Resolution Process ('CIRP') increased from ₹0.1 to 10 million. The move to benefit MSMEs.
- Suspension of application for initiation of CIRP for any default arising effective March 25, 2020 through March 31, 2021. Further, the lockdown period starting March 25, 2020 to be excluded from statutory period for cases where the CIRP is pending.
- Under Section 240A of the Code, special insolvency resolution framework for MSMEs introduced.
- Protection available to directors and partners for wrongful trading during the period of suspension of CIRP.
- Pre-packaged Insolvency Resolution Process ('PPIRP') of the Code issued for public comments.

FOREIGN DIRECT INVESTMENT ('FDI')

- FDI from an entity of a country, which shares land borders with India, or where the beneficial owner is situated in such country, now requires prior approval of the government. Any transfer of ownership in an entity in India, resulting in such beneficial ownership, would also require such approval.
- FDI upto 74 per cent under automatic route in defence sector for Companies seeking new Industrial Licence.
- FDI in insurance intermediaries (brokers, corporate agents, surveyors) through the automatic route enhanced from 49 to 100 per cent.

OTHERS

- Increase in the safe harbour tolerance limit under property valuation from 10 to 20 per cent for residential units, having value up to ₹20 million thereby reducing the hardships faced by both home buyers as well as the developers.

- Lakshmi Vilas Bank Ltd. merged with of DBS Bank India Ltd. w.e.f. November 27, 2020 under the scheme of amalgamation sanctioned by government.
- Production Linked Incentive ('PLI') Scheme is introduced under *Aatmanirbhar Bharat Abhiyaan 3.0* for 10 different sectors.
- Donation made by an employee, through his employer, to the PM Cares Fund, to qualify for deduction u/s 80G.

FOREIGN TRADE

(April –November 2020)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	Main Exports to	Share (%)	Main Imports from	Share (%)
1	USA	18.00	China	17.74
2	China	7.84	USA	7.45
3	UAE	5.56	UAE	5.98
4	Hong Kong	3.66	Hong Kong	4.34
5	Singapore	3.15	Saudi Arabia	4.21
6	Bangladesh	2.88	Germany	3.74
7	Germany	2.80	Iraq	3.47
8	UK	2.62	Indonesia	3.32
9	Malaysia	2.28	South Korea	3.26
10	Netherlands	2.19	Singapore	3.23

FOREIGN DIRECT INVESTMENT

(US\$ million)

FDI EQUITY INFLOWS (top ten countries)						
Rank	Country	2018-19 (Apr - Mar)	2019-20 (Apr - Mar)	2020-2021 (Apr - Sep)	Cumulative Inflows (Apr 2000 - Sep 2020)	% age to total Inflows
1.	Mauritius	8,084	8,241	2,003	144,713	29
2.	Singapore	16,228	14,671	8,301	105,970	21
3.	USA	3,139	4,223	7,123	36,902	7
4.	Netherlands	3,870	6,500	1,498	35,350	7
5.	Japan	2,965	3226	653	34,152	7
6.	UK	1,351	1,422	1,352	29,563	6
7.	Germany	886	488	202	12,398	2
8.	Cyprus	296	879	48	10,796	2
9.	France	406	1,896	1,135	9,675	2
10.	Cayman Islands	1008	3702	2103	9,639	2

SECTORAL COMPOSITION OF FDI

(Apr'20 - Sep'20) (US\$ million)



Telecommunications



Construction Development



Hotel & Tourism



Drugs & Pharmaceuticals



Construction (Infrastructure)



Automobile Industry



Chemicals



Trading



Services



Computer Software & Hardware

ECONOMIC INDICATORS

GDP

Inflation

Foreign Trade

Foreign Exchange Reserves

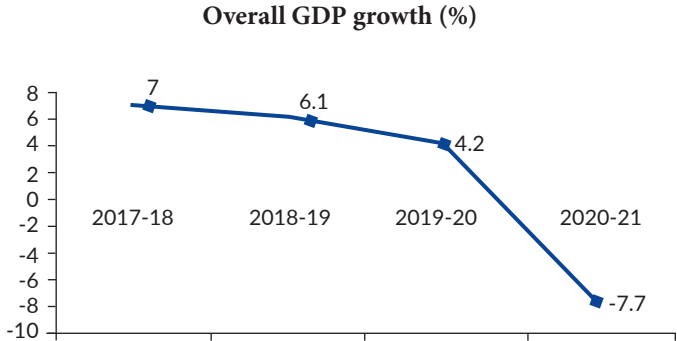
Infrastructure



OVERVIEW

GROSS DOMESTIC PRODUCT ('GDP')

Real GDP is estimated to contract to 7.7 per cent for the financial year 2020-21 compared to a growth of 4.2 per cent in the financial year 2019-20.

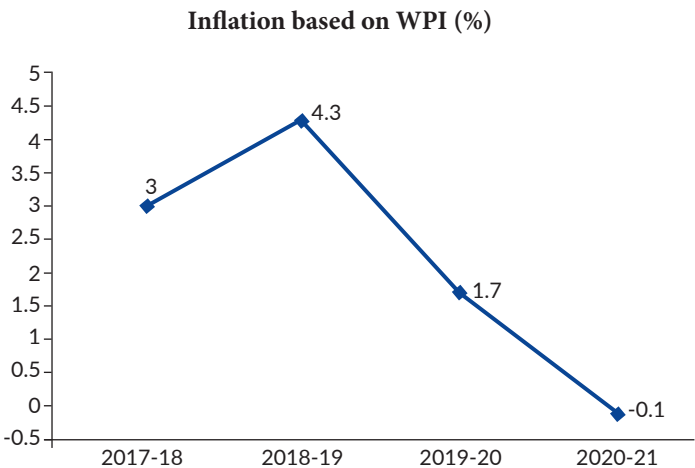


Figures for FY 2019-20 are provisional estimates.

Figures for FY 2020-21 are first advance estimates.

INFLATION

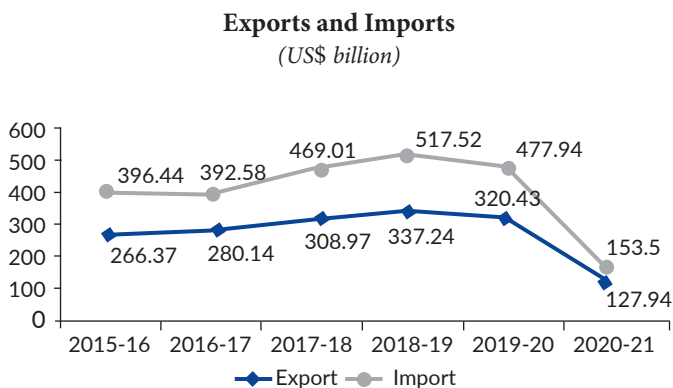
Inflation based on Wholesale Price Index ('WPI') decreased from 1.7 per cent in financial year 2019-20 to -0.1 per cent in financial year 2020-21.



Figures for FY 2020-21 are provisional estimates.

FOREIGN TRADE

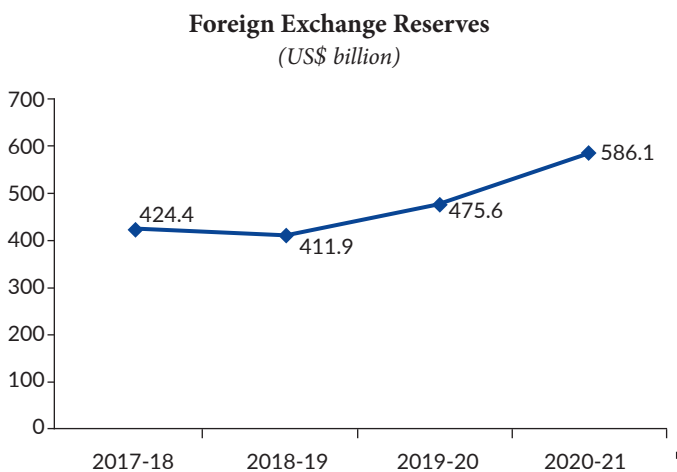
Exports till September 2020 were US\$ 127.94 billion registering a substantial decrease of 23.29 per cent for a similar period till September 2019. Imports till September 2020 were US\$ 153.49 registering a substantial decrease of 37.86 per cent for a similar period till September 2019.



Figures for FY 2020-21 are till September 2020.

FOREIGN EXCHANGE RESERVES

The foreign exchange reserves increased by US\$ 110.5 billion as of January 2021 compared to financial year 2019-20. India's foreign exchange reserves continue to be comfortably placed at US\$ 586.1 billion.



Figures for FY 2020-21 are as on January 08, 2021.

INFRASTRUCTURE SECTOR

CORE INDUSTRIES

Fertilizer production during April-November 2020-21 grew by 3.8 per cent over the corresponding period of the previous year. There was drastic decline in production of steel, cement, crude oil, natural gas and refinery products.

Growth in Core Industries (%)

SECTOR	2017-18	2018-19	APRIL TO NOVEMBER		
			2018-19	2019-20	2020-21
Coal	2.6	7.4	9.0	-5.4	-2.6
Crude Oil	-0.9	-4.1	-3.6	-5.9	-6.0
Natural Gas	2.9	0.8	-0.7	-3.1	-12.1
Refinery Products	4.6	3.1	5.3	-1.1	-14.9
Fertilizers	0.0	0.3	-1.3	4.0	3.8
Steel	5.6	5.1	3.6	6.7	-19.4
Cement	6.3	13.3	14.2	0.01	-19.5
Electricity	5.3	5.2	6.6	0.8	-4.7
Overall Index	4.3	4.4	5.1	0.3	-11.4

TELECOMMUNICATIONS

Wireless telephony now constitutes 98.3 per cent of all subscriptions whereas share of landline telephones now stands at only 1.7 per cent. The overall tele-density in India stands at 86.6 per cent with the rural tele-density being 59.1 per cent and urban tele-density being 139.0 per cent at the end of November 2020.

Internet and broadband penetration in India have kept a rapid pace. The number of internet subscribers (both broadband and

narrowband put together) stood at 776.45 million at the end of September 2020 as compared to 636.73 million in March 2019.

The wireless data usage grew at an exponential rate wherein the average wireless data consumption per subscriber per month increased from 9.1 GB in March 2019 to 12.2 GB in June 2020. The reduced cost of data could enable affordable internet access at a rapid pace. As on June 2020, the cost of wireless data stood at ₹10.55 per GB.

RAILWAYS

Indian Railways ('IR') with over 67,580 route kms is the third largest network in the world under single management. During FY 2019-20, IR carried 1.2 billion tonnes of freight and 8.1 billion passengers making it the world's largest passenger carrier and 4th largest freight carrier. Revenue earning freight loading by IR during FY 2019-20 was 1.21 billion tonnes registering a decrease of 1.1 per cent over FY 2019-20. In addition, operations on Kisan Rail Services have commenced on thirteen routes transporting more than 34,000 tonnes of consignments.

As part of IR's safety measures, train accidents decreased from 104 in FY 2016-17 to 55 in FY 2019-20.

ROADS

Road transport is the dominant mode of transportation in terms of its contribution to Gross Value Added ('GVA') and traffic share. The share of transport sector in the GVA for FY 2018-19 was about 4.6 per cent of which the contribution of road transport is the largest at 3.08 per cent, followed by the share of the Railways at 0.72 per cent.

India has the second largest road network of about 6.39 million km next only to the United States of America with the national highways recording a CAGR of 7.25 per cent followed by rural roads (6.25 per cent) and urban roads (4.27 per cent). Total investment in the roads and highway sector has gone up more than three times in six years.

IMPORTANT FILING DATES FOR THE YEAR 2021-22

*(The dates may be revised
as per the notification by the regulators)*

REGULATORY MATTER	DUE DATE
Corporate Law	
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Tax	
Corporate Tax Return	October 31st/ November 30th
Tax Audit Report	September 30th/ October 31st
Transfer Pricing Report	October 31st
TDS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
GST Return*	
- Turnover > ₹50 million)	Monthly
- Turnover ≤ ₹50 million)	Quarterly/Monthly
Compliance	
Deposit of TDS	7th of every month
Deposit of GST	
- Turnover > ₹50 million)	20th of every month
- Turnover ≤ ₹50 million)	22nd/ 24th/ 25th of every month/ Quarter**

*It includes GSTR 1 and GSTR 3B

**Differs according to State

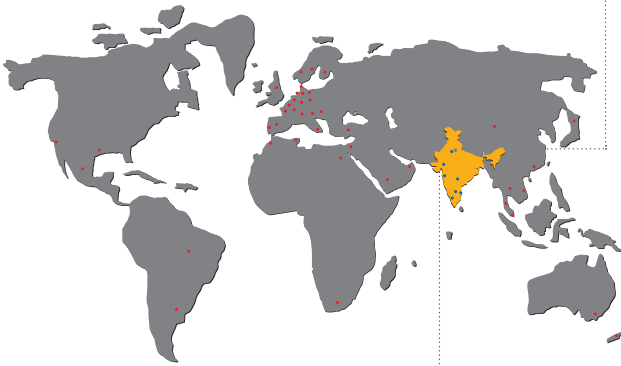
snap shot



Since 1991

6000+ Clients
700+ Employees
60+ Locations
32 Partners / Directors
1 Team

A full service firm of corporate strategists, auditors, tax advisory experts, financial and marketing analysts with over 30 years of experience in servicing SMEs & Fortune 500 companies.



Services

- Accounting and Business Support
- Assurance
- Business Advisory
- Taxation
- Transaction Advisory

18 Indian locations and 6 foreign desks combined with **international affiliations** ensures global standards with regional expertise.

We place our clients' aspirations at the center of everything we do.

ASA & ASSOCIATES LLP

CHARTERED ACCOUNTANTS

www.asa.in

New Delhi

Aurobindo Tower
81/1 Third Floor Adchini
Aurobindo Marg
New Delhi 110 017 INDIA
T +91 11 4100 9999

Rajiv Arya *Partner*
rajiv.arya@asa.in

Ahmedabad

306B, Pinnacle Business Centre
Corporate Road, Prahlad Nagar
Ahmedabad 380015 INDIA
T + 91 79 4891 5409

Himanshu Srivastava *Partner*
himanshu.srivastava@asa.in

Bengaluru

Level - 2, Park Square
No.150, 36th Cross
Jayanagar 7th Block
Bengaluru 560 082 INDIA
T +91 80 4151 0751

D. Ramprasad *Partner*
ramprasad.d@asa.in

Chennai

Unit No. 709 & 710,
7th Floor 'Beta Wing'
Raheja Towers
New Number 177
Anna Salai, Chennai 600 002 INDIA
T +91 44 4904 8200

K Venkatraman *Partner*
k.venkat@asa.in

Gurgaon

Times Square Fourth Floor
Block B, Sushant Lok 1
Gurgaon 122 002 INDIA
T +91 124 4333 100

Sundeep Gupta *Partner*
sundeep.gupta@asa.in

Hyderabad

Ammaram Unnathasan Reddy Tower
H No 1-11- 301/3 Ground Floor
Gagan Vihar Begumpet
Hyderabad 500 016 INDIA
T +91 40 2776 0423

K Venkatraman *Partner*
k.venkat@asa.in

Kochi

Pioneer Tower
207-208 Second Floor, Marine Drive
Kochi 682 031 INDIA
T +91 484 410 9999

P N Ramachandra Kamath *Partner*
pnr.kamath@asa.in

Mumbai

Lotus Corporate Park
D-401, CTS No.185/A
Graham Firth Compound
Western Express Highway
Goregaon (East)
Mumbai 400 063 INDIA
T +91 22 4921 4000

Keyur Dave *Partner*
keyur.dave@asa.in

National Affiliates

Bhubaneswar, Chandigarh, Kolkata, Pune and Vishakhapatnam