

India Union Budget 2023

February 2023



Preface

Hon'ble Finance Minister Nirmala Sitharaman presented Union Budget for the Financial Year 2023-24 on 1st February 2023. This year's Budget hopes to build on the foundation laid in last year's Budget and the blueprint drawn therein for India at 100 years of independence. With Indian economy becoming the 5th largest globally and current year's economic growth estimated @ 7% (one of the highest among major economies), this year's Union Budget rests on the following priorities:

- **Inclusive Development** for sectors like agriculture, animal husbandry, dairy, fisheries, public health, pharmaceuticals, medical devices, education and skill development
- **Reaching the Last Mile** by improving socio-economic conditions of tribal groups, water for drought prone regions, support for poor prisoners
- **Infrastructure & Investment** including development of infrastructure projects, logistics, sustainable cities, urban sanitization, enhanced capital outlay for railways and continued financial assistance to State Governments
- **Unleashing the Potential** by adopting measures such as artificial intelligence based solutions in agriculture and health sectors, data governance policy to enable access to anonymized data, simplification of KYC processes, launch of e-courts, entity digi-locker and innovation in fintech services
- **Green Growth** focused on reducing environmental damage by implementing policies to promote green fuel, organic farming and green mobility for efficient use of energy across various sectors
- **Youth Power** to empower country's youth realize their dreams by undertaking policies focused on their skill development and facilitate job creation
- **Financial Sector** reforms such as revamped credit guarantee schemes for MSMEs, ease of doing business in GIFT IFSC, saving schemes for women & senior citizens and investor protection in banking sector

Preface

The **Direct Tax** proposals have been aimed to maintain continuity and stability of taxation, simplify provisions to reduce compliance burden, promote entrepreneurial spirit and provide tax relief to citizens. Increase in rebate and making new tax regime default for individuals, offering concessional tax rate to domestic manufacturing co-operative societies, tax exemption to members of armed forces, increase in threshold limit for presumptive taxation, plugging avenues for tax avoidance, introduction of new authority at first appellate level, rationalization of time limit for compliances, TDS and taxability on winnings from online games, benefits to start-ups are some of the key proposals.

The **Indirect Tax** proposals have been aimed at promoting exports, boosting domestic manufacture, enhancing domestic value addition, encouraging green energy and mobility. Customs duty exemptions extension by 1-5 years, changes in GST laws to align with return-filing system, relaxation of registration requirement for exempted categories, decriminalization of certain offenses and measures taken to curb fake invoicing are some of the key indirect tax proposals.

Although the tax proposals do not seem to have a significant impact in common man's life, the Government's inclination towards achieving a technology-driven economy does appear to be appealing. This is the last Union Budget of current Government before elections next year.

Key Economic Indicators

- Fiscal Deficit 5.9%
- Revenue Deficit 2.9%
- Primary Deficit 2.3%
- Gross Tax Revenue 11.1%
- Non-Tax Revenue 1%

Policy / Sectoral Announcements



7 Priority Areas for the Economy



Inclusive Development

Agriculture & Cooperatives

- ‘Digital Public Infrastructure for Agriculture’ to be built for better crop planning & financial support to farmers
- An ‘Agriculture Accelerator Fund’ to be set up for encouraging innovative startups in rural areas
- Cluster-based & value chain approach through PPP enhancing productivity of extra-long staple cotton
- ‘Atmanirbhar Horticulture Clean Plant Program’ with outlay of INR 2,200 Crore to be launched for boosting production of high value horticultural crops
- To make India global hub for millets ‘Sree Anna’ support to be given to IIMR, Hyderabad
- INR 20 Lakh Crore agricultural credit targeted at Animal Husbandry, Dairy & Fisheries sector
- New sub-scheme under ‘PM Matsya Sampada Yojana’ with outlay of INR 6,000 Crore to be launched for expanding the fisheries market
- Setting up of widely available storage capacity to help farmers store their produce & enhance their remuneration through sale at appropriate times

Health

- 157 new Nursing Colleges to be established
- ‘Sickle Cell Anaemia Elimination Mission’ to be launched to eliminate Sickle Cell Anaemia by 2047
- Joint Public & Private medical research to be encouraged through selected ICMR labs
- New Programme to promote research in Pharmaceuticals to be launched
- Multidisciplinary courses for medical devices to be provided to ensure availability of skilled manpower in the field of medical technology

Education & Skilling

- Teachers’ training to be revamped through the development of District Institutes of Education & Training
- National Digital Library to be set up for children & adolescents
- States will be encouraged to set up physical libraries at Panchayats & ward levels

Reaching the Last Mile

Tribal welfare

- 'Pradhan Mantri PVTG Development Mission' with outlay of INR 15,000 Crore over 3 years to be launched for improving socio-economic conditions of PVTGs
- Government to recruit 38,800 teachers & support staff for 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students over the next 3 years



Other Benefits

- Financial assistance of INR 5,300 Crore to be given for sustainable micro irrigation in drought prone regions of Karnataka
- The outlay for 'PM Awas Yojana' enhanced by 66% to INR 79,000 crore
- 'Bharat Shared Repository of Inscriptions' to be set up for digitization of ancient inscriptions
- Financial support to be provided for poor prisoners unable to afford penalty / bail amount



Infrastructure & Investment

Infrastructure

- Highest ever capital outlay of INR 2.4 Lakh Crore for Railways, being 9 times the outlay allocated in FY 2013-14
- 100 transport infrastructure projects with investment of INR 75,000 Crore identified for end-to-end connectivity for ports, coal, steel, fertilizer & food grains sectors
- 50 additional airports, heliports, water aerodromes & advance landing grounds to be revived for improving regional air connectivity
- Property tax governance reforms to incentivize cities for improving their credit worthiness for municipal bonds
- Establishment of 'Urban Infrastructure Development Fund' to create urban infrastructure in tier 2 & 3 cities
- To promote transition from manhole to machine-hole sewers, 100% mechanical desludging of septic tanks & sewers to be undertaken in all cities & towns

Investment

- Capital investment outlay enhanced by 33% amounting to INR 10 Lakh Crore i.e. 3.3% of GDP
- Continuation of 50 year interest free loan to State Governments to incentivize infrastructure investment
- Infrastructure Finance Secretariat to assist stakeholders for private investment in infrastructure, including railways, roads, urban infrastructure & power



Unleashing the Potential

Good Governance

- 3 AI centres to be set up in educational institutions
- National Data Governance Policy to be launched to promote innovation & research work
- KYC process to be simplified through adopting a 'risk-based' instead of 'one-size fits all' approach
- The State Support Mission of NITI Aayog to be continued for 3 years

Vivad se Vishwas

- Relief to MSMEs affected during COVID by launch of Vivad se Vishwas I, 95% of the forfeited amount relating to bid or performance security to be returned by Government & its undertakings
- Voluntary Settlement Scheme to be launched for settling contractual disputes of Government & their undertakings through Vivad se Vishwas II

Ease of Doing Business

- PAN to be used as common business identifier for all digital systems of specified government agencies
- 'Unified Filing Process' system to be set up in order to avoid the need for filing the same information with different Government bodies
- An Entity DigiLocker to be set up for MSMEs, large business & charitable trusts for storing & sharing documents online securely

Technology & Innovation

- One stop solution for updating of Identity & address of individuals to be established using DigiLocker
- Phase – 3 of E-Courts with an outlay of INR 7,000 Crore to be launched
- Scope of documents in DigiLocker to be expanded for individuals
- 100 labs to be set up for 5G services based application development
- R&D grant to be provided for LGD sector

Green Programmes / Schemes

- 'Green Credit Programme' to be notified under Environment (Protection) Act to encourage sustainable actions
- 'PM-PRANAM' programme to promote alternative fertilisers & balanced use of chemical fertilisers to be launched
- 500 new 'Waste to Wealth' plants under 'GOBAR dhan' scheme to promote circular economy to be established
- To encourage optimal use of wetlands, enhance eco-tourism & income generation for local communities, a scheme 'Amrit Dharohar' to be implemented over next 3 years
- Coastal shipping to be promoted as the energy efficient & lower cost mode of transport through PPP model
- Scrapping of old vehicles of the Central & State Government under the vehicle scrapping policy of the Government to be supported



Green Initiatives

- Allocation of INR 19,700 Crore towards the National Green Hydrogen Mission for facilitating the transition of economy into a low – carbon intensity & green economy with a target to achieve an annual production of 5 MMT by 2030
- Allocation of INR 35,000 Crore for priority investment towards energy transition & net zero objective
- Battery energy storage systems to be supported with viability gap funding
- With an investment of INR 20,700 Crore, the Inter-state transmission system for evacuation & grid integration of 13 GW renewable energy from Ladakh to be constructed
- 1 Crore farmers to be facilitated to adopt natural farming by setting up 10,000 bio-inputs resource centres
- An initiative, 'MISHTI' to be taken up for mangrove plantation along the coastline

Training

- 'Pradhan Mantri Kaushal Vikas Yojna 4.0' to be launched to skill youth
 - ✓ On-job training, industry partnership & alignment of courses with industry's need to be emphasised
 - ✓ New age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IoT, 3D printing, drones & soft skills to be covered
 - ✓ 30 Skill India International Centres to be set up to skill youth for international opportunities
- 'National Apprenticeship Promotion Scheme' to be rolled out to provide stipend to 47 Lakh youth in 3 years

Tourism

- At least 50 destinations to be selected through challenge mode with an objective to develop each destination as a complete package
- Focus on development of Tourism with respect to domestic as well as foreign tourists
- Tourist experience to be enhanced by making available relevant aspects on an app such as physical & virtual connectivity, tourists guides, security etc.
- Tourism infrastructure & amenities to be facilitated in border villages under the 'Vibrant Villages Programme'

Other Initiatives

- 'Unified Skill India digital platform' to be launched to expand the digital ecosystem for skilling with following objectives:
 - ✓ To enable demand based formal skilling
 - ✓ To link with employers including MSMEs
 - ✓ To facilitate access to entrepreneurship schemes
- States to set up Unity Malls for promotion & sale of One District - One Product & other handicraft products



Financial Sector

Financial Sector regulations

- Setting up of 'National Financial Information Registry' to enable efficient lending, promote financial inclusion & enhance financial stability
- To facilitate optimum regulation in the financial sector, public consultation will be brought to the process of regulation-making

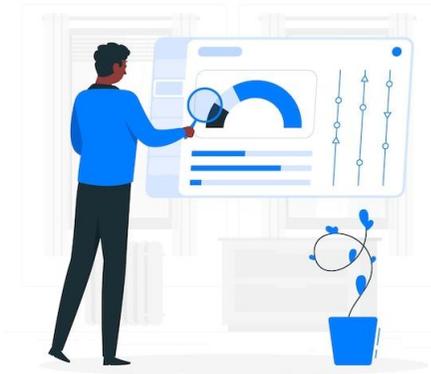
MSMEs

- Revamped CGTMSE Scheme to be launched with effect from 1st April 2023 with corpus of INR 9,000 Crore. The Scheme shall provide additional credit of INR 2 Lakh Crore to MSMEs & reduce cost of credit by 1%



GIFT IFSC

- Delegating powers under the SEZ Act to IFSCA to avoid dual regulation
- Setting up a single window IT system for registration & approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI & IRDAI
- Permitting acquisition financing by IFSC Banking units of Foreign Banks
- Establishing subsidiary of EXIM Bank for trade re-financing
- Recognition of offshore derivative instruments as valid contracts
- Facilitate setting up of Data Embassies for countries in GIFT IFSC



Regulatory compliance

- Amendments to the Banking Regulation Act, Companies Act & RBI Act proposed to improve bank governance & enhance investors' protection
- Create more trained professionals in Securities Markets via award of educational certificates
- Setting up of Central Data Processing Centre for faster processing of forms filed under Companies Act
- Integrated Information Technology portal to be established for providing ease to investors to reclaim their unpaid dividends & unclaimed shares from Investor Education & Protection Fund



Other financial benefits

- 'Mahila Samman Bachat Patra', new small savings Scheme to be launched for women with a deposit facility of upto INR 2 Lakh for a tenor of 2 years at interest rate of 7.5%
- Maximum deposit limit for 'Senior Citizen Savings' Scheme to be enhanced from INR 15 Lakh to INR 30 Lakh
- Maximum deposit limit for 'Monthly Income Account' Scheme to be enhanced from:
 - ✓ INR 4.5 Lakh to INR 9 Lakh for single account; &
 - ✓ INR 9 lakh to INR 15 Lakh for joint account



Direct Tax Proposals



Tax Rates



Effective Personal Tax Rates *

Taxable income (INR)	Alternative Tax Rates u/s 115BAC of IT Act <i>(New Tax Regime)</i>	Existing Tax Rates <i>(Old Tax Regime)</i>		
		< 60 years	Senior Citizens (60-80Years)	Super Senior Citizens (> 80 Years)
< 2.5 Lakh	Nil	Nil		
2.5 Lakh - 3 Lakh	5.20%	5.20%	Nil	
3 Lakh - 5 Lakh			5.20%	Nil
5 Lakh - 6 Lakh	10.40%	20.80%		
6 Lakh – 9 Lakh				
9 Lakh - 10 Lakh				
10 Lakh – 12 Lakh	15.60%	31.20%		
12 Lakh - 15 Lakh				
15 Lakh - 50 Lakh	31.20%	34.32%		
50 Lakh - 1 Crore				
1 Crore - 2 Crore				
2 Crore - 5 Crore	39.00%	42.74%		
> 5 Crore				

No change

39.00% → Surcharge reduced from 37% to 25% (in new regime only)

* Including Surcharge & Cess

Amendments in Personal Taxation

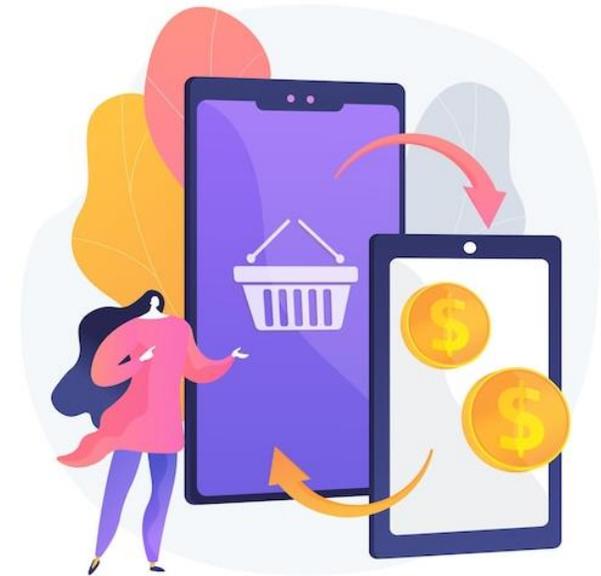
Rebate u/s 87A increased from INR 5 lakh to INR 7 Lakh for New Tax Regime

New Tax Regime shall be the default regime.

Taxpayers shall need to file form with tax authorities in case they choose to opt for Old Tax Regime

Deductions allowable under New Tax Regime:

- Standard deduction of INR 50,000
- Family pension of upto INR 15,000
- Contribution towards Agniveer Corpus Fund u/s 80CCH (*discussed in details later*)



Effective Tax Rates for Co-operative Society *

Taxable income (INR)	New Domestic Manufacturing Co-operative society entitled for Super Concessional Tax Rate u/s 115BAE	Existing Domestic Co-operative society entitled for Concessional Tax Rate u/s 115BAD	Existing Tax Rate / Others
Upto 10,000	17.16%	25.17%	10.40%
10,000 - 20,000			20.80%
20,000 – 1 Crore			31.20%
1 Crore – 10 Crore			33.88%
> 10 Crore			34.94%

Applicable for a co-operative society formed **after 1st April 2023**
 &
 Commences manufacturing before **31st March 2024**

No change

* Including Surcharge & Cess

Effective Corporate Tax Rates *

Legal Entity	New Domestic Manufacturing companies entitled for Super Concessional Tax Rate u/s 115BAB	Existing Domestic companies entitled for Concessional Tax Rate u/s 115BAA	Others		
			Taxable Income (INR)		
			< 1 Crore	1 Crore – 10 Crore	> 10 Crore
Domestic Companies:					
Turnover ≤ INR 400 Crore	17.16%	25.17%	26.00%	27.82%	29.12%
Turnover > INR 400 Crore			31.20%	33.38%	34.94%
LLPs, Partnership Firms		NA		34.94%	
Foreign Companies			41.60%	42.43%	43.68%

Applicable for a company incorporated **after 1st October 2019**
 &
 Commences manufacturing before **31st March 2024**

No change

* Including Surcharge & Cess

Socio-Economic Welfare Measures



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax deduction of payments to micro or small enterprises allowed only on actual payment basis</p> <p><i>Section(s) inserted: 43B(h)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 43B of IT Act allows certain tax deductions (such as tax, duty, employer's contribution to social security fund, etc.) only on actual payment basis Deduction on accrual basis is allowed only if the amount is paid on or before the due date of filing ITR for the relevant year 	<ul style="list-style-type: none"> Any sum payable to micro or small enterprise beyond the following time limit shall be allowed as tax deduction only on actual payment basis: <ul style="list-style-type: none"> ✓ Maximum of <u>45 days</u>, in case of a written agreement ✓ <u>15 days</u>, if there is no written agreement Tax deduction will be allowed on accrual basis <u>only if</u> payment is made within the above time limit 	<p>To promote timely payments to micro & small enterprises, since they constitute an important segment of the economy</p>

Key Direct Tax Proposals

Agnipath Scheme, 2022

The Ministry of Defence has introduced an 'Agnipath Scheme' from November 2022 for enrolment of individuals as 'Agniveers' in Indian Armed Forces. Pursuant to the scheme, a corpus fund (called Seva Nidhi) has been created to consolidate contributions of all Agniveers & matching contributions of the Government along with interest on these contributions

Budget Proposal	Proposed Amendment	Reason for Amendment
<p>Exempt-Exempt-Exempt status accorded to contributions received by, interest accumulated on & earnings paid by Corpus Fund under Agniveer Scheme</p> <p><i>Section(s) inserted: 10(12C), 80CCH, 17(1)(ix)</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none">• Following tax benefits have been extended to 'Agniveers'<ul style="list-style-type: none">✓ <u>Contribution to the corpus fund</u> by both, Agniveer as well as Government, shall be tax deductible u/s 80CCH while calculating taxable income (salary) in hands of Agniveer✓ <u>Earning received</u> by Agniveer / his nominee from the corpus fund shall be tax-exempt u/s 10(12C)• In the new tax regime u/s 115BAC, the Agniveer shall get tax deduction of Government's contribution to the corpus fund	<p>For welfare of the Armed Forces of India</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Conversion of Gold to EGR & vice-versa made capital gains neutral transaction</p> <p><i>Section(s) amended: 2(42A), 47(viid) & 49(10) inserted</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Pursuant to announcement in Union Budget 2021 about Gold Exchange, SEBI has issued a detailed regulatory framework for spot trading in gold on existing stock exchanges through the instrument of EGR A need was felt to exclude conversion of physical gold into EGR & vice versa by a SEBI registered Vault Manager, from the purview of capital gains taxation 	<ul style="list-style-type: none"> <u>Conversion of Gold into EGR & vice versa</u> by a SEBI registered Vault Manager (as per Vault Manager Regulations, 2021) has been <u>excluded from the definition of 'transfer'</u> by way of insertion of section 47(viid) Consequently, at the time of transfer of the subsequent converted asset (Gold or EGR as the case may be), cost of acquisition shall be considered as cost to previous owner u/s 49(10). Further, period of holding asset by previous owner shall be included while determining whether the converted asset is long term or short term in nature 	<p>To promote the concept of Electronic Gold</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>IFSC – Tax exemption to non-resident of income received on distribution of ODI entered into with an offshore banking unit</p> <p><i>Section(s) amended: 10(4E)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 10(4E) allows tax exemption on income of non-resident on transfer of ODI entered into with IFSC Banking Unit. The IFSC Banking Unit makes investments in permissible Indian securities, income on which is taxable as capital gains, interest, dividend u/s 115AD. Once the tax is paid, the IFSC Banking Unit passes on such income to the ODI holders Currently, tax exemption is available only on transfer of ODI & not on <u>distribution of income</u> to the non-resident ODI holder, leading to double taxation of such distributed income, i.e., 1st when received by the IFSC Banking Unit & 2nd, when the same income is distributed to the non-resident ODI holder 	<ul style="list-style-type: none"> Tax exemption shall be available to non-resident investor not only on transfer of ODI, but also <u>distribution of income on ODI</u>, entered into with an offshore banking unit of an IFSC Such exempt income shall include only that amount which has been taxed in the hands of IFSC Banking Unit u/s 115AD 	<p>To remove double taxation on distribution of ODI by IFSC Banking Unit</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Specific provision inserted for tax exemption of income arising to development authorities</p> <p><i>Section(s) amended: 10(46), 10(46A) inserted</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 10(46) provides tax exemption to certain income arising to authorities set up by Government with the object of regulating activities for the benefit of general public. <u>The authority must not be engaged in any commercial activity</u> & must be notified by the Central Government The restriction on undertaking commercial activities has been a litigated issue. The Supreme Court recently in <u>case of Ahmedabad Urban Development Authority</u> held that money charged for public services are per se to be excluded from the mischief of 'commercial activities' since their object are essential for advancement of public purposes/ functions 	<ul style="list-style-type: none"> New section 10(46A) has been inserted to <u>exempt income arising to an authority</u> (not being a company) which is <u>established by Government with 1 or more of following objectives</u>: <ul style="list-style-type: none"> ✓ Fulfillment of need for housing accommodation ✓ Planning, development or improvement of cities, towns, villages ✓ Regulating any activity for benefit of general public ✓ Regulating any matter for the benefit of general public, arising out of the object for which it has been created Such body must be notified by the Central Government 	<p>To provide tax-exemption to development authorities</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Facilitation of certain strategic disinvestment</p> <p><i>Section(s) amended: 72A(1)(d), 72AA(i)</i></p> <p><i>Explanation(iii)</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> Section 72A of IT Act allows carry forward & set off of losses & unabsorbed depreciation in amalgamation, demerger including 'Strategic Disinvestment'. 'Strategic disinvestment' has been defined as sale of shares by Government in a public sector company which results in reduction of its shareholding < 51% along with transfer of control to buyer Section 72AA relates to carry forward of losses & unabsorbed depreciation in certain cases, including amalgamation of a bank with another bank 	<ul style="list-style-type: none"> 'Strategic Disinvestment' u/s 72A has <u>been redefined</u> to mean sale of shares by Central Government, State Government or Public Sector Company in a public sector company or a company which results in: <ul style="list-style-type: none"> ✓ Reduction of its shareholding < 51% (applicable in case shareholding > 51% before such sale), & ✓ Transfer of control to buyer (may be carried out by either Central Government or State Government or Public Sector Company or any 2 or all of them) Section 72AA has been amended to allow carry forward of losses / unabsorbed depreciation (within banking industry) subsequent to a strategic disinvestment, if such amalgamation takes place <u>within 5 years</u> of strategic disinvestment 	<p>To facilitate further strategic disinvestment</p>

Ease of Compliance



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Relaxation in condition to claim amortization of preliminary expenditure u/s 35D</p> <p><i>Section(s) amended: 35D(2)(a) Proviso</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 35D of ITA Act provides for amortization of certain preliminary expenses incurred prior to commencement of business (or after commencement, in connection with extension of an existing undertaking) The preliminary expenses include expenditure in connection with preparation of feasibility report, project report, market survey, etc. Such work can be carried out by the taxpayer itself or <u>a concern which is approved by CBDT</u> A need was felt to ease the process by removing the condition of above activities to be carried out by a concern approved by CBDT 	<p>The <u>condition for activities to be carried out by a concern approved by CBDT, has been removed</u>. Instead, taxpayer has been required to furnish a statement with tax authorities (in prescribed form & time limit) mentioning the details of such expenditure</p>	<p>To ease the process of claiming amortization of preliminary expenses for tax purposes</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p data-bbox="49 297 331 761">Increase in annual threshold limit of turnover / gross receipts for taxpayers opting for presumptive scheme of taxation</p> <p data-bbox="49 818 356 1096"><i>Section(s) amended: 44AB (1st Proviso), 44AD [Explanation (b)(ii)], 44ADA(1)</i></p> <p data-bbox="49 1153 364 1236"><i>Effective from: AY 2024-25 onwards</i></p>	<ul data-bbox="410 297 1120 1286" style="list-style-type: none"> • Section 44AD provides for presumptive scheme of taxation for small businesses having annual turnover \leq <u>INR 2 Crore</u>. A sum of 8% or 6% of annual turnover is considered as taxable income, unless taxpayer wishes to offer a higher income amount to tax • Section 44ADA provides for presumptive scheme of taxation for small professionals having annual gross receipts \leq <u>INR 50 Lakh</u>. A sum of 50% of gross receipts is considered as taxable income, unless taxpayer wishes to offer a higher income amount to tax • A need was felt to increase the threshold limit for taxation under above presumptive schemes 	<ul data-bbox="1162 297 1736 1286" style="list-style-type: none"> • The annual threshold turnover limit of INR 2 Crore u/s 44AD has been increased to <u>INR 3 Crore</u> (provided aggregate cash receipts < 5% of total turnover) • The annual threshold limit of gross receipts of INR 50 Lakh u/s 44ADA has been increased to <u>INR 75 Lakh</u> (provided aggregate cash receipts < 5% of total gross receipts) • Taxpayers opting for presumptive scheme of taxation u/s 44AB(1) or 44ADA(1) are exempt from requirement of tax audit u/s 44AB 	<p data-bbox="1777 297 1949 475">For the benefit of small taxpayers</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p data-bbox="49 297 457 619">Payment of interest income by business trust to non-resident unit holder requiring TDS u/s 194LBA, is eligible for lower withholding tax order</p> <p data-bbox="49 676 422 762"><i>Section(s) amended: 197(1)</i></p> <p data-bbox="49 819 451 905"><i>Effective from: 1st April 2023 onwards</i></p>	<ul data-bbox="499 297 1587 951" style="list-style-type: none"><li data-bbox="499 297 1587 576">• Section 197 of IT Act allows a taxpayer to apply for & obtain (subject to satisfaction of tax officer) a lower withholding tax order for various categories of payments. Payment of interest income by a business trust to its non-resident unit holder (subject to TDS @ 5% u/s 194LBA), however, is not covered within the prescribed categories of payments<li data-bbox="499 634 1587 951">• In some cases TDS rate may be required to be reduced due to tax-exemption [for example, exemption u/s 10(23FE) allowed to notified sovereign wealth funds & pension funds]. However, since certificate for lower withholding tax u/s 194LBA cannot be obtained u/s 197, benefit of the tax exemption is not available at the time of tax deduction at source	<p data-bbox="1624 297 1939 576">Payments requiring TDS u/s 194LBA are also eligible for lower withholding tax order</p>

Widening & Deepening of Tax Base



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Income arising outside India on account of gift received by 'resident but not ordinary resident' > INR 50,000 is taxable in India</p> <p><i>Section(s) amended: 9(1)(viii)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<p>Gift / money received by a <u>non-resident</u> (> INR 50,000) from a resident in India, on or after 5 July 2019, is taxable in India</p>	<ul style="list-style-type: none"> • Gift / money received by a '<u>resident but not ordinary resident</u>' (> INR 50,000) from a resident in India, on or after 1 April 2023, is also taxable in India • Amongst other criteria, an individual qualifies to be 'resident but not ordinary resident' in India if: <ul style="list-style-type: none"> ✓ He has been non-resident in India in 9 out of 10 preceding years, or ✓ He has been in India ≤ 729 days in 7 preceding years 	<p>To bring 'resident but not ordinary resident' within the tax net in case of receipt of gift outside India</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Removal of tax exemption available to news agencies</p> <p><i>Section(s) amended: 10(22B)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<p>As per Section 10(22B) of IT Act, tax exemption is available to notified news agencies set up in India solely for collection & distribution of news, provided the agency applies its income solely for collection & distribution of news & does not distribute it in any manner to its members</p>	<p>The <u>tax exemption has been withdrawn</u></p>	<p>In accordance with Government's policy of phasing out tax exemptions & deductions</p>
<p>Removal of exemption from TDS on payment of interest on listed debentures to a resident</p> <p><i>Section(s) deleted: 193 [clause (ix) to proviso]</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<p>As per section 193 [clause (ix) to proviso], no tax is required to be deducted at source on payment of interest on listed debentures to a resident</p>	<p>The said exemption from TDS has been removed</p>	<p>Under reporting of interest income by recipient due to exemption from TDS</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Plugging tax avoidance through distribution of income by business trusts (REIT & InvIT) to its unit holders</p> <p><i>Section(s) inserted: 56(2)(xii), 115UA(3A), 2(24)(xviic)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 115UA of IT Act provides pass-through status to business trusts in respect of following income: <ul style="list-style-type: none"> ✓ Interest income, Dividend income received by REIT / InvIT from SPV ✓ Rental income received by REIT The above income is taxable in hands of unit holders. The nature & proportion of income is considered the same as it would have been in the hands of business trust Intention of the legislature is not to provide dual tax exemption on any income (such as repayment of debt by business trust to unit holder). In other words, law does not want a situation in which income is neither taxable in hands of business trust nor unit holder 	<ul style="list-style-type: none"> Any <u>income</u> (other than interest, dividend & rent for which taxing mechanism already exists) <u>received by a unit holder from business trust shall be taxable</u> in his hands as 'income from other sources' For income in the nature of redemption of units held by unit holder, deduction shall be available of cost acquisition of such units (maximum upto redemption value) 	<p>To avoid a situation where income is neither taxable in hands of business trust nor unit holder</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Prevention of misuse of presumptive scheme of taxation for certain categories of non-residents u/s 44BB & 44BBB</p> <p><i>Section(s) inserted: 44BB, 44BBB</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> The law allows presumptive basis of taxation for following taxpayers <ul style="list-style-type: none"> ✓ Section 44BB – Non residents engaged in providing services / facilities in connection with, or supplying plant & machinery on hire, to be used in the prospecting / extraction / production of mineral oils ✓ Section 44BBB – Non resident foreign company engaged in civil construction / erection, testing or commissioning of plant & machinery, in connection with a turnkey power project approved by Central Government of India In the above cases, 10% of payments received is treated as taxable income. The taxpayer can claimer lower taxable income if it maintains necessary books of accounts & gets them tax-audited Reportedly, taxpayers opt in & opt out of presumptive scheme to avail benefit of both the worlds. In a year of loss, they claim actual loss as per accounts & carry it forward. In a year of profits, they restrict the profit to 10% & set off the brought forward losses. This is not the legislative intent 	<p>Set off of brought forward losses & unabsorbed depreciation has been barred for the year in which taxpayer chooses to follow presumptive basis of taxation</p>	<p>To avoid misuse of presumptive basis of taxation</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>TDS on winnings from lottery, crossword puzzle, horse race, betting, etc. - Prevention of misuse of threshold limit of INR 10,000</p> <p><i>Section(s) amended: 194B, 194BB</i> <i>Effective from: 1st April 2023 onwards</i></p> <p>TDS & taxability on winnings from online games</p> <p><i>Section(s) inserted: 194BA, 115BBJ</i> <i>Effective from: 1st July 2023 onwards (194BA) / AY 2024-25 onwards (115BBJ)</i></p>	<ul style="list-style-type: none">Sections 194B & 194BB of the IT Act require deduction of tax at source on (a single) payment of more than <u>INR 10,000</u> on account of winnings from lottery, crossword puzzle, card game, horse race, gambling or betting. Such income is taxable flat @ 30% in hands of recipient u/s 115BBReportedly, tax deductors are <u>misusing the threshold limit of INR 10,000</u> by splitting a winning into multiple transactions (each below INR 10,000), which is not the intention of lawIn addition, considering the steep rise in online gaming in last few years, a need is felt to have separate & specific provisions for TDS & taxability of income from online games	<ul style="list-style-type: none">Threshold limit of INR 10,000 for TDS has been made applicable for <u>each year</u>. In other words, if payment of winnings > INR 10,000 <u>per year</u>, deduction of tax at source would be requiredNew section 194BA inserted for TDS on winnings from <u>online games</u>. Tax would required to be deducted on net winnings in the user account at the end of FY. In case of withdrawal of winnings during the year, TDS would be required at the time of such withdrawal.New section 115BBJ inserted to <u>tax winnings from online games flat @ 30%</u>	<ul style="list-style-type: none">To avoid misuse of current threshold limit of INR 10,000 u/s 194B & 194BBTo demarcate provision for taxability of winnings from online games

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Increase in TCS rate of certain remittances</p> <p><i>Section(s) amended: 206C(1G)</i></p> <p><i>Effective from: 1st July 2023 onwards</i></p>	<p>Section 206C(1G) of the IT Act prescribes following rates of TCS on foreign remittance (through liberalised remittance scheme) & sale of overseas tour package:</p> <ul style="list-style-type: none">• <u>5%</u> without any threshold limit for overseas tour package• <u>5%</u> of amount exceeding INR 7 lakh per year, in any other case (except education or medical treatment)	<p>The rates have been increased to below:</p> <ul style="list-style-type: none">• <u>20%</u> without any threshold limit for overseas tour package• <u>20%</u> without any threshold limit, in any other case (except education or medical treatment)	<p>To tax the wealthy / luxury segment of the society</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Capital gains exemption on re-investment in residential property - Upper limit of INR 10 Crore imposed in terms of cost of new property</p> <p><i>Section(s) amended: 54, 54F</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Sections 54 & 54F of the IT Act allow tax exemption to individuals / HUF from capital gains tax in case the sale proceeds of a residential property / any other long term asset is re-invested in a new (residential) property. The objective is to mitigate shortage of housing & give impetus to house building activity Reportedly, it has been observed that high net worth individuals are claiming huge tax exemptions by purchasing very expensive residential houses, which is not the intent of law 	<p>A <u>limit of INR 10 Crore</u> has been imposed in terms of cost of new property. In other words, if the cost of new property > INR 10 Crore, the excess amount shall be ignored for the purpose of capital gains tax exemption</p>	<p>To avoid misuse of capital gains tax exemption by high net worth individuals</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Income from transfer / redemption / maturity of 'Market Linked Debentures' to be treated as short term capital gain</p> <p><i>Section(s) inserted: 50AA</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none">• 'Market Linked Debentures' are listed securities which have underlying principal component in the form of a debt & where the returns are linked to market conditions on other underlying securities / indices• Transfer of above debentures is currently taxed @ 10% without indexation, as long term capital gain	<p>New section 50AA inserted, treating said gains as <u>short term capital gains</u>. Deduction allowable in respect of cost of acquisition & expenses incurred in connection with transfer / redemption / maturity, while calculating capital gains</p>	<p>Market Linked Debentures are in the nature of derivatives which should be taxed at normal applicable rates</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Plugging tax avoidance through undervaluation of inventory</p> <p><i>Section(s) amended: 142(2A), 153 [Explanation 1(iv)], 295(2)</i></p> <p><i>Effective from: AY 2023-24 onwards [142(2A), 153] / 1st April 2023 onwards [295(2)]</i></p>	<ul style="list-style-type: none"> Income Computation & Disclosure Standard (ICDS) - II relates to valuation of inventory. Companies Act 2013 also mandates maintenance of cost records & in some cases, cost audit It is possible for taxpayers to reduce their tax liability by undervaluing inventory. A need was felt to equip the tax department to prevent such practice 	<ul style="list-style-type: none"> In course of scrutiny / assessment proceedings, tax officer has been equipped to <u>direct the taxpayer to get its inventory valued by a cost accountant nominated by the Commissioner</u>. The taxpayer would be obligated to produce the cost audit report accordingly Taxpayer must be given an opportunity of being heard The period of inventory valuation shall be excluded while calculating time limit for completion of assessment / reassessment by tax officer 	<p>To prevent tax leakage due to undervaluation of inventory by taxpayers</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Removal of tax exemption on proceeds of high premium life insurance policies (other than unit linked insurance policy)</p> <p><i>Section(s) amended: 10(10D), 56(2)(xiii) & 2(24)(xviid) inserted</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 10(10D) exempts sum received under a life insurance policy wherein premium payable for any of the years during the term of the policy $\leq 10\%$ of actual capital sum assured. The intent is to provide benefit to small & genuine cases of life insurance coverage. Reportedly, it has been observed that high net worth individuals are misusing the exemption provision by investing in large premium insurance policies which are meant to be an investment for returns rather than life insurance coverage 	<ul style="list-style-type: none"> Tax exemption shall not be available on income from life insurance policies issued on or after 1st April 2023 & having <u>aggregate premium > INR 5 lakh</u> a year (except if income is received on death of person) Such income shall be taxable under the head 'other sources'. Deduction shall be allowed for premium paid by the taxpayer (if not claimed earlier) The provision is not applicable to unit linked insurance policies or keyman insurance policies since they are already covered by existing provision of law 	<p>To avoid misuse of tax exemption by high net worth individuals on life insurance policies</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Capital gain arising on transfer of land / building in a joint development agreement - Consideration received by cheque or other electronic modes brought within tax net</p> <p><i>Section(s) amended: 45(5A)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> • Capital gain arising on transfer of land / building in a joint development agreement is taxable in the year in which certificate of completion is issued by the building plan approving authority • Full value of consideration received for the purpose of computation of capital gains in such case means: <ul style="list-style-type: none"> ✓ Value on which stamp duty is calculated, for the transferor's share (in kind), & ✓ Cash consideration received by the transferor • Some taxpayers are taking a position that consideration received through cheque or other electronic means is not taxable u/s 45(5A), which is not the legislative intention 	<p>Consideration received through cheque or other electronic means in case of a joint development agreement shall be duly taxable in hands of transferor</p>	<ul style="list-style-type: none"> • To avoid tax leakage in real estate / construction development industry • Also to align the provision for taxability with TDS provision u/s 194IC

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Prevention of double tax deduction in respect of interest paid on capital borrowed for acquisition of house property</p> <p><i>Section(s) amended: 48(ii)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Interest paid on capital borrowed for acquisition of house property is allowable as tax deduction u/s 24(b) / Chapter VIA of IT Act while calculating income from house property. While calculating capital gains on transfer of such property, deduction is allowable in respect of cost of acquisition & improvement to asset u/s 48 of the IT Act. Reportedly, some taxpayers are claiming double deduction on account of the interest paid. Firstly, u/s 24(b) or Chapter VIA of the IT Act. Secondly, u/s 48 of the IT Act. This is not the intent of legislature 	<p>Interest paid on capital borrowed for acquisition of house property shall <u>not be allowed as deduction</u> while calculating capital gains on transfer, if such interest has been claimed earlier as tax deduction while calculating income from house property</p>	<p>To avoid double deduction of interest paid on capital borrowed for acquisition of house property</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Cost of acquisition / improvement of intangible assets & other rights for which no consideration has been paid, shall be considered as 'nil' while calculating capital gains on transfer</p> <p><i>Section(s) amended: 55(1) & (2)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> For taxability of gain arising on transfer of a capital asset, there has to be a clearly defined cost of acquisition or improvement. In absence of a clear cost of acquisition or improvement, the computation mechanism fails & hence no capital gains is chargeable as held by courts For <u>certain intangible assets & other rights for which no consideration has been paid</u>, it is not clearly mentioned in law that cost of acquisition or improvement shall be considered as 'nil'. This could lead to transfer of such assets not being subjected to tax at all which is not the intent of legislature 	<p>Cost of acquisition / improvement of such intangible assets & other rights shall be considered as <u>nil</u> while calculating capital gains on their transfer</p>	<p>To prevent possibility of capital gains arising on transfer of intangible assets & other rights not being subjected to tax</p>

Improving Compliance & Tax Administration



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Extension of time limit till 30 Sep 2023 for disposal of pending rectification applications by IBS</p> <p><i>Section(s) amended: 245D(9)(iv)</i></p> <p><i>Effective from: 1st February 2021 onwards</i></p>	<ul style="list-style-type: none"> • Vide Finance Act 2021, the Settlement Commission was abolished from 1st February 2021 onwards. Consequently, IBS was constituted by the Government for settlement of pending applications as on 31st January 2021. • Where the time-limit for amending any order or filing of rectification application expires on or after 1 February 2021, the period from 1 February 2021 till date of constitution of IBS is excludible from calculation of said time-limit. The actual date of constitution of IBS was 10 August 2021. • Reportedly, requests have been received by the Government for extension of time limit available to IBS for amendment / rectification of order 	<p>The time limit has been extended to <u>30th September 2023</u> for cases where time limit was expiring between 1st February 2021 to 1st February 2022</p>	<p>To dispose pendency of cases with IBS & avoid further litigation</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Introduction of new authority 'Joint Commissioner (Appeals)' to reduce workload of Commissioner (Appeals)</p> <p><i>Section(s) amended: 246</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<p>Commissioner (Appeals) is the 1st appellate authority under IT Act. Reportedly, they are overburdened due to huge number of appeals & pendencies carried forward every year</p>	<p>New authority of '<u>Joint Commissioner (Appeals)</u>' has been introduced whose powers shall be similar to Commissioner (Appeals). Some of the pending appeals with Commissioner (Appeals) can be passed on to Joint Commissioner (Appeals) after giving the taxpayer an opportunity of being heard</p>	<p>To reduce workload of Commissioner (Appeals) & expedite dispute resolution at 1st appellate authority level</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Reduction in time limit for furnishing TP report</p> <p><i>Section(s) amended: 92D(3)</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<p>Section 92D of IT Act requires a taxpayer who has entered into international transaction \geq INR 1 crore a year or a specified domestic transaction to maintain a detailed TP report. In course of scrutiny proceedings, tax officer / Commissioner (Appeals) may require the taxpayer to furnish such report for which currently the <u>time limit is 30 days</u> from date of receipt of notice</p>	<p>The time limit has been reduced to <u>10 days</u></p>	<p>Due to limited time available with TP officer for completion of assessment</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalization of appeals to ITAT</p> <p><i>Section(s) amended: 253</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<ul style="list-style-type: none"> • Currently, following orders are not appealable before ITAT: <ul style="list-style-type: none"> ✓ Order passed by Commissioner (Appeals) u/s 271AAB (penalty in search cases) ✓ Order passed by Commissioner (Appeals) u/s 271AAC (penalty in case of unexplained cash credits, etc.) ✓ Order passed by Commissioner (Appeals) u/s 271AAD (penalty for false entry / omission in accounts) ✓ Order passed by Chief Commissioner u/s 263 (revision of orders prejudicial to revenue) or order u/s 154 rectifying such order • Further, <u>memorandum of cross objections</u> cannot be filed by a respondent with ITAT against any order except that of Commissioner (Appeals) 	<ul style="list-style-type: none"> • The <u>said orders</u> passed by Commissioner (Appeals) or Chief Commissioner <u>have been made appealable</u> before ITAT • <u>Memorandum of cross objections can be submitted with ITAT in all cases</u> where appeal has been filed with ITAT <p>(for example, appeal to ITAT against order passed by tax officer in consequence of order of Dispute Resolution Panel)</p>	<p>To align provisions relating to appeal before ITAT (2nd level appellate authority)</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax officer entitled to use services of various domain experts in search cases</p> <p><i>Section(s) amended: 132(2)</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> In course of search proceedings, tax officer may requisition services of a police officer or any other Central Government officer for unearthing information / material. Similarly, tax officer may make reference to a valuation officer for estimating fair market value of property Considering increased use of technology & digitization wherein undisclosed income can be held in various forms (and not just tangible property), a need was felt to <u>include other forms of domain experts</u> in the above list such as digital forensic professionals, registered valuers, archive experts, locksmiths, carpenters etc. 	<p>The <u>scope of domain experts who tax officer can involve in course of search proceedings has been expanded</u>. Such domain experts (person or entity) must be approved by Chief Commissioner / Director General.</p>	<p>To enable better results in search cases by equipping tax officer with upto date technology & domain experts</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p data-bbox="49 311 381 919">Enabling provisions inserted for modification of ITR & completion of assessment / reassessment proceedings in case of business reorganizations (merger / demerger / amalgamation)</p> <p data-bbox="49 976 335 1062"><i>Section(s) amended: 170A</i></p> <p data-bbox="49 1119 397 1205"><i>Effective from: 1st April 2023 onwards</i></p>	<ul data-bbox="435 311 1100 1300" style="list-style-type: none"> • Merger / demerger / amalgamation is a court driven process. Section 170A was inserted last year requiring that where in such case <u>successor</u> has already submitted an ITR for a year to which the court order applies, the successor shall (within 6 months from the end of the month in which the order is received), submit a modified ITR • Reportedly, queries have been raised such as: <ul data-bbox="476 976 1073 1300" style="list-style-type: none"> ✓ What if the ITR has originally been filed by any legal entity other than the successor (say, the predecessor) ✓ Procedure to be followed by tax officer after submission of modified ITR 	<ul data-bbox="1143 311 1701 1300" style="list-style-type: none"> • Modified ITR can be submitted even if ITR has originally been submitted by <u>any legal entity other than successor</u> (say, predecessor) • If assessment / reassessment proceedings are complete as on the date of furnishing modified ITR, tax officer shall modify the order of assessment / reassessment <u>after considering the Court order for business reorganization & modified ITR</u>. If the assessment / reassessment proceedings are pending, tax officer shall complete those proceedings after considering the <u>modified ITR</u> 	<p data-bbox="1736 311 1995 586">To avoid unintended litigation in cases of business reorganization</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Alignment of time limit for completion of assessment / reassessment u/s 153</p> <p><i>Section(s) amended: 153(1) & (1A), 153(3A) inserted</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<ul style="list-style-type: none"> Time limit for completion of regular assessment u/s 143 & best judgment assessment u/s 144 is <u>9 months</u> from end of relevant AY, for AY 2021-22 onwards. This leaves tax officer very little time for doing a proper assessment & passing a speaking order In case an updated ITR has been filed by a taxpayer u/s 139(8A), the time limit for above assessments is <u>9 months</u> from the end of FY in which such updated ITR is furnished 	<ul style="list-style-type: none"> With effect from AY 2022-23 onwards, the time limit for regular assessment / best judgment assessment has been extended to <u>12 months</u> (instead of 9 months) from end of relevant AY In case an updated ITR u/s 139(8A) has been filed, the time limit shall be <u>12 months</u> (instead of 9 months) from the end of FY in which such updated ITR is furnished New section 153(3A) has been inserted to say that if assessment / reassessment is pending on the date of initiation of search u/s 132 or making a requisition u/s 132A, time limit for completion of assessment / reassessment shall be extended by 12 months 	<ul style="list-style-type: none"> To give adequate time to both tax officer as well as taxpayer for completion of a seasoned assessment u/s 143 To enable tax officer use material / information gathered during search proceedings

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment															
<p>Enabling provisions inserted for modification of directions related to faceless schemes & e-proceedings</p> <p><i>Section(s) amended: 135A, 245MA, 245R, 250, 274</i></p> <p><i>Effective from: 1st April 2022 onwards (135A, 250, 274) / 1st April 2023 onwards (245MA, 245R)</i></p>	<ul style="list-style-type: none"> The IT Act has following schemes in place for implementation of electronic / faceless proceedings: <table border="1" data-bbox="478 429 1529 965"> <thead> <tr> <th>Section</th> <th>Scheme</th> <th>Time limit for issue of directions to implement the scheme</th> </tr> </thead> <tbody> <tr> <td>135A</td> <td>e-Verification Scheme, 2021</td> <td rowspan="3">31st March 2022</td> </tr> <tr> <td>250</td> <td>Faceless Appeal Scheme, 2021</td> </tr> <tr> <td>274</td> <td>Faceless Penalty Scheme, 2022</td> </tr> <tr> <td>245MA</td> <td>e-Dispute Resolution Scheme, 2022</td> <td rowspan="2">31st March 2023</td> </tr> <tr> <td>245R</td> <td>e-advance rulings Scheme, 2022</td> </tr> </tbody> </table> Considering the evolving era of digitization, a need was felt to give power to the Central Government to modify the directions issued, if necessary, <u>after</u> expiry of limitation dates mentioned above. Currently, there are no enabling provisions for the same in law 	Section	Scheme	Time limit for issue of directions to implement the scheme	135A	e-Verification Scheme, 2021	31 st March 2022	250	Faceless Appeal Scheme, 2021	274	Faceless Penalty Scheme, 2022	245MA	e-Dispute Resolution Scheme, 2022	31 st March 2023	245R	e-advance rulings Scheme, 2022	<p>Enabling provisions have been inserted saying that in case any direction has been issued prior to the date of limitation (31st March 2022 or 31st March 2023 as the case may be), the Central <u>Government may amend those directions after the expiry of date of limitation</u></p>
Section	Scheme	Time limit for issue of directions to implement the scheme															
135A	e-Verification Scheme, 2021	31 st March 2022															
250	Faceless Appeal Scheme, 2021																
274	Faceless Penalty Scheme, 2022																
245MA	e-Dispute Resolution Scheme, 2022	31 st March 2023															
245R	e-advance rulings Scheme, 2022																

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Statement of Financial Transaction – Penalty for furnishing inaccurate information</p> <p><i>Section(s) amended: 271FAA</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<ul style="list-style-type: none"> The IT Act requires certain categories of persons (such as government agencies, banks, financial institutions, etc.) to submit annual SFT containing details of certain prescribed financial transactions undertaken during the year. The reporting of SFT is a valuable source of information for the tax authorities to widen the tax base & detect revenue leakage In case of furnishing inaccurate information, a penalty of INR 50,000 is leviable u/s 271FAA of IT Act 	<ul style="list-style-type: none"> An <u>additional penalty of INR 5,000 has been added in case a reporting financial institution provides inaccurate information</u> & the inaccuracy is due to false information provided by account holder The financial institution is entitled to recover such penalty from account holder 	<p>To ensure reporting of true & correct information / self certification by account holders to financial institutions</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p data-bbox="49 311 389 682">Scope of penal / prosecution provisions for failure to deduct / deposit tax at source expanded to cover payments in kind</p> <p data-bbox="49 739 256 919"><i>Section(s) amended: 271C(1)(b), 276B(b)</i></p> <p data-bbox="49 976 401 1062"><i>Effective from: 1st April 2023 onwards</i></p>	<ul data-bbox="437 311 1328 1019" style="list-style-type: none"> • Sections 271C & 276B of the IT Act contain provisions for penalty & prosecution, respectively, on failure to deduct / deposit tax at source • Currently, the provisions do not envisage following transactions where <u>payment is in kind & payer fails to ensure necessary deduction / deposit of tax at source</u> <ul data-bbox="472 786 1328 1019" style="list-style-type: none"> ✓ Provision of benefit / perquisite in respect of business / profession (section 194R) ✓ Transfer of virtual digital asset / cryptocurrency (section 194S) ✓ Winnings from online games (section 194BA) 	<p data-bbox="1369 311 1653 725">The said transactions / situations have been brought within the ambit of penal / prosecution provisions u/s 271C & 276B</p>	<p data-bbox="1686 311 1976 725">To fasten responsibility on payers to ensure deduction & deposit of tax at source on payments in kind</p>

Rationalization Measures



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>NBFCs excluded from restriction of tax deduction on payment of interest u/s 94B to associated enterprise</p> <p><i>Section(s) amended: 94B(3)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 94B of the IT Act places a restriction on tax deduction of interest paid by an Indian company / permanent establishment of a foreign company, to its non-resident associated enterprise. The maximum amount of interest deductible is restricted to 30% of its Earnings Before Interest, Taxes, Depreciation, and Amortization. The provision was inserted in 2017 to implement the measures recommended in Action Plan 4 of the Base Erosion & Profit Shifting project An exemption from above restriction is available to a payer being in <u>banking or insurance</u> business, since payment of interest constitutes part of its regular operational activity 	<p>The exemption from restriction has been extended to <u>NBFCs</u> as well</p>	<p>NBFCs undertake similar function as banking or insurance business & hence do not deserve the anti abuse provision</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>TDS on payment to non-resident of income in respect of units of mutual fund – Benefit of lower tax rate under DTAA allowed</p> <p><i>Section(s) amended: 196A(1)</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<p>TDS @ 20% is applicable on payment of income to non-resident in respect of units of mutual funds u/s 10(23D). No relaxation is available in case applicable tax rate is lower than 20% under relevant DTAA</p>	<p>In case applicable tax rate is lower than 20% in relevant DTAA & the non-resident duly provides tax residency certificate from home country, <u>applicable TDS rate will also be the lower rate (& not 20%)</u></p>	<p>To align TDS provisions with DTAA in case of payment of income to non-resident in respect of units of mutual funds</p>
<p>TDS on payment of accumulated balance in provident fund account of employee – Requirement to furnish PAN done away with</p> <p><i>Section(s) amended: 192A</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<p>Section 192A of IT Act requires TDS @ 10% on payment of accumulated balance in provident fund to employee. The employee is required to furnish his PAN failing which tax is required to deducted at source at maximum marginal rate. This was detrimental for low paid employees who do not have PAN</p>	<p>The <u>mandatory requirement to furnish PAN has been done away with</u>. Accordingly, in such cases, maximum TDS rate would be 20% u/s 206AA & not maximum marginal rate</p>	<p>To remove adversity for low paid employees</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Enabling provision inserted for credit of TDS on income already disclosed / offered to tax in ITR of past year</p> <p><i>Section(s) amended: 244A(1)(a), 155(20) inserted</i></p> <p><i>Effective from: 1st October 2023 onwards</i></p>	<p>TDS mismatch is common in cases wherein income is disclosed / offered to tax by taxpayer (recipient) in ITR of Year 1 but tax is deducted & deposited by payer in Year 2. This leads to difficulty for taxpayer to claim credit of TDS following the matching concept</p>	<ul style="list-style-type: none"> • New section 155(20) has been inserted allowing taxpayers to <u>file an application with tax officer</u> in such cases, within 2 years from the end of the FY in which tax is deducted. Tax officer has been entitled to amend the order of assessment / intimation for Year 1 accordingly & grant credit of TDS. Time limit u/s 154(7) has been relaxed consequently • Interest on refund u/s 244A(1)(a) shall be calculated from the date of application till date of grant of refund 	<p>To reduce cases of TDS mismatch</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Persons who are not required to submit ITR exempted from category of defaulter for purposes of higher rate of TDS / TCS</p> <p><i>Section(s) amended: 206AB(3), 206CCA(3)</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<p>Section 206AB provides for higher rate of TDS on payments to persons / defaulters who have not furnished ITR for the immediately preceding year, provided</p> <ul style="list-style-type: none"> • Time limit for filing ITR has expired, & • Its aggregate TDS for said year \geq INR 50,000 • It is not a non-resident with no PE in India <p>A need was felt to exclude persons who are not required to submit ITR, from the category of a defaulter</p>	<p><u>Persons not required to submit ITR, have been excluded from the category of defaulter.</u></p> <p>Similar amendment replicated in TCS provisions</p>	<p>It is not the legislative intention to include such persons in the category of non-filers</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Non-residents added to category of investors from whom if consideration is received by a closely held company (against issue of shares) in excess of fair value, the excess is taxable in hands of recipient company as income from other sources</p> <p><i>Section(s) amended: 56(2)(viib)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<p>The anti-abuse provision u/s 56(2)(viib) makes consideration received in excess of fair value of shares, taxable in hands of recipient (closely held) company, only if the <u>investor is a resident</u>. The said provision was inserted in 2012 to prevent generation / circulation of unaccounted money through share premium in excess of fair market value</p>	<p>The anti-abuse provision will be applicable in case of share capital received from a <u>non-resident investor</u> also</p>	<p>To make the provision effective for receipt of consideration for issue of shares from any investor irrespective of his residential status</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p data-bbox="37 311 372 921">Rationalization of provisions relating to valuation of residential accommodation provided to employees taxable in their hands as perquisite (income from salary)</p> <p data-bbox="37 978 372 1106"><i>Section(s) amended: 17(2)(i) & (ii)</i></p> <p data-bbox="37 1163 372 1249"><i>Effective from: AY 2024-25 onwards</i></p>	<ul data-bbox="424 311 1170 1206" style="list-style-type: none"> • As per section 17(2), 'perquisite' includes value of <ul data-bbox="455 406 1170 542" style="list-style-type: none"> ✓ Rent-free accommodation, or ✓ Any concession in the matter of rent provided to employee by an employer • The methodology to compute value of rent-free accommodation is prescribed in Rule 3 of IT Rules, whereas methodology to compute value of any concession in the matter of rent is prescribed in various Explanations to section 17(2) • A need was felt to rationalize the provision by prescribing a single uniform methodology in the IT Rules for computation of value of perquisite in both cases 	<p data-bbox="1218 311 1616 535">Section 17(2)(i) & (ii) has been sanitized to <u>push the methodology of valuation in the IT Rules</u></p> <p data-bbox="1218 592 1616 1299">Further, a new Explanation has been added to say that accommodation shall be deemed to have been provided at a concessional rate if the value of accommodation computed in prescribed manner exceeds the rent recoverable from the taxpayer</p>	<p data-bbox="1686 311 1968 778">Uniformity of rule for perquisite valuation in case of residential accommodation provided by employer to employee</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Additional conditions imposed for availing tax holiday by units established in SEZ</p> <ul style="list-style-type: none"> Maximum time limit of 6 months specified for bringing export proceeds into India, & Mandatory to submit ITR within due date u/s 139(1) <p><i>Section(s) amended: 10AA, 155(11A)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 10AA allows 15-year tax holiday to units established in an SEZ which begins to manufacture or produce articles or things or provide services on or after 1st April 2005 Currently, there are no restrictions in terms of time limit for bringing export proceedings into India or requirement to submit ITR within the due date, for availing tax holiday by a taxpayer, though similar restrictions / conditions exist in other provisions of law 	<p>Following conditions have been imposed for availing the tax holiday:</p> <ul style="list-style-type: none"> The export proceeds from sale of goods / services must be 'received in', or brought into India by the taxpayer in convertible foreign exchange, within 6 months from the end of relevant year or, within such extended period as RBI may allow. Export proceeds will be deemed to be 'received in' India if it is credited to a separate account maintained by taxpayer outside India with the approval of RBI Taxpayer must submit the ITR within due date u/s 139(1) 	<p>To ensure that tax holiday is granted only to genuine cases which helps the country earn foreign exchange in a timely manner</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>NBFC categorization</p> <p><i>Section(s) amended: 43B(da), 43D(a)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Section 43B provides tax deduction of interest payable on loan borrowed from <u>Deposit-taking NBFC & Systemically Important Non-Deposit taking NBFC</u> on payment basis. Section 43D governs year of taxability of interest income on certain categories of bad or doubtful debts received by such <u>Deposit-taking NBFC & Systemically Important Non-Deposit taking NBFC</u> Such categorization of NBFCs is redundant & no longer followed by RBI for the purpose of asset classification 	<ul style="list-style-type: none"> Reference to Deposit-taking NBFC & Systemically Important Non-Deposit taking NBFC has been replaced with '<u>such class of NBFCs as may be notified by the Central Government</u>' 	<p>To address redundant reference in law regarding categorization of NBFCs</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Benefits or perquisites received or provided in course of business / profession – Clarity in terms of benefits / perquisites in Cash</p> <p><i>Section(s) amended: 28(iv) & 194R</i></p> <p><i>Effective from: AY 2024-25 onwards [28(iv)] / 1st April 2023 onwards (194R)</i></p>	<ul style="list-style-type: none"> Section 28(iv) taxes value of any benefit or perquisite received, whether convertible into money or not, arising from business or profession. Courts have interpreted that if the benefit or perquisite is received <u>in Cash</u>, it is non-taxable u/s 28(iv) which is not the intention of law Section 194R inserted in IT Act last year requires TDS @ 10% on benefit or perquisite provided to a resident arising from business or profession. It is not expressly provided that TDS will be applicable in case of benefit or perquisite paid <u>in Cash</u> 	<ul style="list-style-type: none"> It has been clarified that benefit or perquisite received <u>in Cash</u> is duly taxable u/s 28(iv). Similar amendment has been made in section 194R to clarify that TDS shall be duly applicable in case of benefit or perquisite paid <u>in Cash</u> 	<p>To prove clarity in terms of taxability & TDS on Cash benefits / perquisites arising in course of business / profession</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Tax deduction u/s 80G on donations to charitable funds – Removal of name based funds</p> <p><i>Section(s) omitted: 80G(2)(a)(ii), (iiic), (iiid)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<p>Section 80G(2) lists the funds (approx. 34 in number) donation to which are entitled to tax deduction in hands of donor. 3 of these funds are based on names of individuals as below:</p> <ul style="list-style-type: none">• Jawaharlal Nehru Memorial Fund• Indira Gandhi Memorial Trust• Rajiv Gandhi Foundation	<p>The said 3 funds have been omitted from the list of eligible funds</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Alignment of provisions relating to set off / withholding of refund by tax department in case of existing demand from a taxpayer</p> <p><i>Section(s) amended: 241A, 244A(1A), 245</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<ul style="list-style-type: none"> The IT Act has following mechanism in place to ensure that refund due to a taxpayer is not paid to him in case a tax demand is alive & payable by him (say for another year) <ul style="list-style-type: none"> ✓ Section 241 – Withholding of tax refund by the tax officer ✓ Section 245 – Set-off of refund payable to taxpayer against tax demand receivable by the authorities from the taxpayer Apparently, some overlap was observed in the above provisions due to which a need was felt to integrate the above provisions 	<ul style="list-style-type: none"> Provisions of <u>sections 241A & 245 have been integrated</u> Consequential amendment has been made u/s 244A(1A) to exclude the period beginning from date on which refund is withheld by tax officer u/s 245(2), till the date on which the assessment / reassessment is made, while calculating additional interest @ 3% per annum payable to taxpayer under the said section [244A(1A)] 	<p>To align provisions relating to a situation where tax refund is due to a taxpayer but at the same time a tax demand is receivable by the authorities from the same taxpayer</p>

Charitable Trusts & Institutions



Key Direct Tax Proposals

Currently, Trusts / Institutions are eligible to claim tax exemption under 2 regimes:

- **1st Regime** - Fund / Institution / Trust / University / Educational Institution / Hospital / Medical Institution referred u/s 10(23C)(iv) or (v) or (vi) or (via) of IT Act
- **2nd Regime** – Trust registered u/s 12AA/ 12AB of IT Act

The Budget proposes to rationalize provisions related to both the above regimes



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p data-bbox="53 297 368 525">Depositing back of corpus & Repayment of loans / borrowings</p> <p data-bbox="53 582 375 953"><i>Section(s) amended:</i> 10(23C) 3rd Proviso Explanation 2(i) & (ii), 11(1) Explanation 4(i) & (ii)</p> <p data-bbox="53 1011 368 1096"><i>Effective from: AY 2023-24 onwards</i></p>	<ul data-bbox="422 297 1514 1289" style="list-style-type: none"> • Voluntary contributions received in the corpus of a trust / institution are tax exempt only if they are invested in prescribed mode(s) u/s 11(5). For this purpose, application out of corpus is not considered as application for charitable or religious purposes; it is considered so only when it is invested or deposited back into the corpus from the income of the trust / institution & for that year in which it is so invested or deposited back into the corpus. Similarly, application from loans / borrowings is not considered as application for charitable or religious purposes; it is considered so only when it is repaid from the income of the trust / institution & for that year in which it is so repaid • Reportedly, it has come to notice of tax department that certain trusts / institutions have already claimed application from corpus / loan / borrowing <u>prior to 1st April 2021</u> as eligible application for the purpose of tax exemption. Hence, a need was felt to bar any subsequent investment / deposit back into the corpus or repayment of loan / borrowing from income of such trusts / institutions from tax exemption, otherwise it would lead to double deduction 	<p data-bbox="1583 297 1964 903">Application out of corpus / loans / borrowings <u>before 1st April 2021</u> should not be allowed as application for charitable or religious purposes when such amount is deposited back or invested into the corpus or when the loan / borrowing is repaid</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p data-bbox="53 311 368 539">Depositing back of corpus & Repayment of loans / borrowings</p> <p data-bbox="53 596 207 635">(contd.)</p> <p data-bbox="53 692 393 1016"><i>Section(s) amended: 10(23C) 3rd Proviso Explanation 2(i) & (ii), 11(1) Explanation 4(i) & (ii)</i></p> <p data-bbox="53 1073 372 1153"><i>Effective from: AY 2023-24 onwards</i></p>	<ul data-bbox="435 311 1460 1342" style="list-style-type: none"> • A trust / institution may invest or deposit back the amount in corpus or repay the loan from its income after many years of application from the corpus or loan & still be entitled for the tax exemption in the year of such investment / deposit back / repayment of loan, which is not the intent of law. Reportedly, availability of indefinite period for the investment or deposit back into corpus or repayment of loan will make the implementation of provisions much difficult • Number of additional general conditions need to be satisfied while making application from corpus / loan / borrowing, such as: <ul data-bbox="466 978 1440 1342" style="list-style-type: none"> ✓ The application should not be in form of corpus donation to another trust ✓ Applicable tax should be deducted at source ✓ Carry forward & set of off excess application is not allowed ✓ Application is allowed in the year on actual payment ✓ Application should be in India (except with the approval of CBDT) 	<ul data-bbox="1502 311 2020 1342" style="list-style-type: none"> • An <u>upper limit of 5 years</u> has been made compulsory for investment / deposit back into corpus or repayment of loan / borrowing from income of the trust / institution, for such action to qualify as application of income for charitable / religious purposes • Where the application from corpus or loan <u>does not satisfy the additional general conditions</u>, the investment / deposit back into corpus or repayment of loan will not be treated as application for charitable / religious purposes.

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Treatment of donation paid to other trusts</p> <p><i>Section(s) inserted: 10(23C) 3rd Proviso Explanation 2(iii), 11(1) Explanation 4(iii)</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> Income of trusts / institutions under both regimes is tax exempt subject to fulfilment of, amongst others, the following condition: <ul style="list-style-type: none"> ✓ Atleast 85% of their income should be applied for charitable or religious purposes either themselves or by making non-corporus donations to trusts with similar objectives Reportedly, instances were noticed by tax department that some trusts / institutions are trying to defeat the legislative intent by forming multiple trusts & accumulating 15% at each layer, resulting into reduction of effective application towards charitable or religious activities < 85% 	<p>Non-corporus donation paid by a trust / institution to any other trust / institution with similar objectives shall be treated as utilization for charitable or religious purpose <u>only to the extent of 85%</u> of such donation</p>	<p>To ensure intended application towards charitable or religious purposes</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Omission of redundant provisions related to roll back of tax-exemption</p> <p><i>Section(s) omitted:</i> 12A(2) 2nd, 3rd, 4th proviso</p> <p><i>Effective from:</i> 1st April 2023 onwards</p>	<p>Following roll back provisions prevail for trusts / institutions under 2nd regime:</p> <ul style="list-style-type: none"> • Where registration has been granted u/s 12AA or 12AB, sections 11 & 12 shall apply to any income from property held under trust of any AY prior to the said AY, for which assessment proceedings are pending before the tax officer (as on the date of such registration) if the objects & activities of such trust or institution remain the same for such preceding AY • No action u/s 147 shall be taken by the tax officer in case of such trust or institution for any AY preceding the aforesaid AY only for non-registration of such trust or institution for the said AY • The above provisions shall not apply in case of any trust or institution which was refused registration or the registration granted to it was cancelled u/s 12AA or 12AB of the IT Act 	<p>The said roll back provisions have been omitted</p>	<p>The roll back provisions have become redundant after the amendment of section 12A in the year 2020. Now the trusts / institutions under 2nd regime are required to apply for provisional registration before commencement of activities</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Combining Provisional & Regular registration in some cases</p> <p><i>Section(s) amended: 10(23C), 12A, 80G(5)</i></p> <p><i>Effective from: 1st October 2023 onwards</i></p>	<ul style="list-style-type: none"> • New trusts / institutions under both regimes & section 80G need to apply for Provisional registration (valid for 3 years) at least 1 month prior to the commencement of the year from which the said registration is sought. The Provisionally registered trusts / institutions need to apply for Regular registration (valid for 5 years) at least (a) 6 months prior to expiry of the period of provisional registration, or (b) 6 months of commencement of activities, whichever is earlier. The trusts / institutions under both regimes & section 80G need to apply at least 6 months prior to the expiry of Regular registration • Taxpayers are facing the following difficulties: <ul style="list-style-type: none"> ✓ Trusts / institutions formed during a given year are unable to get tax exemption for that particular year, since they need to apply 1 month in advance before the year for which tax-exemption is sought ✓ Besides trusts / institutions, where activities have already commenced, are required to apply for 2 registrations (Provisional & Regular) simultaneously 	<ul style="list-style-type: none"> • Where the activities are yet to commence, <u>only Provisional registration</u> shall be allowed • Where the activities have commenced, trusts / institutions shall apply <u>directly for Regular registration</u> 	<p>To remove difficulty faced by taxpayers</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p data-bbox="49 311 385 679">Incorrect / defective application could lead to cancellation of registration by Chief Commissioner</p> <p data-bbox="49 736 401 1016"><i>Section(s) inserted: 10(23C) 15th Proviso Explanation 2(g), 12AB(4) Explanation(g)</i></p> <p data-bbox="49 1071 401 1156"><i>Effective from: 1st April 2023 onwards</i></p>	<ul data-bbox="437 311 1270 1110" style="list-style-type: none"> Registered trusts / institutions are required to apply for re-registration in Form 10A through e-filing portal. <u>Approval is granted by tax department in an automated manner without verification</u> Reportedly, instances were noticed by tax department where the application form submitted by taxpayer was defective but still the registration was granted by the central processing center, since the process was automated (a shortcoming of the digital era) A need was felt to empower the Chief Commissioner to cancel registration of a trust in case the application is found to be incomplete / false / defective 	<p data-bbox="1311 311 1663 825">Scope of specified violations under law for which registration can be cancelled by Chief Commissioner, has been expanded to include situations of <u>incorrect / defective application</u> by taxpayer</p>	<p data-bbox="1703 311 2011 396">Rationalization of existing provision</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Exit tax on trusts / institutions not renewing their registration or not applying for Regular registration (after obtaining Provisional registration) to avoid tax</p> <p><i>Section(s) amended: 115TD</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> Trusts / institutions having Regular registration are required to Re-register themselves. Those having Provisional registration are required to apply for Regular registration Ideally, once a trust / institution has claimed tax exemption, it <u>can exit only after payment</u> of tax at maximum marginal rate on its accreted income (i.e., fair market value of assets minus liabilities). Otherwise, it would be very easy to covert or merge into a non-charitable organization after enjoying tax benefit for many years Reportedly, instances have come to the notice of tax department wherein some trusts / institutions have found an <u>easy route to exit without payment of tax</u> by not applying for Re-registration or Regular registration after obtaining Provisional registration 	<p>Trusts / institutions who do not apply for Re-registration or Regular registration (after obtaining Provisional registration) would be liable to <u>pay exit tax</u> at maximum marginal rate on accreted income</p>	<p>To avoid tax avoidance by way of conversion or merger after enjoying tax benefit for many years by a trust / institution</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Alignment of time limit for submission of annual:</p> <ul style="list-style-type: none"> • Report for accumulation of income, • Tax audit report, & • ITR <p><i>Section(s) amended:</i> 10(23C) 3rd Proviso Explanation 3(c), 11(1) Explanation 1(2), 11(2)(c)</p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> • In case a trust / institution fails to utilize atleast 85% of non-corpus donation, it is required to furnish the following form annually <u>on or before the due date of filing ITR</u>, for reporting accumulation / set apart of donation: <ul style="list-style-type: none"> ✓ Form 10 – For 1st regime ✓ Form 9A - For 2nd regime • They are also required to furnish tax audit report in Form 10B / 10BB <u>1 month before the due date for filing ITR</u> • The tax auditor is required to report details of Form 10 / 9A in the tax audit report, which may be difficult at times because law allows submission of Form 10 / 9A <u>after</u> submission of tax audit report 	<p>The due date for submission of Form 10 / 9A has been preponed to <u>2 months before the due date of filing ITR</u></p>	<p>To make is easier for tax auditor to report regarding accumulation / set apart of income, in the tax audit report</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Denial of tax-exemption in case ITR is not filed within due u/s 139(1) or (4) of the IT Act</p> <p><i>Section(s) amended: 10(23C) 20th Proviso, 12A(1)(ba)</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> • If a trust / institution fails to file ITR within below time limit, tax exemption is not available <ul style="list-style-type: none"> ✓ Section 139(1) – Due date for filing original ITR ✓ Section 139(4) – Due date for filing belated ITR ✓ Section 139(8A) – Due date for filing updated ITR within 2 years from end of relevant AY (inserted by Finance Act 2022) • To allow extended time limit of 2 years [section 139(8A)] was not the intention of law to provide as a criteria for entitlement to tax-exemption. Unintentionally, it became so as a result of Finance Act 2022 	<p>It has been clarified that tax exemption would be available only if the trust / institution files ITR before due date u/s 139(1) or (4) <u>but not updated ITR (8A)</u></p>	<p>To incentive trusts / institutions submit ITR in a timely manner</p>

Benefits to Co-operative Societies



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>New regime for concessional tax rate @ 15% allowed to New Domestic Manufacturing Co-operative Societies set up on or after 1st April 2023 & commencing manufacture / production by 31st March 2024</p> <p><i>Section(s) inserted: 92BA(vb), 115BAD</i></p> <p><i>Effective from: AY 2024-25 onwards</i></p>	<ul style="list-style-type: none"> A new scheme of taxation (section 115BAB) was inserted in the IT Act providing an option of concessional tax rate @ 15 % for new domestic manufacturing <u>companies</u> set up in India, provided they: <ul style="list-style-type: none"> ✓ Do not avail specified incentives / deductions, & ✓ Are registered / set up on or after 1st April 2019, & ✓ Commence manufacture / production on or before 31st March 2024 A need was felt to provide similar scheme of taxation for <u>co-operative societies</u> as well engaged in manufacturing sector 	<p>New section 115BAE has been inserted in the Act providing an option of concessional tax rate @ 15 % for <u>new domestic manufacturing co-operative societies</u> set up in India, provided they:</p> <ul style="list-style-type: none"> ✓ Do not avail specified incentives / deductions, & ✓ Are registered / set up on or after <u>1st April 2023</u>, & ✓ Commence manufacture / production on or before <u>31st March 2024</u> <ul style="list-style-type: none"> Income from non-manufacturing activities earned by such co-operative societies shall be taxable @ 22% (& not 15%) without any deductions / allowances 	<p>To provide a level-playing field between company & co-operative society form of legal entities</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Relief to sugar co-operatives from tax demands for years prior to & including AY 2015-16</p> <p><i>Section(s) inserted: 155(19)</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<ul style="list-style-type: none"> Section 36(1)(xvii) was inserted in the IT Act effective from AY 2016-17 onwards, to encourage co-operative movement in the sugar sector. The provision allows tax-deduction of amount paid by sugar factories to farmers for purchase of sugarcane at a price \leq the price fixed by the Government However, pending tax demands & litigation persisted for years prior to AY 2016-17 	<p>A new enabling section 155(19) has been inserted to allow the tax officer, on an <u>application made by taxpayer</u>, to allow tax deduction for years prior to AY 2016-17 on similar lines as current section 36(1)(xvii). Time limit of 4 years u/s 154(7) shall be reckoned accordingly</p>	<p>To settle old litigations being faced by sugar mills in co-operative sector</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Increase in annual threshold limit from INR 1 Crore to INR 3 Crore for co-operatives to withdraw cash from bank without TDS</p> <p><i>Section(s) amended: 194N</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<p>Section 194N casts responsibility on a bank to deduct tax at source @ 2% on cash payments to account holders. The requirement to deduct tax applies only if aggregate annual cash payment during the year > <u>INR 1 Crore</u></p>	<p>The limit of INR 1 Crore has been increased to <u>INR 3 Crore</u> in case of recipient being a co-operative society</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Relaxation in threshold limit from INR 20,000 to INR 2 Lakh for following institutions to accept / pay loans / deposits in Cash to its members:</p> <ul style="list-style-type: none"> • Primary Agricultural Credit Societies • Primary Co-Operative Agricultural & Rural Development Banks <p><i>Section(s) amended: 269SS, 269T</i></p> <p><i>Effective from: 1st April 2023 onwards</i></p>	<ul style="list-style-type: none"> • Section 269SS bars any person to take loan or deposit \geq <u>INR 20,000</u> otherwise than by way of account payee cheque, bank draft or online transfer. Similarly, section 269T bars repayment of any loan or deposit \geq <u>INR 20,000</u> otherwise than by way of above instrument(s). Certain exceptions, however, have been carved out in the provisions • A need was felt to provide relaxation to <u>Primary Agricultural Credit Societies & Primary Co-Operative Agricultural & Rural Development Banks</u> from the above threshold limit of INR 20,000 since these institutions provide credit facilities at grass-root, rural level 	<p>The limit of INR 20,000 has been increased to <u>INR 2 Lakh</u> for:</p> <ul style="list-style-type: none"> • Deposits accepted / paid by <u>Primary Agricultural Credit Societies & Primary Co-Operative Agricultural & Rural Development Banks</u> from / to its members • Loan taken / repaid by a member from / to any of the above institutions 	<p>Since the said institutions are involved in granting loans & accepting deposits from the rural segment</p>

Benefits to Start-ups



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p data-bbox="37 315 443 591">Relief to start-ups in carry forward & set off of losses incurred during 1st 10 years of company incorporation</p> <p data-bbox="37 648 406 733"><i>Section(s) amended: 79(1)</i></p> <p data-bbox="37 791 348 876"><i>Effective from: AY 2023-24 onwards</i></p>	<ul data-bbox="499 315 1272 1068" style="list-style-type: none"> • Section 79 restricts carry forward & set off of losses of closely held companies, in case there is a change in shareholding > 49% in the proposed year of set off viz. a viz. the year in which loss was incurred • However, relaxation is available in case of an eligible start-up (as defined in section 80IAC), if all the shareholders of the company as on the last day of the year in which loss was incurred, continue to hold those shares on the last day of the proposed year of set-off. The relaxation is currently available in respect of losses incurred during 1st <u>7 years</u> from the year of company incorporation 	<p data-bbox="1307 315 1694 448">The time limit of 7 years has been increased to <u>10 years</u></p>	<p data-bbox="1742 315 1949 401">To promote start-ups</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax deduction for start-ups - Extension of sunset date of incorporation by 1 year from 1st April 2023 to 1st April 2024</p> <p><i>Section(s) amended: 80IAC [Explanation (ii)(a)]</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Section 80IAC allows tax deduction of 100% of profits earned by following eligible start-ups for 3 consecutive (out of 10) years beginning from the year of incorporation:</p> <ul style="list-style-type: none"> • If the start-up (company / LLP) is incorporated on or after 1st April 2016 but before <u>1st April 2023</u> • Total turnover ≤ INR 100 Crore in the year in which tax deduction is claimed • The start-up holds certificate of eligible business from the Inter-Ministerial Board of Certification 	<p>The sunset date of incorporation for eligibility of tax deduction has been extended by 1 year from 1st April 2023 to <u>1st April 2024</u></p>	<p>To promote start-ups</p>



Key Direct Tax Proposals

Budget Proposal	Proposed Amendment
<p data-bbox="37 262 271 394">Omission of redundant provisions</p> <p data-bbox="37 451 389 586"><i>Section(s) omitted:</i> 10(23BBF), (23EB), (26A), (41), (49), 88</p> <p data-bbox="37 639 381 725"><i>Effective from:</i> 1st April 2023 onwards</p>	<p data-bbox="468 262 1881 301">Following provisions of the IT Act having become redundant, have been omitted:</p> <ul data-bbox="468 358 2011 915" style="list-style-type: none"><li data-bbox="468 358 2011 486">• Section 88 – Rebate on life insurance premium, contribution to provident fund, etc. It was sunset by Finance Act, 2005. Instead, section 80C was introduced for allowing deduction on the instruments listed therein<li data-bbox="468 544 2011 915">• Section 10 – Tax-exemption of:<ul data-bbox="509 594 2011 915" style="list-style-type: none"><li data-bbox="509 594 2011 636">✓ (23BBF) – Income of North-Eastern Development Finance Corporation Limited<li data-bbox="509 636 2011 679">✓ (23EB) - Income of the Credit Guarantee Fund Trust for Small Industries<li data-bbox="509 679 2011 722">✓ (26A) – Income arising to a resident of Ladakh district<li data-bbox="509 722 2011 822">✓ (41) – Income from transfer of a capital asset (before 31st March 2006) of an undertaking engaged in business of power generation<li data-bbox="509 822 2011 915">✓ (49) – Income of National Financial Holdings Company Limited for any year earlier to AY 2014-15
<p data-bbox="37 943 430 1029">Decriminalization of offence by liquidator</p> <p data-bbox="37 1086 410 1172"><i>Section(s) amended:</i> 276A</p> <p data-bbox="37 1229 381 1315"><i>Effective from:</i> 1st April 2023 onwards</p>	<p data-bbox="509 943 1964 1079">Section 276A requires prosecution of a liquidator for upto 2 years' imprisonment in case of failure to fulfill his obligation under the IT Act. Also, it becomes his personal liability to compensate for the loss to exchequer.</p> <p data-bbox="509 1136 2005 1315">Considering that now the IBC is in place for companies under liquidation & the liquidator works under the supervision of IBC, a sunset date of 31st March 2023 has been put for decriminalization of offence u/s 276A. In other words, no fresh prosecution shall on or after 1st April 2023, although earlier prosecutions will continue</p>

Key Direct Tax Proposals

Law	Amendment
Benami Property Transactions Act, 1988	Section 2(18) has been amended to provide that in case the aggrieved party / respondent is a non-resident, the jurisdiction of High Court shall be decided based on the jurisdiction of the High Court within which office of the Initiating officer is located.
Unit Trust of India (Transfer of Undertaking & Repeal) Act, 2002	SUUTI, formed to liquidate Government's liabilities of erstwhile UTI, is tax-exempt till 31 st March 2023. Considering that the redemption of all applicable schemes & payment of entire amount to remaining investors may take a lot of time, the tax-exemption to SUUTI has been extended till 30 th September 2023.



Indirect Tax Proposals



Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>GST Composition Scheme extended to ECO suppliers</p> <p><i>Section(s) amended: 10(2A)(c) and 10(2)(d) of CGST Act</i></p>	<p>A registered taxpayer engaged in supply of goods through an ECO (who is required to collect TCS) was not be eligible to opt for GST composition scheme</p>	<p>Such suppliers are now permitted to avail GST composition scheme</p>	<p>To enable composition taxpayers to supply through <u>ECO</u></p>
<p>Reversal of ITC due to non-payment within 180 days</p> <p><i>Section(s) amended: 16(2) of CGST Act</i></p>	<ul style="list-style-type: none"> Where a recipient fails to pay the invoice value to the supplier within 180 days of issue of invoice, ITC availed by the recipient shall be <u>added to his output tax liability</u> along with interest thereon However, the recipient shall be entitled to avail ITC on payment <u>made by him</u> 	<ul style="list-style-type: none"> Where a recipient fails to pay the invoice value to the supplier within 180 days of issue of invoice, ITC availed by the recipient shall be <u>paid by him</u> along with interest thereon u/s 50 However, recipient shall be entitled to avail ITC on payment <u>to the supplier</u> 	<p>Minor change in language proposed to align with return-filing system</p>

Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Supply of warehoused goods before clearance for home consumption treated as exempt service</p> <p><i>Section(s) amended: 17(3) of CGST Act</i></p>	<p>Where a registered person provides both taxable & exempt services, ITC for inward supplies allowed proportionately as per the rules prescribed</p>	<p>Services relating to <u>supply of warehoused goods to any person before clearance for home consumption</u> has been added in the scope of 'exempt supplies' with effect from 1st July 2017 & will be considered for reversal of ITC as per the existing rules</p>	<p>To extend the scope of exempt supply & restrict ITC thereon</p>
<p>Blocked ITC on CSR related activities</p> <p><i>Section(s) amended: 17(5) of CGST Act</i></p>	<p>Currently, ITC on goods / services used for activities undertaken as a part of CSR obligation was not specifically restricted</p>	<p>ITC restricted for goods / services used in activities relating to CSR obligation</p>	<p>To extend the scope of blocked credit</p>
<p>Registration not mandatory for exempted suppliers</p> <p><i>Section(s) amended: 23 of CGST Act</i></p>	<p>Currently, sections 22 & 24 provided for 'persons liable for registration' & 'compulsory registration in certain cases'. Further, section 23 provided 'persons not liable for registration'</p>	<p>Section 23 to have overriding effect meaning if a person is required to get registered u/s 22 or 24 but specifically exempted u/s 23, such person is not required to obtain registration</p>	<p>To relax requirement for registration for exempted categories</p>

Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Maximum time limit for furnishing GST Returns</p> <p><i>Section(s) amended: 37,39,44 & 52 of CGST Act</i></p>	<p>Currently, there is no maximum time limit prescribed after which the taxpayer cannot file GST Returns (Forms GSTR-1, GSTR-3B, GSTR-9 & 9C & GSTR-8)</p>	<p>A maximum time limit of <u>3 years</u> from the due date has been prescribed for filing of said returns subject to certain conditions which may be further extended for given class or persons</p>	<p>To streamline GST compliances</p>
<p>Refund to include provisional ITC</p> <p><i>Section(s) amended: 54 & 56 of CGST Act</i></p>	<ul style="list-style-type: none"> Refund of ITC was granted on 90% of the claim amount <u>excluding ITC provisionally accepted</u> Further, interest will be granted for delay <u>from the date immediately after the expiry of 60 days</u> from the date of receipt of application till the date of refund 	<ul style="list-style-type: none"> Refund shall be available on the amount claimed <u>including provisional ITC</u> on self-assessment basis Further, interest will be granted <u>for the period of delay beyond 60 days</u> from the date of receipt of such application subject to certain conditions & restrictions 	<p>To align with present scheme of availment of ITC on self-assessment basis</p>

Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Additional responsibility on ECO to check suppliers</p> <p><i>Section(s) amended: 122(1B) of CGST Act</i></p>	<p>--</p>	<p>New provision where ECO will be subject to penalty of INR 10,000 or tax involved if they allow:</p> <ul style="list-style-type: none"> • Supply of goods / services by unregistered persons (other than specified) • Inter-state supply effected by ineligible person • Fails to furnish correct details of outward supply effected through exempted person 	<p>To make ECO more vigilant in engaging suppliers</p>
<p>Decriminalization of certain offenses</p> <p><i>Section(s) amended: 132 of CGST Act</i></p>	<p>Certain offences such as obstructing / preventing officer in-charge of duty, tampering with evidence, failure to provide information punishable with imprisonment based on monetary threshold</p>	<ul style="list-style-type: none"> • Such offences have been decriminalized • Further, minimum threshold limit for prosecution has been raised from <u>INR 1 Crore to INR 2 Crore</u> (except fake invoicing offences) 	<p>Towards ease of doing business</p>

Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Consent based sharing of information</p> <p><i>Section(s) amended: 158A of CGST Act</i></p>	<p>Currently, there is no mechanism which allows GST portal to share taxpayers information with approval with any other systems</p>	<p>The GST Council may share the following taxpayers' information in a manner to be prescribed subject to conditions:</p> <ul style="list-style-type: none"> • Particulars furnished in registration application • Particulars uploaded on the common portal for preparation of invoice, details of outward supplies & other details to be prescribed 	<p>To promote transparency of information</p>
<p>Coverage of OIDAR widened</p> <p><i>Section(s) amended: 2(16) & 2(17) of IGST Act</i></p>	<p>Non-taxable online recipient defined as any Government, local authority, Governmental authority, an individual or any other person not registered & receiving OIDAR services for any purpose other than commerce, industry or any other business or profession, located in taxable territory</p>	<ul style="list-style-type: none"> • Coverage of OIDAR widened to include supplies to unregistered recipients, irrespective of whether used for personal or business consumption • Further, the condition of 'essentially automated & involving minimal human intervention' has been removed from the definition of OIDAR services 	<p>To extend the scope of the definition of OIDAR services</p>

Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Place of supply for transportation of goods outside India</p> <p><i>Section(s) amended: 12(8) of IGST Act</i></p>	<p>Place of supply of services for transportation of goods having foreign destination was treated as <u>outside India</u></p>	<p>Place of supply of services for transportation of goods outside India will be</p> <ul style="list-style-type: none"> <u>In case of registered recipient</u>, location of recipient <u>In case of unregistered recipient</u>, location at which goods are handed over 	<p>To remove ambiguity & availment of ITC</p>
<p>Compounding of offences for fake invoicing</p> <p><i>Section(s) amended: 138 of CGST Act</i></p>	<p>Earlier, the compounding of offence was available for cases of fake / bogus invoices</p>	<p>Offences for issue of fake / bogus invoices cannot be compounded</p>	<p>To curb fake invoicing</p>
<p>Reduction of Compounding Fee</p> <p><i>Section(s) amended: 138 of CGST Act</i></p>	<p>Present Compounding Fee:</p> <ul style="list-style-type: none"> Minimum - Higher of INR 10,000 or 50% of tax involved Maximum - Higher of INR 30,000 or 150% of tax involved 	<p>Proposed Compounding fee:</p> <ul style="list-style-type: none"> Minimum - 25% of tax involved Maximum - 100% of tax involved 	<p>Reduction in Compounding Fee</p>

Key Indirect Tax Proposals - GST

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Retrospective amendment in Schedule III</p> <p><i>Amended:</i> Schedule III of CGST Act</p>	<p>The following entries, not to be treated as supply of goods or services, were included in Schedule III vide the CGST (Amendment) Act, 2018, with effect from <u>1st February 2019</u>:</p> <ul style="list-style-type: none"> • Supply of goods from a place outside taxable territory to another place outside the taxable territory • Supply of warehoused goods to any person before clearance for home consumption • High-sea sales 	<p>Such entries are proposed to be made effective retrospectively from <u>1st July 2017</u></p> <p>However, no refund of tax already paid during the period 1st July 2017 to 31st January 2019 would be available to the taxpayer</p>	<p>To enact recommendation of the 48th GST Council meeting</p>

Customs & Excise

Customs

- BCD, SWS & AIDC on certain goods (other than textiles & agriculture) reduced to rationalize the custom duty rate structure
- The validity period of 2 years under conditional exemption notifications u/s 25(4A) of Customs Act will not apply to multilateral or bilateral trade trade agreements; obligations under international agreements, treaties, conventions etc; Central Government schemes having validity of more than 2 years; schemes under Foreign Trade Policy; re-imports, temporary imports, goods imported as gifts / personal baggage; exemption from any duty of customs not being levied u/s 12 (IGST, Compensation Cess, AIDC, etc) and privileges of constitutional authorities
- Settlement commission provided with a timeline of 9 months to dispose applications
- 146 / 196 exemptions extended by 1 year up to 31st March 2024. Remaining few extended up to 5 years while some discontinued effective 31st March 2023
- Heading 9801 in Schedule I of Customs Tariff Act, 1975 to be amended to exclude solar power plants / solar power projects from the Project Import scheme
- Customs rate changes have been prescribed under Customs Tariff Act, 1975

Excise

- The Seventh Schedule to the Finance Act, 2001 has been amended to increase NCCD rates on specified cigarettes under HSN 2402 effective 2nd February 2023
- Central excise duty exempted on blended compressed natural gas from so much of the amount as is equal to GST paid on bio-gas / compressed bio-gas contained in such blended compressed natural gas subject to the specified conditions effective 2nd February 2023

Customs & Excise

Key changes in Customs duty rates to be effective from 2nd February 2023

Sl.	Commodity	Old Rate	New Rate
1	Articles of precious metals	20%	25%
2	Seeds for use in manufacturing of rough lab-grown diamonds	5%	NIL
3	Specified parts for manufacture of open cell of TV panel	5%	2.5%
4	Vehicle (including electric vehicles) in semi-knocked down form	30%	35%
5	Toys & parts of toys (other than parts of electronic toys)		
6	Vehicle (including electric vehicles) in Completely Built Unit form, other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrol run vehicle and more than 2500 cc for diesel-run vehicles, or with both	60%	70%
7	Vehicles, specified automobile parts / components, sub-systems & tyre when imported by notified testing agencies for the purpose of testing & / or certification, subject to conditions	As applicable	Nil
8	Specific capital goods/machinery for manufacture of Lithium-ion cell for use in battery of electric vehicles	As applicable	Nil

Abbreviations

ASEEM	Aatamanirbhar Skilled Employee-Employer Mapping
AI	Artificial Intelligence
AIF	Alternative Investment Fund
AO	Assessing Officer
AOP	Association of Persons
API	Application Programming Interface
AIDC	Agriculture Infrastructure & Development Cess
AVGC	Animation, visual effects, gaming and comic
BCD	Basic Custom Duty
BOI	Body of Individuals
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes & Customs
CGST	Central Goods & Services Tax
CGTMSE	Credit Guarantee Trust for Micro & Small Enterprises
CIT(A)	Commissioner of Income Tax (Appeals)
CO2	Carbon Dioxide
COA	Cost Of Acquisition
COVID	Coronavirus Disease
C-PACE	Centre for Processing Accelerated Corporate Exit
CPC	Centralized Processing Centre
CSR	Corporate Social Responsibility
DESH	Digital Ecosystem for skilling & Livelihood
DevINE	Development Initiative for North-East
DrAAS	Drone –As-A-Service
DRC	Dispute Resolution Committee
DTAA	Double Taxation Avoidance Agreement
ECLGS	Emergency Credit Line Guarantee Scheme
ECO	E-commerce Operator
EGR	Electronic Gold Receipt
ESCO	Energy Saving Company
EXIM	Export-Import Bank of India
FCP	Final Cane Price
FMV	Fair Market Value
FY	Financial Year

GDP	Gross Domestic Product
GI	Geographical Indication
GIFT	Gujarat International Finance Tec-City
GOBARdhan	Galvanizing Organic Bio-Agro Resources Dhan
GSTN	Goods & Services Tax Network
GW	Giga - Watt
HUF	Hindu Undivided Family
IBC	Insolvency & Bankruptcy Code
IBU	IFSC Banking unit
ICMR	The Indian Council of Medical Research
IFOS	Income from Other Sources
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centre Authority
IGST	Integrated Goods & Service Tax
IBS	Interim Board for Settlement
IIMR	Indian Institute of Millets Research
IMBC	Inter-Ministerial Board of Certification
InvIT	Infrastructure Investment Trust
IoT	Internet of Things
IRDAI	Insurance Regulatory & Development Authority
IT	Information Technology
IT Act	Income-tax Act, 1961
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITR	Income Tax Return
KYC	Know Your Customer
LGD	Lab Grown Diamonds
LLP	Limited Liability Partnership
MISHTI	Mangrove Initiative for Shoreline Habitats & Tangible Incomes
MMT	Million Metric Tonne
MSME	Micro, Small & Medium Enterprises

Abbreviations

NABARD	National Bank for Agriculture & Rural Development
NBFCs	Non- Banking Financial Companies
NCCD	National Calamity Contingent Duty
NCS	National Career Services
NITI	National Institution for Transforming India
NPS	National Pension Scheme
ODI	Offshore Derivative Instruments
OIDAR	Online Information and Database Access or Retrieval Services
PACS	Primary Agricultural Credit Societies
PAN	Permanent Account Number
PARIVESH	Pro Active Responsive facilitation by Interactive & Virtuous Environmental Single window Hub
PCARD	Primary Co-Operative Agricultural and Rural Development Bank
PLI	Production Linked Incentives
PM	Prime Minister
PM-PRANAM	PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth
PPP	Public Private Partnership
PSC	Public Sector Company
PVTG	Particularly Vulnerable Tribal Groups
R&D	Research & Development
RAMP	Raising & Accelerating MSME Performance
RBI	Reserve Bank of India
RCM	Reverse Charge Mechanism
REIT	Real Estate Investment Trust
SEBI	Securities & Exchange Board of India
SEZ	Special Economic Zone
SMP	Statutory Minimum Price
SUUTI	Specified Undertaking of Unit Trust of India
SWS	Social Welfare Surcharge
TCS	Tax Collection at Source
TDS	Tax Deduction at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer
ULIP	Unified Logistics Interface Platform

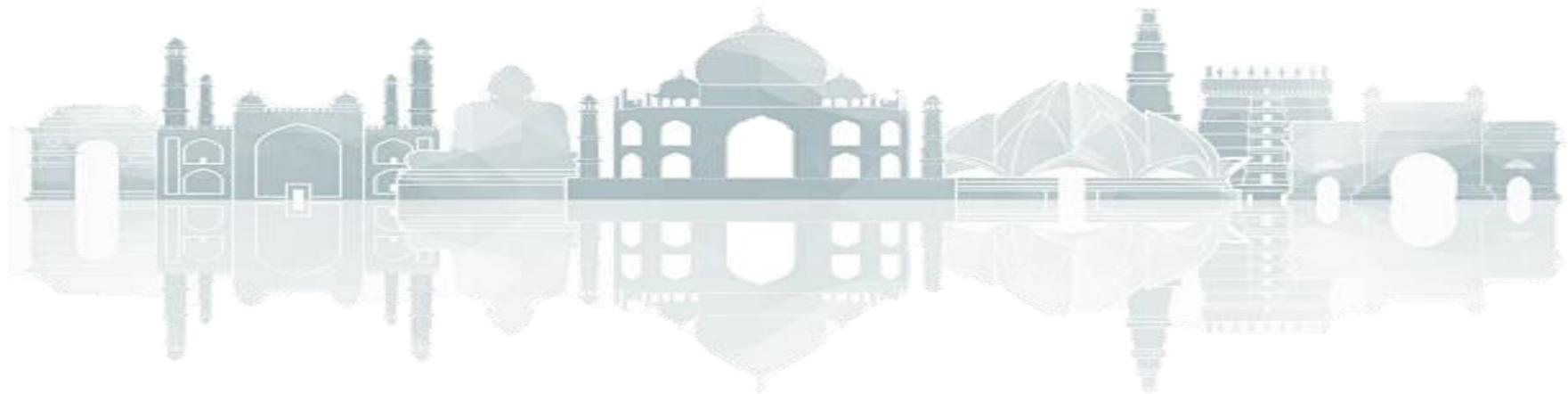
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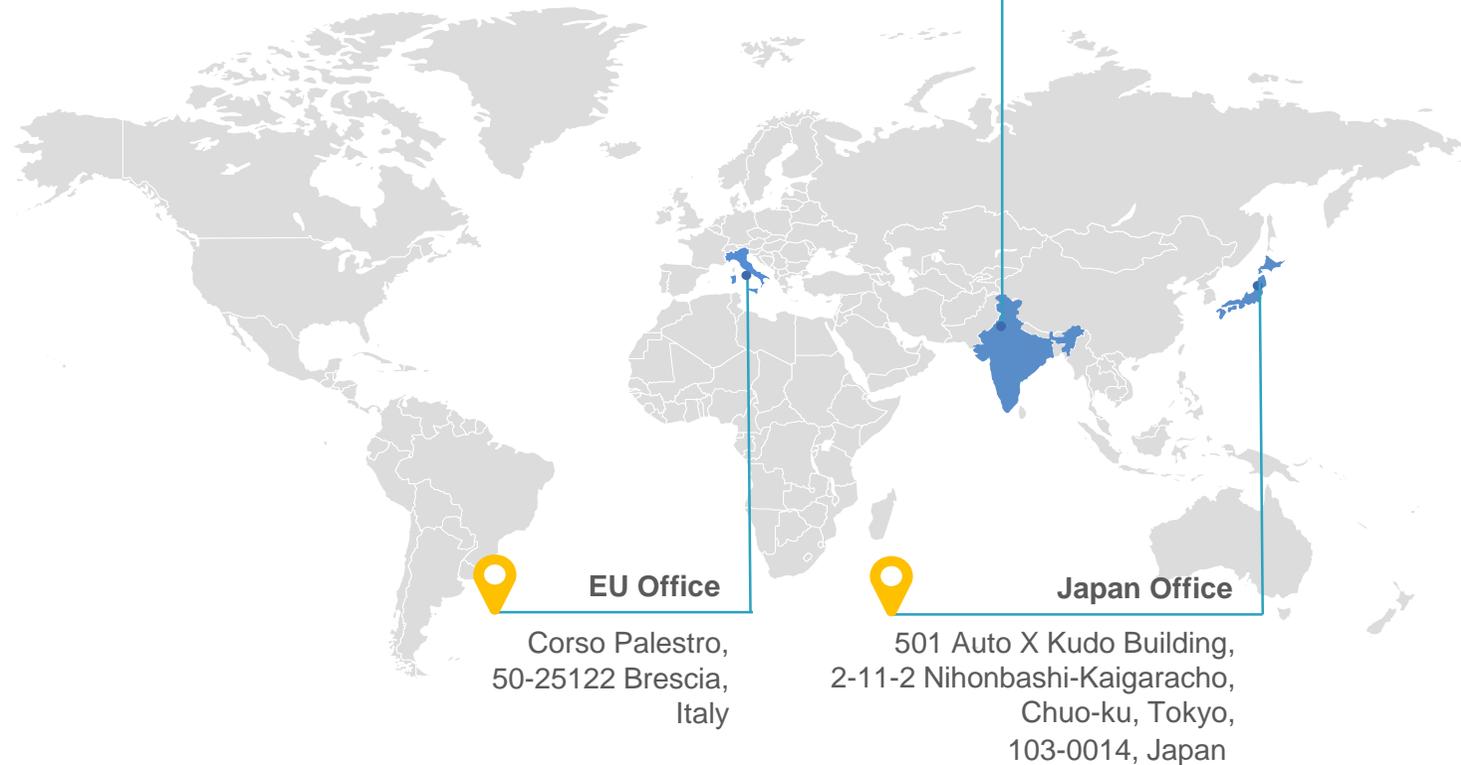


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Disclaimer

The intention of the newsletter is to cover highlights of the Union Budget 2023. Attempt has been made to cover key announcements. No claim is made to cover each & every proposal introduced in the Union Budget. The newsletter contains information of general nature & is not meant to be a substitute for professional advice in any manner. In case the reader requires any specific inputs / suggestions / advice from our end, please contact us separately.