



Moving forward with resilience

India Budget 2021

Sanjay Tolia

February, 2021



Agenda

The Big Picture

Tax Proposals

The Big Picture

“

We wanted to give a boost to public expenditure through good quality expenditure for asset creation such as roads, ports, and other infrastructure. This would increase demand in core industries... That, in turn, would generate employment and put money in the hands of the public...”

Nirmala Sitharaman
Finance Minister
(Interview with Hindustan Times)

“

...What we need to do is that we need to get out of this mindset that such kind of funding can be done only by increasing taxes...What we need to focus more on is improving collection efficiency and reducing the compliance burden...”

Ajay Bhushan Pandey
Finance Secretary
(Interview with Hindustan Times)

Economic indicators



GDP

Estimated to decline by **7.7%** in FY 20-21

Projected GDP growth of **11%** for FY 21-22

Estimated GDP growth of **6.8%** in FY 22-23



Fiscal Deficit

Pegged at **9.5%** of GDP for FY 20-21

Projected at **6.8%** of GDP for FY 21-22

Estimated to be below **4.5%** of GDP by FY 25-26

Towards **USD 5 trillion** economy

Corporate Tax Rates – No change

Type of Entities	Maximum Effective Tax Rate
Domestic companies (not claiming incentives)	25.17%*
New manufacturing companies (set-up after 1 October 2019)	17.16%*
Other domestic companies	34.94%
Foreign companies	43.68%
LLPs, firms	34.94%

* No Minimum Alternate Tax @ 15% (excluding applicable surcharge and cess)

Digital Taxation

Equalisation levy (EL)

- No EL when income characterized as Royalty or FTS
- No corporate tax when EL levied - applicable from April 1, 2020
- Guidance provided on 'Online sale of goods and provision of services' – Need clarity on online payment
- No mechanism for EL refund



SEP Rules deferred; India in consultation on Pillar 1

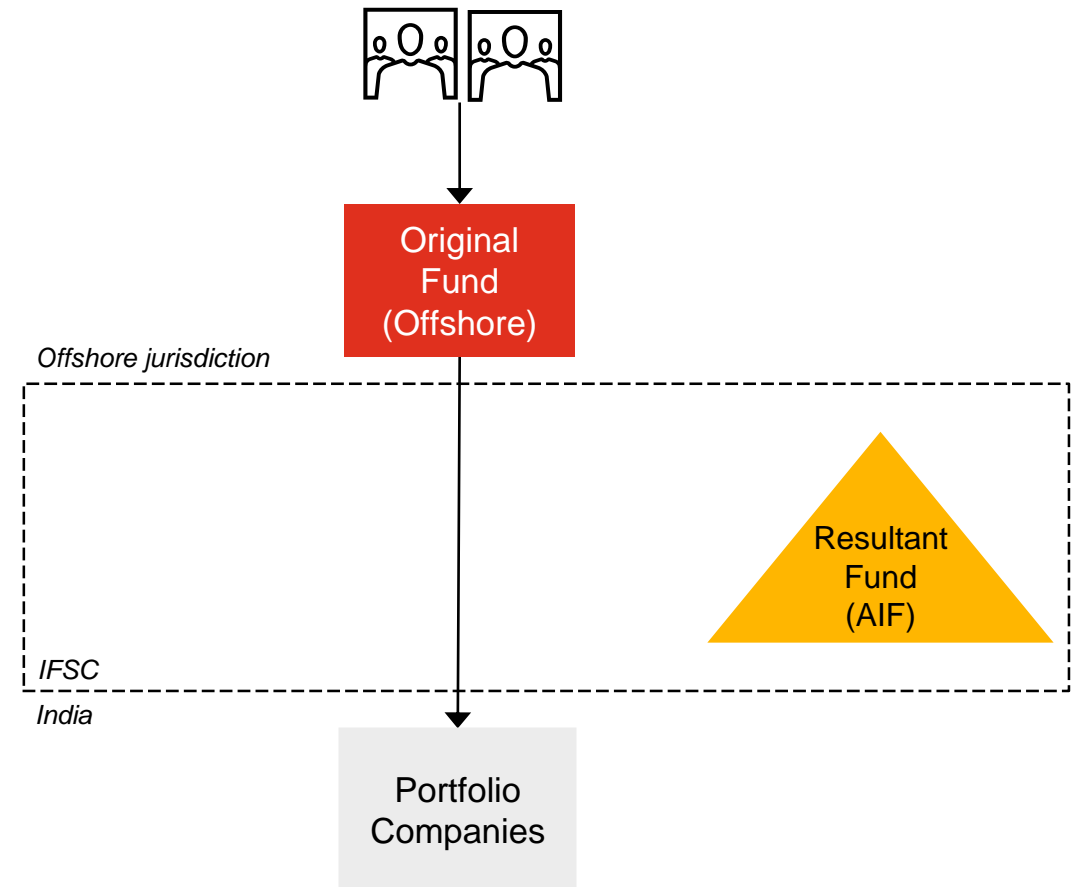
International Financial Services Centre (IFSC)

Aircraft leasing

- Royalty on lease rental paid to foreign enterprises exempt
- Gains on disposal / sale of aircraft exempt

Incentives for offshore fund to relocate to IFSC

- Transfer of capital asset by an Offshore Fund to a Resultant Fund upon relocation to IFSC on or before 31 March 2023 – not regard as transfer
- Exemption also provided to non-resident shareholders of Offshore Fund
- Capital gains exemption on future sale by Resultant Fund – For exempted “grandfathered” investments



Corporate restructuring

Depreciation on Goodwill

Goodwill not treated as depreciable asset – no tax depreciation (whether acquired or otherwise)

- Acquired Goodwill - purchase price less depreciation claimed till FY19-20 available as cost in the year of sale
- Applicable from FY20-21 onwards

Slump Sale

Definition amended to include all types of 'transfer', instead of only by way of 'sale'

- Slump exchange now taxable
- Applicable from FY20-21 onwards



Non-resident taxation

Relaxation on dividend taxation (retroactive from April 1, 2020)

- Dividend paid to REIT or InvIT exempt from tax withholding
- Tax withholding on income of FII / FPI as per lower tax treaty rate



Tax Certainty

Advance rulings and APAs

- APA program – success
- Advance Ruling – revamped with constitution of new Board

New Dispute resolution for small taxpayers

- A Pilot project – may be expanded

Settlement Commission ceases to operate – thrust towards mediation

Faceless audits and appellate proceedings

- Tax audits/ 1st level appeal process already moved to faceless
- Proposal for faceless tax tribunal (2nd level) appeal process

Reduction in statute of limitation (for re-audits)

- Time limit of initiating tax audit (re-audits) reduced from 7 years to 4 years (from end of financial year) in normal course



Thank you

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