

Budget 2021 - Key Tax Proposals

04 March 2021

This update covers:

The Finance Minister presented the Union Budget for the financial year 2021-22 on 1 February 2021. This is the first budget to be entirely paperless in the backdrop of the COVID-19 crisis. The Budget lays a vision for *AtmaNirbhar Bharat* and aims to provide opportunities for our economy to raise and capture the pace for sustainable growth despite the contraction caused by the global pandemic.

In line with the impetus of increasing transparency and administrative ease, the tax proposals in the Budget are largely focused on simplification of legal provisions and procedures. For instance, the Budget provides for the introduction of a faceless Income Tax Appellate Tribunal and the constitution of a Dispute Resolution Committee to resolve tax disputes of small and medium taxpayers. The Budget also proposes certain much awaited clarificatory amendments, such as availability of treaty relief in case of tax withholding on payments to Foreign Institutional Investors, removal of tax deduction at source (TDS)

on dividend payments to business trusts and correction of the timing mismatch between the introduction of the expanded equalization levy provisions and the corresponding income-tax exemption provision. Further, the Budget provides for a slew of tax incentives for the housing sector, units in International Financial Services Centre and sovereign wealth funds and pension funds, which should go a long way in boosting investment in these sectors.

However, the Budget also includes certain unexpected proposals, such as the expansion in the scope of equalization levy provisions, introduction of TDS on goods and exclusion of 'goodwill' from the list of tax depreciable assets. These proposals may lead to tax uncertainty, ambiguity and adversely impact taxpayer sentiment.

On the indirect tax front, the Budget proposes several changes to strengthen the foundation of indirect tax laws such as the introduction of an online customs portal. The Budget also proposes several changes to emphasise building production capabilities in India, such as increasing customs duty rates on certain goods. Several proposals have also been made to reduce compliance burden for taxpayers under the GST framework such as the removal of requirement of GST audit by a chartered/cost accountant.

Our detailed updates on key tax proposals across different areas can be accessed through the links below:

1. [Implications for InvITs and REITs](#)
2. [Rationalisation of Equalisation Levy provisions](#)
3. [Impact on mergers and acquisitions](#)
4. [Tax incentives for International Financial Services Centre](#)
5. [Key tax proposals for housing sector](#)
6. [Key tax proposals for employees](#)

The Finance Bill, 2021 seeks to enhance transparency and administrative ease by focusing on simplification of legal provisions and procedures. However, some proposals may lead to tax uncertainty and ambiguity. In this update, we discuss the key developments across different sectors.

UPDATES

7. [Other key proposals](#)
8. [Key indirect tax proposals](#)

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