Government notifies Finance Act 2021 – key tax amendments

The Finance Bill, 2021 was presented by the Hon'ble Finance Minister (FM) Nirmala Sitharaman on 1 February 2021. In the wake of the representations received from various stakeholders, several amendments were introduced to the Finance Bill 2021. The amendments are intended to address ambiguities arising from the wordings of proposals as contained in the Bill. Key tax amendments are as below:

- Definition of "liable to tax" modified to specifically provide that persons having an "income-tax liability" under the laws in force in a country shall be considered as liable to tax in such country.

- Threshold for taxation of interest accruing on employees' contribution to specified provident fund schemes increased from INR0.25m to INR0.5m where there is no employer contribution.

- Mechanism provided for reducing the existing goodwill from tax block of intangible assets pursuant to denial of depreciation on goodwill w.e.f. tax year 2020-21 onwards.

- Provisions for taxing firm with respect to receipt of cash or specified assets by partners in connection with dissolution or reconstitution as proposed by FB 2021 revamped and streamlined.

- Slump sale capital gains computation modified to consider fair market value of undertaking on date of transfer (to be prescribed by rules) as full value of consideration and cost of goodwill of business or profession at NIL (except where it is acquired by purchase from previous owner).

- Relief from additional levy of Minimum Alternate Tax (MAT) in case of secondary adjustment or Advance Pricing Agreement (APA) entered by a taxpayer to apply only if the taxpayer has not utilized MAT credit in any subsequent tax years (TYs).

- Non-Resident (NR) e-commerce operator not obligated to pay 2% equalisation levy (EL) on value of sale of goods owned by or services provided by residents or NRs having permanent establishment (PE) in India (to which such sale or provision is effectively connected) through digital platform of such e-commerce operator.

- For the purpose of triggering the extended limitation period of 11 years from the end of relevant TY under the new reassessment regime proposed vide FB 2021, the term "asset" defined to include immovable property, shares and securities, loans and advances, and deposits in bank account.

- Mandatory fee for delay in filing of tax return is reduced to INR 5,000 from INR 10,000.

- New levy of fees up to INR 1,000 introduced for default in intimating Aadhaar number for taxpayers who are holding valid Permanent Account Number (PAN) as on 1 July 2017.

CBIC notifies waiver of penalty for non-compliance of capturing QR code till June 30

On the basis of feedback received from our members, USISPF had last week requested the GOI to defer implementation of Dynamic Quick Response (QR) Code on B2C invoices and compliance of Notification No. 14/2020- C.T. dated March 21, 2020. We are glad that our recommendations are accepted and CBIC has notified a waiver of penalty for non-compliance of capturing QR code till June 30. Please access the notification here.

Forum submits request for industry consultation to discuss concerns emerging from the CBDT notifies rules on taxable value of annual accretions to excess contributions by employer to specified fund

Finance Act 2020 introduced new provisions with effect from tax year 2020-21 to tax: (a) employer's contributions to PF, Superannuation, NPS in excess of INR 7,50,000 in a year and (b) annual accretions on such excess contributions to be computed as per the captioned. In relation to the same, the rules for computing the annual accretion on excess contribution were notified on 5 March 20211 with effect from 1 April 2021. On the basis of inputs received from our members Forum submitted a request to discuss concerns on the rules.