

India Union Budget 2022

February 2022





Hon'ble Finance Minister Nirmala Sitharaman presented Union Budget for the Financial Year 2022-23 on 1st February 2022 which seeks to lay the foundation & provide impetus to steer the economy over the 'Azadi ka Amrit Kaal' of the next 25 years – from India at 75 years of independence to 100 years.

This year's Union Budget rests on the following priorities:

- **PM Gatishakti** a transformative approach for economic growth & sustainable development, driven by 7 engines namely Roads, Railways, Airports, Ports, Mass Transport, Waterways & Logistics infrastructure
- **Inclusive Development** for sectors like Agriculture, Food Processing, MSME, Skill Development, Education, Mental Health, Women Empowerment, Water & Housing for All, Villages, North-Eastern India, Mobilization of Savings & Digital Banking
- **Productivity Enhancement & Investment** including Ease of Doing Business & Living, Green Clearances, e-Passports, Urban Development, Use of Public Transport, Information Technology based management of Land Records, Cross Border Insolvency resolution under IBC, Government Procurement, Animation, Gaming, Telecom, Export Promotion & Self-dependence in Defence matters
- **Sunrise Opportunities** such as Artificial Intelligence, Geospatial Systems & Drones, Semiconductor & its eco-system, Space Economy & Clean Mobility Systems
- **Energy Transition & Climate Action** such as Solar Power & Transition to Carbon Neutral Economy
- **Financing of Investments** including Public Capital investments, Effective Capital Expenditure, Green bonds, Impetus to GIFT city, Venture Capital & Private Equity Investment, Blended Finance, introduction of Digital Currency & Financial Assistance to States for Capital Investment



On **Direct Taxes** front, opportunity to taxpayers to file updated ITR for rectifying errors, tax relief to persons with disability, reduction in alternate minimum tax rate & surcharge for cooperative societies, extension of allowable period for incorporation for eligible startups by 1 more year to avail tax benefit, increase in tax-deduction limit on employer's contribution to NPS account of State Government employees, newly incorporated manufacturing entities to be incentivized under concessional tax regime, income from transfer of virtual assets to be taxed at 30% & proposing better litigation management to avoid repetitive appeals, are some of the key proposals.

From an **Indirect Taxes** perspective, customs administration in SEZs to be fully technology driven, tariff rate @ 7.5% on capital goods & project imports, review of custom exemptions & tariff simplification with > 350 exemptions to be provided, custom duty rates to be calibrated to provide a graded structure to facilitate domestic electronics manufacturing, rationalization of exemptions on implements & tools for agriculture sector, extension of custom duty exemption on steel scrap & additional excise duty to be levied on fuel to promote fuel blending, are some of the key proposals.

In a nutshell, Government has smartly balanced expectations of the industry in the wake of economic recovery post the pandemic while maintaining public confidence viz-a-viz. its socio-economic-political responsibility

Key Economic Indicators

- Fiscal Deficit 6.4%
- Revenue Deficit 3.8%
- Primary Deficit 2.8%
- Gross Tax Revenue 9.6%
- Non-Tax Revenue -14.1%
- Nominal GDP Growth rate 11.1%

Policy / Sectoral Announcements



Priority Areas for the Economy



*PM
GatiShakti*



*Inclusive
Development*



*Productivity
Enhancement
& Investment,
Sunrise
Opportunities,
Energy
Transition &
Climate Action*



*Financing of
Investments*





Roads & Ropeways

- PM GatiShakti Master Plan for Expressways to be formulated for faster transit
- National Highways network to be expanded by 25,000 kilometers
- INR 20,000 Crore to be mobilized to complement public resources
- National Ropeways Development Programme to be launched through PPP mode to improve road connectivity in hilly terrains
- 8 Ropeway Projects for a length of 60 kilometers to be awarded

Railways

- 'One Station-One Product' concept to be popularized to help local businesses & supply chains
- 2,000 kilometers network to be brought under 'Kavach', the indigenous world class technology for safety & capacity augmentation
- 400 new generation Vande Bharat Trains to be manufactured in the next 3 years
- 100 PM GatiShakti Cargo Terminals to be developed in the next 3 years
- Design of metro systems to be re-oriented & standardized
- Integration of Postal & Railway network facilitating parcel movement

Logistics Infrastructure

- Data exchange to be brought under ULIP designed for API providing following benefits:
 - ✓ Efficient movement of goods through all transit modes
 - ✓ Reduced logistics cost & time
 - ✓ Better inventory management
 - ✓ Elimination of tedious documentation
 - ✓ Providing real time information to all stakeholders
 - ✓ Improve international competitiveness
- 4 Multimodal Logistics Parks through PPP mode to be awarded



Inclusive Development



Agriculture

- Chemical free natural farming starting with farmers' lands close to Ganga river to be promoted
- Post harvest value addition, consumption & branding of millet products to be promoted
- Rationalized Schemes to be launched for increasing oilseeds production
- Scheme through PPP mode to be launched for delivery of digital & hi-tech services to farmers
- Use of 'Kisan Drones' to aid farmers in crop assessment & spraying of insecticides & nutrients to be promoted
- Launching fund with blended capital facilitated through NABARD to finance agriculture startups
- Implementation of Ken Betwa Link Project benefitting 9.1 Lakh hectare farm land, providing drinking water to 62 Lakh people & generating 130 Megawatt power

Skill Development & Education

- DESH-stack e-portal to be launched to promote online training
- Start-ups will be promoted to facilitate Drone Shakti for DrAAS
- Promoting Universalisation of Quality Education
- 'One class – One TV channel' Programme to be expanded to 200 TV channels
- 750 virtual labs & 75 skilling e-labs to be set up for stimulating learning environment
- High quality e-content to be delivered through digital teachers
- Digital University with world class quality universal education to be established



Inclusive Development



Health

- National Digital Health Ecosystem, an open platform to be rolled out
- National Tele Mental Health Programme to be launched for quality counselling
- 3 Schemes 'Mission Shakti, Mission Vatsalya, Saksham Anganwadi & Poshan 2.0' launched to promote women & child welfare
- 2 lakh Anganwadis to be upgraded to Saksham Anganwadis

Digital Banking

- Scheduled Commercial Banks to set up 75 Digital Banking Units in 75 districts to encourage digital banking transactions
- In 2022, 100% of 1.5 lakh post offices to come under the ambit of Digital Banking system

All-Inclusive Welfare

- INR 60,000 Crore to be allocated under 'Har Ghar, Nal se Jal' Scheme to provide tap water to 3.8 Crore households in 2022-23
- 80 lakh houses to be completed under PM Awas Yojna Scheme in 2022-23
- PM-DevINE Scheme to be implemented to fund infrastructure & social development in the North-East region of India
- Aspirational Blocks Programme to be launched for development of lagging backward blocks of aspirational districts
- Vibrant Villages Programme to be launched targeting development of villages on the northern border excluded from development gains

MSMEs

- Udyam, e-Shram, NCS & ASEEM online portals to be interlinked
- ECLGS Scheme to be extended up to March 2023. It's guarantee cover to be enhanced to INR 5 Lakh Crore for hospitality related enterprises
- CGTMSE Scheme to be revamped to provide additional credit of INR 2 Lakh Crore to MSMEs
- RAMP Programme with outlay of INR 6,000 crore over 5 years to be launched

Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition & Climate Action



Ease of Doing Business 2.0

- Trust based Governance to improve efficiency of capital & human resources
- Scope of PARIVESH, a single window portal for all green clearances to be expanded & CPC-Green to facilitate tracking of approvals
- Integration of Central & State level systems through IT bridges
- Unique Land Parcel Identification Number for IT- based management of land records
- Establishing C-PACE to facilitate voluntary winding up of companies from current 2 years to < 6 months
- Amendments to be introduced in the IBC to enhance the resolution process & facilitate cross border insolvency resolution
- AVGC Promotion Task Force to be set up for building domestic capacity in the animation, visual effects, gaming & comic sector to employ youth
- Support to 5G under PLI scheme
- SEZ Act to be replaced to enable states partner in 'Development of Enterprise & Service Hubs'
- Opening up defence R&D for industry, start ups & academia

Energy Transition & Climate Action

- Financial support to farmers belonging to Scheduled Castes & Scheduled Tribes, who want to take up agro-forestry
- Additional allocation of INR 19,500 crore for PLI scheme for manufacture of high efficiency solar modules
- 5-7% biomass pellets will be co-fired in thermal power plants resulting in CO2 savings of 38 metric million tons annually
- 4 pilot projects to be set up for coal gasification & conversion of coal into chemicals for the industry
- ESCO energy saving business model to be implemented in large commercial buildings



Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition & Climate Action



Ease of Living

- Issuance of chip embedded e-Passports
- Modernization of building by-laws, implementing Town Planning Schemes & Transit Oriented Development
- Establishing Centres of Excellence in urban planning
- Battery swapping policy to be brought out for setting up charging stations at scale in urban areas

Sunrise Opportunities

- Government contribution to be provided for R&D in sunrise opportunities
- Supportive policies, light-touch regulations, facilitative actions to build domestic capacities



Financing of Investments



Public Capital Investment

- Public investment to continue to pump prime private investment & demand in 2022-23
- Effective Capital Expenditure of Central Government estimated at INR 10.68 Lakh Crore in 2022-23, which is about 4.1% of GDP

Digital Rupee & Mobilizing Resources

- Introduction of Digital Rupee by Reserve Bank of India starting 2022-23
- Infrastructure status for Data Centers & Energy Storage Systems
- Green Bonds to mobilize resources for green infrastructure
- Blended Finance for sunrise sectors
- Measure to aid investment by Venture Capital & Private Equity Investment

GIFT- IFSC & Support to States for Capital Investment

- World - class foreign universities & institutions to be allowed in GIFT City, the 1st IFSC in India
- International Arbitration Centre to be set up for timely settlement of disputes under international jurisprudence
- For 2022-23, INR 1 Lakh Crore to be allocated to the states to assist in catalyzing overall investments in the economy. These 50 year interest free loans are over & above the normal borrowings to the states
- Outlay for the Scheme for Financial Assistance to States for Capital Investment to be enhanced from INR 10,000 Crore to INR 15,000 Crore
- States to be allowed a fiscal deficit of 4% of gross state domestic product in 2022-23



Direct Tax Proposals





Tax Rates



Effective Personal Tax Rates



Taxable income (INR)	Alternative Tax Rates u/s 115BAC of IT Act	Existing Tax Rates		
		< 60 years	Senior Citizens (60-80Years)	Super Senior Citizens (> 80 Years)
< 2.5 Lakh		Nil		
2.5 Lakh - 3 Lakh	5.20%	Nil		
3 Lakh - 5 Lakh		5.20%	Nil	
5 Lakh - 7.5 Lakh	10.40%	20.8%		
7.5 Lakh - 10 Lakh	15.60%			
10 Lakh - 12.5 Lakh	20.80%			
12.5 Lakh - 15 Lakh	26.00%			
15 Lakh - 50 Lakh	31.20%	31.2%		
50 Lakh - 1 Crore				
1 Crore - 2 Crore				
2 Crore - 5 Crore				
> 5 Crore				

Effective Tax Rate for Co-operative Society



Taxable income (INR)	Effective Tax Rate u/s 115BAD	Existing Tax Rate
Upto 10,000	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%

* Surcharge reduced to 7% (from 12%)



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				33.38%	
LLPs, Partnership Firms	NA	NA	31.20%	34.94%	34.94%
Foreign Companies					
			41.60%	42.43%	43.68%

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

Surcharge



Maximum surcharge @ 15% on all Long Term Capital Gains of individuals, HUF, AOP & BOI

Surcharge capped @ 15% for AOPs with only companies as members





Promotion of Voluntary Tax Compliance & Reduction of Litigation



Key Direct Tax Proposals



Budget Proposal	Section(s) amended	Effective from
New provision for filing 'Updated ITR' u/s 139(8A) of IT Act within 2 years from the end of relevant AY on payment of additional tax	140B inserted, 139, 144, 153, 234A, 234B, 276CC amended	1 st April 2022 onwards

Updated ITR u/s 139(8A) cannot be filed in following cases:

- If it is an ITR to report Loss, or
- It decreases the tax liability reported in Original ITR u/s 139(1), Belated ITR u/s 139(4) or Revised ITR u/s 139, or
- It results in refund or increases refund as per Original ITR u/s 139(1), Belated ITR u/s 139(4) or Revised ITR u/s 139, or
- For years in which search / survey / requisition has taken place including 2 years prior to the year of such search / survey / requisition, or
- If any updated ITR under the same provision [139(8A)] has already been filed for that year, or
- If any proceeding for assessment / reassessment / recomputation / revision of income is pending or has been completed for the relevant year, or
- Assessing Officer has communicated to the taxpayer information regarding money laundering / black money / benami transactions for the relevant year, or
- Any prosecution proceedings have been initiated against the taxpayer for the relevant year, or
- By any other category of taxpayer(s) as may be notified by CBDT

Key Direct Tax Proposals



Reason for Amendment

Existing time limit to file Revised / Belated ITR may not be sufficient when we factor in utilization of huge information & data available coupled with the 'nudge approach' that motivates a taxpayer towards the desired objective of voluntary tax compliance, starting with filing of correct tax ITR



Category of Taxpayer	Existing time limit to file Original ITR u/s 139(1)	Existing time limit to file Belated ITR u/s 139(4) or Revised ITR (5) <i>(unless assessment completed earlier)</i>	Additional time limit u/s 139(8A) - Within 24 months of end of relevant AY
Individual	31 st Jul of relevant AY	Another 5 months (i.e., 31 st Dec of relevant AY)	Another 27 months (i.e., total 32 months from due date of Original ITR)
Company / Auditable case	31 st Oct of relevant AY	Another 2 months (i.e., 31 st Dec of relevant AY)	Another 27 months (i.e., total 29 months from due date of Original ITR)
TP* cases	30 th Nov of relevant AY	Another 1 month (i.e., 31 st Dec of relevant AY)	Another 27 months (i.e., total 28 months from due date of Original ITR)

* Taxpayers having International Transaction / Specified Domestic Transaction with Associated Enterprises

Key Direct Tax Proposals



Instance	Additional Tax Payable u/s 140B where Updated ITR u/s 139(8A) is filed between:	
		<ul style="list-style-type: none"> 31st Dec of relevant AY <i>till</i> 12 months from end of relevant AY
In case ITR is not furnished earlier	25% of tax & interest due on additional income	50% of tax & interest due on additional income
In case ITR is furnished earlier (Original, Belated or Revised)		

* The Updated ITR u/s 139(8A) must be accompanied by proof of payment of Additional Tax, otherwise the same may be regarded as defective u/s 139(9)



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment
<p data-bbox="37 329 426 748">Litigation management when in an appeal by Revenue, an identical question of law is pending before jurisdictional High Court or Supreme Court</p> <p data-bbox="37 805 410 936"><i>Section(s) amended: 158AB inserted, 158AA amended</i></p> <p data-bbox="37 993 381 1082"><i>Effective from: 1st April 2022 onwards</i></p>	<ul data-bbox="464 329 1524 1129" style="list-style-type: none"><li data-bbox="464 329 1524 843">• Section 158AA of the IT Act provides that where the Commissioner / Principal Commissioner is of the opinion that any question of law arising in the case of a taxpayer (relevant case) is identical with a question of law arising in his case for another assessment year (other case) which is pending in appeal before the Supreme Court, he may direct Assessing Officer to apply to the Appellate Tribunal stating that an appeal on the question of law in the relevant case may be filed when the decision on question of law becomes final in the other case, subject to acceptance of the same by the taxpayer<li data-bbox="464 901 1524 1129">• If such a principle could be applied to cases where a question of law is common & where a decision of the High Court on the same question of law is available, filing of appeal in such cases can be avoided to reduce litigation	<p data-bbox="1566 329 1929 601">New Section 158AB inserted, procedure explained with the help of example (illustration) in next slide</p>



Illustration: Procedure under newly inserted Section 158AB

- Suppose a question of law (Q1)A1 has arisen in case of an assessee (A1). A1 has received a favourable decision on Q1A1 from the Commissioner (Appeals)
- In case of another assessee (A2), where Revenue's appeal on identical question of law (Q1)A2 is pending before the jurisdictional High Court or Supreme Court & the collegium (comprising of 2 or more Chief Commissioners / Principal Commissioners / Commissioners) of is of the opinion that Q1A1 & Q1A2 are identical questions of law
- Then in this situation, section 158AB can be invoked by Revenue to defer filing of appeal for decision on Q1A1 to the higher appellate authority in Appellate Tribunal till a decision on Q1A2 is communicated to the Assessing Officer having jurisdiction over the assessee, A1
- Such a decision on deferment will be subject to acceptance by the assessee A1 that question of law in his case Q1A1 is identical to Q1A2 in the case of the assessee A2

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Enabling Assessing Officer to pass an order giving effect to resolution of dispute by DRC for small & medium taxpayers</p> <p><i>Section(s) amended: 245MA</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> The Finance Act, 2021 introduced new provision (Section 245MA) in IT Act constituting a DRC to settle disputes of small / medium taxpayers, where <ul style="list-style-type: none"> ✓ Returned income ≤ INR 50 Lakh, & ✓ Aggregate amount of variation proposed ≤ INR 10 Lakh The section <u>does not contain any provision enabling the Assessing Officer to pass an order giving effect to the directions of DRC</u> 	<p>Section amended to <u>enable Assessing Officer pass an order giving effect to the directions of DRC</u></p>	<p>Clarification to provide early tax certainty to small & medium taxpayers</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Surcharge & Cess are not allowable expenditure while computing income from business / profession</p> <p><i>Section(s) amended: 40(a)(ii)</i></p> <p><i>Effective from: AY 2005-06 onwards</i></p>	<p>As per Section 40(a)(ii), 'tax' paid under the IT Act is not an allowable expenditure while computing income from business / profession. However, certain taxpayers are claiming deduction of '<u>cess</u>' / '<u>surcharge</u>' on the ground that it (cess / surcharge) is not specifically mentioned in the section</p>	<p>It has been clarified that '<u>surcharge</u>' & '<u>cess</u>' are not <u>allowable expenditure</u> while computing income from business / profession</p>	<p>Clarificatory, to avoid revenue leakage & avoid litigation</p>



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendments related to successor entity subsequent to business reorganization</p> <p><i>Section(s) amended: 170 amended, 156A, 170A inserted</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> Section 170 governs the procedure of taxation in case of succession to a business pursuant to reorganization. In practice, once an application is filed with Court, it takes a long time to conclude. Courts have held that <u>Income-tax proceedings pending / completed on the predecessor in such cases are illegal as the predecessor ceases to exist</u> Due to the long time-gap involved between the effective date of business reorganization & date of issue of final order by the Court, <u>taxpayers are unable to modify their ITRs for the said intervening period</u> 	<ul style="list-style-type: none"> Income-tax proceedings pending / completed on the predecessor in the event of a business reorganization, shall be <u>considered to have been made on the successor, & hence valid</u> Taxpayers undergoing business reorganization are enabled to file <u>modified ITRs for the intervening period</u> 	<ul style="list-style-type: none"> To clarify validity of tax proceedings conducted on predecessor in case of business succession To enable taxpayers modify ITRs for the intervening period in case of business succession through reorganization

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Disallowance of expenditure u/s 14A to be made even if no exempt income is earned during the year</p> <p><i>Section(s) amended: 14A</i></p> <p><i>Effective from: AY 2022-23 onwards</i></p>	<p>Section 14A provides for disallowance of expenditure incurred to earn tax-exempt income. Over the years, <u>dispute has arisen whether disallowance u/s 14A to be made even if no exempt income has been earned during the year.</u> Revenue has consistently relied on CBDT circular no.5 dated 11th Feb 2014 to sustain the disallowance, while taxpayers have relied on (contrary) judicial precedents to oppose the disallowance</p>	<p>Section 14A shall (always) <u>apply even if no tax-exempt income has been earned</u> during the year</p>	<p>Say, during a year, taxpayer incurs expense of Rs.1 Lakh to earn non-exempt income of Rs.1.5 Lakh & also incurs expense of Rs.20,000 to earn exempt income which has not accrued/received during the year.</p> <p>By holding that disallowance u/s 14A shall not apply as the exempt income was not accrued/received during the year, it amounts to holding that Rs.20,000 would be deductible against non-exempt income of Rs.1.5 Lakh even though the expense was not incurred wholly & exclusively for the purpose of earning such non-exempt income. Such an interpretation defeats the legislative intent of both sections 14A as well as 37 of the IT Act</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Clarification on disallowance of expenditure under Explanation 1 to Section 37</p> <p><i>Section(s) amended: 37(1)</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> Explanation 1 to Section 37(1) prohibits deduction of any expenditure which is an offence or prohibited by law Some <u>taxpayers are claiming deduction of following expenses which are not intended to be deductible:</u> <ul style="list-style-type: none"> ✓ Offering benefits / perquisites to a person like meeting his expenditure related to travel, hospitality, conference etc., (especially in medical profession) ✓ For purpose which is an offence under foreign law 	<p>Following expenditure shall not be allowable under Explanation to Section 37(1):</p> <ul style="list-style-type: none"> ✓ For any purpose which is an offence under Indian <u>or foreign law</u> ✓ To compound an offence under Indian <u>or foreign law</u> ✓ Benefit / perquisite to a person <u>in violation of any law / rule / regulation governing the conduct of such person</u> (such as medical profession) 	<p>Clarificatory</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Conversion of Interest payable on existing loan into debenture is not tax-deductible u/s 43B</p> <p><i>Section(s) amended: 43B</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Section 43B provides for certain deductions to be allowable only on actual payment basis. Some taxpayers are claiming deduction on account of <u>conversion of interest payable</u> on an existing loan into debenture, on the ground that such conversion is nothing but discharge of interest liability, which is not the legislative intent</p>	<p><u>Conversion of Interest payable</u> on existing loan into debenture or any other instrument by which liability to pay is deferred to a future date, is <u>not tax-deductible</u> u/s 43B</p>	<p>Section 43B is meant to curb the mischief of claiming deduction by taxpayer, without actually paying interest to financial institutions/NBFCs/ scheduled bank / co-operative bank. Mercantile system of accounting cannot be determinative of allowability of deduction in such cases</p>





Socio-Economic Welfare Measures



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Extension of sunset date for commencement of manufacture to 31st March 2024 for New Domestic Manufacturing companies availing concessional tax rate @ 15% u/s 115BAB</p> <p><i>Section(s) amended: 115BAB</i></p> <p><i>Effective from: AY 2022-23 onwards</i></p>	<p>Section 115BAB of the IT Act provides an option of concessional tax rate @ 15 % for new domestic manufacturing companies provided they:</p> <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 <u>31st March 2023</u> 	<p>Sunset date for commencement of manufacture / production has been extended by 1 year to <u>31st March 2024</u></p>	<p>Delay due to pandemic COVID-19 in setting up / registration of new domestic companies / commencement of manufacture / production</p>



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Extension of sunset date for incorporation of eligible start-ups to avail deduction u/s 80IAC</p> <p><i>Section(s) amended: 80IAC</i></p> <p><i>Effective from: AY 2022-23 onwards</i></p>	<p>Section 80IAC provides for tax-deduction of 100% profits earned by an eligible start-up for 3 (out of 10) years from year of incorporation, provided:</p> <ul style="list-style-type: none"> • Turnover ≤ INR 100 Crore, & • The start-up holds certificate of eligible business from Inter-Ministerial Board of Certification, & • The start-up is incorporated between 1st April 2016 to <u>1st April 2022</u> 	<p>Sunset date for incorporation of eligible start-up has been extended by 1 year to <u>31st March 2023</u></p>	<p>Delay due to pandemic COVID-19 in setting up eligible start-up units</p>
<p>Reduction of Alternate Minimum Tax Rate to 15% for co-operative societies</p> <p><i>Section(s) amended: 115JC, 115JF</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Section 115JC of the IT Act provides for Alternate Minimum Tax Rate @ <u>18.5%</u> for co-operative societies. However, the rate for companies is 15%</p>	<p>Alternate Minimum Tax Rate for co-operative societies has been reduced to <u>15%</u></p>	<p>To provide parity between co-operative societies & companies</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Additional tax incentives for units located in IFSC</p> <p><i>Section(s) amended: 10(4E), (4F), 56(2)(viib), 80LA(2)(d) amended, 10(4G) inserted</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Various tax benefits are available to units located in IFSC. The 1st IFSC in India has been set up at the GIFT City in Gandhinagar, Gujarat</p> <ul style="list-style-type: none"> U/s 10(4E), income arising to a Non-Resident from transfer of <u>non-deliverable forward contract</u> entered into with an offshore banking unit in an IFSC, is tax-exempt U/s 10(4F), royalty / interest income arising to a Non-Resident from <u>lease of aircraft</u> paid by unit in an IFSC which commences operations on / before 31st March 2024, is tax-exempt 	<ul style="list-style-type: none"> Tax-exemption u/s 10(4E) has been extended to income arising from transfer of <u>offshore derivative instruments or over-the-counter derivatives</u> entered into with an offshore banking unit in IFSC Tax-exemption u/s 10(4F) has been extended to royalty / interest income from <u>lease of ship</u> paid by unit in an IFSC which commences operations on / before 31st March 2024 New section 10(4G) has been inserted to provide tax-exemption to income arising to a Non-Resident outside India from <u>portfolio of securities / financial products / funds, managed by a portfolio manager in account maintained with an offshore banking unit in IFSC</u> 	<p>To further incentivize operations from IFSC</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Additional tax incentives for units located in IFSC</p> <p><i>Section(s) amended: 10(4E), (4F), 56(2)(viib), 80LA(2)(d) amended, 10(4G) inserted</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Section 56(2)(viib) is an anti-abuse provision providing for taxability under 'Income from other sources' in hands of a closely held company on issue of shares to a Resident, if the consideration received on issue of shares > face value of such shares. However, an exception has been carved out in case the consideration for share issue is received by a venture capital undertaking from a venture capital company / venture capital fund / <u>specified fund being an AIF Category-I or II fund regulated by SEBI</u></p> <p>U/s 80LA(1A) read with (2)(d), tax- deduction is available for income arising to a unit in IFSC from transfer of <u>aircraft</u> leased by another unit in IFSC provided the former (lessor) unit commences operations on or before 31st March 2024</p>	<p>Scope of exemption from clutches of Section 56(2)(viib) has been extended to cover a <u>specified fund being Category I or II AIF regulated under IFSC Authority Act, 2019</u> (in addition to SEBI)</p> <p>The scope of tax-deduction has been extended to income arising from lease / transfer of <u>ship</u> as well</p>	<p>To further incentivize operations from IFSC</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Incentive to NPS subscribers for State Government Employees; Increase in limit for tax-deduction to 14%</p> <p><i>Section(s) amended: 80CCD</i></p> <p><i>Effective from: AY 2020-21 onwards</i></p>	<p>U/s 80CCD, <u>Central Government employees</u> are entitled to tax-deduction upto <u>14%</u> of their salary on account of contribution by the Central Government to their NPS account. The said limit is 10% in case of <u>State Government employees</u></p>	<p>Limit of 10% has been increased to <u>14% for State Government employees</u> as well</p>	<p>To treat State Government employees at par with Central Government employees</p>



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Relaxation of hardship on availing tax deduction of expenditure on maintenance (including medical treatment) of dependent with disability</p> <p><i>Section(s) amended: 80DD</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> Section 80DD provides tax deduction of expenditure on maintenance of dependent with disability As per Section 80DD(2)(a), deduction u/s 80DD(1)(b) is allowable only if the payment of annuity / lump sum amount under an insurance scheme is made to the benefit of the dependent, <u>in the event of death</u> of the subscriber-individual / member of HUF Further, as per Section 80DD(3) if the <u>dependent pre-deceases</u> the subscriber-individual / member of HUF, the amount deposited in the scheme shall become taxable in the year of receipt 	<ul style="list-style-type: none"> Section 80DD(2)(a) amended, now deduction will also be allowed during the lifetime (i.e, upon <u>attaining age \geq 60 years</u>) of the subscriber-individual / member of HUF provided the payment / deposit has been discontinued Hardship u/s 80DD(3) shall not apply to the amount received by the dependent <u>before his death</u> 	<p>To avoid hardship in genuine cases where handicapped dependents may need payment of annuity / lump sum during lifetime of their parents / guardians</p>

Key Direct Tax Proposals

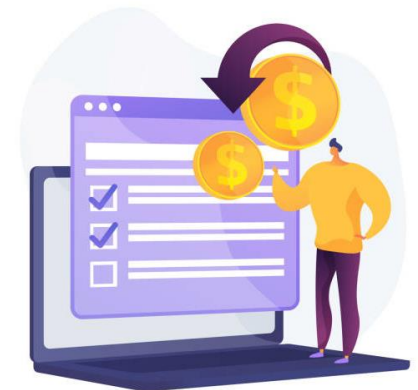


Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax-exemption of amount received for medical treatment or on account of death of an individual due to COVID-19</p> <p><i>Section(s) amended: 17(2), 56(2)(x)</i></p> <p><i>Effective from: AY 2020-21 onwards</i></p>	<ul style="list-style-type: none"> Section 56(2)(x) provides for taxability under 'Income from other sources' in hands of a person receiving gift / money without adequate consideration Section 17(2) provides for taxability of 'perquisites' received from employer as salary income in the hands of employee The Finance Ministry has released a press statement on 25th June 2021 announcing tax-exemption as below on money received by an individual / his family member, from employer of the individual / any other person for treatment of COVID-19 <ul style="list-style-type: none"> ✓ No limit for tax-exemption on money received from employer ✓ Tax-exemption limited to INR 10 Lakh in case of money received from any other person(s) 	<ul style="list-style-type: none"> Money received by an individual from employer / any other person for medical treatment of COVID-19 <u>shall not be taxable either u/s 17(2) or 56(2)(x)</u> Money received by <u>family-member of a deceased person</u> (within 12 months from death) where cause of death was COVID-19, shall be tax-exempt as below: <ul style="list-style-type: none"> ✓ No limit for tax-exemption on money received from employer of deceased person ✓ Tax-exemption limited to INR 10 Lakh in case of money received from any other person(s) 	<p>To provide relief as per press statement</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Facilitating strategic disinvestment of PSC</p> <p><i>Section(s) amended: 79</i></p> <p><i>Effective from: AY 2022-23 onwards</i></p>	<p>Section 79 of the IT Act being an anti- abuse provision restricts carry forward & set-off of losses in case of a closely held company, if there is change in beneficial ownership of shares beyond 51%. The objective is to discourage transactions of buy / sell companies merely to avail tax-benefit of losses without having genuine requirement to do so. Certain exceptions have been carved out though</p>	<ul style="list-style-type: none"> Restriction u/s 79 <u>shall not apply to an erstwhile PSC</u>, provided the ultimate holding company of such erstwhile PSC, immediately after the completion of strategic disinvestment, continues to hold (directly or indirectly) at least 51% of the voting power of the erstwhile PSC If the above condition is violated in any year after the completion of strategic disinvestment, restriction u/s 79 shall apply for such year(s) 	<p>To facilitate strategic disinvestment of PSCs</p>





Widening & Deepening of Tax Base



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Widening the scope of reporting by producers of cinematograph films / persons engaged in 'Specified Activities'</p> <p><i>Section(s) amended: 285B</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>As per section 285B of the IT Act, the producer of cinematographic films is obliged to furnish within 30 days from the end of the FY or from the date of completion of the film, whichever is earlier, a statement containing particulars of all payments > INR 50,000 in the aggregate made by him or due from him to each person engaged by him</p>	<ul style="list-style-type: none"> • Scope of the provision has been widened to include persons engaged in '<u>Specified Activities</u>' to expand the reporting requirements in Form 52A • "Specified Activities" would mean event management, documentary production, production of programs for telecasting on TV or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as the Central Government may specify 	<p>To widen the scope of section 285B</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Provisions relating to bonus stripping & dividend stripping made applicable to Securities & Units</p> <p><i>Section(s) amended: 94</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Section 94 of the IT Act contains anti-abuse provisions relating to dividend stripping & bonus stripping*. However, the section does not apply to bonus stripping undertaken in case of securities & mutual fund units & dividend stripping on units of InvIT, REIT, AIFs or pooled investments</p>	<p><u>Listed stocks & mutual fund units have been covered under bonus stripping.</u> <u>Similarly, units of InvIT, REIT & AIFs have been covered to stop dividend stripping</u></p>	<p>To plug the loophole on tax avoidance</p>

* Dividend stripping is where units of a funds are bought for a short period ahead of the dividend being declared, (called cum-dividend) & then selling them when the units go ex-dividend. This way one is entitled to dividend without tax since units of InvIT, REIT & AIFs have been exempt from tax

* Bonus stripping is a situation when transfer of shares / mutual fund is done in a manner which results in short-term capital loss that can be adjusted against capital gains



Revenue Mobilization



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Taxation of Virtual Digital Assets* (Cryptocurrency)</p> <p><i>Section(s) amended: 115BBH inserted, 56(2)(x) amended</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>No specific scheme for taxation on transfer of virtual digital assets / Cryptocurrency</p>	<ul style="list-style-type: none"> • <u>Income arising from transfer of any virtual digital assets shall be taxable @ 30%</u>. No deduction or set-off of loss shall be allowable while computing said income, except cost of acquisition • Loss arising on transfer of virtual digital assets cannot be: <ul style="list-style-type: none"> ✓ Set-off against any other taxable income, or ✓ Carried forward to subsequent years • Existing rule of taxability of income from other sources to apply on gifting of virtual digital assets as well 	<p>To address the emerging markets for transfer / usage of Cryptocurrency</p>

* 'Virtual digital asset' has been defined to mean any information / code / number / token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account.

* It includes use in any financial transaction / investment & can be transferred, stored or traded electronically. Non fungible token or any other token of similar nature is included in the definition

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Withdrawal of concessional Tax Rate on dividend received by Indian company from foreign company</p> <p><i>Section(s) amended: 115BBD</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> Section 115BBD of IT Act provides for <u>concessional Tax Rate @ 15% on dividend income received by an Indian company from a foreign company</u> in which the Indian company holds $\geq 26\%$ equity shares The above concessional Tax Rate @ 15% was aligned with the erstwhile dividend distribution tax rate u/s 115O of the IT Act 	<p><u>Section 115BBD to become redundant from AY 2023-24 onwards</u></p>	<ul style="list-style-type: none"> To provide parity in tax treatment of dividend received by Indian company from foreign company vis a vis dividend received from domestic company Consequent to abolition of dividend distribution tax by Finance Act, 2020, there is no meaning to give benefit of concessional rate of tax any longer to dividend income received by Indian company from foreign company, when similar income (dividend) received from a domestic company is taxable at a higher rate



Phasing Out Exemption



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Withdrawal of tax-exemption on income accruing / arising outside India in connection with technical assistance programs / grant agreements with Government of a foreign country</p> <p><i>Section(s) amended: 10(8), (8A), (8B), (9)</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Sections 10(8), (8A), (8B), (9) provide for tax-exemption to individuals & their family members on income accruing / arising outside India in connection with technical assistance programs / grant agreements between Indian Government / agency & Government of a foreign country</p>	<p>The <u>tax-exemptions</u> <u>have been</u> <u>withdrawn</u></p>	<ul style="list-style-type: none"> • These are age-old exemptions (about 30 years old) which have outlived their utility • Further, if under a DTAA, India gets a right to tax said income & the other country is expected to provide relief from double taxation by exemption or credit method, providing tax-exemption by India amounts to surrender of right of taxation by India in favour of the other country which is a loss for the exchequer



Rationalization Measures



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Taxability of unexplained cash credits; Onus to prove source of funds in hands of Creditor / Entry Provider</p> <p><i>Section(s) amended: 68</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> Section 68 of the IT Act provides for addition / taxability of unexplained cash credits found in books of taxpayer. The onus to provide a satisfactory explanation lies with the taxpayer Certain judicial pronouncements have created doubt regarding onus of proof, particularly in cases of credit of loans or borrowings. As per the judgments, only identity & creditworthiness of the creditor & genuineness of the transaction needs to be proved; the <u>onus does not extend to explaining the source of funds in the hands of Creditor / Entry Provider</u> 	<p>A loan, borrowing, or any other liability credited in books shall be treated as explained <u>only if the source of funds is also explained in the hands of the Creditor or Entry Provider</u> (except where the creditor is a well regulated entity, such as a Venture Capital Fund or Venture Capital Company registered with Securities Exchange Board of India)</p>	<p>To prevent the harmful practice of conversion of unaccounted money by crediting it to books of accounts by masquerading it as loan or borrowing</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Prohibition to set-off loss / unabsorbed depreciation against undisclosed income detected in case of search / requisition / survey</p> <p><i>Section(s) amended: 79A inserted</i></p> <p><i>Effective from: AY 2022-23 onwards</i></p>	<p>No specific provision prohibiting set-off of loss / unabsorbed depreciation against undisclosed income detected in case of search / requisition / survey (though for incomes falling u/s 68, 69, 69B etc., such restriction is there)</p>	<ul style="list-style-type: none"> • New Section 79A has been inserted to provide <u>prohibition on set-off of loss / unabsorbed depreciation against 'Undisclosed income' detected in case of search / requisition / survey</u> • 'Undisclosed income' has been defined to mean following income unearthed in case of search / requisition / survey: <ul style="list-style-type: none"> ✓ Money, bullion, jewellery or other valuable article not recorded in books of account, or ✓ False expense-entry recorded in books of accounts 	<p>To ensure that proper tax is paid on income detected during search / survey & deter tax evasion</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalization of provisions relating to assessment & reassessment</p> <p><i>Section(s) amended: 132, 132B, 148, 148A, 148B, 149, 153, 153B, 271AAB</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> The Finance Act, 2021 amended the procedure for assessment / reassessment effective from 1st April 2021. The said amendment modified sections 147, 148, 149 & also introduced a new section 148A in the IT Act In cases where search is initiated u/s 132 or books of account, other documents / assets are requisitioned u/s 132A on or after 1st April 2021, assessment / reassessment is now made u/s 143 or 144 or 147 after the Finance Act, 2021 	<ul style="list-style-type: none"> Approval for issue of notice not required where order u/s 148A(d) has been passed with due approval Information with Assessing Officer for basis of reassessment to include cases of audit objection, receipt of information under treaty network, etc. Time limit to reopen assessment of 10 years to apply in cases where expenditure or entry in books, in excess of INR 50 Lakh, has escaped assessment Procedure for reassessment in search cases aligned with regular assessment cases 	<p>Simplification of procedures</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendment of title (marginal note) to section 179; 'Liability of directors of private Company'</p> <p><i>Section(s) amended: 179</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Section 179 of the IT Act enables tax authorities to recover tax due from a private company from its directors, where such tax cannot be recovered from the company itself. However, the title of the section inadvertently refers to the liability of directors of private company <u>in liquidation</u>, even though the provision is not conditional upon the company being in liquidation</p>	<p>Title to Section 179 has been rectified as '<u>Liability of directors of private company</u>'</p>	<p>To make the title of the section uniform with its provisions</p>



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Clarity regarding authority having power u/s 263 to revise order of TPO passed u/s 92CA</p> <p><i>Section(s) amended: 153, 263</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> Section 263 of the IT Act allows revision of an order which is erroneous & prejudicial to the interests of revenue Section 92CA entitles an Assessing Officer to refer the matter of computation of ALP to the TPO. The TPO passes an order determining the ALP & sends it to the Assessing Officer for final determination of taxable income <u>It is not clear as to who has the power u/s 263 to revise the order of the TPO passed u/s 92CA</u> 	<ul style="list-style-type: none"> Section 263 has been amended to clarify that the <u>Principal Chief Commissioner / Chief Commissioner / Principal Commissioner / Commissioner who is assigned the jurisdiction of TP</u> may pass an order directing revision of the order of TPO The Assessing Officer will have <u>2 months'</u> time to give effect to the order of TPO consequent to the directions in revision order u/s 263 	<p>To provide clarity in cases involving TP adjustment</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Power granted to CBDT u/s 119 to relax late filing fee u/s 234F (delay in filing ITR) in certain cases</p> <p><i>Section(s) amended: 119</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Section 234F of the IT Act imposes a late filing fee of INR 5,000 for delay in filing annual ITR by taxpayer. Currently, CBDT expressly does not have the power u/s 119 to relax this requirement in cases it deems fit</p>	<p>CBDT has been expressly given power u/s 119 to <u>relax the vigor of section 234F</u> in cases it deems fit</p>	<p>To avoid unintended consequence of levying fee u/s 234F on taxpayers who face genuine difficulties in filing ITR timely; for instance, members of the armed forces stationed in remote regions with no access to the requisite infrastructure</p>



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Clarification that reduction of Goodwill from block of assets will be considered as 'Transfer'</p> <p><i>Section(s) amended: 50</i></p> <p><i>Effective from: AY 2021-22 onwards</i></p>	<p>Finance Act 2021 had amended section 50 of the IT Act to stipulate that goodwill is not a depreciable asset. In case goodwill is purchased, the purchase price will be considered as cost of acquisition for purpose of computation of capital gains, provided that in case depreciation was obtained by the taxpayer on such goodwill prior to AY 2021-22, the depreciation so obtained shall be reduced from the purchase price of the goodwill</p>	<p>A consequential amendment has been made to clarify that for the purpose of section 50, <u>reduction of goodwill from the block of assets shall be considered as 'transfer'</u></p>	<p>Clarificatory</p>
<p>Rectification of inadvertent error in definition of 'slump sale' u/s 2(42C)</p> <p><i>Section(s) amended: 2(42C)</i></p> <p><i>Effective from: AY 2021-22 onwards</i></p>	<p>Finance Act, 2021 expanded the definition of 'slump sale' u/s 2(42C) to cover all forms of transfer. Inadvertently, in the last sentence there is reference to the word '<u>sales</u>' instead of '<u>transfer</u>'</p>	<p>Consequential amendment made to section 2(42C) to <u>substitute the word 'sales' with 'transfer'</u></p>	



Faceless Assessment / Appeal



Key Direct Tax Proposals



Budget Proposal	Section of IT Act	Scheme	Existing sunset date	Proposed sunset date	Reason for Extension
<p>Extension of sunset date of limitation for issue of directions by Government for implementation of Faceless Scheme</p> <p><i>Section(s) amended: 92CA, 144C, 253, 255</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	92CA	Faceless determination of arm's length price	<u>31st March 2022</u>	<u>31st March 2024</u>	Government needs more time to finalise procedures
	144C	Faceless Dispute Resolution Scheme			
	253	Faceless Appeal to Appellate Tribunal			
	255	Faceless procedure of Appellate Tribunal	<u>31st March 2023</u>		



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment
<p>Changes in Faceless Assessment Scheme u/s 144B(1) to (9) to address difficulties faced by Revenue as well as taxpayers</p> <p><i>Section(s) amended: 144B(1) to (9)</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Section 144B provides the <u>detailed procedure for faceless assessment</u> with effect from 1st April 2021 onwards. Certain changes have been proposed by the Budget to remove difficulties faced by Revenue as well as taxpayers</p>	<ul style="list-style-type: none">• Assessment not to be void merely because prescribed procedure not followed• Role of different units (assessment unit, verification unit, review unit & technical unit) to be coordinated through National Faceless Assessment Centre• Personal hearing shall be allowed through video conferencing where variation is proposed





Withholding tax / TDS / TCS



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment
<p>Withholding tax on transfer of Virtual Digital Assets (Cryptocurrency)</p> <p><i>Section(s) amended: 194S inserted</i></p> <p><i>Effective from: 1st July 2022 onwards</i></p>	<p>No provision for withholding tax on transfer of virtual digital assets / Cryptocurrency</p>	<ul style="list-style-type: none"> • <u>Withholding tax @ 1% on payment for transfer of virtual digital assets to a Resident</u> • Exemption from Withholding tax obligation in following cases: <ul style="list-style-type: none"> ✓ Payer is a 'specified person', & ✓ Aggregate value of such consideration to a Resident < INR 50,000 during the FY • 'Specified person' means an Individual / HUF: <ul style="list-style-type: none"> ✓ Whose gross receipts / turnover from <u>Business</u> ≤ INR 1 Crore in the FY preceding the FY of transfer, or ✓ Whose gross receipts from <u>Profession</u> ≤ INR 50 Lakh in the FY preceding the FY of transfer, or ✓ Having income under any head other than Business or Profession

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Mechanism to claim refund by filing application before Assessing Officer by a Taxpayer denying liability to withhold tax on payment to Non-Resident</p> <p><i>Section(s) amended: 239A inserted, 246A, 248 amended</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> Section 248 of the IT Act provides that where a taxpayer denies the liability to withhold tax u/s 195 on payment to a Non-Resident under any specific agreement / arrangement, he may appeal to the Commissioner (Appeals) within 30 days of depositing such tax liability with the Central Government There is <u>no recourse to approach Assessing Officer with such a request</u> 	<p>New Section 239A has been inserted to provide for a <u>mechanism to claim refund in such cases by filing an application with Assessing Officer</u>, instead of straight-away filing appeal before the Commissioner (Appeals)</p>	<ul style="list-style-type: none"> To follow the natural order of filing a claim before Assessing Officer before approaching appellate authority / Commissioner (Appeals) The amendment enables bringing on record the agreement / arrangement before the Assessing Officer who can examine the taxpayer's claim in light of the said document

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Relaxation of vigor u/s 206AB, 206CCA for TDS / TCS at higher rates for non-filers of ITR</p> <p><i>Section(s) amended: 194IB, 206AB, 206CCA</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Finance Act, 2021 had inserted sections 206AB, 206CCA to nudge taxpayers to furnish their ITR. The provisions call for TDS / TCS at higher rates in case of 'Specified Persons'</p> <p>'Specified person' has been defined to mean a person who:</p> <ul style="list-style-type: none"> • Has not filed ITR for <u>both the (2) AYs</u> immediately preceding the FY in which tax is required to be deducted / collected, for which the time limit for filing ITR u/s 139(1) has expired; & • The aggregate of TDS / TCS liability in his case in each of these 2 AYs \geq INR 50,000 <p>Section 206AB is <u>currently applicable in case of real estate purchase / lease transactions covered u/s 194IA & 194IB</u></p>	<ul style="list-style-type: none"> • Criteria of not filing ITR for <u>2 preceding AYs</u> (to qualify as 'Specified Person') has been reduced to <u>1 year</u>. Aggregate TDS / TCS liability must be \geq INR 50,000 in the said year • Individuals & HUFs buying / leasing real estate covered <u>u/s 194IA & 194IB</u> for whom simplified tax deduction system has been provided without requirement of obtaining TAN, <u>are exempted</u> from the vigor of sections 206AB, 206CCA 	<ul style="list-style-type: none"> • To ensure that all persons in whose case significant amount of tax has been deducted do furnish their ITR • To reduce addition burden on Individuals & HUFs

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Withholding tax on transfer of immovable property; Benchmark inserted for comparison of stamp duty value viz. a viz. actual consideration</p> <p><i>Section(s) amended: 194IA</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<ul style="list-style-type: none"> Section 194IA provides for withholding tax rate @ 1% on transfer of immovable property by a Resident-seller to a buyer, provided actual consideration value \geq INR 50 Lakh The provision currently <u>does not consider the stamp duty value of the property</u>, whereas, as per sections 43CA & 50C (relevant for computation of business income & capital gains in case of real estate transfer, respectively), the stamp duty value is also to be considered Thus, there is inconsistency between section 194-IA & sections 43CA & 50C of the IT Act 	<ul style="list-style-type: none"> Section 194IA has been amended to say that in case of transfer of an immovable property, withholding tax rate @ 1% shall be deducted on actual consideration value <u>or stamp duty value of such property, whichever is higher</u> In case both actual consideration value & stamp duty value < INR 50 Lakh, withholding tax is not required 	<p>To remove the inconsistency between section 194-IA viz-a-viz. sections 43CA & 50C of the IT Act</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Withholding tax on benefit / perquisite of a business / profession</p> <p><i>Section(s) amended: 194R inserted</i></p> <p><i>Effective from: 1st July 2022 onwards</i></p>	<p>As per Section 28(iv) of the IT Act, the value of any benefit or perquisite, whether convertible into money or not, arising from business or profession is taxable as income in the hands of the recipient of such benefit or perquisite. Practically, in many cases however, the <u>recipient does not report such benefit in its ITR</u> leading to furnishing incorrect particulars of Income</p>	<p>New Section 194R has been inserted to make the person responsible for providing to a Resident, any such benefit or perquisite, liable for <u>withholding tax @ 10% of the value of such benefit / perquisite</u></p> <p>No tax is required to be withheld at source if:</p> <ul style="list-style-type: none"> • Aggregate value of benefit / perquisite ≤ INR 20,000 during the FY, or • In case of an Individual / HUF whose gross receipts / turnover ≤ INR 1 Crore (in case of business) or ≤ INR 50 Lakh (in case of profession) during the preceding FY 	<p>To widen & deepen the tax base & also track cases of income taxable u/s 28(iv) of the IT Act which otherwise was difficult</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Simplification of interest-calculation method on failure to discharge TDS / TCS obligation; Power granted to Assessing Officer to calculate the interest liability</p> <p><i>Section(s) amended: 201, 206C</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Method to calculate interest liability u/s 201(1A) & 206(C) in case of failure to discharge TDS / TCS obligation, is cumbersome & continues to be matter of litigation</p>	<p>Where an order is passed by Assessing Officer for treating taxpayer as 'in-default' on account of failure to discharge TDS / TCS obligation, <u>interest shall be paid by taxpayer in accordance with such order</u></p>	<p>To simplify interest-calculation method in case of failure to discharge TDS / TCS obligation by 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)
- **2nd Regime** – Trust registered u/s 12AA/ 12AB

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

Amendments for Effective Monitoring & Implementation of both the Exemption Regimes

Budget Proposal	Existing Provision	Proposed Amendment
Maintenance of books of accounts <i>Section(s) amended: 12(1)(b), 10(23C)</i> <i>Effective from: AY 2023-24 onwards</i>	Trusts registered under both the regimes are required to get their accounts audited, if their total income > basic exemption limit. However, there is <u>no specific provision for maintenance of books of accounts</u> by such trusts / Institutions	<u>Requirement to maintain books of accounts</u> in prescribed manner, has been inserted

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment
<p>Penalty for passing unreasonable benefits to trustee / specified persons</p> <p><i>Section(s) amended: 271AAE inserted</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Trusts / Institutions are not supposed to pass unreasonable benefit(s) to trustees / any other specified person</p>	<p><u>Levy of Penalty in case it is found that Trust / Institution has passed unreasonable benefits to trustees / any other specified person</u></p> <ul style="list-style-type: none"> • 1st time violation; Penalty = Amount of income applied for benefit of specified person • Subsequent violation; Penalty = Twice the amount of income applied for benefit of specified person
<p>Reference for cancellation of registration / approval</p> <p><i>Section(s) amended: 12AB, 10(23C), 12AB(4)</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Following issues needed attention</p> <ul style="list-style-type: none"> • Differences in provisions related to cancellation of trusts under both regimes • Registration under automated approval system • No prescribed time-limit for Commissioner to decide on references for withdrawal of approval 	<p>Procedure has been prescribed to be followed by Assessing Officer / Principal Commissioner / Commissioner on notice of specified violation</p>

Key Direct Tax Proposals



Amendments for Bringing Consistency in the provisions of 2 Exemption Regimes

Budget Proposal	Existing Provision	Proposed Amendment
<p>Accumulation provisions</p> <p><i>Section(s) amended: 11(3), 10(23C)</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<ul style="list-style-type: none"> A Trust / Institution is required to apply 85% of its income during the relevant year. If it is not able to do so, it is allowed to accumulate such income for upto 5 years While the <u>conditions / safeguard relating to accumulation of income</u> have been mentioned in law for Trusts / Institutions covered under 2nd regime, they are <u>not mentioned for Trusts / Institutions covered under 1st regime</u> 	<p>Consistency brought to prescribe conditions / safeguard for accumulation of income for <u>both categories</u> of Trusts / Institutions</p>
<p>Section 115TD to apply to Trust / Institution covered under 1st regime</p> <p><i>Section(s) amended: 115TD, 115TE, 115TF</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>Provisions of Chapter XII-EB regarding taxation of accreted income in certain cases, are applicable only to <u>Trusts / Institutions covered under 2nd regime</u></p>	<p>Scope of the provisions have been extended to <u>cover Trusts / Institutions under 1st regime also</u></p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment
<p>Filing of ITR by person claiming exemption u/s 10(23C) (1st regime)</p> <p><i>Section(s) amended: 10(23C)</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>If a Trust / Institution under 2nd regime does not furnish ITR timely u/s 139(4A), the exemption / benefits are not applicable. There is <u>no similar provision for Trust / Institution under 1st regime</u></p>	<p>Requirement to file ITR timely u/s 139(4C) has been <u>made mandatory for Trust / Institution under 1st regime</u> to claim tax benefits under the IT Act</p>

Providing Clarity in Certain Circumstances

Budget Proposal	Existing Provision	Proposed Amendment
<p>Application of income will be allowed only when it is actually paid</p> <p><i>Section(s) amended: 10(23C), 11</i></p> <p><i>Effective from: AY 2022-23 onwards</i></p>	<p>Trusts / Institutions registered under both regimes are required to apply 85% of their income for the specified purposes. It has been held by Courts that the word 'application' means actually paid</p>	<p>Sum payable by a Trust / Institution shall be considered as 'application' of income in the year of actual payment irrespective of accounting treatment. Where in any year, any sum has been claimed to have been applied by such Trust / Institution, such sum shall not be allowed as application in a subsequent year</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment
<p>Allowing deduction of certain expenditure in case of denial of tax-exemption</p> <p><i>Section(s) amended: 13(10), (11), 10(13)</i></p> <p><i>Effective from: AY 2023-24 onwards</i></p>	<p>There is <u>lack of clarity on computation of taxable income in case tax-exemption is not available</u>. For example, if the tax-exemption is denied to a Trust / Institution due to late submission of audit report, its entire receipts may be taxed without giving deduction for any application in future</p>	<p>Where tax-exemption is not available, <u>taxable income will be computed after allowing deduction of expenditure incurred for the objects of the Trust / Institution</u>, subject to conditions</p>
<p>Voluntary Contributions for Renovation / Repair of Temples, Mosques, Gurudwaras, Churches</p> <p><i>Section(s) amended: 11(1), 10(23C)</i></p> <p><i>Effective from: AY 2021-22 onwards</i></p>	<p>Donations for renovation / repair of temples, mosques, gurudwaras, churches etc are received for specific purposes. It is <u>not clear if such donations are treated as corpus donations or required to be applied / accumulated</u> for upto 5 years</p>	<p>Such sums <u>may, at the option of Trust / Institution, be treated as part of corpus</u> subject to conditions.</p>



Penalties & Prosecution



Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Grant of concomitant powers to Commissioner (Appeals) to levy penalty u/s 271AAB, 271AAC, 271AAD for actions pertaining to undisclosed income, unexplained credits, deliberate falsification or omission in books of accounts</p> <p><i>Section(s) amended: 271AAB, 271AAC, 271AAD</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Sections 271AAB, 271AAC, 271AAD give powers to <u>Assessing Officer</u> to levy penalty in cases involving undisclosed income where search has been initiated u/s 132 or otherwise, or for false entry etc. in books of account</p>	<p><u>Commissioner (Appeals)</u> has been given the power to levy penalty under these provisions along with Assessing Officer (similar to sections 270A, 271, 271AA, 271G, 271J which deal with deliberate concealment, non-disclosure & omission by taxpayer to evade tax</p>	<p>To deter non-compliance among tax payers</p>
<p>Increase in penalty u/s 272A(2) from INR 100/day to INR 500/day for failure to furnish information, returns or statements, allow inspections etc.</p> <p><i>Section(s) amended: 272A</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Prescribed amount of penalty u/s 272A(2) is <u>only INR 100/day</u> for failure to furnish information, returns or statements, allow inspections etc.</p>	<p>Amount of penalty has been increased to <u>INR 500/day</u></p>	<p>The penalty has not been increased since 1999 & does not have adequate deterrence value</p>

Key Direct Tax Proposals



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>No fresh prosecution u/s 276AB (cases involving transfer of immovable property) shall be initiated on or after 1st April 2022</p> <p><i>Section(s) amended: 276AB</i></p> <p><i>Effective from: 1st April 2022 onwards</i></p>	<p>Prosecution provision u/s 276AB has outlived its relevance. <u>Launching prosecution against offences committed more than 20 years ago (prior to 2002) would be beyond reasonable time</u></p>	<p>Sunset clause added, <u>no fresh prosecution u/s 276AB to be initiated</u> on or after 1st April 2022</p>	<p>To align / update the law</p>



Indirect Tax Proposals



GST - Removal of Matching Mechanism



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Furnishing details of Inward supplies</p> <p><i>Section(s) amended: 38 of CGST Act</i></p>	<p>A registered taxpayer is required to furnish the details of inward supplies electronically</p>	<p>Section 38 to be amended completely to <u>remove the reference of earlier Return of inward supplies & replace it with new auto-generated statement on 'communication of details of inward supplies & ITC'</u></p> <p>Auto-generated statement to contain details of inward supplies –</p> <ul style="list-style-type: none"> • Where ITC is admissible; & • Where ITC (wholly or partly) is <u>not admissible</u>: <ul style="list-style-type: none"> ✓ On supplies by the supplier within such period of taking registration ✓ Supplier has defaulted in payment of tax ✓ Tax payable in GSTR-1 > tax in GSTR-3B ✓ ITC availed by supplier > eligible ITC limit ✓ Supplier has defaulted in discharging tax liability ✓ Such other class of persons as may be prescribed 	<p>Removal of matching mechanism to do away with 2-way communication process in Return filing i.e. filing of details of inward supplies, matching the same with details of outward supplies filed by the vendor / supplier, etc.</p>

GST - Removal of Matching Mechanism



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>New condition for availing ITC</p> <p><i>Section(s) amended: 16(2) of CGST Act</i></p>	<p>Taxpayer can claim ITC if following conditions are fulfilled:</p> <ul style="list-style-type: none"> • Possession of tax paying document • Receipt of goods / services • Tax actually paid to the Government • Filing of tax Returns 	<p><u>Additional condition inserted</u>, ITC can be availed by the taxpayer only if the same is <u>not restricted</u> in the details communicated to the taxpayer u/s 38 (discussed earlier)</p>	<p>In line with the amendment u/s 38, ITC can be availed which is admissible in the new auto-generated statement</p>
<p>Matching, reversal & reclaiming of credit</p> <p><i>Section(s) amended: 42, 42A, 43 of CGST Act</i></p>	<p>Section 42 – Matching, reversal & reclaim of input tax credit</p> <p>Section 43 – Matching, reversal & reclaim of reduction in output tax liability</p> <p>Section 43A – Procedure for furnishing return & availing input tax credit</p>	<p>Section 42, 43 & 43A to be omitted</p>	<p>The schema of matching of outward & inward supplies was never implemented in GST regime till date</p>

GST – Extension of Time Limits



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Time limit for availing ITC</p> <p><i>Section(s) amended: 16(4) of CGST Act</i></p>	<p>Taxpayer can claim ITC in respect of any invoice or debit note pertaining to a FY earlier of the below dates:</p> <ul style="list-style-type: none"> • Due date of furnishing of return for the month of <u>September following the relevant FY</u>; or • Date of furnishing of relevant annual Return 	<p>Taxpayer can now claim ITC in respect of any invoice or debit note pertaining to a FY earlier of the below dates</p> <ul style="list-style-type: none"> • <u>30th November of the succeeding FY</u>; or • Date of filing annual Return 	<p>To provide relaxation in the time for availing of ITC</p>
<p>Time limit for issue of credit note</p> <p><i>Section(s) amended: 34(2) of CGST Act</i></p>	<p>Credit notes in relation to a supply in a FY can be issued not later than the month of <u>September of the succeeding FY</u> or filing of annual Return, whichever is earlier</p>	<p>Credit notes in relation to a supply in a FY can now be issued not later than the <u>30th November of the subsequent FY</u> or filing of annual Return, whichever is earlier</p>	<p>Similar to above amendment to extend the time limit for issue of credit notes</p>



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rectification of errors / omissions in return</p> <p><i>Section(s) amended: 37, 39 & 52 of CGST Act</i></p>	<p>Maximum time limit within which rectification of errors / omissions in Return furnished u/s 37 (GSTR-1), 39 (GSTR-3B) & 52 (GSTR-8 for TCS) is earlier of:</p> <ul style="list-style-type: none"> • Due date of furnishing of Return for the month of <u>September following the relevant FY</u>; or • Date of furnishing of relevant annual Return 	<ul style="list-style-type: none"> • The maximum time limit within which rectification of errors / omission is permissible is earlier of: <ul style="list-style-type: none"> ✓ <u>30th November of the succeeding FY</u>; or ✓ Date of filing annual Return • Restriction for furnishing Return of outward supplies in GSTR-1 between 11th & 15th day of the following month is removed • <u>Additional condition inserted</u>, GSTR-1 cannot be filed where the same is pending for any previous tax periods 	<p>To extend the time for rectification of errors</p>

GST – Cancellation of Registration



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Cancellation of GST registration</p> <p><i>Section(s) amended: 29(2)(b), 29(2)(c) of CGST Act</i></p>	<p>In the following cases, GST registration can be cancelled by the proper officer:</p> <ul style="list-style-type: none"> • On contravention of Law • Person paying tax under composition scheme does not furnish Return for <u>3 consecutive tax periods</u> • Any registered person (other than above) has not filed Return for a <u>continuous period of 6 months</u> • Voluntarily registered person has not commenced business within 6 months from the date of registration • Registration was obtained by means of fraud, willful misstatement or suppression of facts 	<p>Section 29(2) (b) & (c) amended to provide that the registration can be cancelled by the proper officer, where:</p> <ul style="list-style-type: none"> • Composition taxpayer has not furnished Returns for a FY <u>beyond 3 months</u> from the due date • Any registered person (other than immediate preceding) has not filed Return <u>for such continuous tax period</u> as may be prescribed 	<p>To align Section 29 with the changes made in Rule 62 of the CGST Rules earlier vide Notification No. 20/2019 – Central Tax dated 23rd April 2019</p>

GST - Non-resident Taxable Persons



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Due date of filing of Return by NRTP</p> <p><i>Section(s) amended: 39(5) of CGST Act</i></p>	<p>Earlier the due date of filing of Return in GSTR-5 by NRTP was <u>20th of next month</u> or within 7 days from the date of expiry or registration</p>	<p>Due date to file GSTR-5 by NRTP preponed to <u>13th of next month</u> (from 20th of next month)</p>	<p>To keep parity with the outward supply Returns filed in GSTR-1</p>



GST – Filing of GSTR 3B



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Payment of tax</p> <p><i>Section(s) amended: 39(7) of CGST Act</i></p>	<p>Every registered person required to furnish a Return shall pay tax due as per such Return not later than the last date on which it is required to furnish such Return</p>	<p>Section 39(7) substituted to provide an option to the persons furnishing Return <u>to pay either self-assessed tax or amount prescribed</u></p>	<p>To support Quarterly Return Monthly Payment scheme</p>
<p>Condition for furnishing GSTR-3B</p> <p><i>Section(s) amended: 39(10) of CGST Act</i></p>	<p>Filing of Return in GSTR-3B for current month is possible only where Returns of previous month is filed</p>	<p><u>Additional condition inserted,</u> GSTR-3B for a particular period cannot be filed until GSTR-1 for the same period is not filed by the taxpayer</p>	<p>To develop a mechanism were taxpayers are encouraged towards regular compliance under GST</p>

GST – Provisional ITC



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Claim of ITC</p> <p><i>Section(s) amended: 41 of CGST Act</i></p>	<p>ITC was availed 'provisionally' in e-credit ledger on self-assessment basis</p>	<ul style="list-style-type: none">• Section 41 of the CGST Act substituted to remove availment of ITC provisionally on self-assessment basis• ITC shall be available on self assessment basis subject to prescribed conditions• Further, provision introduced for reversal of ITC (with interest) in case where tax is not deposited by the taxpayer and re-availment thereof in future upon payment of tax	<p>To do away with the concept of claiming eligible ITC on provisional basis</p>



GST – Interest & Late Fee



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Levy of late fee on TCS Return</p> <p><i>Section(s) amended: 47 of CGST Act</i></p>	<ul style="list-style-type: none"> Late fee u/s 47(1) @ INR 100 / day (of CGST & SGST each) subject to a maximum of INR 5,000/- was prescribed for delay in filing GSTR-1 (Section 37), GSTR-3B (Section 39) & GSTR-10 (Section 45) No late fees prescribed for delay in filing of TCS Return in GSTR-8 u/s 52 	<p>Similar provisions extended for delay in filing of TCS Return in GSTR-8 u/s 52</p>	<p>To maintain parity on levy of late fee on delayed filing of GST Returns</p>
<p>Interest on ITC wrongly availed & utilized</p> <p><i>Section(s) amended: 50(3) of CGST Act</i></p> <p><i>Effective from: July 1, 2017 onwards</i></p>	<p>-</p>	<p>Levy of interest on ITC wrongly availed and utilized @ 18%</p>	<p>To enact recommendation of the 45th GST Council meeting</p>



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Utilization of amount available in the electronic credit ledger</p> <p><i>Section(s) amended: 49(4) & 49(12) of CGST Act</i></p>	<ul style="list-style-type: none"> • Rule 86B of CGST Rules, 2017 vide Notification No. 94 / 2020 – Central Tax dated 22nd December 2020 effective from 1st January, 2021 provided that only 99% ITC can be utilized for paying output taxes & 1% output tax had to be mandatorily paid in cash subject to prescribed conditions • However, no power was given in the statute & therefore constitutional validity of Rule 86B was under question 	<ul style="list-style-type: none"> • Section 49(4) of the CGST Act amended to grant power to the Government to restrict amount of ITC that can be ‘utilized’ for payment of output tax • Section 49(12) of CGST Act inserted to prescribe the amount of output tax liability which may be discharged through electronic credit ledger 	<p>To empower the Government to prescribe the restrictions for utilising the amount available in the electronic credit ledger</p>

GST – Transfer of balance of e-cash Ledger



Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Transfer of E-cash ledger's balance within distinct persons having same PAN & different GSTIN</p> <p><i>Section(s) amended: 49(10) of CGST Act</i></p>	<p>--</p>	<ul style="list-style-type: none"> Any balance in electronic cash ledger can be transferred to electronic cash ledger for: <ul style="list-style-type: none"> ✓ IGST / CGST / SGST / UTGST or cess within same GSTIN or ✓ To CGST / IGST of a distinct person Such transfer shall be deemed to be refund from the electronic cash ledger Such transfer shall not be allowed if there is any unpaid liability in the electronic liability register 	<p>To give effect to the 45th GST Council Meeting decision</p>

GST – Refund & Exemptions



Budget Proposal	Proposed Amendment
<p data-bbox="43 297 611 386">Relevant date for filing refund application by SEZ</p> <p data-bbox="43 439 706 482"><i>Section(s) amended: 54 of CGST Act</i></p>	<p data-bbox="758 297 1943 439">Last date of filing refund in case of zero rated supplies to SEZ shall be 2 years from the due date of furnishing GSTR-3B in which such supplies was made</p>
<p data-bbox="43 529 486 568">Exemptions under GST</p>	<ul data-bbox="758 529 1943 989" style="list-style-type: none"><li data-bbox="758 529 1943 672">• Supply of services by way of grant of alcoholic liquor license, against consideration in the form of license / application fee not to be treated as supply of goods or services<li data-bbox="758 715 1943 858">• Supply of unintended waste generated during the production of fish meal except fish oil to be exempt from 1st July 2017 to 30th September 2019<li data-bbox="758 901 1943 989">• However, no refund of tax already paid on such supply shall be granted



Portal	Functions
www.gst.gov.in	<ul style="list-style-type: none">• Facilitating registration• Payment of tax• Furnishing of returns• Computation & settlement of integrated tax• Carrying out other prescribed functions / purposes
www.ewaybillgst.gov.in	<ul style="list-style-type: none">• electronic way bill
www.einvoice1.gst.gov.in	<ul style="list-style-type: none">• Generation of e-invoices





- Amendment in the Fourth Schedule: New tariff items inserted relating to E12 & E15 fuel blends

Sl.	Commodity	HSN
1	Ethanol Blended Petrol with percentage of ethanol up to 12 (E12)	2710 12 43
2	Ethanol Blended Petrol with percentage of ethanol up to 15 (E15)	2710 12 44

- Change in effective rate of Additional Basic Excise Duty (ABED) on unblended fuel (Petrol & Diesel)

Sl.	Commodity	ABED (INR / Ltr)	Levied with effect from
1	Petrol (unblended)	INR 2	October 1, 2022
2	High speed diesel (unblended)		

- The Seventh Schedule of the Finance Act, 2001, is being amended by substituting Central Excise tariff item 2709 20 00 with 2709 00 10 (Petroleum Crude)



- CBIC / Principal Commissioner / Commissioner of Customs empowered for assigning functions to Customs Officers
- Specified officers of Director of Revenue Intelligence, Audit and Preventive formation to be included in the class of officers
- For proper management of work, 2 or more officers can concurrently exercise powers & functions (for example in the case of faceless assessment)
- Customs valuation provision u/s 14 amended to enable Board to specify additional obligations on importer in case of incorrect declaration of value of imports
- Application for customs advance ruling can be withdrawn anytime (from the current 30 days' time period) before a ruling is pronounced
- Customs advance ruling valid for 3 years or till such time there is a change in law or facts basis which advance ruling was pronounced, whichever is earlier
- Proper officer who originally did assessment or granted refund (original officer) shall have the sole authority to exercise jurisdiction for further actions like re-assessment, adjudications etc. consequent to completion of inquiry, investigation, audit etc.
- Publication of export-import information (like value, classification & details of exporter or importer except as required by law) to be considered as a non-cognizable offence
- Rationalization of Customs duty structure announced with ~ 350 exemptions withdrawn
- Concessional BCD rate on prescribed capital goods & project imports to be gradually phased out. However, certain exemptions on capital goods to continue
- New projects registered under project import after 30th September 2022 to attract 7.5% duty. Existing projects continue to get the lower duty rates (0% / 2.5% / 5%) till September 30 2023
- No SWS payable where aggregate customs duty is Nil even if SWS is not exempted

Abbreviations



ASEEM	Aatamanirbhar Skilled Employee–Employer Mapping
AIF	Alternative Investment Fund
AVGC	Animation, visual effects, gaming and comic
AOP	Association of Persons
API	Application Programming Interface
BCD	Basic Custom Duty
BOI	Body of Individuals
CO2	Carbon Dioxide
C–PACE	Centre for Processing Accelerated Corporate Exit
CPC	Centralized Processing Centre
CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes & Customs
CGTMSE	Credit Guarantee Trust for Micro & Small Enterprises
CGST	Central Goods & Services Tax
DrAAS	Drone –As–A–Service
DESH	Digital Ecosystem for skilling & Livelihood
DevINE	Development Initiative for North–East
DRC	Dispute Resolution Committee
DTAA	Double Taxation Avoidance Agreement
ECLGS	Emergency Credit Line Guarantee Scheme
ESCO	Energy Saving Company
FY	Financial Year
GIFT	Gujarat International Finance Tec–City
GDP	Gross Domestic Product
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
IGST	Integrated Goods & Service Tax
InvIT	Infrastructure Investment Trust

IT Act	Income–tax Act, 1961
ITC	Input Tax Credit
ITR	Income Tax Return
IBC	Insolvency & Bankruptcy Code
LLP	Limited Liability Partnership
MSME	Micro, Small & Medium Enterprises
NPS	National Pension Scheme
NABARD	National Bank for Agriculture & Rural Development
NBFCs	Non– Banking Financial Companies
NCS	National Career Services
PM	Prime Minister
PARIVESH	Pro Active Responsive facilitation by Interactive & Virtuous Environmental Single window Hub
PLI	Production Linked Incentives
PPP	Public Private Partnership
PSC	Public Sector Company
RAMP	Raising & Accelerating MSME Performance
REIT	Real Estate Investment Trust
R&D	Research & Development
SEZ	Special Economic Zone
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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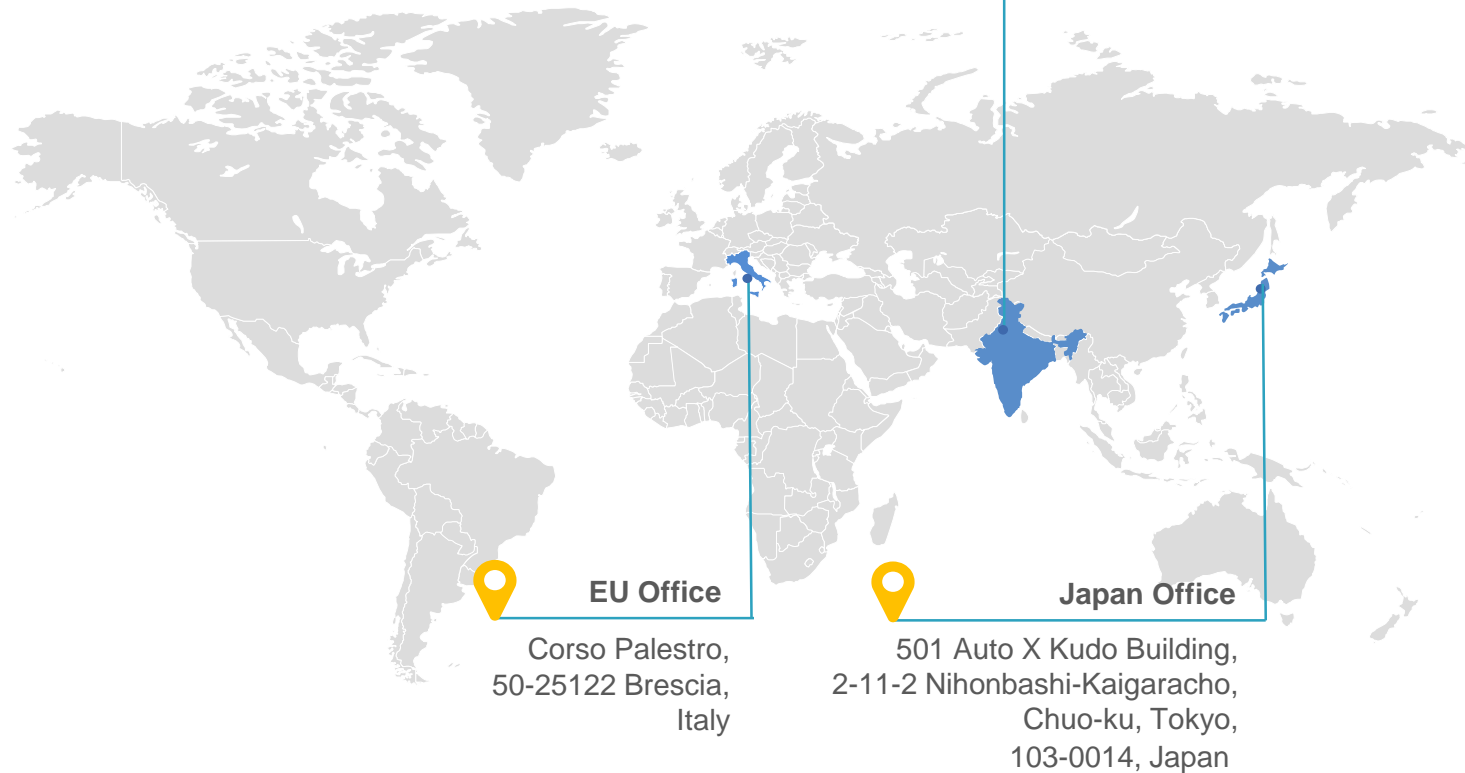


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Disclaimer

The intention of the newsletter is to cover highlights of the Union Budget 2022. 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.