Industry seeks direct and indirect tax sops amidst COVID crisis

Ahead of the Union Budget 2021-22, the industry has made several demands to the government to provide direct and indirect tax benefits so that they can face the challenges of the COVID crisis and also emerge competitive in the global market. Hon’ble Finance Minister Ms. Nirmala Sitharaman will present the Union Budget for 2021-22 on February 1, 2021.

The travel and tourism sector, which has borne the maximum brunt from the COVID pandemic has suggested the government to relax tax rules by allowing expenses incurred on accommodation by employees to be claimed under Leave Travel Allowance (LTA). Under the current rules, employees can claim LTA only against expenses incurred on travel fare and not on accommodation. Companies in the MICE industry (Meetings, Incentives, Conferences, and Exhibitions) have also sought exemption or zero-rating of GST to reduce their financial stress. As a temporary measure, the industry has also sought exemption or at least reduction of applicable GST on hotels and accommodation.

In order to support small enterprises, representatives of the industry requested for reduction in the presumptive income rate from the existing 8% in case of non-digital transactions and 6% in case of digital transactions for a minimum period of two years. Presumptive taxation is applicable for entities with a turnover of less than Rs 2 crore. Under the current rules, these entities need to declare profits of 8% for non-digital transactions or 6% for digital transactions, whichever one is applicable. Reduction in presumptive income rate will benefit many distributors and wholesalers who are facing issues of running their businesses due to low demand, competition in the market, cash-flow mismatch, etc.

The industry has also sought clarification on whether Tax Collection at Source (TCS) is applicable on high-seas sales and deemed exports. Under the current tax rules, companies are exempt from TCS on export of goods outside India. However, there is no clarity on whether exports shall include high sea sales and deemed exports. Consequently, the industry has sought clarity on applicability of TCS in such cases to avoid litigation and ambiguity.

The industry has also requested the government to increase the salary limit under Section 80 JJAA of the Income Tax Act. In order to encourage enterprises to provide employment opportunities, the government allows deduction in respect of additional employment cost of new employees under Section 80JJAA of this Act. However, the government has stipulated a condition that the salary of the new employee should not be more than Rs 25,000/month.

The industry has sought hike in the salary limit in order to widen the scope of deduction that can be claimed under this section. This is likely to reduce tax for the enterprise, which may be a minimal cost to the exchequer as additional employment could result in increment in individual income-tax collections.

Export oriented industries such as gems & jewellery, stainless steel have sought reduction in import duty on raw materials to make them globally competitive. The gems and jewelry sector has requested the government to reduce applicable import duties on import of diamond and gold. Similarly, the stainless steel sector has demanded the government to abolish the 2.5% import duty on ferro-nickel and stainless steel scrap.
Notifications

PIB

Ministry identifies new routes for RO-RO, RO-PAX and Ferry Services


DGFT

Allocation of preferential export of sugar to USA under Tariff Rate Quota

https://content.dgft.gov.in/Website/dgftprod/3c57a97e-ee31-44d5-af38-477fbb08b7a3/PN%2033%20Eng.pdf