



## **Budget 2021 promotes ease of paying taxes**

*Pre filled tax forms will capture capital gains and interest data from banks and post offices*

The key to happiness is having low expectations. Most investors had low expectations from the Union Budget despite talk of a 'never-before budget.' But they were in for a pleasant surprise. The fear of an increase in COVID related cess, capital gains tax, wealth tax or estate duties, and some sort of levy on the super-rich did not materialise. Of course, an agricultural infrastructure and development cess was introduced. I believe most were expecting much worse, and thus very pleased with the status quo. The enhanced focus on capital spending with a significant increase to the tune of 34.5 percent on that front, and counter cyclical spending to spur growth, should allow demand to come back gradually and there will hopefully also be more jobs that will be created as a result.

### **How the budget affects the common taxpayer**

- The need to file taxes for senior citizens above 75 years having only interest and pension income has been done away with. TDS will, of course, continue above certain thresholds.

-For NRIs based in countries where retirement savings are taxed on withdrawal, a new section is being inserted to come into effect from FY21-22 to align it with Indian practice. India taxes them on accrual. The list of countries is to be notified.

-Inability to open assessments by the tax department beyond three years instead of six years earlier, unless there is a belief that the concealment of income is in excess of Rs 50 lakhs, in which case it can go back 10 years

-Audit limits increased to Rs 10 crores for company having more than 95 percent of their payments and receipts in a digital form

-Pre filled tax forms being made available with capital gains and interest data from banks and post offices, needing you to only validate the data

-Faceless assessments for anyone having income up to Rs 50 lakhs and disputed income up to Rs 10 lakhs to approach a dispute resolution committee.

-One-person companies got a fillip as it is now possible to grow these companies as restrictions on capital and turnover have been removed, allowing for small businesses to get professionalised easily.

-Depositors with money in banks that go under a RBI Moratorium will get access to Rs 5 lakh quicker, rather than waiting for liquidation making the deposit guarantee scheme more valuable.

## **Markets cheer FM's speech**

As investors, the sharp pullback in equity markets in India after weakness last week, coincided with a sharp global rally in equities days after the budget. However, it is critical to keep in mind that both Indian and global equity valuations continue to be at a significant premium to long-term averages and, therefore, equity investing must be done only if you have a 7-10-year investment horizon. Avoid rushing in with the fear of missing out, without your financial goals being clear.

The parity between ULIPs having annual premiums of Rs 2.5 lakhs per annum and mutual funds will enable investors to separate their investment and insurance needs.

A significant increase in government spending will mean that debt investors may continue to remain focussed on short-term and medium duration funds. Long-term interest rates may remain elevated, as investors continue to worry about the government borrowing program and RBI will need to intervene aggressively to support the borrowing. Corporate bonds should see increased investor confidence, with measures to purchase investment grade bonds through an institutional framework helping with deepening corporate bond markets.

For higher contributors to employee provident fund, including the Voluntary Provident Fund, the contribution in excess of Rs 2.5 lakhs per annum will become taxable, making it important for investors who have larger savings to look for other avenues to save towards their retirement. An investor charter should also help with better defined grievance redressal across investment products, and a unified securities code should further boost investments into financial assets.

Overall, the lower expectations from the budget and measures to promote ease of living should mean that all eyes will be on implementation.

**This article is written by Vishal Dhawan and first appeared in Money Control.**