

MSME

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Dear Fellow ISODA Colleagues

The positivity that has surrounded us is that the business is increasing, customers have started investing keeping in mind the Cyber Crimes that are increasing and the vaccination drive that has kick-started in its first phase. The overall outlook is looking much better from a business perspective and I am sure that you are all engaged and busy with an increase in business discussions.

The Budget was announced this month and we are sure you all would have your perspectives on the same from an ISODA community and IT industry as a whole. We present to you perspectives of 5 ISODA members covering all regions. Very interesting read because these come from very experienced professionals who have understood the Budget in detail and it's implications on our businesses. I urge you to read each of the perspectives as they are very relevant and will make all of us think in terms of taking benefit for growth.

In our next Interconnect, we would like to bring about stories of collaboration amongst ISODA members. In case you have Collaborated with any ISODA members on customer requirements together, please do share your experience and kind words. Without naming the customer and getting into too many transaction details, if you can share with Jitesh Chauhan, details of who the partners were, how you were able to together close business and how you benefitted from the collaboration, it would make it really worthwhile for us to cover and motivate other members to collaborate as well.

Work has also begun on publishing the member's directory on our website in a secure manner. We are also working on getting a list of document templates uploaded on our website for the ready reference of our members. These include PO formats, Offer Letter formats, MoU/NDA/SoW formats, Service sign-off formats etc. We are sure these will help you all to tremendously streamline your documentation needs. We will be announcing the go live soon.

In the meantime, stay safe and grow!

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Implications of Budget 2021-22 on the ISODA Member Community

Nilesh Kuvadia
Managing Director - ITCG Solutions



This year, the hon'ble Finance Minister has acknowledged that innovations have disrupted the conventional business models and Information Technology being the backbone of most industries, plays a vital role in any business. This significant change in technology adoption is an indicator of technology being more integrated in our lives and most of the things are technology driven.

This budget focuses on 3 important aspects:

- a) Ease of living,
- b) Ease of doing business
- c) Ease of transactions.

a) Ease of Living – General for any community:

Period for obtaining approval of Affordable Housing projects extended to March 31st 2022. Interest deduction of Rs. 150000/- on home loans taken to purchase an eligible house also extended for 1 year till 31st March 2022.

b) Ease of doing Business:

Following are the key points that enables ease of doing business.

1. The government has set aside in Union Budget 2021-22 more than Rs 3,000 crore for conducting the Digital Census 2021 wherein Indian IT firms set to gain from Digital Census 2021, MCA 21 3.0.
2. Govt. introduced the production linked incentive scheme (PLI) scheme with an aim to offer opportunities for home-grown and international electronic businesses to improve their manufacturing competences in India
3. Startup funding eased via GIFT City-IFSC route. New Tax initiatives have been proposed in this budget to help international funds relocate to India and avail tax exemptions, for units under the International Financial Services Centre, or IFSC, at GIFT City Gandhinagar.
4. Rs 1,500 crore for the digital payments industry. This initiative may in turn provide a target-based subsidy for firms deploying acceptance infrastructure in Tier III and beyond. Further details are however awaited on the modus operandi of these funds.
5. Tax Holiday for one more year for Startups.

Measures towards intellectual property protection – Several measures have been proposed towards Intellectual property creation and protection; Knowledge Translation Clusters are proposed to be set up across different technology sectors including new and emerging areas for such IPRs.

Setting up of datacenter parks – Policy proposed to enable private sector to build datacenter parks throughout the country to promote analytics, fintech, and IOT. This initiative is expected to enable firms to skillfully incorporate data for decision making in every step of their value chains.

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Support for smart metering – For improvement of energy efficiency and consumer experience; vision to replace conventional energy meters by prepaid smart meters in the next 3 years.

Introduction of digital refund scheme for exporters – Digital Refund Scheme for exporters to promote exports, to be launched this year for refund of central and state duties and taxes (such as electricity duties and VAT on fuel currently are neither exempt nor refunded)

Promotion of start-ups – It is proposed to set up an Investment Clearance Cell (ICC) to create more opportunities for start-ups and develop a conducive environment. The ICC would provide “end-to-end” facilitation and support which includes pre-investment advisory, information and also government clearances.

Govt. has proposed to provide early life funding to start-ups, including a seed fund to support ideation and develop early stage start-ups

Digital platform to facilitate seamless application and setting up an Institute of Excellence to work on complexity and innovation proposed to encourage intellectual property creation and protection.

c) Ease of Transactions:

Withholding tax rate reduction for Fees for Technical Services (‘FTS’) for domestic payments –Withholding tax rate under section 194J of the Act for payments is proposed to be reduced to 2% from the existing rate of 10% in the nature of FTS (other than professional services).

Digitization/e-invoicing under GST –The Finance Minister highlighted the need for electronic invoices, as a leap towards digitization of GST and curb the fake invoices and fraudulent input tax credits and refunds. E-invoicing will be implemented in a phased manner on optional basis to facilitate compliance and new return filing.

Summary:

1. Government’s focus on developing infrastructure and skills which will have short- and long-term benefits to Indian economy and people
2. National Digital Educational Architecture (NDEAR) is a welcome step, which will help build a Digital First mindset in the entire education system in India
3. The focus on innovation and R&D (Research & Development) as an important pillar is a critical step in increasing the export income of Indian IT sector
4. There is a strong focus on Digital India be it through setting a fintech hub at GIFT city, enhancing digital payments and use of AI, ML etc in governance, or making tax appellants faceless and tech enabled – all provide a solid foundation for a forward-looking data-economy.
5. The Finance Minister also indicates that the 2021 Census to be held digitally for the first time in India.
6. Incorporation of one person companies (OPCs) has been incentivized by removing the restrictions on paid-up capital, enabling conversion into other types of company at any time and reducing the residency time limit.
7. Time limits for tax exemptions available to recognized start-ups have been extended by a year.
8. Push to digital infrastructure by launching a new Ministry of Corporate Affairs portal, MCA 21 3.0, Digital Census, e-courts & portal for gig workers.
9. Strengthening research and development by setting up a Natural Language Translation Mission and National Research Foundation.
10. INR 1,500 crore scheme to promote digital mode of payments.
11. Increase in custom duty on mobile chargers and some sub-parts of mobile phones.
12. The significant push to building digital infrastructure and digitisation across both the private and public sector is welcome.
13. In addition, the proposed investments in harnessing new technologies such as analytics, artificial intelligence (AI) and machine learning (ML) will further create new opportunities for the sector and act as a catalyst to the industry’s efforts of being an intellectual tech hub for global markets.



Capt. Ashok B. Shiroor
Managing Director – MikroZ

Direct Tax Proposal FY2021-22

Key Direct Tax Proposals

Changes in timelines

Period for obtaining approval of Affordable Housing projects extended to March 31st 2022. Interest deduction of Rs. 150000/- on home loans taken to purchase an eligible house also extended for 1 year till 31st March 2022.

- Relaxation for certain category of resident senior citizens of the age of 75 or more, from filing return of Income Tax.
- Reduction in time limit for filing belated/revised return by three months (applies to personal and corporate tax payers). Earlier was unlimited.

Increase in TDS rate for non-filers

- Rate of TDS/TCS shall be double of the specified rate or 5% whichever is higher in case of non-filing of ITR for last two years and where TDS/TCS is ₹50,000/- or more for the last two years.

Delayed employee contribution

- Late deposit of employees' contribution to labour welfare funds by the employer shall not be allowed as deduction to the employer.
- This was earlier litigative and was allowed in specific states based on High Court rulings, this has now been disallowed in entirety.

Dispute Resolution

- Faceless dispute resolution committee will be constituted for small taxpayers having taxable income up to ₹50L and disputed income up to ₹10L.
- Government will have powers to reduce or waive any penalty imposable under this Act or grant immunity from prosecution for any offence under this Act in case of a person whose dispute is resolved under this provision.

Corporate Tax Proposals

TDS on Purchase of Goods

- A new section 194Q is proposed to be inserted to provide for deduction of TDS by person purchasing goods.

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- Applicable only in case total sales or gross receipts or turnover from the business carried on by him exceed ₹10 Crores during the financial year immediately preceding the financial year

Condition of applicability TDS on purchase of Goods

- Deduction required if the purchase of goods exceeds 50L from seller.
- Where seller does not provide PAN, TDS shall be liable to be deducted @5%
- Not applicable in case TDS is deductible under other section/TCS is collected by seller

General

- Taxpayers having turnover more than ₹10 crores in the previous year to now keep track of sales and purchases for TCS and TDS compliances.

Indirect Tax Proposals

Requirement of getting a GST Audit done from a CA abolished.

Legal power enabled for government to restrict ITC to GSTR 2A.

Universal option of availing refund of GST after payment is now abolished.

- Now, the taxpayers cannot opt for zero-rated supplies on payment of integrated tax. Instead, zero-rated supplies without payment of integrated tax is the default mechanism.
- Only notified class of person can claim refund of IGST paid on zero-rated supplies.
- In addition, supplier of notified goods or services can claim refund of IGST paid on zero-rated supplies.

Nagaraj P
Co-Founder & Director - Quadrasystems.net



The biggest focus of Budget 2021 has been the emphasis on digital infrastructure and backbone as the foundation of economic growth and progress. The focus on indigenous manufacturing continues, and this augurs very well for the Indian economy as a whole. We are already seeing the effects of this push in several segments, including electronics. This will provide a fillip to local industry and jobs, as well as encouraging skill transfer and true 'made-in-India' products.

From a pure tech standpoint, for the first time, we saw mention of words such as AI, IoT and analytics. It's quite clear that policy

(contd.)

makers have recognized the potential of the tech industry, not just as a vertical in itself, but also as an enabler and transformer of core industries. Extending tax holidays for start-ups will help them extend their runway, in an industry buffeted by COVID-19 effects.

In tune with changing times, the definition of small companies has been expanded to those with a turnover of up to INR 20 crores – this is relevant in today's context and is a welcome move. The fact that these companies have simplified and reduced compliance burdens will ease the pain of doing business, and help them to focus on growth, even while being system driven and structured in their business approach. On the same note, using advanced analytics and machine intelligence will identify defaulters, while ensuring smooth processing for compliant organizations. Moving away from human driven assessments will bring objectivity and neutrality, eliminating a lot of issues for the average business.

The Fintech hub and digital payments are another push that will boost e-commerce companies. As such, almost every industry has had to resort to online sales during the lockdown – today, even cars are being sold on a virtual platform. India is the fastest growing app and internet market, and this will unlock several new business models, leading to the emergence of tens and even hundreds of unicorns. Insurance is another sector set to transform, with increased FDI.

Overall, the focus on economic development, digital and physical infrastructure and health are definitely steps in the right direction. No budget can satisfy 100% of expectations, but this has come quite close. It is now up to individuals and businesses to make sure that they seize the opportunities and make the most of the regulatory framework and support mechanisms.



Jatin Botadra

Owner - Cybertech Infosolutions

Covid situation came as blessing in disguise for it industry in 2020 creating a push largely avoided by cfo's, earlier, paving a way forward for digital transformation. More than planned spending that came as need of the hour.

Finance Minister Nirmala Sitharaman adopted a tablet, on Monday, February 1 PRESENTING Union Budget 2021-22. for the first time making all relevant budget information available to all in real time through NIC's Union Budget mobile app, in a clear statement of digital as new brick and mortar for now on, a new normal.

Budget 2021 is a leap towards sustainable growth for Atma Nirbhar Bharat and booster for solid Make in India promise. Most industries find it as a step towards much needed push post covid and tech sector has been projected as taking India in the developed nations league. It certainly reflects progressive mind sets of most IT players and governments seem to be in tango.

Apart from markets reacting positively and sensx crossing 50000, some factors that may favor it indirectly are as:

Rs 15,700 crore provided for MSME sector

Centre unveils Rs 102 lakh crore infra projects to achieve \$5 trillion GDP target

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Having taken initiatives such as PLI for propelling India's manufacturing prowess, the next big focus is on innovation and R&D, is a big welcome by all.

Next big in announcement is digital census, marking a digital transformation adopted by government only to be followed by other PSU's. This will lead all the citizens to slowly become netizens and there is emphasis on local language governance too, thus integrating technology with more arenas of life around us.

Another important aspect would be digitizing education and skill india programme with introduction of newer platforms, albeit pushed by covid but now seen seriously as enabler of delivering education. Announcing of the National Digital Educational Architecture (NDEAR) is an initiative for the same.

To energise domestic manufacturing there is planned allocation of Rs 1.97 lakh crore on various PLI schemes over the next 5 years, starting this fiscal on top of Rs 40,951 crore announced for the PLI for electronic manufacturing schemes.

Very important other steps are setting up fintech hub and National Natural Language Translation Missions.

R&D in MI and AI has been encouraged and the policies will make it more lucrative for companies having made inroads already as well as startups.

The Budget has given many relaxations to the startup ecosystem; one such major relief is the extension of tax holidays for one more year till March 31, 2022.

In addition, to accelerate startup funding, the finance minister proposed to extend the capital gains exemption by one more year. Another significant announcement is incentivizing one person companies (OPC). The Budget proposal reduced the residency limit for Indian citizens from 182 days to 120 days to start an OPC. The minimum capital requirement of Rs 1 lakh for setting up an OPC has also been abolished, with the provision that the company can be made private or public at any given time. The finance minister has also increased the paid-up capital for small companies from Rs 50 lakh to Rs 2.5 crore.

Conclusion

2021 the Budget has more wows than ouchs ! It certainly will act as catalyst for the economic recovery in a post-COVID era.

And most importantly all the above churning will need more IT infra creating bigger role for all of us. From hardware to software and licenses to security, no one is going to be missing the bus.

Just remember that while fighting covid situation during 2020, all the frontliners were applauded what they missed was behind all WFH and online education and running internet 24*7, there was an IT guy as a backbone running the show, in the new digital era thrust by this budget we all have a bigger role to play and fatter paychecks as well!

Ashim Bhasin
CEO & Founder Director - BB Professionals Marketing



Budget 2021 presented under unprecedented COVID-19 circumstances is a visionary budget where government has turned the challenges into opportunities. Recognising the important role of MSME sector in Indian economy, a well-defined roadmap has been drawn. Let us review the important aspects of this budget from MSMEs perspective:

- Budget allocation has been doubled to 15,700 Crore for MSME Sector.
- MSME Products made more competitive by increasing import duties on steel screws and plastic builderware and rationalised import of duty-free items to incentivise the **exporters of garments, leather and handicrafts**.
- Custom duties reduced to 7.5% on various **iron and steel products to help MSMEs** impacted by sharp rise in price of these products.
- **Product Linked Incentive scheme (PLI)** launched to incentivise manufacturing sector in order to promote Atma Nirbhar Bharat program.
- To **benefit Agro Processing MSMEs and Farmers**, customs duty on cotton has been raised and rates have been calibrated on items like maize bran, rice bran oil cake, and animal feed additives.
- **Investment in Infrastructure Projects will have cascading effect on MSMEs** as most of these projects source locally made products. Budget outlays of about Rs. 64,180 crores over 6 years for PM Atma Nirbhar Swasth Bharat Yojana, an enhanced outlay of Rs. 1,18,101 lakh crores for Ministry of Road Transport and Highways, a record sum of Rs 1,10,055 crores has been provided for Railways and more than Rs. 85,000 Crores for development of Metro Projects will open tremendous opportunities for MSME sector.
- Various Regulatory Measures were announced in the budget which will reduce litigation and enable transparency for MSMEs. These measures include:
 - o Tax Audit Limit enhanced from 5 Crore to 10 Crore thereby providing relief from compliance burden to large section of MSMEs.
 - o Time frame for reopening of Income Tax assessment reduced to 3-years from 6-years which will bring down litigations and increase certainty for small industries in case of past assessment.
 - o Setting up Faceless Dispute Resolution Committee for small taxpayers with a taxable income of up to Rs. 50 lakh and any disputed income of less than 10 lakh, will reduce existing litigation and prevent new disputes by settling the issue at the initial stage.
 - o Creation of Asset Reconstruction Company Limited (ARCs) and Asset Management Company (AMCs) for consolidation and takeover of existing stressed debt
- Another big announcement is the **creation of a special framework for MSMEs for Debt Resolution** which is a certainly a move in the right direction as it will remove unnecessary litigation and bottlenecks for stressed MSMEs.

To summarise, this budget will certainly provide a conducive atmosphere for development of MSMEs and prepare them for global competition. Government has given due attention to ailing MSME sector by recognising their important role in Indian Economy.

Activities Corner

ISODA conducted 2 ASAP series webinars for our members.

Demystifying Budget 2021

Session by Dhruv Dua, ISODA tax Consultant

Recording at:

<https://drive.google.com/file/d/1Y-Nb8gQKq4JD7fGknjUD4JFY7W4rUIrP/view?usp=sharing>

Recent and anticipated changes in law relating to data protection, social security code and companies act

Session by A R Pradeep, ISODA Legal Consultant

Recording at:

<https://drive.google.com/file/d/1mieKxD95k0GmKjlgcYKThJs1a6QtKsW1/view?usp=sharing>



Impact of Union Budget on Indian Tech Industry & Channel Fraternity
Date: 6th Feb, 11 AM | Re-telecast: 5 PM
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Panelists

 Jiten Mehta CEO, Magnanimous Systems	 Harikrishna Prabhu Director, Technobind	 Pranav Pandya MD & CEO, Dev IT
 Alok Gupta Vice Chairman, ISODA	 Rajneesh De Content Head, iVAR news, Techplus Media	MODERATOR

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IT Var News conducted an online webinar that was very well attended by Channel Partners across India. All 4 panelists were ISODA members including our Hon. Vice Chairman, Alok Gupta. The event was very well received.

The Management Committee has been regular in meeting every alternate Saturday and we will be sharing the Minutes of Meetings soon.