

Union Budget-2021-22: Direct Tax Proposals

February 2, 2021

Achievements:

- Corporate tax rate slashed to make it among the lowest in the world
- Burden of taxation on small taxpayers eased by increasing rebates
- Return filers almost doubled to 6.48 crore in 2020 from 3.31 crore in 2014
- Faceless Assessment and Faceless Appeal introduced

Relief to Senior Citizens:

Exemption from filing tax returns for senior citizens over 75 years of age and having only pension and interest income; tax to be deducted by paying bank

Reducing Disputes, Simplifying Settlement:

- Time limit for reopening cases reduced to 3 years from 6 years
- Serious tax evasion cases, with evidence of concealment of income of Rs. 50 lakh or more in a year, to be reopened only up to 10 years, with approval of the Principal Chief Commissioner
- Dispute Resolution Committee to be set up for taxpayers with taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh
- National Faceless Income Tax Appellate Tribunal Centre to be established
- Over 1 lakh taxpayers opted to settle tax disputes of over Rs. 85,000 crore through Vivad Se Vishwas Scheme until 30th January 2021

Relaxation to NRIs:

- Rules to be notified for removing hardships faced by NRIs regarding their foreign retirement accounts

Incentivising Digital Economy:

- Limit of turnover for tax audit increased to Rs. 10 crore from Rs. 5 crore for entities carrying out 95% transactions digitally

Relief for Dividend:

- Dividend payment to REIT/ InvIT exempt from TDS
- Advance tax liability on dividend income only after declaration/ payment of dividend
- Deduction of tax on dividend income at lower treaty rate for Foreign Portfolio Investors

Attracting Foreign Investment for Infrastructure:

- Infrastructure Debt Funds made eligible to raise funds by issuing Zero Coupon Bonds
- Relaxation of some conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment

Supporting 'Housing for All':

- Additional deduction of interest, up to Rs. 1.5 lakh, for loan taken to buy an affordable house extended for loans taken till March 2022
- Tax holiday for Affordable Housing projects extended till March 2022
- Tax exemption allowed for notified Affordable Rental Housing Projects

Tax incentives to IFSC in GIFT City:

- Tax holiday for capital gains from incomes of aircraft leasing companies

- Tax exemptions for aircraft lease rentals paid to foreign lessors
- Tax incentive for relocating foreign funds in the IFSC
- Tax exemption to investment division of foreign banks located in IFSC

Ease of Filing Taxes:

Details of capital gains from listed securities, dividend income, interest from banks, etc. to be pre-filled in returns

Relief to Small Trusts:

Exemption limit of annual receipt revised from Rs.1 crore to Rs.5 crore for small charitable trusts running schools and hospitals

Labour Welfare:

- Late deposit of employee's contribution by the employer not to be allowed as deduction to the employer
- Eligibility for tax holiday claim for start-ups extended by one more year
- Capital gains exemption for investment in start-ups extended till 31st March, 2022