



Budget 2021-22 - KEY INDIRECT TAX PROPOSALS

Goods and Service Tax

No major policy changes have been announced. Some of the key changes include doing away with annual GST Audit certification, Zero rated supplies to Special Economic Zones (SEZ) clearly restricted to being only in relation to “authorized operations” and Potential restrictions on who and what kind of supplies would be eligible for rebate claims.

1. CGST Act

- Transactions between persons other than individuals and its members/constituents brought into the ambit of ‘supply’ under GST;
- Condition for availment of ITC to include new condition that ITC to be availed only when the details of such invoice or debit note have been furnished by the supplier in his GSTR1 and such details have been communicated to recipient;
- Requirement to get accounts audited by an independent Chartered Accountant in Form GSTR-9C is done away with. Consequently, section 44 of the CGST Act is substituted to remove the mandatory requirement of furnishing a reconciliation statement duly audited by specified professional; and to provide for filing of the annual return on self-certification basis;
- Retrospective amendment of Section 50(1) to charge interest only on net cash liability – this was already announced via press release and CBIC circular.

2. IGST Act

- Section 16 of the IGST Act amended to give effect to the following:
 - Zero rating for SEZ recipient only where supplies are for authorised operations;
 - Rebate mechanism for zero rated supplies will be restricted to notified suppliers or notified supplies; and

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- Zero rated refund for goods under LUT to be repaid if proceeds are not realized within time prescribed under FEMA, 1999.

Customs

There is continued thrust on Make in India and strengthening local manufacturing. Agriculture Infrastructure and Development Cess has been introduced for the improvement of agricultural infrastructure and development. Further, the rate of Customs Duties on identified finished goods has been increased with reductions in parts and components for manufacture. Further, 100% job work has been allowed for manufacture of goods in India.

- Mandatory filing of bill of entry in advance i.e., before the date of arrival of conveyance to facilitate faster clearance;
- Introduction of common Customs Electronic Portal facilitating registration, filing of bill of entry, shipping bill, other documents and forms, payment of duty etc by importer/exporter. Also allows tax officers to services order, summons, notice or any other communication by making it available on the common portal;
- Agriculture Infrastructure and Development Cess being imposed on 25 goods (edibles, gold, silver, cotton, coal, liquor, wine, fermented beverages, fertilizers);
- Time-limit of two years prescribed for completion of any customs proceedings which would culminate in issuance of notice, which can be further be extended by one year at Commissioner's discretion;
- Customs (Import of Concessional Rate of Duty) Rules, 2017 amended:
 - Job-work of the materials (except gold and jewellery and other precious metals) imported under concessional rate of duty allowed;
 - 100% out-sourcing for manufacture of goods on job-work allowed; and
 - Imported capital goods can be used for specified purpose on payment of differential duty, along interest on the depreciated value.

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- Amendments is proposed to be made to the First Schedule of the Customs Tariff Act to create specific tariff lines for certain items. Further, the effective rate of customs (BCD) is sought to be changed for certain products. We have attached the list of products and the indicative changes for your reference.

Excise

- Imposition of Agriculture Infrastructure And Development Cess (AIDC) on petrol and diesel; and
- Change in effective rate of basic excise duty and special additional excise duty on petrol and diesel.

Appendix 1

Reduction in customs duty rates

| Description of goods | Up to 1 February 2021 | From 2 February 2021 |
|--|-----------------------|----------------------|
| Crude palm oil, crude soyabean oil, and crude sunflowerseed oil* | 27.5% to 35% | 15% |
| Peas, kabuli chana, Bengal gram, chickpeas, and lentils | 30% to 60% | 10%/15% |
| Apples | 50% | 15% |
| Specified alcoholic beverages and spirits, falling under tariff headings 2204, 2205, 2206, and 2208* | 150% | 50% |
| All goods except dog and cat food, and shrimp larvae feed | Nil to 30% | 15% |
| Dog and cat food and shrimp larvae food | 30% | 20%/5% |
| Various types of coal, lignite, and peat | 2.5% | 1% |
| Naphtha | 4% | 2.5% |
| Urea, muriate of potash and diammonium phosphate, for use as manure or for production of complex fertilisers | 5% to 10% | Nil |
| Nylon fibre and yarn | 7.5% | 5% |
| Silver and gold | 12.5% | 7.5% |
| Primary/semi-finished products of non-alloy steel | 10% | 7.5% |
| Flat products of non-alloy and alloy steel falling under specified headings | 10%/12.5% | 7.5% |
| Long products of non-alloy, stainless, and alloy steel falling under specified headings | 10% | 7.5% |
| Components or parts, including engines of aircraft that public sector units (under the Ministry of | Applicable rate | Nil |



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| Defense) import for manufacturing such aircraft or parts of such aircraft | | |
| High-speed rail projects being brought under project imports | Applicable rate | 5% |

Appendix 2

Increase in customs duty rates effective February 02, 2021

| Description of goods | Up to 1 February 2021 | From 2 February 2021 |
|--|-----------------------|----------------------|
| Denatured ethyl alcohol (ethanol) for use in manufacturing excisable goods | 2.5% | 5% |
| Carbon black/polycarbonates | 5% | 7.5% |
| Plates, sheets, films, etc., of other plastics falling under heading 3920 99 99 | 10% | 15% |
| Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid | Nil | 10% |
| Raw silk, silk yarn, and yarn spun from silk waste (whether or not put up for retail sale) | 10% | 15% |
| Raw cotton | Nil | 5% |
| Safety glass, consisting of toughened (tempered) or laminated glass falling under heading 7007 (other than those used with motor vehicles) | 10% | 15% |
| Screw, bolts, nuts, etc., of iron and steel | 10% | 15% |
| Tunnel-boring machines | Nil | 7.5% |
| Parts and components for manufacturing tunnel-boring machines with actual-user conditions | Nil | 2.5% |
| Compressors used in refrigerating equipment and gas compressors used in air-conditioning equipment | 12.5% | 15% |
| Solar invertor | 5% | 20% |

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| Parts of electrical lighting or signalling equipment, windscreen wipers, defrosters and demisters, of a kind used for motor vehicles | 10% | 15% |
| Parts and inputs used in manufacturing LED lights and fixtures, including LED Lamps | 5% | 10% |
| Electrical cables, including insulated wires and cables (except for ignition wiring used in vehicles, USB cable, and optical fibre cable) | 7.5% | 10% |
| Ignition wiring cable used in vehicles, aircraft, and ships | 10% | 15% |
| Inputs or raw materials (other than PCBA and moulded plastics) for use in manufacturing charger or adapter of cellular mobile phones | Nil | 10% |
| PCBA of charger or adapter, and moulded plastics of charger or adapter | 10% | 15% |

Appendix 2 (Continued)

| Description of goods | Up to 1 February 202 | From 2 February 2021 |
|--|----------------------|----------------------|
| Inputs or parts of PCBA, and moulded plastics of charger or adapter of cellular mobile phones | Nil | 10% |
| Inputs or raw materials (other than lithium-ion cell and PCBA) for use in manufacturing lithium-ion battery and batterypack | Nil | 2.5% |
| Solar lanterns or solar lamps | 5% | 15% |
| Parts of electronics toys | 5% | 15% |
| Inputs and raw material of base stations and other machines for the reception, conversion, and transmission or regeneration of voice, images, or other data, including switching and routing apparatus | Nil | Applicable rate |
| Specified auto parts (other than bicycle parts and components) | 10% | 15% |



Appendix 3

Increase in customs duty rates effective April 01, 2021

| Description of goods | Up to 1 February 2021 | From 1 April 2021 |
|---|------------------------------|--------------------------|
| Specified inputs/parts for manufacturing PCBA, camera module, connectors, wired headset, USB cable, and microphone and receiver, etc., of mobile phones | Nil | 2.5% |
| Metal shield, camera lens, and specified inputs or raw materials for use in manufacturing cellular mobile phones | Nil | Applicable rate |
| Inputs, parts, or sub-parts for use in manufacturing PCBA of lithium-ion battery and battery pack | Nil | 2.5% |