

UNION BUDGET 2021

Snapshot of major
indirect tax and
other amendments
brought in by
Budget 2021

Lexport 

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INTRODUCTION

With the Indian Economy staggering and suffering in an unprecedented manner with the aftereffects of the Covid-19 instigated lockdown, our Finance Minister presented her third Union Budget in the Parliament on February 01, 2021. This year's budget (*which is a novel Budget being a Digital Budget!*) has the vision of 'Aatmanirbharta' and focusses mostly on the Healthcare and Infrastructure sectors, though there have been no changes in the Income Tax slabs.

The budget proposals lean on the following six pillars:

- Health and well-being;
- Physical and Financial Capital, and Infrastructure;
- Inclusive Development for Aspirational India;
- Reinvigorating Human Capital;
- Innovation and R&D;
- Minimum Government and maximum governance.

These proposals are expected to contribute in doubling the farmer's income, a strong infrastructure, healthy India, good governance, opportunities for youth, education for all, women empowerment, inclusive development among others.

There is a substantial increase in investment in Health Infrastructure. The Budget outlay towards Health and Wellbeing in the budget estimate 2021-22 would see an increase by 137 percent as compared to the last year's budget estimate. Further, to fight the ongoing pandemic, INR 35,000 crore has been proposed for Covid-19 vaccine in the budget.

The Urban Swachh Bharat Mission will be implemented with a total financial allocation of Rs. 1,41,678 crores over a period of 5 years from 2021-2026.

The Finance Minister has proposed to consolidate the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code, which will definitely mitigate confusion in the securities market due to multiple legislations. This proposal is in line with the present Governments legislative unification mode, which earlier saw the consolidation of numerous labour laws into a single code. The Government would support the development of a world class Fin-Tech hub at the GIFT-IFSC.

Expressing commitment to elevate country's infrastructure, the Budget proposes to significantly enhance the capital expenditure besides creating institutional structures and give a big thrust to monetizing assets to achieve goals of the National Infrastructure Pipeline (NIP).

The Finance Minister also proposed to amend the Insurance Act, 1938 to increase the permissible FDI sectoral limit in the Insurance sector from 49% to 74% and allow foreign ownership and control with certain safeguards. Under the new structure, the majority of Directors on the Board

and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

Further, for inclusive development for aspirational India, Finance Minister announced to cover agriculture and allied sectors, farmers' welfare and rural India, migrant workers and labour, and financial inclusion. The Government has also set a target of establishing various schools in partnership with NGOs / private schools / states, among other things.

Furthermore, Government will undertake a new initiative – National Language Translation Mission (NTLM). This will enable the wealth of governance-and-policy related knowledge on the Internet being made available in major Indian languages.

The Finance Minister proposed to take a number of steps to bring reforms and rationalisation in the functioning of Tribunals for speedy delivery of justice.

Overall it seems like a balanced and progressive budget. Though the opposition parties, as is expected of them, opposed the Budget proposals, the Corporate Sector was thrilled and the Capital Markets saw a sharp surge after the announcement of the budget proposals by the Finance Minister. The proof of pudding is in the eating and the bold, progressive and pragmatic proposals and decisions are expected to put the economy back in the reckoning after it took a harsh beating due to the global pandemic.

GOODS AND SERVICES TAX ('GST')

Central Goods & Services Tax Act, 2017 ("CGST Act")

Amendments in the CGST Act as per the Finance Bill, 2021

- ⇒ Scope of 'supply' has been broadened to include within its ambit, from retrospective effect, i.e., w.e.f. 1st July, 2017, activities or transactions involving supply of goods or services by any person, other than an individual, to its members or constituents or *vice-versa*, for cash, deferred payment or other valuable consideration. This is to overcome the Hon'ble Supreme Court's judgment in *Calcutta Club Case* in which it was held that goods and services sold/provided by the club to its members is not taxable either under Sales Tax, VAT or Service Tax due to the doctrine of mutuality. **[Clause 99]**
- ⇒ Parallely seventh paragraph of the second schedule to CGST Act, 2017 is being omitted retrospectively from 1st July, 2017, which read as, "*supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration will be treated as supply of goods.*" in order to remove ambiguity in taxing clubs supplying to its members **[Clause 113]**
- ⇒ The provisions for eligibility and conditions for taking input tax credit have been amended so as to provide input tax credit on invoice or debit note wherein the details of such invoice or debit note have been furnished by the supplier in the statement of outward supplies (*GSTR-1*) and such details have been communicated to the recipient of such invoice or debit note. As per this proposal input tax credit is restricted to the extent it matches with *GSTR 2A*. **[Clause 100]**
- ⇒ Provisions with respect to mandatory requirement of getting annual accounts audited and reconciliation statement submitted by a specified professional (Chartered / Cost Accountant), have been done away with, thus providing relief to the registered person. **[Clause 101]**
- ⇒ The provisions with respect to filing of annual return (*GSTR-9*) have been 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. Commissioner can exempt any class of taxpayers from filing the annual returns. **[Clause 102]**
- ⇒ *Section 50* of the Act is being amended, retrospectively so as to charge interest on net cash liability with effect from 1st July, 2017. **[Clause 103]**
- ⇒ Provisions with respect to seizure and confiscation of goods and conveyances in transit have been amended so as to make them a separate proceeding, from recovery of tax. **[Clause 104]**
- ⇒ General provisions relating to the determination of tax have been amended to clarify that "self-assessed tax" shall include the tax payable in respect of outward supplies (*GSTR-1*),

the details of which have been furnished in *GSTR-1* but not included in the return furnished in *GSTR-3B*. With this the Department can recover tax when the liability as per *GSTR-1* is more than that in *GSTR-3B*. **[Clause 105]**

- ⇒ *Section 83(1)* of the CGST Act is proposed to be amended to expand the powers of the Department relating to provisional attachment of property / bank accounts, which shall remain valid for the entire period starting from the initiation of any proceeding till the expiry of a period of one year from the date of such order, in case of assessments, inspection, search, seizure and all demand / recovery proceedings. **[Clause 106]**
- ⇒ A proviso is proposed to be inserted to *Section 107(6)* of the CGST Act which requires an assessee to pay an amount equal to 25% of the penalty before filing an appeal against the order passed for detention/seizure of goods and conveyances in transit. **[Clause 107]**
- ⇒ Seeks to modify the penalty from 100% to 200% for release of detained or seized taxable goods and conveyances where the owner is ready to pay such penalty. Where the owner is not forthcoming, the penalty would be 50% of the value of goods or 200% of tax payable whichever is higher. On exempted goods the penalty is either 2% or 5% of the value of the goods depending on the conduct of the Party. There is a proposal to delink the proceedings relating to detention, seizure and release of goods and conveyances in transit under *Section 129* from the proceedings under *Section 130* relating to confiscation of goods or conveyances and levy of penalty. **[Clauses 108 & 109]**
- ⇒ Now the jurisdictional commissioner has been empowered to call for information from any person relating to any matter dealt with in connection with the Act. **[Clause 110]**
- ⇒ The information collected by jurisdictional commissioner cannot be used for the purposes of any proceedings under the Act without giving an opportunity of being heard. **[Clause 111]**
- ⇒ The jurisdictional commissioner has been empowered to call for information which was earlier restricted to collection of statistics. **[Clause 112]**

Integrated Goods and Services Tax

Amendments in the Integrated Goods & Services Tax Act, 2017 (“IGST Act”) as per the Finance Bill, 2021 **[Clause 114]**

- ⇒ Zero rated supplies to Special Economic Zones developers/Units restricted for authorised operations only.
- ⇒ The option of export on payment of IGST as a zero-rated supply has been restricted to notified class of persons or notified supplies of goods/services.
- ⇒ Where export proceeds in convertible foreign exchange not realized within specified time limit in case of zero-rated supplies, refund amount to be deposited back along with interest within 30 days from prescribed time limit.

CUSTOMS

Amendments in the Customs Act, 1962 (“Customs Act”)

⇒ **Common Portal:**

It has been proposed to define the term ‘common portal’ under Section 2(7B) of the Customs Act to mean Common Customs Electronic Portal referred to in Section 154C of the Customs Act. **[Clause 80]**

Section 153(1)(ca) is proposed to be inserted to enable service of order, summons, notice, etc. by making it available on the common portal. **[Clause 90]**

Section 154C shall be inserted pursuant to which the Board may notify a common portal, to be called the Common Customs Electronic Portal, for facilitating registration, filing of bills of entry, shipping bills, other documents and forms prescribed under this Act or under any other law for the time being in force. **[Clause 91]**

“To encourage paperless processing, use of common portal is proposed to serve notice & order, filing bills of entry, shipping bills etc. and the portal to act as a one-point digital interface for the trade to interact with the Customs.”

⇒ **Powers of Commissioner (Appeals):** It has been proposed to empower Commissioner (Appeals) to carry out functions specified under Chapter XV, Section 108 and the new sub-section (1D) of Section 110 of Customs Act be amending Section 5(3) of the Customs Act. **[Clause 81]**

⇒ **Sunset clause for Exemptions:** Section 25 of the Customs Act is proposed to be amended to specify that all the conditional exemptions given under Customs Act, unless otherwise specified or varied or rescinded, shall automatically expire on 31st March immediately falling 2 years after the date of grant or variation. Further, the said exemptions shall expire on 31st March, 2023 if all the existing exemptions are in force as on the date on which the Finance Bill 2021 receives the assent of the President. **[Clause 82]**

“In order to achieve the overall objective of Customs duty rationalization, it has been proposed to eliminate the outdated exemptions. Thus, all conditional exemptions shall come to an end on 31st March after 2 years from the date of notification. Further, all the new exemptions will be introduced with a limited validity.”

- ⇒ **Time limit to file Bill of Entry:** It has been proposed that the importer shall present the Bill of Entry under Section 46 of the Customs Act before the end of the day (including holidays) preceding the day of arrival of goods. Further, a new proviso shall be inserted enabling the Board to prescribe different time limits for presentation of the bill of entry, which shall not be later than the end of the day of such arrival. **[Clause 84]**

“Now Bill of Entry should be filed before the end of the day (including holidays) preceding the day of arrival of goods”

- ⇒ **Disposal of seized gold:** It has been proposed that Section 110 of the Customs Act shall be amended to modify the procedure for pre-trial disposal of seized gold, in any form as notified. The proper officer shall, instead of making an application to the Magistrate, make such application to the Commissioner (Appeals) having jurisdiction, who shall, as soon as may be, allow the application and thereafter, the proper officer shall dispose of such goods in such manner as the Central Government may determine. **[Clause 85]**

“Procedure for pre-trial disposal of seized gold revised for expediting such disposals”

- ⇒ Explanation to section 139 of Customs Act is proposed to be amended to include inventories, photographs and lists certified by the Commissioner (Appeals) under the new sub-section (1D) to the documents within the meaning of that section to give evidentiary value to such documents. **[Clause 88]**
- ⇒ Section 149 is proposed to be amended to introduce a second proviso which would allow amendments to be done through the customs automated system based on risk evaluation through appropriate selection criteria. Further, a third proviso shall be inserted to state that certain amendments, as may be specified by the Board, may be done by the importer or exporter on the common portal. **[Clause 89]**

Newly inserted Sections in Customs Act

- ⇒ **Time limit for issuance of notice:** A new section 28BB is proposed to be introduced which shall specify a time-limit of 2 years from the date of initiation of audit, search, seizure or summons, which may further be extended by one year, for completion of any proceedings initiated by issuance of a notice under section 28 of the Customs Act. **[Clause 83]**

“A definite time-period of 2 years is prescribed for completion of investigations.”

- ⇒ **Confiscation of goods:** A new Sub-section (ja) is proposed to be added to Section 113 of the Customs Act to provide for the confiscation of any goods entered for exportation under claim of remission or refund of any duty or tax or levy, to make a wrongful claim in contravention of the provisions of the Customs Act or any other law for the time being in force. **[Clause 86]**

“Any goods entered for exportation making wrongful claim of remission or refund shall be liable to confiscation”

- ⇒ **Penalty in specific cases:** A new section 114AC is proposed to be inserted in Customs Act to prescribe penalty in specific cases where any person has obtained any invoice by fraud, collusion, willful misstatement or suppression of facts to utilize Input Tax Credit based on such invoice for discharging any duty or tax on goods that are entered for exportation under claim of refund of any duty or tax. **[Clause 87]**

Amendments in the Customs Tariff Act, 1975 (“Customs Tariff Act”)

- ⇒ **Technical changes:** Section 8B of the Customs Tariff Act is being amended to incorporate certain technical changes and to include the meaning of SEZ.

⇒ **Amendments in Section 9 and 9A of the Customs Tariff Act**

Section 9 and 9A of the Customs Tariff Act and respective Rules are proposed to be amended to make following amendments in the provision relating to Anti-Dumping Duty (ADD), Countervailing Duty (CVD) and safeguard measures:

- imposition of duty from the date of initiation of anti-circumvention investigation;
- anti-absorption provisions to counter situation where, by reduction of export prices or otherwise, the ADD/CVD levied is sought to be absorbed, diluting the intended impact of such ADD/CVD.
- imposition of these duties on review for period upto 5 years at a time;
- uniform provisions for imposition of ADD/CVD on account of inputs (attracting ADD or CVD) used by EOUs and SEZs for manufacture of goods that are cleared to Domestic Tariff Area;
- whenever any ADD or CVD is temporarily revoked, such temporary revocation shall not exceed one year at a time.
- final findings are to be issued in ADD/CVD, in investigation in review proceedings, by the designated authority, at least three months prior to expiry of the ADD under review (with effect from the 1st July, 2021);

WITHDRAWAL OF BASIC CUSTOM DUTY (BCD) EXEMPTION [Notification No. 02/2021]

S.No. of Notification No. 50/2017-Customs	Description/ CT
209	Diphenylmethane 4, 4-diisocyanate (MDI) for use in the manufacture of spandex yarn
230	Ink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage, for use in printers for computers
229 [w.e.f 1.4.2021]	71 items like wax items, wood polish materials, prints for photo frames, velvet fabric/paper, handles/blades for cutlery, jigat, wine tools etc.
311 [w.e.f 1.4.2021]	35 items like fasteners, zippers, shoulder pads, buckles, rivets, Velcro tape, toggles, stud, elastic cloth and band, bobbin, hooks, anglets etc.
312 [w.e.f 1.4.2021]	42 items like buckles, buttons, stamping foil, sewing thread, Loop rivets, Glove Liners, shoe laces, inlay cards etc.
313 [w.e.f 1.4.2021]	18 items like lace, Velcro tape, curtain hooks, Tassel, Beads, Sequins, sewing threads, poly wadding materials, quilted wadding materials etc.

AMENDMENTS IN THE CUSTOMS TARIFF NOTIFICATIONS

New Notification No.	Description	Amendment in Notification No.
03/2021-Customs, dated Feb 1, 2021	It is proposed to prescribe effective BCD rate on IT/Electronics items.	57/2017-Customs, dated the 30th June 2017
04/2021-Customs, dated Feb 1, 2021	It is proposed to withdraw BCD exemption on the specified parts of transformers.	25/99- Customs dated 28th February 1999
05/2021-Customs, dated Feb 1, 2021	It is proposed to clarify the scope of exemption under entry at S. No. 13S of the said notification.	24/2005-Customs dated 1st March 2005

06/2021-Customs, dated Feb 1, 2021	It is proposed to exempt the medical devices imported by international organizations and diplomatic missions, from the levy of Health Cess.	08/2020-Customs dated 2nd February 2020
07/2021-Customs, dated Feb 1, 2021	It is proposed to rescind the Notifications	1/2011-Customs dated 6th January 2011, 34/2017-Customs dated 30th June 2017 and 75/2017-Customs dated 13th September 2017
08/2021-Customs, dated Feb 1, 2021	It is proposed to include temporary imports of costumes and props for film making, in the goods exempted by the said notification.	153/94-Customs dated 13th July 1994
09/2021-Customs, dated Feb 1, 2021	Certain amendments have been proposed to the list of specified projects under heading 9801 of the First Schedule to the Customs Tariff Act.	42/1996-Customs dated 23rd July, 1996
10/2021-Customs, dated Feb 1, 2021	It is proposed to notify National High Speed Rail Corporation Ltd. as Sponsoring Authority for High-Speed Rail projects.	230/86-Customs dated 3rd April, 1986
12/2021-Customs, dated Feb 1, 2021	It is proposed to rescind the said Notification which provided exemption to the specified goods from the of levy of Social Welfare Surcharge in excess of 3% .	12/2018-Customs dated 02.02.2018
13/2021-Customs, dated Feb 1, 2021	It is proposed to exempt Social Welfare Surcharge which is leviable on Agriculture Infrastructure and Development Cess on Gold and Silver.	--
14/2021-Customs, dated Feb 1, 2021	It is proposed to exempt Social Welfare Surcharge which is leviable on Crude or roughly trimmed or Blocks Marble or travertine.	--
15/2021-Customs, dated Feb 1, 2021	It is proposed to modify the effective rate of duty under chapters 50 to 63 on textile products.	82/2017-Customs dated 27th October, 2017

AMENDMENTS IN THE CUSTOMS NON-TARIFF NOTIFICATIONS

Notification No. 09/2021-Customs (N.T.) dated February 1, 2021-Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 (“IGCR Rules”)

⇒ The Rules are proposed to be amended to allow the following:

job-work of the materials (except gold and jewellery and other precious metals) imported under concessional rate of duty

100% out-sourcing for manufacture of goods on job-work

imported capital goods that have been used for the specified purpose to be cleared on payment of differential duty, along with interest, on the depreciated value. The depreciation norms would be the same as applied to EOUs, as per Foreign Trade Policy.

Notification No. 10/2021-Customs (N.T.) dated February 1, 2021 seeks to further amend the Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995

⇒ The amendment is proposed to introduce anti-circumvention provisions in these rules and make certain other miscellaneous changes.

Notification No. 11/2021-Customs (N.T.) dated February 1, 2021 seeks to further amend the Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidised Articles and for Determination of Injury) Rules, 1995

⇒ The amendment is proposed to enable provisional assessment in anti-circumvention investigation and make certain other miscellaneous changes.

Notification No. 12/2021-Customs (N.T.) dated February 1, 2021 seeks to further amend the Customs Tariff (Identification and Assessment of Safeguard Duty) Rules, 1997

⇒ The amendment is proposed to provide for the manner of application of safeguard measures including tariff-rate quota and make certain other miscellaneous changes.

TEMPORARY REVOCATION OF CUSTOMS ANTI-DUMPING DUTY AND COUNTERVAILING DUTY NOTIFICATIONS

New Notification No.	Description	Amendment in Notification No.
FOR ANTI-DUMPING DUTY		
05/2021-Customs, dated Feb 1, 2021	It is proposed to temporarily revoke the operation of the said notifications for the period from 2nd February 2021 to 30th September 2021.	54/2018 – Customs (ADD) dated 18th October 2018
06/2021-Customs, dated Feb 1, 2021		38/2019 – Customs (ADD) dated 25th September 2019
07/2021-Customs, dated Feb 1, 2021		16/2020 – Customs (ADD) dated 23rd June 2020
FOR COUNTERVAILING DUTY		
01/2021-Customs (CVD), dated Feb 1, 2021	It is proposed to rescind the said Notification.	02/2020 – Customs (CVD) dated 9th October 2020
02/2021-Customs (CVD), dated Feb 1, 2021	It is proposed to temporarily revoke the operation of the said notification for the period from 2nd February 2021 to 30th September 2021.	01/2017 – Customs (CVD) dated 7th September 2017

CHANGES IN BASIC CUSTOMS DUTY RATES AND CLARIFICATORY AMENDMENTS IN THE RESPECTIVE NOTIFICATIONS:

COMMODITIES	Rate (%)		
	From		To
<p>Tariff rate changes for Basic Customs Duty [to be effective from 02.02.2021, unless otherwise specified] *[Clause [95 (i) of the Finance Bill, 2021]</p>			
Chemicals			
⇒ Carbon Black	5%	↑	7.5%
Plastic item			
⇒ Builder's ware of Plastics	10%	↑	15%
Gems and Jewellery Sector			
⇒ Cut and Polished Synthetic stones, including Cut and Polished Cubic Zirconia	10%	↑	15%
Electrical and Electronics Sector			
⇒ Compressors of a kind used in refrigerating equipment	12.5%	↑	15%
⇒ Compressors of a kind used in air-conditioning equipment	12.5%	↑	15%
⇒ Printed Circuit Board Assembly [PCBA] of charger or adapter (All goods under this tariff item, other than above, will continue to attract the existing effective rate of BCD at 10%)	10%	↑	15%
Parts of Automobiles			

⇒ Safety glass, consisting of toughened (tempered) or laminated glass. (All goods under this heading, other than those used with motor vehicles, will continue to attract the existing effective rate of BCD at 10%)	10%	↑	15%
⇒ Parts of Electrical lighting and signaling equipment, windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles	10%	↑	15%
⇒ Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	10%	↑	15%
⇒ Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecraft or Vessels	10%	↑	15%
<i>Tariff rate changes (without any change in the effective rates of Basic Customs Duty)</i>			
⇒ Air compressors mounted on a wheeled chassis for towing	7.5%	↑	15%
⇒ Gas Compressors (other than of a kind used in air conditioning equipment), free-piston generators for gas turbine, turbo charger and other compressors	7.5%	↑	15%
⇒ Electric Motors	10%	↑	15%
⇒ Relays	10%	↑	15%
⇒ Boards, panels, consoles, etc. for electric control or distribution of electricity	10%	↑	15%
⇒ Other instruments, appliances and machines	7.5%	↑	15%
⇒ Electronic automatic regulators and other controlling instruments or apparatus	10%	↑	15%
<i>OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN RESPECTIVE NOTIFICATIONS [with effect from 2.2.2021, unless specified otherwise]</i>			

<i>Agricultural Products and By Products</i>			
⇒ Denatured Ethyl Alcohol (ethanol) for use in manufacture of excisable goods	2.5%	↑	5%
⇒ All goods except dog and cat food and shrimp larvae feed	Nil/ 5%/ 10%/ 15%/20 %/30%	↑	15%
<i>Minerals</i>			
⇒ Natural borates and concentrates thereof	Nil/5%	↓	2.5%
<i>Fuels, Chemicals and Plastics</i>			
⇒ Naphtha	4%	↓	2.5%
⇒ Bis-phenol A	Nil	↑	7.5%
⇒ Epichlorohydrin	2.5%	↑	7.5%
⇒ Caprolactam	7.5%	↓	5%
⇒ Polycarbonates	5%	↑	7.5%
⇒ Nylon chips	7.5%	↓	5%
⇒ Other plates, sheets, films, etc. of other plastics	10%	↑	15%
<i>Leather</i>			
⇒ Wet blue chrome tanned leather, crust leather, finished leather of all kinds, including splits and sides of the aforesaid	Nil	↑	10%
<i>Textiles</i>			

⇒ Raw Silk (not thrown)	10%	↑	15%
⇒ Silk yarn, yarn spun from silk waste (whether or not put up for retail sale)	10%	↑	15%
⇒ Raw Cotton	Nil	↑	5% + 5% AIDC*
⇒ Cotton waste (including yarn waste or garneted stock)	Nil	↑	10%
⇒ Nylon Fibre and Yarn	7.5%	↓	5%
Gems and Jewellery Sector			
⇒ Silver	12.5%	↓	7.5%+ 2.5% AIDC*
⇒ Silver Dore	11%	↓	6.1% + 2.5%
⇒ Gold	12.5%	↓	7.5%+ 2.5% AIDC*
⇒ Gold Dore	11.85%	↓	6.9%+ 2.5% AIDC*
⇒ Base metals or precious metals clad with precious metals	12.5%	↓	10%
⇒ Other precious metals like Platinum, Palladium, etc.	12.5%	↓	10%
⇒ Waste and scrap of precious metals or metals clad with precious metals	12.5%	↓	10%
⇒ Spent catalyst or ash containing precious metals	11.85%	↓	9.17%
⇒ Gold or Silver Findings	20%	↓	10%
⇒ Coin	12.5%	↓	10%

<i>Metals</i>			
⇒ Iron and steel scrap, including stainless steel scrap up to 31.03.2022]	2.5%	↓	Nil
⇒ Primary/Semi-finished products of non-alloy steel	10%	↓	7.5%
⇒ Flat products of non-alloy and alloy steel	10%	↓	7.5%
⇒ Long product of non-alloy, stainless and alloy steel	10%	↓	7.5%
⇒ Raw materials for use in manufacture of CRGO steel up to 31.03.2023]	2.5%	↓	nil
⇒ Copper Scrap	5%	↓	2.5%
⇒ Screw, bolts, nuts, etc. of iron and steel	10%	↑	15%
<i>Capital Goods</i>			
⇒ Tunnel boring machines	Nil	↑	7.5%
⇒ Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	↑	2.5%
<i>IT, Electronics and Renewable</i>			
⇒ Specified insulated wires and cables	7.5%	↑	10%
⇒ Former, bases, bobbins, brackets; CP wires; P.B.T.; Phenol resin moulding powder; Lamination/ El silicon steel strips for use in manufacture of transformers (entry at S.No. 198 of 25/1999-Customs)	Nil		Applicable rate
⇒ Inputs or parts for manufacture of Printed Circuit Board Assembly (PCBA) of cellular mobile phone (w.e.f. 1.4.2021)	Nil	↑	2.5%
⇒ Inputs or parts for manufacture of camera module of cellular mobile phone (w.e.f. 1.4.2021)	Nil	↑	2.5%

⇒ Inputs or parts for manufacture of connectors of cellular mobile phone (w.e.f. 1.4.2021)	Nil	↑	2.5%
⇒ Inputs or raw material for manufacture of specified parts like back cover, side keys etc. of cellular mobile phone (w.e.f. 1.4.2021)	Nil	↑	2.5%
⇒ Inputs or raw material (other than PCBA and moulded plastics) for manufacture of charge or adapter of cellular mobile phones	Nil	↑	10%
⇒ Moulded plastics for manufacture of charger or adapter	10%	↑	15%
⇒ Inputs or parts of Printed Circuit Board Assembly of charger or adapter of cellular mobile phones	Nil	↑	10%
⇒ Inputs or parts of Moulded Plastic of charger or adapter of cellular mobile phones	Nil	↑	10%
⇒ Inputs or raw materials (other than Lithium-ion cell and PCBA) of Lithium-ion battery or battery pack (w.e.f. 1.4.2021)	Nil	↑	2.5%
⇒ Parts or components of PCBA of Lithium-ion battery or battery pack (w.e.f. 1.4.2021)	Nil	↑	2.5%
⇒ Inputs or raw materials of following goods: - <ul style="list-style-type: none"> • Other machines capable of connecting to an automatic data processing machine or to a network (8443 32 90) • Ink cartridges, with print head assembly (8443 99 51) • (Ink cartridges, without print head assembly (8443 99 52) • Ink spray nozzle (8443 99 53) (w.e.f. 1.4.2021) 	Nil	↑	2.5%
⇒ Inputs and parts of LED lights or fixtures including LED Lamps	5%	↑	10%
⇒ Inputs for use in the manufacture of LED driver or MCPCB (Metal Core Printed Circuit Board) for LED lights or fixtures including LED Lamps	5%	↑	10%
⇒ Solar lanterns or solar lamps	5%	↑	15%
⇒ Solar Inverters	5%	↑	20%
⇒ Parts of Electronic Toys for manufacture of electronic toys	5%	↑	15%

Aviation Sector			
⇒ Components or parts, including engines, for manufacture of aircrafts or parts of such aircrafts, by Public Sector Units under Ministry of Defence subject to condition specified.	2.5%	↓	0%
Medical devices			
⇒ Medical Devices imported by International Organization and Diplomatic Missions	Health Cess @ 5%	↓	Health Cess @ Nil
Goods imported under Project Import Scheme			
⇒ High Speed Rail Projects being brought under project imports	Applicable Rate		5%
⇒ All goods other than Bicycle parts and components	10%	↑	15%

Agriculture Infrastructure and Development Cess

The Agriculture Infrastructure and Development Cess (hereinafter referred to as '**AIDC**') has been proposed by the Finance Bill, 2021, and shall be levied on import of specified goods mentioned in the First Schedule to the Customs Tariff Act, 1975. Simultaneously, basic customs duty is being reduced on the items being brought under new cess.

The purpose of the AIDC is to improve agricultural infrastructure and other development expenditures. The AIDC on imported goods shall be in addition to any other duties of customs chargeable on such goods, under the Customs Act, 1962 or any other law for the time being in force.

The list of items on which cess has been imposed and the applicable duty and AIDC on them would be as follows:

COMMODITIES	Basic Customs Duty	AIDC
⇒ Apples	15%	35%
⇒ Crude Palm Oil	15%	17.5%

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⇒ Crude Soya-bean oil	15%	20%
⇒ Crude Sunflower seed oil	15%	20%
⇒ Peas (Pisum sativum)	10%	40%
⇒ Kabuli Chana	10%	30%
⇒ Bengal Gram (desichana)	10%	50%
⇒ Chick Peas (garbanzos)	10%	50%
⇒ Lentils (Mosur)	10%	20%
⇒ All goods (Wine)	50%	100%
⇒ Vermouth and other wine of fresh grapes, flavoured	50%	100%
⇒ Other fermented beverages for example, Cider, Perry, Mead, sake, mixture of fermented beverages or fermented beverages and non-alcoholic beverages	50%	100%
⇒ All goods (Brandy, Bourbon whiskey, Scotch etc.)	50%	100%
⇒ Various types of coal	1%	1.5%
⇒ Lignite, whether or not Agglomerated	1%	1.5%
⇒ Peat, whether or not Agglomerated	1%	1.5%
⇒ Urea	Nil	5%
⇒ Ammonium nitrate	2.5%	5%
⇒ Muriate of potash, for use as manure or for the production of complex fertilisers	Nil	5%
⇒ Diammonium phosphate, for use as manure or for the production of complex fertilisers	Nil	5%
⇒ Cotton (not carded or combed)	5%	5%
⇒ Silver (including imports by eligible passengers)	7.5%	2.5%
⇒ Silver Dore	6.1%	2.5%

⇒ Gold (including imports by eligible passengers)	7.5%	2.5%
⇒ Gold Dore	6.9%	2.5%

EXCISE

EXCISE TARIFF CHANGES

Introduction of new tariff items in fourth schedule of Central Excise Act, 1944 and seventh schedule of the Finance Act 2001 effective from January 1, 2022:

S. No	Tariff Item	Description of Goods	Unit	Excise Duty	NCCD
1.	2404 11 00	Products intended for inhalation without combustion, containing tobacco or reconstituted tobacco	Kg.	81%	25%
2.	2404 19 00	Products intended for inhalation without combustion, other	Kg.	81%	25%

*NCCD- National Calamity Contingent Duty

For the tariff items given below, the following rates are being prescribed and made effective from 01.01.2020, retrospectively.

S. No	Tariff item	Description of goods	Unit	Revised rates
1.	2710 20 10	Automotive diesel fuel, containing Bio-diesel conforming to standard IS 1460	Kg	14%+ Rs.15.00 per litre
2.	2710 20 20	Diesel fuel blend (B6 to B20) conforming to standard IS 16531	Kg	14%+ Rs.15.00 per litre

IMPOSITION OF AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

For the purposes of financing the agriculture infrastructure and other development expenditure, an additional duty of excise on Petrol and High speed diesel has been proposed, which is to be called as Agriculture Infrastructure and Development Cess (AIDC) to be made effective from 02.02.2021

To reduce any additional burden on consumers on account of imposition of AIDC, the rates of Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) on Petrol and High-speed diesel are also being revised.

Item	BED (Rs/Ltr)	SAED (Rs/Ltr)	AIDC (Rs/Ltr)	RIC	Total
Petrol (unbranded)	1.4	11	2.5	18	32.9
Petrol (branded)	2.6	11	2.5	18	34.1
High speed diesel (unbranded)	1.8	8	4	18	31.8
High speed diesel (branded)	4.2	8	4	18	34.1

***RIC- Road and Infrastructure Cess**

The revised duty structure stands as follows:

Amendments in the notification no. 11/2017 dated 30.06.2017 have been made to include and modify the certain tariff items which shall have effect from 02.02.2021.

Amendments in notification no. 05/2019 dated 06.07.2019 which shall come into force from 02.02.2021 are as follows:

S. no.	Chapter heading/ sub-heading/ tariff item	Description of goods	SAED Rate
1	2710	Motor spirit, commonly known as petrol	Rs.11 per litre
2	2710	High speed diesel oil	Rs. 8 per litre

Incorporation of Agriculture Infrastructure and Development Cess (AIDC) in the appropriate duty of excise in the following notifications, N/N 10/2018, 11/2018, 12/2018, 13/2018 dated 02.02.2018.

Exemption of whole of the additional duty of excise RIC (Road and Infrastructure Cess) and Special Additional Excise Duty on M-15 and E-20 tariff items w.e.f. 02.02.2021.

CORPORATE LAWS

TO PROMOTE GREATER EASE OF DOING BUSINESS AND TO SHOWCASE ENORMOUS GOVERNMENT SUPPORT, SIGNIFICANT CHANGES HAVE BEEN PROPOSED IN THE BUDGET FOR CORPORATE SECTOR



	Proposal	Remarks
<p>Decriminalization of offences under Limited Liability Act, 2008 (LLP Act)</p>	<p>The decriminalization of the procedural and technical compoundable offences under the Companies Act, 2013 has been completed. Now, it is proposed to next take up decriminalization of the Limited Liability Partnership (LLP) Act, 2008.</p>	<p>An appreciated step of the government is already under process.</p> <p>The Company Law Committee has issued a Report on Decriminalization of the LLP Act, which has proposed to decriminalize 12 offences and omit 1 penal provision.</p>
<p>Changes in One Person Companies (OPC) regulatory framework</p>	<p>As a further measure which directly benefits Start-ups and Innovators, it is proposed to incentivize the incorporation of OPCs by allowing them to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and allow Non-Resident Indians (NRIs) to incorporate OPCs in India.</p>	<p>This effort of government will boost the start-ups and help the Indian citizens and NRIs living abroad to consider India as a hub for investment.</p>
<p>Revision in the definition of Small Company</p>	<p>It is proposed to revise the definition of Small Companies under the Companies Act, 2013 by increasing their thresholds for</p> <ul style="list-style-type: none"> - Paid up capital from “50 Lakh” to “2 Crore”; and - turnover from “2 Crore” to “20 Crore”. 	<p>This will benefit more than two lakh companies in easing their compliance requirements by allowing larger number of companies to fall under the ambit of small companies. This is a welcome move as it will reduce compliance cost of small-scale businesses.</p>
<p>MCA-21 3.0 – New MCA Portal</p>	<p>It is proposed that during the year 2021-22, MCA21 Version 3.0 will be launched which will be driven by data analytics, artificial intelligence and machine learning.</p>	<p>The new Version 3.0 of the MCA portal will incorporate a larger platform to help stakeholders to access additional modules such as e-scrutiny, e-adjudication, e-consultation, thereby reducing the need to physically approach the authorities.</p>

Increase in FDI Limit in the Insurance Sector

It is proposed to amend the Insurance Act, 1938 to increase the permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards.

Under the new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

The proposal to increase the FDI limit in insurance companies is a considerable change as it is considered a “sensitive” sector.

E-Courts

To ensure faster resolution of cases, NCLT framework will be strengthened and e-Courts system shall be implemented and alternate methods of debt resolution and special framework for MSMEs shall be introduced.

This initiative shall expediate the dispute resolution system and facilitate in reducing the overall litigation time and costs of the parties.

MISCELLANEOUS

POOLED INVESTMENT VEHICLE:

It has been proposed to introduce the concept of 'Pooled Investment Vehicle' by inserting a new section 30B in the **Securities Contract Regulation Act, 1956**, specifying that it can be constituted as trust or otherwise, and shall be eligible to borrow and issue debt securities and shall also be permitted to provide securities to lenders.

As a consequence, definition of "debt" under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 shall also include debt incurred by pooled investment vehicles. Also, the definition of "borrower" in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 shall include a pooled investment vehicle. Further, the definition of secured creditor is being expanded to include debenture trustee appointed by a pooled investment vehicle also by removing the limitation of appointment of a debenture trustee by a company.

Accordingly, mechanisms shall be put in place for enforcement during situations of default and for recovery of defaulted amounts.

EXEMPTION FROM STAMP DUTY ON DIS-INVESTMENT:

In order to provide impetus for strategic sale and disinvestment etc., of immovable property by government, a new Section 8G is proposed to be inserted in the **Indian Stamp Act, 1899** which shall exempt payment of stamp duty on such sale by government. This proposal shall reduce the transaction cost of such sale.

BENAMI PROPERTY: ADJUDICATION MECHANISM:

Under the **Prohibition of Benami Property Transaction act, 1988** the following amendments have been proposed, which shall come into effect from 01.07.2021:

- ⇒ The competent authority authorized under the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 shall be the adjudicating authority under this Act.
- ⇒ Sections 8 to 17 shall be omitted.
- ⇒ Due date for passing of order by adjudicating officer between 01.07.2021 to 29.09.2021 shall be extended to 30.09.2021.

EXCLUSION OF GOODS FROM THE AMBIT OF CST:

Section 8(3)(b) of the **Central Sales Tax Act, 1956** is amended to exclude goods used in telecommunication network or in mining or generation or distribution of electricity or any other form of power from the purview of CST.

MANDATORY REGISTRATION WITH SEBI FOR BUSINESS TRUST AND AIF:

Alternative investment funds or business trusts shall mandatorily obtain the certificate of registration from SEBI with effect from 1st day of April, 2021. Business trust means a trust registered as an Infrastructure Investment Trust or a Real Estate Investment Trust under regulations of the SEBI Act, 1999.

DISCLAIMER

The current document is a private document for the benefit of our clients. Please note that this is only a summary of the budget changes in respect of Indirect Taxes. It is advisable to seek specific legal opinion on any particular provision or changes from experts.

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