

HIGHLIGHTS IN FINANCE ACT

2021

DISCLAIMER

For clients and firm use only. We have taken all steps to ensure that the information contained herein has been obtained from reliable resources and that this publication is accurate. However, this publication is not intended to give legal, tax, accounting or other professional advice. We recommend appropriate advice be taken prior to initiating action on specific issues.

1. No changes in income tax slabs or rates for the Assessment Year 2022-23.

2. **Exemption is not available for Interest from PF contribution** If Contribution made by the employee in PF exceeds Rs.2,50,000/- or if an employee is contributing to the fund but there is no contribution to such fund by the employer, and the contribution exceeds Rs.5,00,000 then the interest income accrued during the previous year shall be taxable to the extent it relates to the contribution made by the employee to that fund in excess of Rs. 2,50,000 or Rs.5,00,000.

3. **No Depreciation shall be allowed on goodwill** - , The definition of 'block of assets' specifically excludes goodwill of business or profession from being considered as intangible assets. Consequently, goodwill of a business or profession shall not be considered as an asset for the purpose of the said clause and, hence, not eligible for depreciation under section 32 of the Income Tax Act.

4. **TDS rate reduced if PAN is not declared** - with effect from 01-07-2021, the higher tax rate on account of not providing PAN shall be reduced from 20% to 5% for deduction under section 194Q.

5. **Higher TDS for Non-filers of ITR** - With effect from 01-07-2021 higher TDS/TCS under section 206AB/206CCA if the deductee/collectee does not file return regularly.

6. **Start-up co exemption extended for 1 more year** - Start-up company get 100% exemption from the profits and gains derived from the eligible start-up if it is incorporated between 01-04-2016 and 31-03-2021. The date is now extended to 01-04-2022.

7. **ULIP is taxable if premium is more than Rs.2,50,000** - The exemption under clause 10D of section 10 shall not apply to sum received under a life insurance policy with respect to any unit linked insurance policy (ULIP) issued on or after the 1st day of February 2021, if the amount of premium payable for any of the previous year during the term of such policy exceeds Rs.2,50,000.

8. **Tax audit threshold increased to Rs.10 crores** - the threshold limit for the tax audit is increased from Rs. 5 crores to Rs. 10 crores with effect from the assessment year 2021-22.

9. **Capital Gain in the hands of Firm** - Amount paid in excess of credit in capital account of partner at the time of dissolution or reconstitution of the firm be it in asset form or money is taxable and is to be paid by the firm.

10. **Slump sale to be henceforth valued at FMV** - Section 50B Slump Sale is amended as to provide that the fair market value (FMV) of the capital assets (being an undertaking or division transferred by way of slump sale) as on the date of transfer shall be calculated in the prescribed manner. Such FMV shall be deemed to be full value of the consideration received or accruing as a result of transfer of such capital asset.

11. **Due date for belated/revised return reduced to 31st December** - The time limit for filing of belated return or revised return is reduced by 3 months. Now the belated or revised return can be filed on or before December 31 of the assessment year or before the completion of the assessment, whichever is earlier.

12. **Reduction in time limit for reopening** - No notice shall be issued if three years have elapsed from the end of the relevant assessment year. However, if the income escaping assessment exceeds or is likely to exceed Rs. 50 lakhs, the notice can be issued within 10 years from the end of the relevant assessment year.

13. **Reduction in time limit for processing of the ITR** - Time limit for sending intimation under sub-section (1) of section 143 of the Act from one year to nine months from the end of the financial year in which the return was furnished and also time limit for issue of notice under sub-section (2) of section 143 of the Act from six months to three months from the end of the financial year in which the return is furnished.

14. **Wider powers under intimation to add adjustments given in tax audit report** - to allow for the adjustment on account of increase in income indicated in the audit report but not taken into account

in computing the total income while processing the return of income under section 143(1).

15. With effect from 01-02-2021, Income tax settlement commission cease to apply.

16. Senior citizen above 75 years not required to file return - a senior citizen resident in India and of the age of 75 or more during the previous year having only pension income and interest income shall not require to file return of income.

17. Additional penalty if aadhaar is not mentioned in return - Where a person is required to intimate his Aadhaar number under sub-section (2) of section 139AA and such person fails to do so on or before such date, as may be prescribed, he shall be liable to pay such fee, as may be prescribed, not exceeding Rs.1000/- at the time of making intimation under sub-section (2) of section 139AA after the said date.

18. No deduction for employee's contribution if not deposited before the due date - employee's contribution towards welfare funds like PF, ESI etc., shall be allowed as deduction for the employer only if it remitted within the due dates under the relevant acts and will not be allowed under section 43B even if the same is remitted before filing employer's Income Tax Return.

19. LLP and HUF are not eligible for Presumptive Taxation under Section 44ADA.

20. ITAT Proceedings to be made Electronic.

Get all the News, Bulletins, Announcements pertaining to the business world at Suvidya:
<http://knowledge.suriandco.com/>