The Hon'ble Finance Minister presented the Budget 2021 on 1 February 2021. Please find below the key proposals pertaining to personal tax announced in the Union Budget 2021.

- No changes in the personal income tax rates (including surcharge and cess).

- Interest accrued on individual's Provident Fund contribution made in excess of INR 250,000 from Financial Year (FY) 2021-22 onwards to be taxable. The manner of computation to be prescribed.

- In case of Unit Linked Insurance Policies (ULIPs) issued on or after 01 February 2021, tax exemption on proceeds received from such ULIPs not available if aggregate premium payable for any FY exceeds INR 250,000. Such proceeds to be taxed as capital gains from equity-oriented funds and to be subjected to Securities Transaction Tax (STT). Proceeds received upon death will continue to be exempt from tax.

- Due to the pandemic outbreak, to boost spending, relief measures were announced to provide tax exemption to employees in lieu of LTC/ LTA. Consequential enabling provisions now proposed in the Income-tax Act, 1961 ('Act'). Related income-tax rules to follow.

- Currently, first time home buyers can claim additional deduction upto INR 150,000 in respect of interest on loan sanctioned between 01 April 2019 and 31 March 2021 for house property of stamp duty value upto INR 4.5 million (INR 45 lakhs). The closing date is now to be extended till 31 March 2022.

- Capital gains exemption available under section 54GB in respect of gains arising from transfer of residential property available with respect to investment in start-ups to be extended till 31 March 2022.

- Currently, due to mismatch in timing of taxing withdrawals from overseas retirement funds, certain resident taxpayers face hardship from double taxation, in situations where such individuals contributed to the retirement benefit fund outside

India while they were non-resident in India and resident in that foreign country. Relief is now proposed to be introduced in this regard. Rules for providing relief due to mismatch in timing of taxation of such retirement benefits to be prescribed.

- At present, deemed value of consideration to be considered for tax purposes is the purchase consideration or stamp value, whichever is higher. For this purpose, variance upto 10% is ignored. It is now proposed that for a person acquiring immovable property during the period 12 November 2020 to 30 June 2021 by way of first time allotment from a real estate developer for a consideration upto INR 20 million (i.e. INR 2 crores), such variance is to be ignored upto 20%.

- In case of specified payments other than salaries (such as rent payments, etc.), a higher rate of withholding tax to apply if the payee has not filed income-tax returns in the preceding two years.

- Advance tax on dividend income (other than deemed dividend) to be due from the quarter in which it is declared/ paid i.e. no interest applicable for prior quarters if applicable advance tax has been paid in subsequent quarters.

- Resident senior citizens (ages 75 years or more) having only pension and bank interest income from the specified bank will not be required to file income-tax return, subject to fulfilment of certain conditions.

- Timelines amended for the following -
    - Filing belated and revised income-tax returns reduced by three months i.e. 31 December following the end of FY.
    - Issuing an intimation for processing of income tax return reduced by three months i.e. nine months from the end of FY in which return is filed.
    - Issuing of notice for scrutiny assessment reduced by three months i.e. three months from the end of FY in which return is filed.
    - Reopening of assessment to be reduced to three years from four/ six years from the end of relevant assessment year, with the approval of specified authority. Such limit to extend to 10 years in cases of concealment of income of more than INR 5 million (INR 50 lakhs).

    - Completion of scrutiny assessment reduced to nine months from the end of the relevant assessment year.

- Dispute Resolution Committee (DRC) to be set up for small taxpayers where the returned income is upto INR 5 million (INR 50 lakhs) and the aggregate amount of variation proposed in specified order is upto INR 1 million (INR 10 lakhs).

- Faceless proceedings to be introduced for Income-tax Appellate Tribunal (ITAT).

- To further ease filing of income-tax returns, details of capital gains from listed securities, dividend income and interest from banks, post office etc. to also be pre-filled in tax return forms.

- The term ‘Person Liable to Tax’ used in Section 6 (relating to residency) and other provisions of the Act, has now been defined to mean a person having a liability of tax under the law of any country and will include a case where subsequent to imposition of such tax liability, an exemption has been provided.