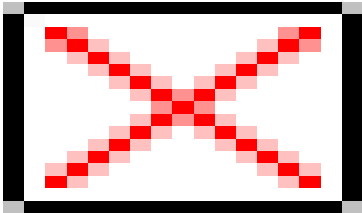


Budget 2021 - Balancing Expectations and Reality

FEBRUARY 10, 2021

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EXTRAORDINARY

times call for extraordinary measures. Batting on a sticky wicket in the aftermath of COVID, the Hon'ble Finance Minister presented the most crucial Union Budget 2021-22 on 1st February 2021, chalking out the plan for growth and resilience of the Indian Economy.

A slew of announcements were made in light of the 'Make in India' policy, along with the ideology to achieve minimum government and maximum governance. Several efforts were undertaken to curb the loopholes leading to irregular availment of credit as well as evasion of taxes. While certain retrospective amendments are proposed in order to negate the impact of the principles laid down vide landmark judgments ¹, certain other retrospective amendments are on the positive side qua the assessee ²

. Steps in the right direction have been taken to rationalize Customs duty structure with minimum distortions, by eliminating outdated exemptions and introducing new ones with a limited validity.

While more often than not, most budgets have not lived up to the expectation, the current budget indicates being stable, pragmatic, and far sighted.

No changes in Income tax rates

have been made for the Aam Aadmi, thereby addressing their woes and uncertainty given the difficult year gone by. On another positive note, even though the levy of 'Agriculture, Infrastructure and Development Cess' ('AIDC') has been proposed on import of certain specified goods such as apples, fermented beverages, etc., the Basic Customs Duty rates for most of such items have been lowered with the objective of ensuring that the imposition of AIDC does not cause any additional burden on the consumer.

In view of the free vaccination drive of the Government for COVID, it was highly anticipated that the Government could introduce a **Covid Cess**. Thankfully, no such measures were proposed, providing the taxpayers a huge sigh of relief. A perfect example of ***no news being good news!***

Without any doubt, the Budget this time is a masterstroke, as was reflected in the immediate surge in the market. There were some expectations, however, which industry had on the indirect tax front which were not addressed in this budget.

Keeping in mind the focus of the Government towards an early dispute resolution mechanism, an **Amnesty scheme under the Customs law**, would have been a welcome move. The benefit under the scheme could have been by way of a reduced/full payment of Customs duty with waiver from interest, penalty and prosecution. This Amnesty scheme would have aided in resolving the pending Customs disputes ***inter alia*** on the issue of classification, valuation, rules of origin etc. in the lines of

Vivad se Vishwas Scheme or Sabka Vishwas Legacy Dispute Resolution Scheme.

For a long time now, the industry has had a wish-list for **inclusion of certain petroleum products, such as Natural gas, Aviation Turbine Fuel etc. under the Goods and Services Tax (GST)**

regime. This would not only resolve the issues of huge credit accumulation of suppliers of petroleum products (who pay GST on most of their sourcing activities) but would also result in reduction in prices for consumers.

The Finance Minister in her budget speech also suggested that possible measures to remove the anomalies towards **Inverted duty structure under GST**

would be adopted. The issues arising due to an interpretation issue in relation to Rule 89(5) of the Central Goods and Services Tax [Rules, 2017](#)

, however, still persists, thereby leading to an accumulation of input tax credit of GST paid on Input services on account of inverted duty structure and consequent increase in costs. A clarity on the same would have gone a long way in furthering the intent of the legislation to permit refund in a scenario of inverted duty structure irrespective of it being goods or services. On the Customs duty side, rates have been reduced on certain raw materials and inputs used by the domestic manufacturers so as to reduce the cost of inputs and correction of inverted duty structure.

While under the recently introduced scheme of **Remission of Duties and Taxes on Exported Products (RoDTEP)**, the exporters are already facing challenges such as the option to choose RoDTEP vs. Advance authorization in the shipping bills, the uncertainty regarding the rate, etc. a statement indicating the intent/direction on RoDTEP could have helped exporters choose the appropriate option in the interim while the fine print of the scheme is made available in due course of time.

In a nutshell, the Budget provides a vision of **Aatmanirbhar Bharat**

and highlights the steps to be taken towards implementation of the fiscal measures. Not only does it disincentivize tax evasion by putting in place stringent policies, it also holds officials accountable in cases of lingered investigation leading to loss of revenue. All in all, it genuinely attempts to offer a light at the end of the tunnel in an otherwise grappling economy and perfectly balances expectations and reality.

[The views expressed are strictly personal.]

¹ Section 7 of the Central Goods and Services Tax [Act, 2017](#)
(CGST Act) and the corresponding retrospective omission of Entry 7 of Schedule II

² Section 50 of the CGST Act

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