



BUDGET 2021-22 HIGHLIGHTS MAJOR DIRECT TAX AMENDMENTS

1) No change in income slab and income tax rates, surcharge & cess

2) DEPRECIATION ON GOODWILL

- No depreciation on goodwill will be allowed in computation of income
- If any goodwill forms part of the WDV for A.Y. 2020-21, then WDV and short term capital gain, if any, shall be determined in the manner as may be prescribed
- This amendment shall be effective from A.Y. 2021-22.

3) CHANGE IN ULIP TAXATION

- Exemption u/s 10(10D) will not be available for ULIP issued on or after 01/02/2021, if the premium amount payable in any year exceeds Rs.2.50 lakhs, in aggregate, for one or more such policies.
- ULIP will be considered as capital asset and would be subject to capital gains as per section 111A or 112A
- STT applicable on redemption or withdrawal of such ULIP
- However, this clause will not be applicable to any sum received on account of death of a person.
- This amendment shall be effective from A.Y. 2021-22.

4) CHANGE IN SAFE HARBOUR RULES FOR S.43CA & S.56

- Increase in safe harbour threshold limit from 10% to 20% of stamp duty value
- **Subject to:**
 - a. Consideration is less than Rs.2 crores
 - b. Transfer by way of first time allotment of residential unit to any person
 - c. Transfer takes place from 12/11/2020 till 30/06/2021



5) Changes in provisions relating to Tax Deducted at Source (TDS)

It is proposed to insert new Section 194Q to levy TDS as under:

- A buyer, whose turnover from business exceeds Rs 10 crores during the immediately preceding financial year, **shall be liable to deduct TDS at the rate of 0.1% on consideration payable to a seller in excess of Rs 50 lakhs for the goods sold.** In non-PAN cases, the rate shall be 5%.
- The above amendments will not be applicable if the TDS is deducted by the buyer or TCS is collected by the seller under any other section, except S.206C(1H)
- This amendment will be effective from 1st July, 2021

6) TDS/TCS on non filers at higher rates

It is proposed to insert new Section 206AB to levy TDS and 206CCA to levy TCS as under:

- This is a special provision providing for higher rate of TDS/TCS for non filers of income tax return
- It is applicable to persons who satisfy all the following conditions:
 - a. ITR not filed for last two preceding previous years and time limit for filing such return u/s 139(1) has expired
 - b. The aggregate TDS/TCS in his case is more than Rs.50,000/- for each such previous years
- The proposed TDS rates are higher of:
 - a. Twice the rate specified in the act
 - b. Twice the rate or rates in force
 - c. The rate of 5%
- The proposed TDS rates are higher of:
 - d. Twice the rate specified in the act
 - a. The rate of 5%
- This section shall not apply where the tax is required to be deducted under



sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act

- This amendment will be effective from 1st July, 2021

7) Change in due date of filing belated/revised returns

It is proposed to amend new Section 139(4) and 139(5):

- Presently the due date of filing belated/revised return is last day of the relevant assessment year
- It is proposed to be changed to 3 months before the end of the relevant assessment year

8) Change in exemption of provident fund interest:

It is proposed to amend new Section 10(11) and 10(12) to provide that:

- Exemption under this section would not be available
- To the extent it relates to contribution made by a person exceeding Rs.2.50 lakhs in a previous year