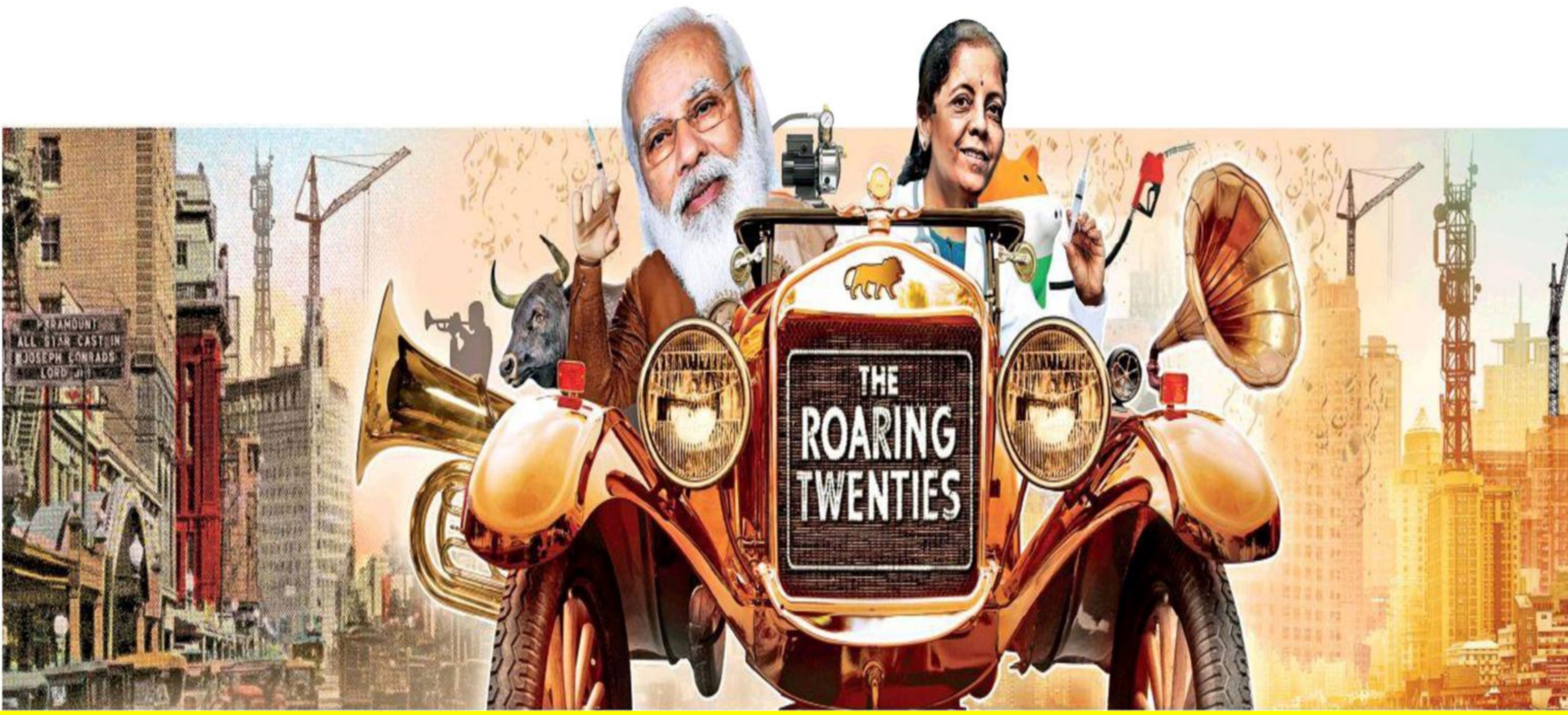
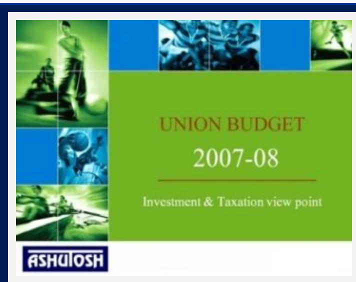
Union Budget – 2021 – 22
Income Tax & Investment Viewpoint

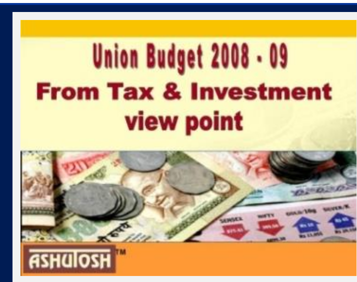


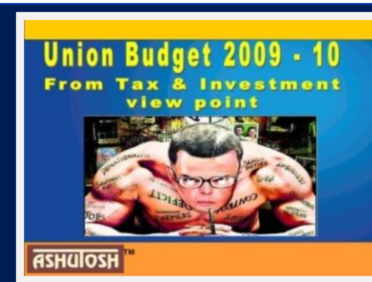
www.ashutoshfinserv.com

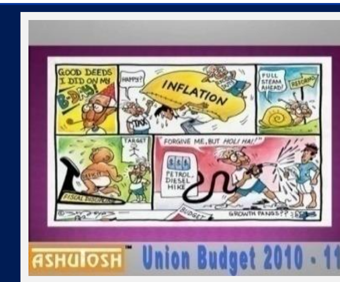
ASHUTOSH®

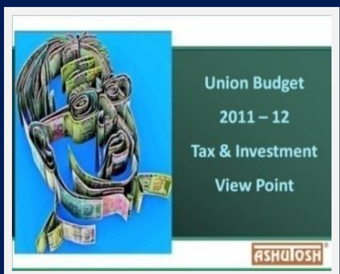
Welcome to the 16th Budget Presentation

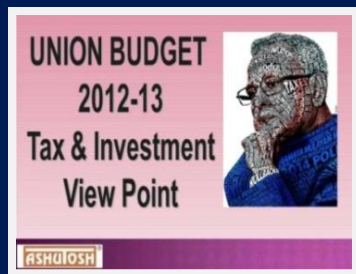


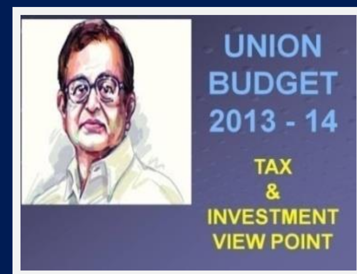


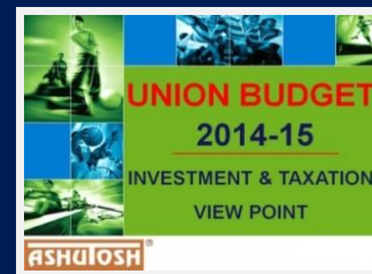


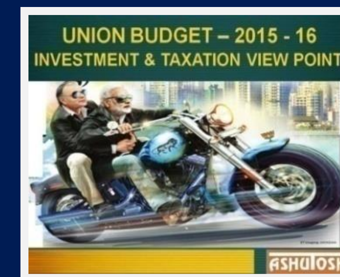


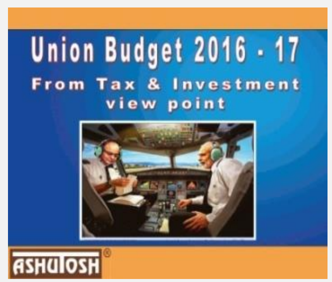


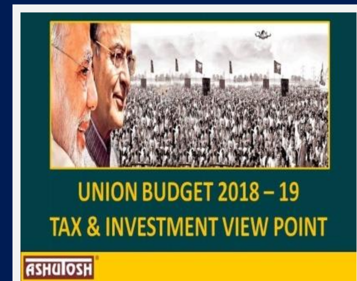


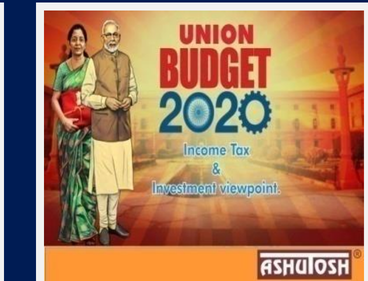












www.ashutoshfinserv.com

ASHUTOSH®

Union Budget – 2021 – 22

Income Tax & Investment Viewpoint

How is the budget?

Growth oriented & futuristic

- ✓ Larger fiscal deficit and greater confidence in the Indian economy.
- ✓ New trends on the taxation front.
  - Stability.
  - Higher revenues by reasonable taxes.
  - Ease of compliance.
  - The trend of robbing the rich to benefit the poor is halted.
- ✓ Focus on Capital expenditure over Revenue expenditure.
- ✓ Transparent budget estimates.

State of the Economy

State of the Economy

- Emergence of a new economic order. Economic ties of China, with the world and India at a new low.
- Thrust to revive manufacturing in India – Atmanirbhar Bharat.
- New US administration and re-emergence of globalisation.
- Flow of funds towards emerging markets. Weakening of US$ against emerging market currencies.

State of the Economy

✓ GDP growth severely impacted due to COVID pandemic.

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 (estimated)
8.00%	8.30%	7.00%	6.10%	4.20%	-7.5%

GDP growth for the Year 2021-22 estimated between 7.7% to 8.3%.

State of the Economy

✓ There are Multiple Indicators of a V-Shaped Recovery.

- Highest FPI.
- Highest FDI.
- Highest Car Sales.
- Highest Steel Sales.
- Highest Cement Sales.
- Highest Durables Sales.
- Highest GST Collection.
- Highest Digital Transactions.
- Highest Electricity Consumption.
- Highest Rail & Road movement.

State of the Economy

✓ Consumer Price Index (CPI) Inflation

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 (estimated)
Change	4.90%	4.50%	3.60%	3.40%	4.76%	6.62%

Inflation on a rise

State of the Economy

✓ Crude oil prices had declined, now rising.

Prices of other commodities also on a rise.

Price of Brent crude in US $

2016	2017	2018	2019	2020	02–02–2021
40.8	52.5	69.8	64.1	51.8	57.01

India's annual crude import bill (2019 – 20) : 101.376 $ bn.

India is more than 80% dependent on crude imports.

Source : www.in.investing.com

Source : www.ppac.gov.in

State of the Economy

✓ Forex Reserves ($ Bn.)

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
360	370	425	413	475.6	584.24*

* As on 15-Jan-2021

Healthy Forex Reserves

State of the Economy

✓ Exchange Ratio – Stable

2014 – 15	2015 – 16	2016 – 17	2017 – 18	2018 – 19	2019 – 20	2020 – 21*
62.27	66.26	64.81	65.04	69.44	75.33	73.12

Rs. 10.85 depreciation

Just 2.79% depreciation CAGR in 6 years.

* As on 01 Feb. 2021

Source: www.exchange-rates.org

State of the Economy

Foreign Institutional Investment (FII)

V/s.

Domestic Institutional Investments (DII)

Year	2015	2016	2017	2018	2019	2020
FII	- 20373	- 10582	- 44108	- 73212	44151	65246
DII	67586	35362	90738	109661	42257	- 35663

Source: www.moneycontrol.com

State of the Economy

✓ Assured flows from Domestic Investors.

Month	Mutual Funds SIP flows / Month (Rs. Cr.)
March – 2017	4,335
March – 2018	7,119
March – 2019	8,055
March – 2020	8,641
December – 2020	8,418

That is Rs. 1,01,016/- (8,418 X 12) Crores annually.

State of the Economy

Overall economic growth (GDP) expected to be -7.5%

BUT

Corporate Profitability to be better on account of

- Return of demand and pent-up demand.
- Cost Savings on account of COVID.
- Lower Interest rates.

RESULT

Stock Market on a rise.

State of the Economy

✓ Interest rates in the top 20 economies of the world

Rank	Country	Interest %
1	Turkey	17
2	Mexico	4.25
3	Russia	4.25
4	India	4
5	China	3.85
6	Indonesia	3.75
7	Brazil	2
8	Saudi Arabia	1
9	Italy	0.58
10	South Korea	0.5

Rank	Country	Interest %
11	United States	0.25
12	Canada	0.25
13	Australia	0.1
14	United Kingdom	0.1
15	Spain	0.04
16	Japan	-0.1
17	France	-0.34
18	Netherlands	-0.55
19	Germany	-0.62
20	Switzerland	-0.75

State of the Economy

Stock Market Performance in last 1 year.

Rank	Country	Change in %
1	China – Shanghai Composite	56.4
2	Korea - KOSPI	46.13
3	USA Nasdaq	44.54
4	Turkey - BIST 100	25.16
5	India - Sensex	24.41
6	Japan - NIKKEI 225	23.35
7	Netherlands – AEX	9.28
8	Russia – MOEX	7.17
9	Saudi Arabia – Tadawul All Share	6.6
10	Germany – DAX	4.42
11	Indonesia - IDX	3.09

Rank	Country	Change in %
12	Brazil – Bovespa	2.52
13	Canada - S&P/TSX Composite	1.8
14	Switzerland – SMI	0.71
15	Australia - S&P/ASX 200	-2.32
16	Mexico -S&P/BMV IPC	-2.55
17	France - CAC 40	-6.36
18	Italy - FTSE MIB	-6.97
19	U K - FTSE 100	-11.74
20	Spain - IBEX	-17.08

02 Feb. 2020 to 01 Feb. 2021

Source : www.investing.com

State of the Economy

✓ Growth of the top 20 economies of the world.

Rank	Country	GDP Growth
1	China	2.3
2	Turkey	1.2
3	South Korea	-1.1
4	Indonesia	-1.9
5	Australia	-2.9
6	USA	-3.4
7	Russia	-3.6
8	Saudi Arabia	-3.9
9	Netherlands	-4.1
10	Brazil	-4.5

Rank	Country	GDP Growth
11	Japan	-5.1
12	Switzerland	-5.3
13	Germany	-5.4
14	Canada	-5.5
15	India	-8.0
16	Mexico	-8.5
17	France	-9.0
18	Italy	-9.2
19	United Kingdom	-10.0
20	Spain	-11.1

GDP for the year 2020.

Source : www.novelinvestor.com

The Union Budget 2021-22

Some important announcements to impact the economy

- ✓ Capital expenditure (Roads, Public Transport Systems, Railways etc.) provided at Rs. 5.5 Lakhs Crores, 34.50% rise from last year.
- ✓ Revenue expenditure (Salaries, Interest, Defence etc.) down by 2.7%.
- ✓ Assets Reconstruction Company to be set up to clean up the NPA (Non Performing Assets) of banking sector.
- ✓ Disinvestment target of Rs. 1.75 Lakhs crores. LIC IPO, 2 Public Sector Banks, 1 General Insurance Company, Strategic Sale of PSU, etc.

Some important announcements to impact the economy

✓ FDI cap in insurance to be increased from 49% to 74%.

✓ Securities Market Code to subsume SEBI Act, Depositories Act, Securities Contract (Regulation) Act and Government Securities Act.

✓ Defence allocation has marginally declined but capital expenditure up from 1.18 lakh crores to 1.37 lakh crores.

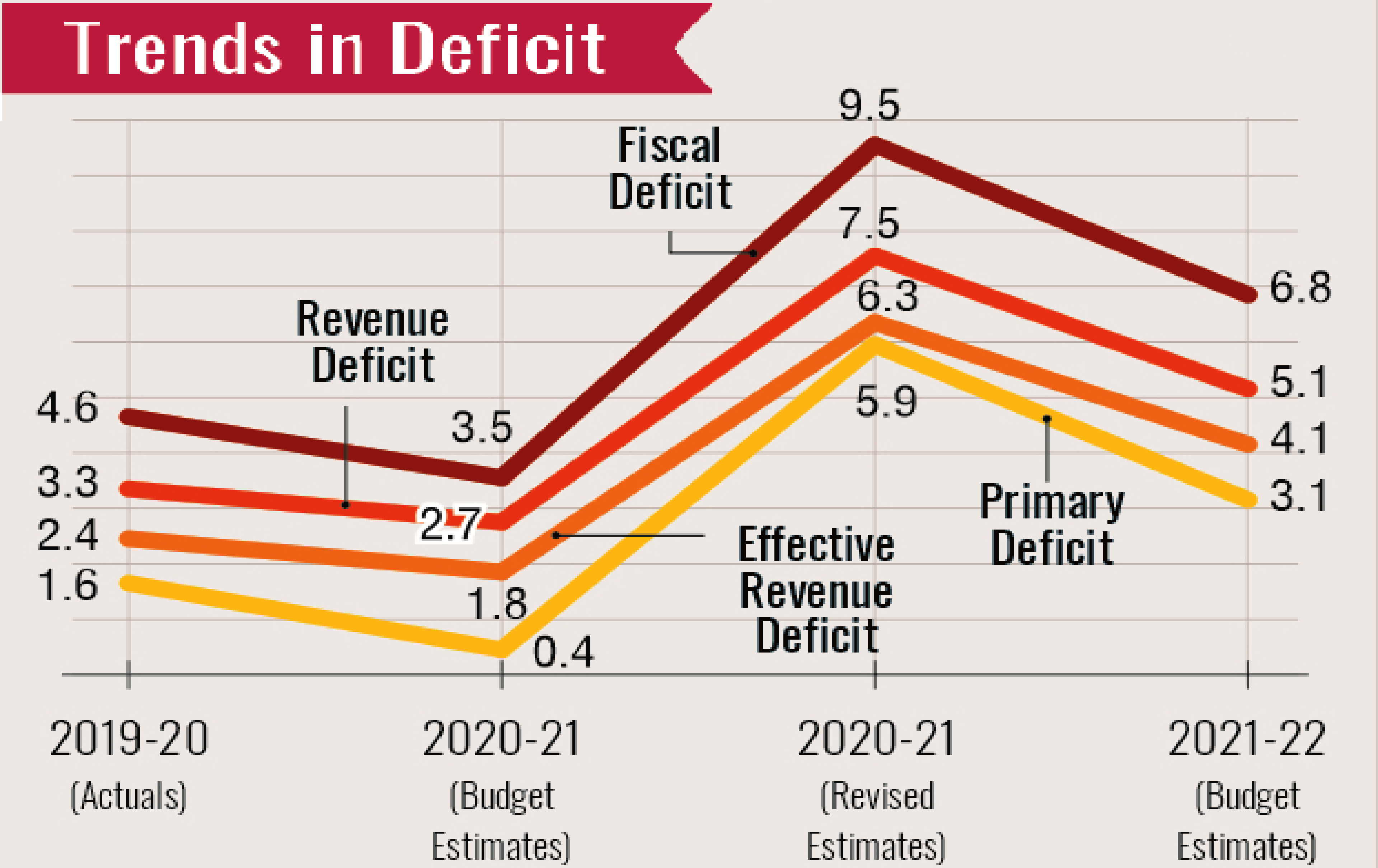
Some important announcement which will give relief to the economy

- Health & wellness provision of Rs. 2.24 Lakhs crores, an increase of 137% from last year. Provision of Rs. 35,000 crores for COVID Vaccines.
- Lower Compliance burden under Company Law for Small Companies. Now small companies are ones which have Capital not exceeding Rs. 2 Cr. and turnover not exceeding Rs. 20 Cr.
- New vehicle scrappage policy to be formulated. Good for the environment, road safety and also for the complete value chain of the auto sector.

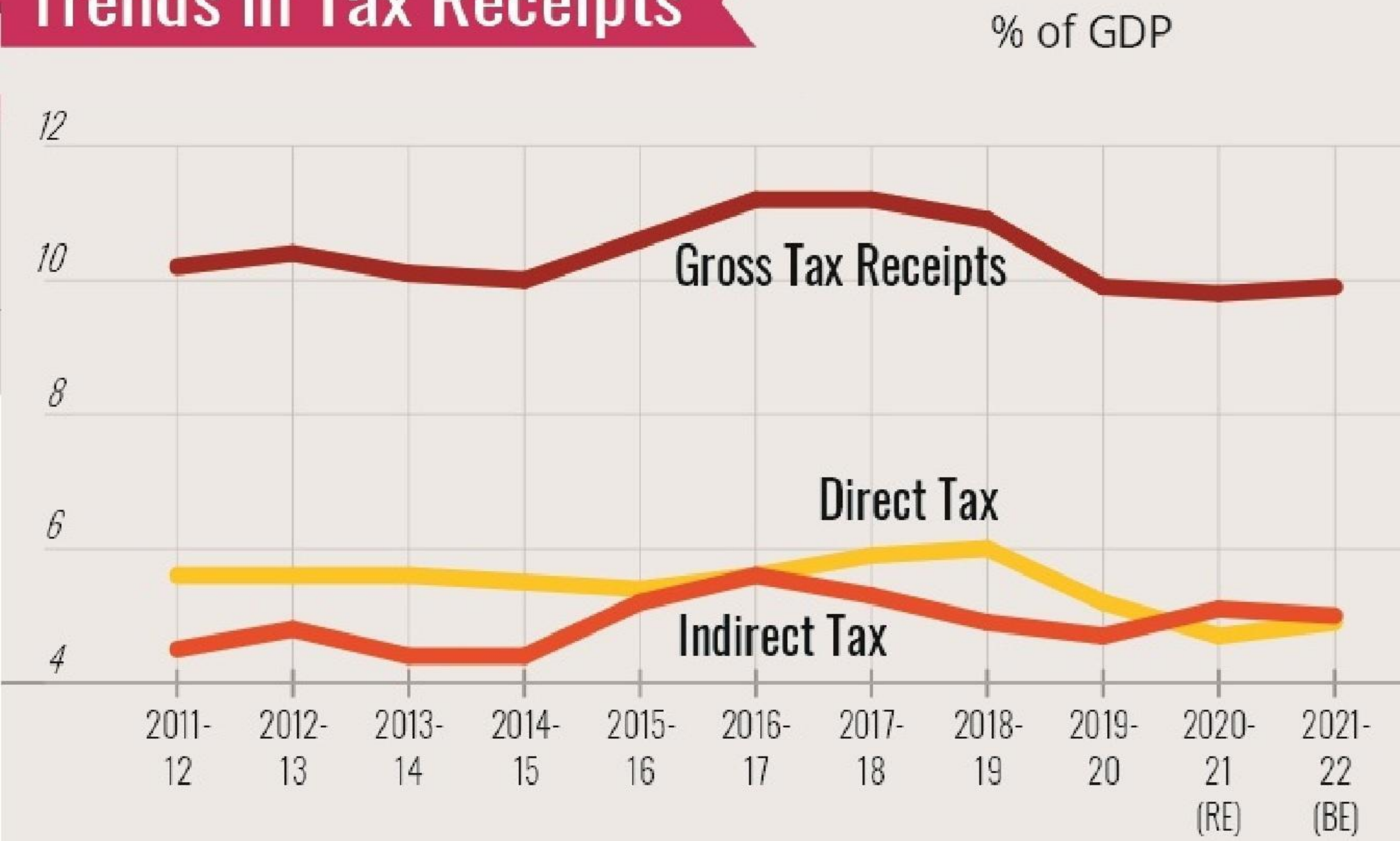
BUDGET AT A GLANCE

(₹ crore)	2019-2020 Actuals	2020-2021 Budget Estimates	2020-2021 Revised Estimates	2021-2022 Budget Estimates
1. Revenue Receipts	**1684059**	**2020926**	**1555153**	**1788424**
2. Tax Revenue(Net to Centre)	1356902	1635909	1344501	1545396
3. Non Tax Revenue	327157	385017	210652	243028
4. Capital Receipts	**1002271**	**1021304**	**1895152**	**1694812**
5. Recovery of Loans	18316	14967	14497	13000
6. Other Receipts	50304	210000	32000	175000
7. Borrowings and Other Liabilities[1]	933651	796337	1848655	1506812
8. Total Receipts (1+4)	**2686330**	**3042230**	**3450305**	**3483236**
9. Total Expenditure (10+13)	**2686330**	**3042230**	**3450305**	**3483236**
10. On Revenue Account of which	2350604	2630145	3011142	2929000
11. Interest Payments	612070	708203	692900	809701
12. Grants in Aid for creation of capital assests	185641	206500	230376	219112
13. On Capital Account	335726	412085	439163	554236
14. Revenue Deficit (10-1)	**666545**	**609219**	**1455989**	**1140576**
	(3.3)	(2.7)	(7.5)	(5.1)
15. Effective Revenue Deficit	**480904**	**402719**	**1225613**	**921464**
(14-12)	(2.4)	(1.8)	(6.3)	(4.1)
16. Fiscal Deficit	**933651**	**796337**	**1848655**	**1506812**
[9-(1+5+6)]	(4.6)	(3.5)	(9.5)	(6.8)
17. Primary Deficit (16-11)	**321581**	**88134**	**1155755**	**697111**
	(1.6)	(0.4)	(5.9)	(3.1)

Notes: Borrowings and other liabilities include drawdown of cash balance.
GDP for BE 2021-2022 has been projected at `22287379 crore assuming 14.4% growth over the estimated GDP of `19481975 crore for 2020-2021 (RE)
Individual items in this document may not sum up to the totals due to rounding off
Figures in parenthesis are as a percentage of GDP


Trends in Deficit
9.5
Fiscal Deficit
7.5
6.3
6.8
Revenue Deficit
4.6
3.5
5.1
5.9
4.1
3.3
2.7
2.4
Primary Deficit
3.1
Effective Revenue Deficit
1.6
1.8
0.4
2019-20 (Actuals)
2020-21 (Budget Estimates)
2020-21 (Revised Estimates)
2021-22 (Budget Estimates)

Trends in Tax Receipts



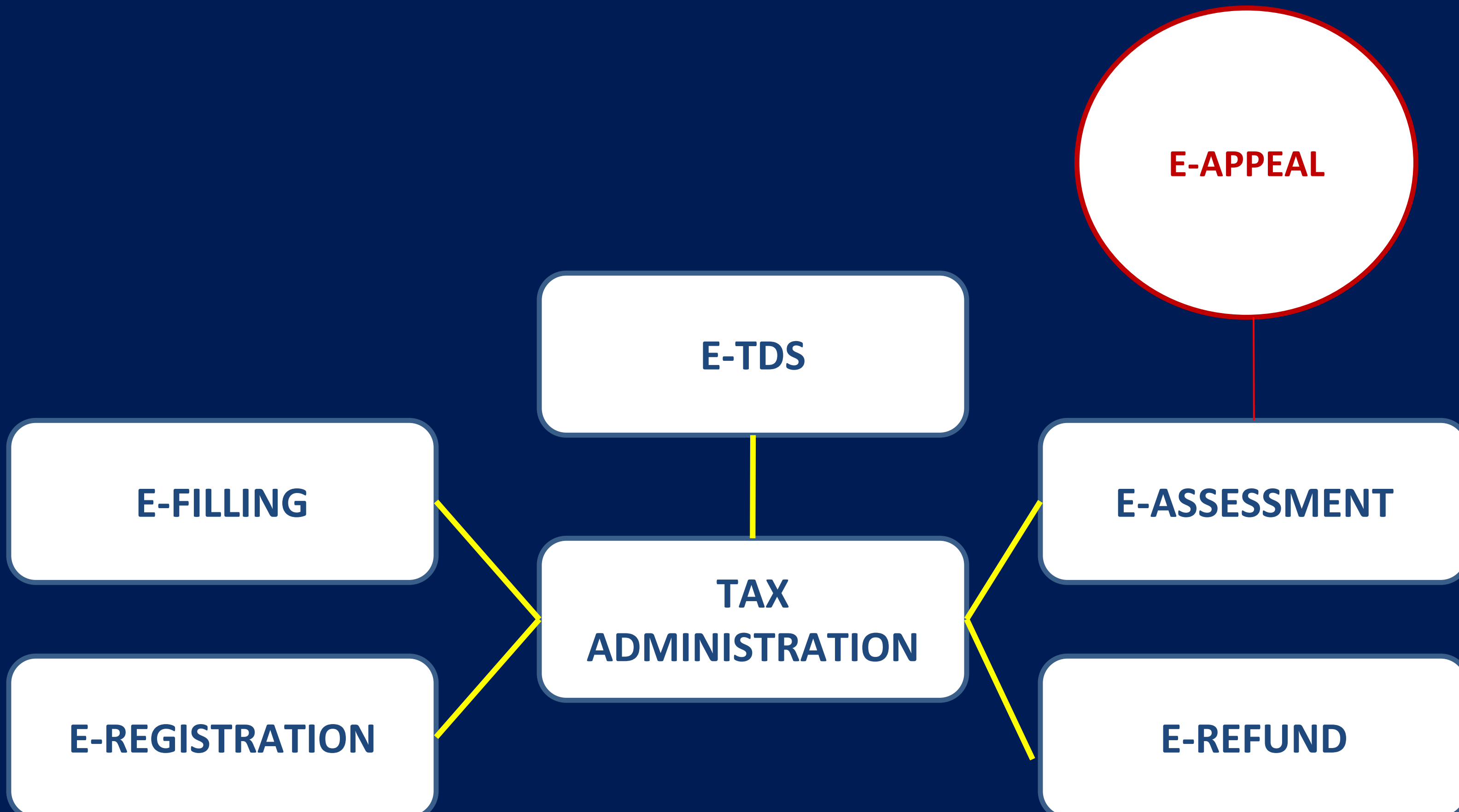
What can go wrong ?

- ✓ Effect of Fiscal Deficit.
  - Rising inflation.
  - Rising interest rates.
- ✓ Downgrade by rating agencies.
- ✓ High commodities prices & supply disruptions.
- ✓ Health uncertainties.
- ✓ Greed and Euphoria.

Changes in the Income Tax Act

Changes in the Income Tax Act

CONCEPT OF E-ASSESSMENT



Changes in the Income Tax Act

FUNCTIONING OF THE SCHEME

- Taxpayer only interacts online through electronic mode with the NEC.

TAXPAYER — National E-Assessment Centre (NEC) — Regional E-Assessment Centre (REC)

Regional E-Assessment Centre (REC)
- Assessment Unit (AU)
- Verification Unit (VU)
- Technical Unit (TU)
- Review Unit (RU)

- NO HUMAN INTERFACE
- DYNAMIC JURIDICTION
- TEAM BASED WORKING
- FUNCTIONAL SPECIALIZATION

Changes in the Income Tax Act

BASIS FOR E-ASSESSMENT

- Filing done by the assessee himself of his Tax Returns.
- Filing done by other assesses of their Tax Returns.
- Filing done in TDS and TCS Returns.
- Annual Information Returns AIR.
- Filing under other laws like GST, Company law, etc.
- Data mining from different sources.
- Artificial intelligence.

Changes in the Income Tax Act

WHAT WILL E-ASSESSMENT LEAD TO?

- Completely faceless proceedings – no human interface at all.
- Jurisdiction less.
- Paperless only electronic.
- Time bound.
- Corruption less.

Changes in the Income Tax Act

REVISED DUE DATES – for the year ended 31-03-2021

Milestone	Existing Due Date	Revised Due Date
Filing of Original return of income (as the case may be)	31.07.2021	No Change
	31.10.2021	
	30-11-2021	
Filing of belated or revised return of income	31.03.2022	31.12.2021
Processing of return under section 143(1)	31.03.2023	31.12.2022

Changes in the Income Tax Act

REVISED DUE DATES – for the year ended 31-03-2021

Milestone	Existing Due Date	Revised Due Date
Issue of notice for scrutiny assessment under section 143(2)	30.09.2022	30.06.2022
Completion of scrutiny assessment under section 143(3)	31.03.2023	31.12.2022
Completion of best judgment assessment under section 144	31.03.2023	31.12.2022

Changes in the Income Tax Act

✓ Amounts received from any ULIP policy will be taxable if -

- Policy was issued on or after 1st Feb, 2021.
- Aggregate of the premiums paid on one or more ULIP polices exceed Rs. 2.5 lakhs in a year.

✓ Death claim in this policy will always remain tax free.

Changes in the Income Tax Act

✓ Taxation of ULIP polices will be like that in case of Mutual Funds.

- Equity oriented 10%, holding above 1 year without indexation.
- Non equity oriented 20%, holding above 3 years with indexation.
- Taxation would be levied at the time when the amounts are received.
- The calculation will become complex in case of switch between equity and non equity oriented funds.

Changes in the Income Tax Act

✓ Reopening of assessments new provision effective form 01-04-2021.

- Within <u>3 years</u> from the end of assessment year. (F. Y. 2016 – 17, A. Y. 2017 – 18 till 31 – 03 – 21 can be reopened).
- Within <u>10 years</u> from the end of the assessment year if income escaping is more than <u>Rs. 50 Lakhs</u>.
- <u>Mandatory reopening</u> in case of information received from <u>certain sources</u> and in case of search & survey.
- <u>Reopening</u> after <u>investigation</u> U/s. 148A and <u>opportunity</u> to the assessee.

Changes in the Income Tax Act

- ✓ Exemption u/s. 10(23C) for institutions which are in the activity of running a hospital or a educational institution, the limit of Rs. 1 cr. of gross receipt increased to Rs. 5 crs.

- ✓ Corpus donation by a trust shall not be considered as exempt unless invested permanently in investments specified u/s. 11(5).

- ✓ Corpus donation by a trust applied (spent) for objects of the trust shall not be allowed as an application of income. It will be allowed as an application of income only when such amounts are deposited u/s. 11(5).

Changes in the Income Tax Act

- ✓ Borrowed funds applied for objects of the trust shall not be considered as an application of income. It shall be an application of income only to the extent of repayment of loan.

- ✓ No set off or deduction or allowance of any excess application of any of the year preceding the previous year shall be allowed.

Changes in the Income Tax Act

✓ PF / ESIC liability towards employees if **not paid in time**, following will be the implications:

- Employee's share in PF / ESIC will be added to income.
- Employer's share in PF / ESIC allowable if paid latest before due date of filing the return of income.

Changes in the Income Tax Act

✓ Interest income on contribution made under Employees Provident Fund – EPF (Not Public Provident Fund – PPF) has been made taxable for contribution exceeding Rs. 2.5 lakhs in a year.

This provision is effective from 1-4-2021.

Changes in the Income Tax Act

✓ Sec. 194Q TDS on all purchases at 0.1% if –

- Buyer has a turnover exceeding Rs. 10 Crs.
- Aggregate purchase exceeding Rs. 50 Lakhs from single seller.
- TDS or TCS not done under any other provisions.
- When both, 194Q and 206(1H) are applicable, 194Q will prevail.

✓ Non filers of tax returns will be subjected to higher rates of TDS as follows -

- Twice the prescribed rates or 5% which ever is higher.

Changes in the Income Tax Act

✓ Sec. 89A has been introduced to give relief to all returning NRIs who were holding retirement accounts outside India (Example 401K).

- Indian Taxation got attracted on the incomes accrued in these funds.
- These funds are taxable abroad only on withdrawal allowed.
- Specific rules in this regard will be notified.

Changes in the Income Tax Act

✓ Announcements in the budget for Non Residents Indian (NRI) –

- Rules for claiming credit in foreign jurisdictions.
- NRI will be able to create a One Person Company. Rules will be notified under the Companies Act.

✓ Sec. 44ADA presumptive taxation for professionals shall not apply to LLP engaged in a profession.

Changes in the Income Tax Act

✓ Tax Audit limit U/s. 44AB revised to Rs. 10 crores if following conditions satisfied :

- Aggregate of all receipts in cash during the previous year does not exceed 5% of total receipts.
- Aggregate of all payments in cash during the previous year does not exceed 5% of total payments.

All receipts & all payments include items pertaining to Trading and Profit & Loss Accounts and Balance Sheet.

Changes in the Income Tax Act

✓ U/s. 43CA, in the following cases, difference between sale consideration (100) and Stamp Duty Value (to the extent of 120) shall be allowed –

- Transfer of residential unit is between 12th November, 2020 to 30th June, 2021.
- The transfer is by way of first time allotment of the residential unit to any person.
- The consideration does not exceed Rs. 2 Crores.

Changes in the Income Tax Act

- Senior Citizen of the age 75 years or above will not be required to file a return of income if -
  - He has pension income received and interest income from the same bank.
  - Declaration to be furnished to specified bank to compute income and deduct tax.

- Advance tax liability in respect of dividend shall arise only in the next instalment of advance tax due. Interest on short payment of advance tax to be charged accordingly.

Changes in the Income Tax Act

✓ Sec 45(4) where Capital Gain is levied in case where partner / member of a firm / AOP retires and a capital asset of the Firm / AOP is given to a partner / member.

Capital gain, in the hands of the firm/AOP, will be levied on the transaction value or fair market value of the capital asset, whichever is higher.

Any effect of revaluation of asset shall be ignored.

Changes in the Income Tax Act

✓ Sec 45(4A) where Capital Gain will be levied in case where partner / member of a firm / AOP retires and he / she receives an amount in excess of his / her capital account balance.

The excess paid by the firm/AOP shall be treated as a capital gain of the firm / AOP. The taxation for the same will be prescribed later.

Any effect of revaluation of asset shall be ignored.

Changes in the Income Tax Act

✓ The taxability in case of REITs or InVITs

Tax on business trust and its unit holder				
Income	Business Trust		Unit holders	
	Taxability	Tax Rate	Taxability	Tax Rate
Dividend from SPV if Tax paid Normal Rate (25% / 30%)	Exempt	-	Exempt	-
Dividend from SPV if Tax paid Concessional Rate (22%)	Exempt	-	Taxable	NR -10% Other – Normal
Interest from SPV	Exempt	-	Taxable	NR -5% Other – Normal

Changes in the Income Tax Act

✓ **The taxability in case of REITs or InVITs**

Tax on business trust and its unit holder				
Income	Business Trust		Unit holders	
	Taxability	Tax Rate	Taxability	Tax Rate
Rental Income of REITs	Exempt	-	Taxable	All - Normal Rate
Rental Income of InvITs	Taxable	42.744%	Exempt	---
Capital Gain	Taxable	42.744% (Except those taxable U/s. 111A and 112)	Exempt	
Any other income	Taxable	42.744%	Exempt	

Changes in the Income Tax Act

✓ The taxability in case of REITs or InVITs

Short Term	Less than 36 months	Tax @ 15% (after payment of STT) U/s. 111A
Long Term	More than 36 months	Tax @ 10% (after payment of STT) U/s. 112A

Changes in the Income Tax Act

- Dispute Resolution Committee (DRC) for assesses with income upto Rs. 50 lakhs and variation of income upto Rs. 10 lakhs.

  Not applicable for Search, Survey and DTAA cases and cases where violation of certain other laws involved.

  DRC will have powers to reduce or waive penalty and prosecution.

- Time limit for sanctioning of loan for affordable housing for availing deduction u/s. 80EEA of the Act extended till 31.03.2022 for the first time Home Buyer.

Changes in the Income Tax Act

✓ Income Tax Settlement Commission will cease to operate from 1st Feb, 2021.

- All the pending matters will be transferred to an Interim Board.
- Detailed arrangements for matters pending.

✓ No depreciation will be allowed on Goodwill.

- Where value of Goodwill is a part of Block of Assets, the same shall be separated and depreciation will be allowed only on the balance of the block.

Changes in the Income Tax Act

- ✓ Authority of Advance Ruling (AAR) was an authority which gave advance rulings in case of NR, transactions with NR and other large transactions.
  - AAR was manned by Revenue & Law members.
  - The AAR is now Board for Advance Ruling (BAR) manned by Chief Commissioners.
  - Order of BAR is now appealable in the Jurisdictional High Court.

Changes in the Income Tax Act

✓ Faceless Income Tax Appellate Tribunal (ITAT)

- ITAT is the highest level judicial authority in matters of Income Tax before the jurisdictional High Court and the final fact finding authority.
- The idea of Faceless Appeal in the ITAT has also been introduced in this Union Budget in line with the faceless assessment provisions.
- Mechanism of functioning of the new ITAT will be announced by the Government in due course of time.

Message

Dr. Manmohan Singh the then Finance Minister on 24th July, 1991, presenting the Union Budget for the year 1991-92 in his speech had said…..

….Victor Hugo once said, "no power on earth can stop an idea whose time has come." I suggest to this august House that the emergence of India as a major economic power in the world happens to be one such idea. Let the whole world hear it loud and clear. India is now wide awake. We shall prevail. We shall overcome.

Thanks to…

- ✓ All who have participated in the budget presentation through Zoom or YouTube.
- ✓ Team 'Ashutoshfinserv' who takes great efforts to make this comprehensive presentation in short time.

We are available on…

www.ashutoshfinserv.com

ashutoshfinserv

Stay connected with us for regular updates

Disclaimer

This Presentation contains <u>personal views</u> of the Speaker Mr. Daxesh D. Kothari on the subject. The speaker and the company Ashutosh Financial Services Pvt. Ltd. does not purport give any professional investment advice. Financial Products are subject to related risks and one should read the offer documents carefully before acting on it.

This Presentation may contain <u>references</u>, wherever possible, website links, regulations or other policy materials. The information provided, is only intended to be a general summary. All information in this presentation, including charts, examples and other website references, may be used for any purpose only after <u>appropriate professional advice.</u>

A request

☺ Please send your feedback Message by WhatsApp on **+91 7383530919 / +91 7383530619** with your complete name so that we can keep you updated on the latest developments in the world of Finance and Taxation.

Thank you… Questions ?

ASHUTOSH®

We are an ISO 9001:2015 certified company

ASHUTOSH FINANCIAL SERVICES PVT. LTD.

•INVESTMENTS •INSURANCE •NRI SERVICES •INCOME TAX & ESTATE PLANNING

OUR SERVICS

Ashutosh Investment Services

•Mutual Funds •Bonds •FDs •PMS
•AIF •Foreign Equity •Precious Metals

Email: relationship@ashutoshfinserv.com
Mo. +91 85112 20205 / +91 93773 35959

Ashutosh Insurance Services

•Insurance for your Life, Health & Assets
•Retirement Planning

Email: insurance@ashutoshfinserv.com
Mo.: +91 63587 55770 / +91 70438 93388

Kothari & Co.

•Income Tax & Estate Planning Services

Email: lawserve@ashutoshfinserv.com
Mo.: +91 93769 62244 / +91 70435 24242

Ashutosh NRI Services

•Investments •Insurance •FEMA
•Indian Income Tax & Estate Planning
•Foreign Tax Compliance

Email: nris2@ashutoshfinserv.com
Mo.: +91 70435 93388 / +91 72288 48181

www.ashutoshfinserv.com

ashutoshfinserv