

Budget 2021 – Key Highlights

February 6, 2021

In brief

While, Union Budget 2021 is mainly focusing on bringing the economy back to shape after the pandemic, it also covers several proposals including exemption to senior citizens from filing income tax returns, new rules for removal of double taxation for NRIs, reduction in the time period for reopening of tax assessments, extension of tax holiday for startups, consolidation of securities laws into one single Securities Code etc. The Budget proposals rest on six pillars - health and well-being, physical, financial capital and infrastructure, inclusive development for aspirational India, reinvigorating human capital, innovation and R&D and minimum government and maximum governance.

In detail

Direct Tax

1. Relief given to the senior citizen, having only pension and interest income from filing Income Tax Return. However the paying banks will still require to deduct TDS (if applicable).
2. Income Tax Reassessment Limit has been decreased from 6 years to 3 years. But in the case of Serious tax evasion, where evidence is available for concealment of income of 50 lakh or more, then reopening can be done within 10 years with approval of Principal Chief Commissioner.
3. The budget 2021 proposes to constitute a faceless Dispute Resolution Committee for small tax payers to ensure efficiency, transparency and accountability. Small Taxpayers with a taxable income upto 50 lacs and disputed income upto 10 Lacs shall be eligible to approach the committee.
4. Faceless ITAT center will be set up. In this case, personal hearings if required will be conducted through VC.
5. Tax Audits limit has been enhanced from 5 Cr to 10 Cr

in case of digital transactions (up to 95% Digital Transactions).

6. The Advance tax liability in case of dividend income will arise only after the declaration/payment of dividend.
7. Affordable housing deduction of 1.5 Lacs (interest on housing loan) will now be available for a loan taken till 31.3.2022.
8. The deduction u/s 80IBA of the Income Tax Act, 1961 extended till 31.3.2022.
9. In order to ease compliance for the tax payer, details of salary income, tax payments, TDS etc. already come prefilled in Income Tax Returns. To further ease filing of Income Tax Returns, details of Capital Gain from listed securities, dividend income, and interest from banks, post office will also be prefilled.
10. Under Section 10(23C) of the Income Tax Act, 1961, Exemption Limit for Charitable Trusts, educational institutes and hospitals has been increased from 1 Cr to 5

crores.

11. Late deposit of employee contribution of PF will now be not allowed as deduction.
12. In order to incentivize Startups in the country, the eligibility for claiming tax holiday for startups is proposed to be extended by 1 more year, i.e., till March 31st, 2022. Further the Capital Gain exemptions for investment in start-up has also been extended till March 31st, 2022.

Indirect Tax

GST

Goods and Services Tax is now four years old. GST has made record collections in the last few months. The measures taken in GST which further simplified it include:

- i. Nil return through SMS,
- ii. Quarterly Return and Monthly Payment (QRMP) for small taxpayers,
- iii. Electronic invoice system,
- iv. Validated input tax statement,
- v. Pre-filled editable GST return,
- vi. Staggering of returns filing, and
- vii. Deep analytics and Artificial Intelligence (AI) deployed to

identify tax evaders and fake billers.

Custom Duty Rationalisation:

1. Rationalization of customs duty structure by eliminating 80 outdated exemptions.
2. Electronic and Mobile Phone Industry: Few Exemptions withdrawn on parts of chargers and sub-parts of mobiles. Further, some parts of mobiles will move from 'nil' rate to a moderate 2.5%.
3. Iron and Steel: Reduction in Customs duty uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels. To provide relief to metal recyclers the duty on steel scrap is exempted up to March 31, 2022. ADD and CVD revoked on certain steel products to support MSMEs. Duty on copper scrap is reduced from 5% to 2.5%.
4. Textile: Nylon chain brought on par with polyester and other man-made fibers. Reduction in BCD rates on caprolactam, nylon chips and nylon fiber and yarn to 5%.
5. Chemicals: Custom duty on Naptha reduced to 2.5% to correct inversion.
6. Gold and Silver: Custom Duty on Gold and Silver is rationalised. The present basic customs duty on Gold and Silver is 12.5%.
7. Renewable Energy: Duty on solar invertors increased from 5% to 20% and on solar lanterns from 5% to 15%. This will promoted domestic manufacturing of solar cells

and solar panels.

8. Capital Equipment and Auto Parts: There is immense potential in manufacturing heavy capital equipment domestically. The exemptions on tunnel boring machine have been withdrawn. It will attract a customs duty of 7.5%; and its parts a duty of 2.5% while raising customs duty on certain auto parts to 15%.
9. MSME Products: Duty on Steel screws and plastic builder wares increased from 10% to 15%. Exemption on imports of certain kind of leathers is withdrawn. Customs duty on finished synthetic gem stones is increased.
10. Agriculture Products: To benefit farmers, the Finance Minister announced raising custom duty on cotton to 10% and on raw silk and silk yarn to 15%. She also announced withdrawing end-used based concessions on denatured ethyl alcohol.
11. Agriculture Infrastructure and Development Cess (AIDC) is proposed on a small number of items.
12. Rationalisation of Procedures and Easing of Compliance: Regarding rationalization of procedures and easing of compliance, the Finance Minister proposed certain changes in the provisions relating to ADD and CVD levies. To complete customs investigation, definite time-lines are being prescribed. The Turant Custom Initiative rolled out in 2020 has helped in putting a check on misuse

of FTAs

Minimum Government and Maximum Governance

1. Initiation of numerous measures to bring reforms in Tribunals for speedy delivery of justice. Continuing with the reform process, further measures will be initiated in order to rationalize the functioning of Tribunals.
2. Introduction of National Commission for Allied Healthcare Professionals Bill in Parliament, with a view to ensure transparent and efficient regulation of the 56 allied healthcare professionals.
3. To bring transparency, efficiency and governance reforms in the nursing profession, the National Nursing and Midwifery Commission Bill will be introduced by the government.
4. To foster ease of doing business, a system for swift resolution of contractual disputes has been proposed, especially for those business organisations who deal with government or central Public Sector Enterprises (PSEs).
5. India to witness first '**Digital Census**', as the forthcoming census will be digital. An amount of 3,578 crores have been allocated in the year 2021-2022
6. To grant 300 crores to Goa for commemorating 50 years of liberation from Portuguese rule.
7. To grant 1,000 crores for the welfare of tea workers

particularly women and their children in Assam and West Bengal.

8. As part of the Gaganyaan mission activities, four Indian astronauts are being trained on Generic Space Flight aspects, in Russia. The first unmanned launch is slated for December 2021.

9. Deep Ocean Mission with a budget outlay of more than 4,000 crores will cover deep ocean survey exploration and projects for the conservation of deep sea bio-diversity.

10. The New Space India Limited (NSIL), a PSU under the Department of Space will execute the PSLV-CS51 launch, carrying the Amazonia Satellite from Brazil, along with a few smaller Indian satellites.

11. A new initiative – National Language Translation Mission (NTLM) will enable the wealth of governance-and-policy related knowledge on the Internet being made available in major Indian languages.

12. To give a further boost to digital transactions, 1,500 crores earmarked for a proposed scheme that will provide financial incentive to promote digital modes of payment.

Skilling

It is proposed to amend the Apprenticeship Act with a view to further improve apprenticeship opportunities for the youth. The National Apprenticeship Training Scheme will be realigned for providing post-education apprenticeship,

training of graduates and diploma holders in Engineering. Over 3,000 crores will be provided for this purpose.

To benchmark skill qualifications, assessment, and certification, accompanied by the deployment of certified workforce, various initiatives like partnership with UAE, collaborating Training Inter Training Programme (TITP) with Japan are underway and such type of initiatives are also contemplated with many more countries.

Reinvigorating Human Capital

School Education

1. More than 15,000 schools will be qualitatively strengthened to include all components of the National Education Policy.
2. 100 new Sainik Schools will be set up in partnership with NGOs/private schools/states.

Higher Education

1. The Government will bring legislation to implement the setting-up of the Higher Education Commission of India.
2. For accessible higher education in Ladakh, Central University in Leh is proposed to be set-up.

Scheduled Castes and Scheduled Tribes Welfare

Target of establishing 750 Eklavya model residential schools in tribal areas.

It is proposed to increase the allocation for the unit cost of each Eklavya school from 20

crores to 38 crores, and for hilly and difficult areas, it has been increased to 48 crores.

35,219 crore has been allotted for 6 years till 2025-2026 as the government is set to revamp Post-Matric scholarships scheme to help 4 crore Scheduled Caste students.

Inclusive Development for Aspirational India

1. Inclusive Development for Aspirational India covers following broad points- Agriculture and Allied sectors, farmers' welfare and rural India, migrant workers and labour, and financial inclusion.
2. In the Agriculture sector, the MSP regime has undergone a change to provide 1.5 times the product cost across all commodities.
3. **SWAMITVA** Scheme (providing record of rights to property owners in villages) is proposed to be extended to all states/UTs during FY22.
4. Proposed to enhance the allocation to the Rural Infrastructure Development Fund from 30,000 crores to 40,000 crores.
5. The Micro Irrigation Fund, with a corpus of 5,000 crores has been created under NABARD which is proposed to be doubled by augmenting it by another 5000 crores.
6. The FM proposes to enhance the scope of the 'Operation Green Scheme' to include 22 perishable products that is presently applicable to tomatoes, onions, and potatoes.

7. 1.68 crore farmers have registered and 1.14 lakh crores of trade value has been carried out through **e-NAMs**. 1,000 more mandis will be integrated with e-NAM.

8. The Government will take up the development of fishing harbours and fish landing centres along the banks of rivers and waterways.

9. To promote seaweed cultivation, a Multipurpose Seaweed Park to be established in Tamil Nadu.

10. The "1 Nation-1 Ration Card" Scheme has been implemented by 32 States and UTs through which beneficiaries can claim their rations anywhere in the country.

11. It is proposed to launch a portal that will collect relevant information on gig, building, and construction-workers among others.

12. To further facilitate credit flow under the scheme of Stand Up India for SCs, STs, and women, it is proposed to reduce the margin money requirement from 25% to 15%, and to also include loans for activities allied to agriculture.

13. FM have provided 5,700 crores to MSME sector, more than double of this year's BE.

Physical, Financial Capital and Infrastructure

Production Linked Incentive (PLI) schemes to create manufacturing global champions for an AtmaNirbhar Bharat have been announced

for 13 sectors. An amount of 1.97 lakh crores, over 5 years, starting this FY is proposed to nurture global manufacturing champions and increase jobs for the youth. In addition, a **Mega-Investment Textiles Parks (MITRA)** to be launched to create global champions in exports. 7 Textile Parks will be established over 3 years.

1. It is proposed to introduce a bill to set up a Development Financial Institution (DFI) with the ambition to have a lending portfolio of at least 5 lakh crores for this DFI in three years' time.

2. To further ease access of finance, Debt Financing of InVITs and REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations.

3. A "National Monetization Pipeline" of potential brownfield infrastructure assets will be launched. An Asset Monetization dashboard will also be created for tracking the progress and to provide visibility to investors.

4. The capital expenditure for the year 2021-22 will be 5.54 lakh crore which is 34.5% more than the BE of 2020-21. Further, more than 2 lakh crores will be allocated for capital expenditure in the states and other autonomous bodies.

5. To augment road infrastructure, following economic corridors are planned:

- Tamil Nadu: 3500 km with an investment of 1.03 lakh crores
- Kerala: 1100 km with an

investment of 65,000 crores

- West Bengal: 675 km with an investment of 25,000 crores

6. Also, National highway project of around 19,000 crores is in progress in Assam. Overall, the FM proposes a total of 1,18,101 lakh crore for Ministry of Road Transport and Highways.

7. An Infra-National Rail plan to prepare a future rail system in India by 2030 has been proposed to bring down logistics cost.

8. The next few phases of metro projects will be taken up in Metro cities. Two new technologies i.e., 'MetroLite' and 'MetroNeo' will be deployed to provide metro rail systems at much lesser cost with same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities.

9. A revamped reforms-based result-linked power distribution Sector Scheme will be launched with an outlay of 3,05,984 Crores for assistance to Discoms for Infrastructure creation.

10. A scheme to promote flagging of merchant ships in India will be launched by providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs. An amount of 1624 crores will be provided over 5 years. Capacity for recycling of ships will be developed by 2024 which will create 1.5 Lakh Jobs for youth.

11. Ujjwala Scheme which has benefited 8 crores households will be extended to cover 1 crores more

beneficiaries. Also, 100 more districts will be added in next 3 years to the City Gas Distribution network.

12. The provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 will be consolidated into a rationalized single **Securities Markets Code**.

13. To instil confidence amongst the participants in the Corporate Bond Market during times of stress and to generally enhance secondary market liquidity, a permanent institutional framework will be created.

14. To establish a system of regulated gold exchanges in the country, SEBI will be notified as the Regulator and Warehousing Development and Regulatory Authority will be strengthened to set up a commodity market eco system arrangement including vaulting, assaying, logistics etc. in addition to warehousing.

15. It is proposed to introduce an **investor charter** as a right of all financial investors across all financial products.

16. 1,000 crores grant to the Solar Energy Corporation of India for the growth of the Solar Energy Sector.

17. It is proposed to amend the Insurance Act, 1938 to increase the permissible **FDI limit** from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards.

18. A New Asset Reconstruction

Company is to be set up to provide resolution to stressed assets in PSUs.

19. It is proposed to amend the **DICGC Act, 1961** to streamline its provisions where the depositors of the bank can get easy and time bound access to deposits through insurance in the case of a stressed bank.

20. The de-criminalization of the Companies Act, 2013 is complete and now the decriminalization of LLP Act, 2008 will be taken up.

21. It is proposed to modify the definition of Small Companies: by increasing their thresholds for Paid up capital from "not exceeding 50 Lakh" to "not exceeding 2 Crore" and turnover from "not exceeding 2 Crore" to "not exceeding 20 Crore" to reduce compliance burden.

22. For Start-ups and Innovators, it is announced that the OPC can be incorporated without a limit for turnover or paid-up capital. This also allows NRIs to incorporate OPC in India. NCLT framework will be strengthened to ensure faster resolution of cases. A special framework for MSME shall also be introduced.

23. **MCA 21 Version 3.0** to be introduced with additional modules for e-scrutiny, e-adjudication, e-consultation and compliance management.

24. FM in her speech stated that the IPO of the LIC will be carried out in FY 2021-22. Also, for the disinvestment strategy, two public sector banks and 1 general

insurance company will be taken up with requisite legislative amendments.

25. On the recommendation of the Fifteenth Finance Commission, it is proposed to rationalize and reduce centrally sponsored schemes to enable consolidation of outlays for better impact.

26. It is proposed to set up a separate Administrative Structure to further streamline the 'Ease of Doing Business' for Cooperatives, this will give a boost to development of Multi-State Cooperatives.

Health & Well-being

The investment on Health Infrastructure in this Budget has increased substantially. It has been stated that "Progressively, as institutions absorb more, we shall commit more".

Taking a holistic approach to Health, the focus in this budget is on strengthening three areas: Preventive, Curative, and Wellbeing.

A new centrally sponsored scheme, PM Atma Nirbhar Swasth Bharat Yojana, will be launched with an outlay of about 64,180 crores over 6 years. This will be in addition to the National Health Mission.

To strengthen nutritional content, delivery, outreach, and outcome, the Supplementary Nutrition Programme and the Poshan Abhiyan will be merged and the Mission Poshan 2.0 will be launched.

Keeping in view the WHO's stress upon importance of clean water, sanitation and clean

environment, Jal Jeevan Mission (Urban) will be launched to supply water in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, as well as liquid waste management in 500 AMRUT cities. It will be implemented over 5 years, with an outlay of 2,87,000 crores.

The Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of 1,41,678 crores over a period of 5 years from 2021- 2026.

An amount of 2,217 crores for 42

urban centres with a million-plus population has been provided in this budget to tackle the burgeoning problem of air pollution.

A voluntary vehicle scrapping policy has been announced to phase out old and unfit vehicles for encouraging fuel-efficient, environment friendly vehicles, thereby reducing vehicular pollution and oil import bill. Under the policy vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles and after 15 years in

case of commercial vehicles.

The Pneumococcal Vaccine, a Made in India product, which is presently limited to only 5 states will be rolled out across the country.

35,000 crores provided for Covid-19 vaccine in BE 2021-22 and commitment to provide further funds was made, if required.

The Budget outlay for Health and Wellbeing is 2,23,846 crores in BE 2021-22 as against this year's BE of 94,452 crores an increase of 137 percentage.



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