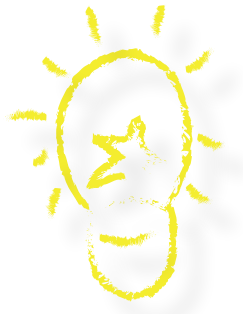




भारत 2023 INDIA

वसुधैव कुटुम्बकम्

ONE EARTH • ONE FAMILY • ONE FUTURE



**Inclusive
Growth**






**Sustainable
Development**

India Budget 2023



S.R. Dinodia & Co. LLP

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FOREWORD

The world is facing significant risks and challenges. The world economic growth had lost its pre-covid momentum; high Inflation is proving persistent and the future looks uncertain. The Ukraine war has resulted in energy price shocks and is taking a toll on the world economy. Most of the world is witnessing inflationary pressures which has pushed up the energy and foods prices and generally the cost of living across the globe.

Global GDP growth is estimated to be 3.1% in 2022, and expected to slow down further to 2.2% in 2023. In 2024, global GDP is projected to grow at 2.7%, helped by initial steps to ease policy interest rates in several countries.

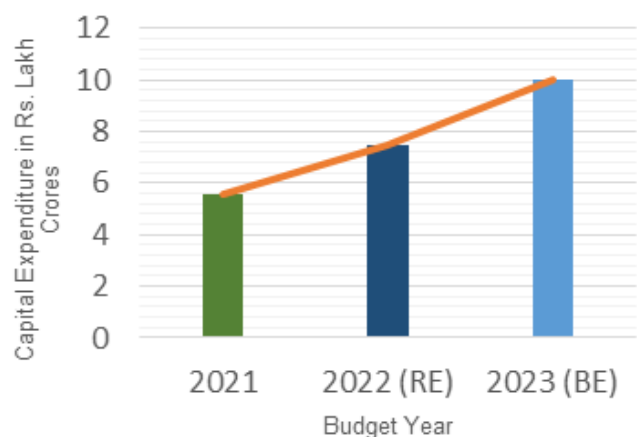
Amid global slow down and uncertainties, India is seen as a bright spot. In its 75th years of independence, India surpassed United Kingdom to become the 5th largest economy in the world. It is said that Indian economy has fully recovered from the pandemic induced contraction and is progressing towards broad based recovery across sectors to reach the pre-pandemic growth path in FY23. It is historic moment for every Indian, as India formally assumed the G20 presidency on 1st December, 2022. The theme of India's G20 presidency –“**Vasudhaiva Kutumbakam**” or “One Earth, One Family, One Future” affirms the value of all life.

The Union Budget 2023, continues to build upon the previous budgets and also tries to reflect upon the India's G20 priorities on Green Development, Climate change, Sustainable Development, technological transformation and digital public infrastructure, women empowerment etc. This year the Budget has identified opportunities in 4 transformative areas during the Amrit Kaal viz. Economic empowerment of India, PM VIKAS, Tourism and Green Growth and adopted seven (7) priorities including inclusive development, green growth, infrastructure, financial sector etc.

The real GDP growth during 2022-23 has been estimated at 7% as compared to 8.7% in 2021-22 and is forecasted to be in the range of 6%-6.8% for the FY24. The sectoral growth for 2022-23 has been estimated at 3.5%, 1.7% and 9.1% for agriculture & allied sectors, manufacturing and services respectively.

Infrastructure development is an important driver for the economic growth as a whole and also due to its multiplier ripple effect on the various sectors. The government capital expenditure has increased steadily from a long-term average of 1.7 per cent of GDP (FY09 to FY20) to 2.5 per cent of GDP in FY22. This budget has sought to increase the same to 3.3% of the GDP.

This budget too has enhanced the proposed allocation for capital outlay by 33% from the last budget to Rs. 10 lakh crores. This is impressive and will translate in added thrust and vigour to the growing economy.



FOREWORD

On the tax front, the Government has played a bit cautiously without any increase in exemption limits or investment deductions. The new personal tax regime which gives no deduction for small saving investments and other deductions has been made as default regime with an option to avail the existing deduction based old scheme. The enhancement of Rs. 2 lakhs in rebate is also under the new personal tax regime. Even the benefit of reduction of highest surcharge rate from 37% to 25% is only available to the new regime. Surely many would benefit from no tax up to 7 lakhs of taxable income and reduced surcharge on the highest tax bracket. No new taxes has been imposed.

There is no corporate tax rate tweak this year, however, the benefit of concessional tax rate of 15% has been extended to manufacturing co-operatives newly set up till FY24. The turnover limit for tax audit for small businesses and professionals have been raised to Rs. 3crores and Rs. 75 lakhs. This will reduce the compliance burden to some extent. Further relief has been given to start-ups by extending certain time limits.

Other direct tax proposals are mainly aimed to simply and rationalise various provisions. The time limit to complete assessments have been increased from nine (9) moths to twelve (12) months will be beneficial for both the tax authorities and tax payers. The creation of new position of Joint Commissioner (Appeals) to hear small appeals will address the huge pendencies of appeals at Commissioner Appeals levels.

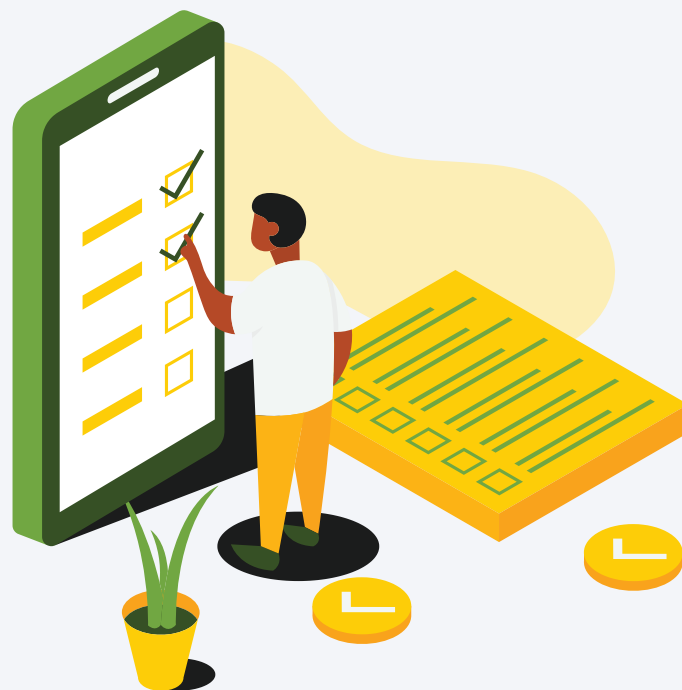
On the Indirect tax front, the Budget proposal were more on minor changes in the basic custom duty on certain items with emphasis to promote exports, boost domestic manufacturing and encourage green energy and mobility. The custom duty exemption was extended to import of capital goods and machinery required for manufacture of lithium ions cells for batteries used in electric vehicles. Further, to boost domestic manufacturing of mobiles phones in India, relief in custom duty on certain parts used for mobile phones is proposed or extended. To encourage domestic production, certain relief on custom duty has been proposed on lab grown diamonds. While custom duty has been imposed on gold and platinum articles and silver dore.

Although contrary to the expectations, no substantial tax relief has been provided to the general masses in this Budget, the FM has been cautious and balanced in her sector wise proposal. The good news is that Indian economy has recovered from the pandemic induced contractions maintaining its stability amid the global uncertainties and is set to achieve the new growth milestones in its journey in the Amrit Kaal.



This budget, which marks the first one in this “Amrit Kaal” does leaves us with the impression that India has arrived as a vibrant, successful and large economy with large budgets for every programme of the government. With the unprecedented buoyancy in the tax collection, both direct and indirect and focused approach and well laid out seven priorities of the government, it seems India is ready to become an important economic power in the world and can help reduce poverty and unemployment for the masses and lay the roadmap for the future prosperity of the people without widespread use of freebies. Fiscal discipline has been maintained while maintaining and achieving the growth momentum.

ECONOMIC INDICATORS



India's Performance

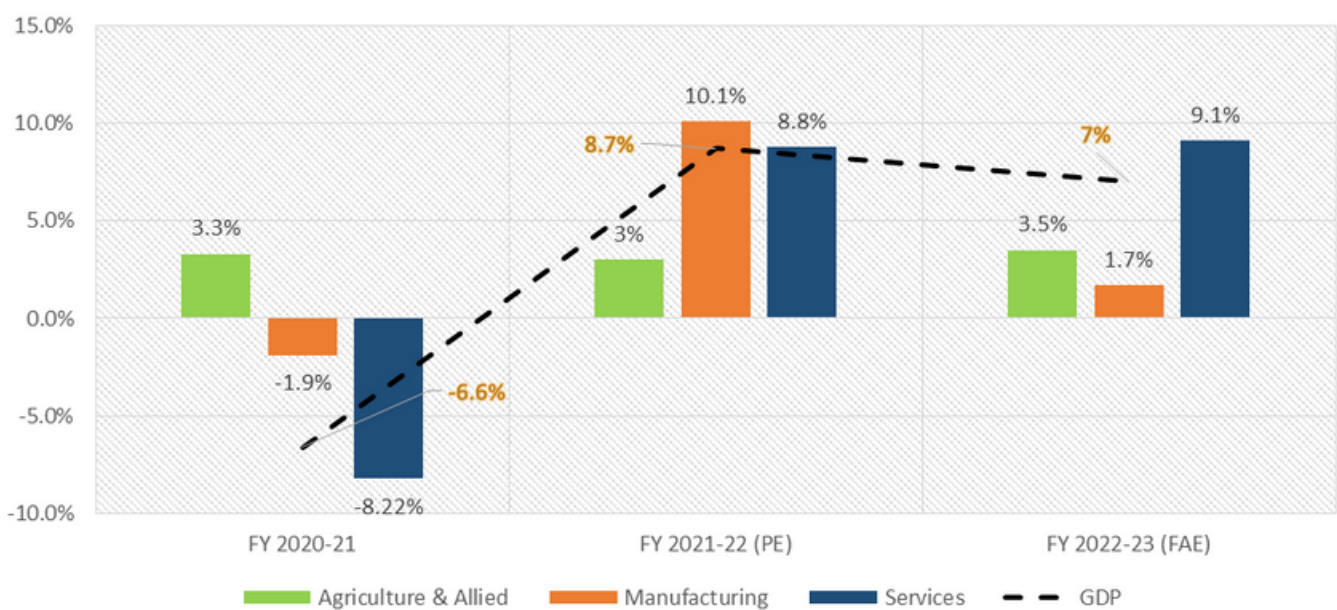
Though, the global growth has been projected to decline in 2023, India's GDP growth is expected to remain steady to the large extent in FY24. GDP growth forecasted for FY24 to be in the range of 6-6.8 %.

India's economic growth is expected to be derived from the expansion of public digital platforms and measures taken to boost manufacturing output. The agriculture and allied activities sector would also be contributing significantly to the country's overall growth and development.

The performance of the agriculture and allied sector has been buoyant over the past several years. It grew by 3.0 per cent in 2021-22 compared to 3.3 per cent in 2020-21. The several initiatives were taken to strengthen the agricultural sector. Further attempts have been made to boost the food processing industries to harness its linkages with the agriculture sector.

The industry almost contributes 30 percent of total gross value added in the country. Robust domestic conditions since FY22 have provided a demand stimulus to industrial growth, despite of which, the growth in this sector is expected to take a plunge to 1.7 % in 2022-23 compared to 10.1% in 2021-22.

Sectoral and GDP Growth



Note: First Advance Estimates (FAE) by NSO & Economic Survey 2022-23

*Manufacturing includes Mining and Quarrying. ** Services includes constructions.

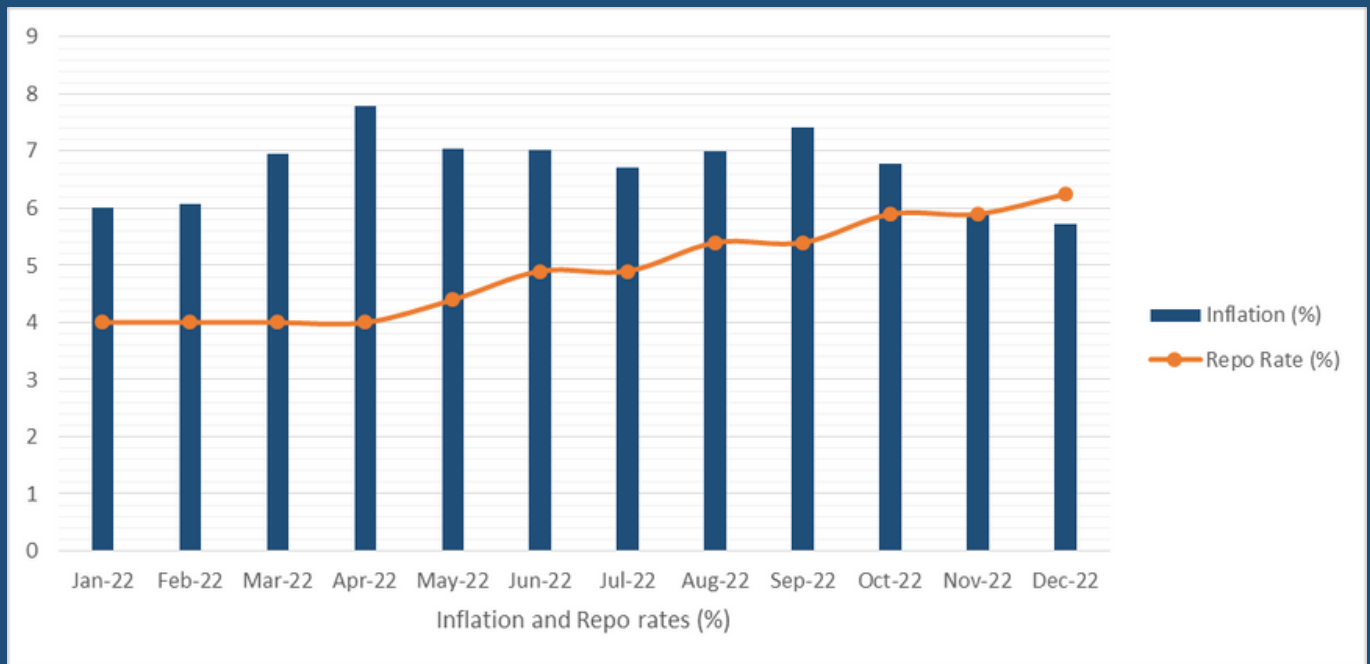
India has been among the top ten players in services exports in 2021. The services sector is estimated to grow at 9.1% in FY23. India's services sector growth has shown resilience in FY23 on account of factors such as release of pent-up demand, ease of mobility restriction, near-universal vaccination coverage and pre-emptive government interventions.

India faced the challenge of higher inflation in FY23 and while finally managed to reign in the inflation below the tolerance band. The depreciating rupee and widening current account deficit (CAD) are near term challenges for Indian economy.



Inflation and Monetary Conditions

India's inflation rate peaked in April 2022 at 7.8 % before moderating to 5.7 % in December 2022 due to good monsoons and prompt government actions. Global economic slowdown and interest rate increases brought down commodity prices, contributing to a substantial decline in wholesale price inflation.



Source: Economic Survey 2022-23

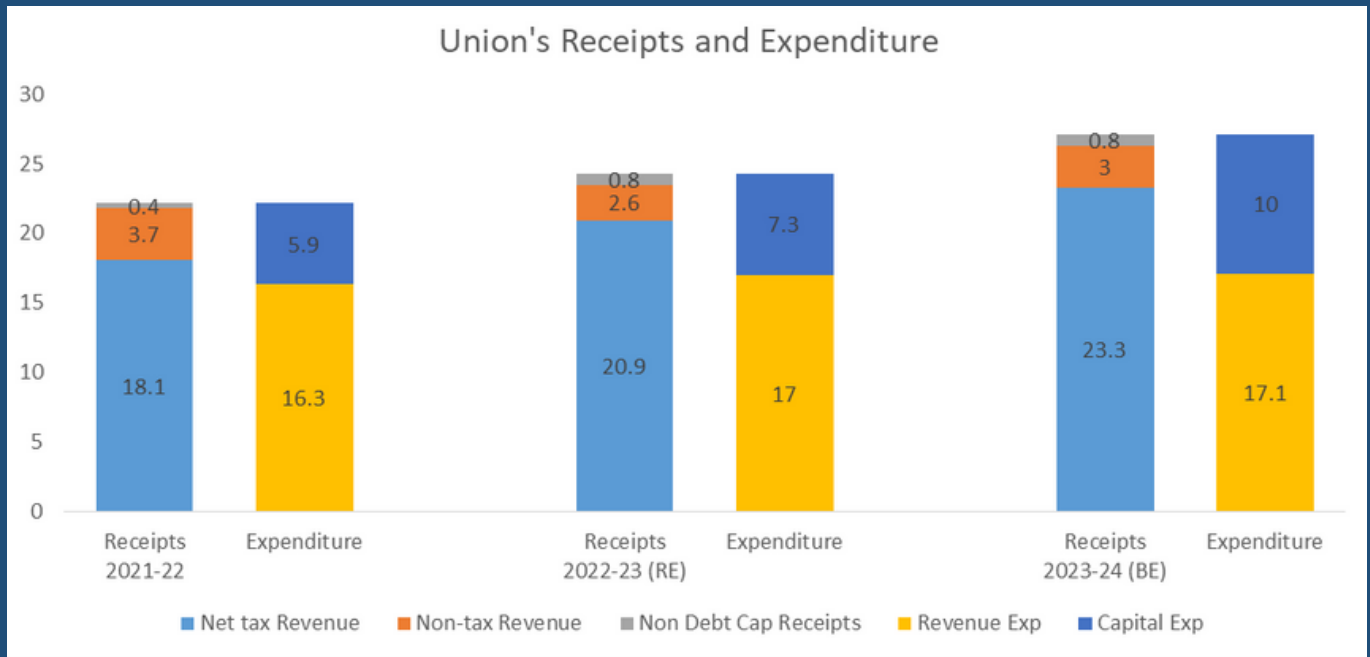
Consumer price inflation (CPI) in India went through three phases in 2022. A rising phase up to April 2022 when it crested at 7.8 per cent, then a holding pattern at around 7.0 per cent up to August 2022 and then a decline to around 5.7 per cent by December 2022. The rising phase was largely due to the effect of Russia-Ukraine war. Prompt actions taken by the Government and the Reserve Bank of India (RBI) have helped to rein in the rise in inflation and brought it within the RBI tolerance limit. In contrast, major countries continued to face challenges of high levels of inflation.

RBI's Monetary Policy Committee increased the policy repo rate under the liquidity adjustment facility (LAF) by 225 basis points from 4.0 per cent to 6.25 per cent between May and December 2022.



Government Finances

The Union Government finances have shown a resilient performance during the year FY23, supported by the recovery in economic activity, buoyancy in revenues from direct taxes and GST. The Gross Tax Revenue registered a YoY growth of 15.5 per cent from April to November 2022, driven by robust growth in the direct taxes and Goods and Services Tax (GST). Growth in direct taxes during the first eight months of the year was much higher than their corresponding longer-term averages.



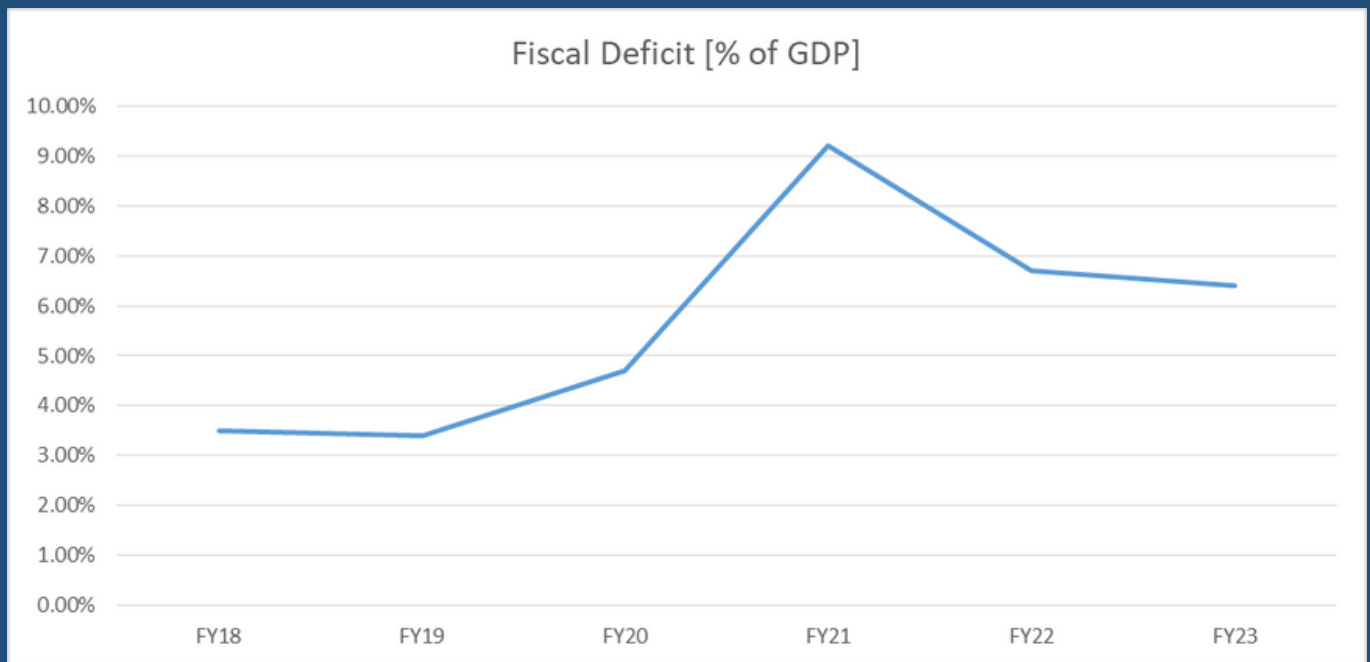
Source: Economic Survey 2022-23

Union Government's emphasis on capital expenditure (Capex) has continued despite higher revenue expenditure requirements during the year. The Centre's Capex has increased from a long-term average of 1.7 per cent of GDP (FY09 to FY20) to 2.5 per cent of GDP in FY22 PA. With a focus on infrastructure-intensive sectors like roads and highways, railways, and housing and urban affairs, the increase in Capex will trigger large-scale positive implications for medium-term growth. This year, Budget has proposed a sharp increase in capex to Rs.10 Lakh Crores.



Fiscal Deficit

The fiscal deficit of the Union Government, which peaked 9.2 % of GDP during the pandemic year FY21, has moderated to 6.7 % of GDP in FY22 and is further estimated to lowered to 6.4 % of GDP in FY23. This gradual decline in the government's fiscal deficit as a per cent of GDP, in line with the fiscal prudence norms adopted by the government.



Source: Economic Survey 2022-23

Economic Outlook 2023-24

Although the Indian economy has recovered from the pandemic effect, there are few downside risks, being the prolonged strain in the supply chain, continued uncertainty due to geo-political conflicts which has cumulatively downgraded the global growth forecast.

Further, the monetary tightening and rising inflation may prolong the recovery and growth cycle. However, the Indian economy is supported by robust domestic demand and all time high capital investment.

It may be said that the estimated GDP growth of 6% to 6.8% depending on the future development does not seem to be farfetched.



SECTOR SPECIFIC ANNOUNCEMENTS

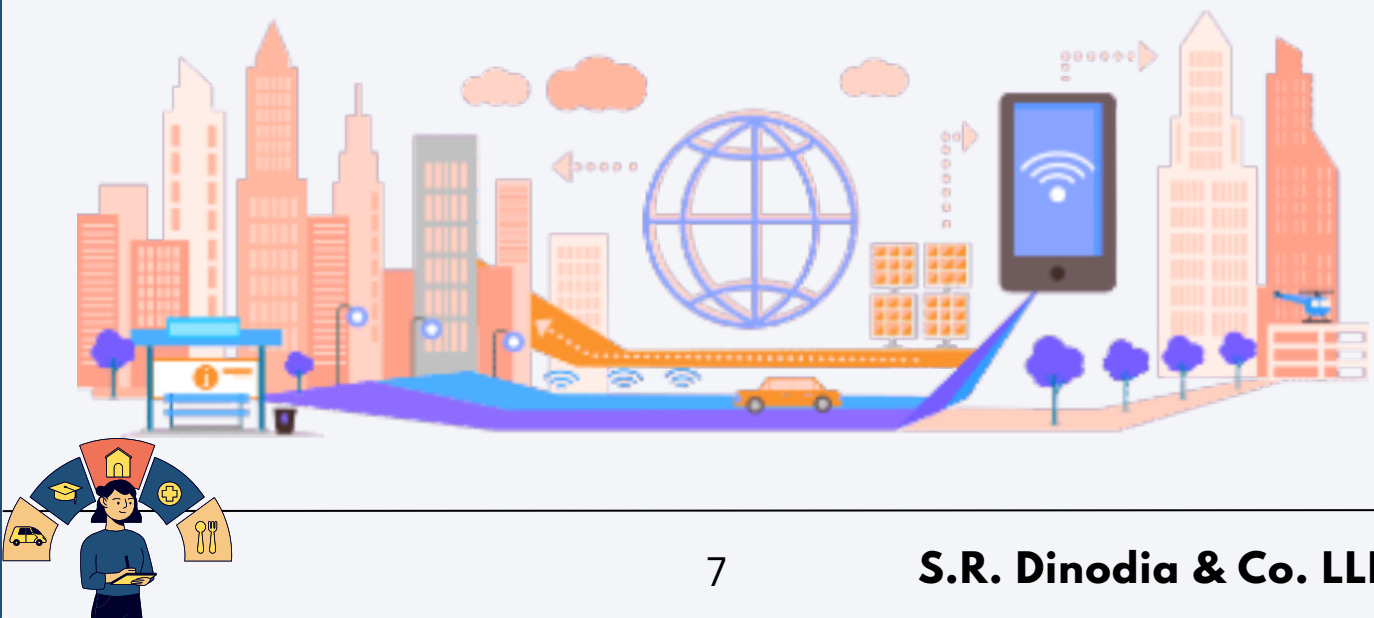


Infrastructure & Investment:

The India's Infrastructure sector is one of the growth propelling sector for India's overall development and in order to achieve the India's US \$ 5 trillion economy by 2025.

Key announcements in the Budget:

- Increase in the capital expenditure by 33 per cent to Rs. 10 lakh crores, which is almost three times the outlay in 2019-20.
- A capital outlay of Rs. 2.40 lakh crore is provided to strengthen the investment in railway sector.
- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors are identified on priority investment of Rs. 75,000 crore (including Rs. 15,000 crore from private sources).
- 50 additional airports, heliports, water aerodromes and advance landing grounds to be revived for improving the regional air connectivity,
- To launch E-courts project (Phase-3) with an outlay of Rs. 7,000 crore for efficient administration of justice.
- To continue the 50-year interest free loan to support state governments for one more year with a significantly enhanced outlay of Rs. 1.3 lakh crore.
- Establishment of a new secretariat namely 'Infrastructure Finance Secretariat' to assist and enhance the opportunities for more private investments in infrastructure, which are predominantly dependent on public resources.
- Establishment of Urban Infrastructure Development Fund (UIDF), through the use of priority sector lending shortfall, which is to be managed by the National Housing Bank, and be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities and Rs. 10,000 crore per annum would be made available for this purpose.
- To incentivize cities to improve their credit worthiness for municipal bonds, through property tax governance reforms and ring-fencing user charges on urban infrastructure.
- To enable for 100 per cent mechanical desludging of septic tanks and sewers to transition from manhole to machine-hole mode in all cities and towns.
- To enhance the outlay of PM Awas Yojana by 66 per cent to over Rs. 79,000 crore.



Technology & Advancement:

Digital Infrastructure

This Budget has given due emphasis to the digital infrastructure along with the Physical Infrastructure, by highlighting the India's world class digital public infrastructure, in the form of Aadhaar, Co-Win and UPI.

Key announcements in the Budget:

- To enable more Fintech innovative services, the scope of documents available in Digi Locker for individuals to be expanded.
- To setup an Entity Digi Locker for use by MSMEs, large business and charitable trusts for storing and sharing documents online securely, whenever needed, with various authorities, regulators, banks and other business entities.
- To setup 100 labs for developing applications using 5G services in engineering institutions to realize a new range of opportunities, business models, and employment potential. The labs will cover, among others, applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications.

Centres of Excellence for Artificial Intelligence

The fourth industrial revolution or industry 4.0 integrates new technologies such as cloud computing, Internet of Things (IoT), machine learning, and artificial intelligence (AI). To further expand and realise the vision of "Make AI in India and Make AI work for India",

This Budget has announced to setup three centres of excellence for Artificial Intelligence top educational institutions, wherein the Leading industry players would partner in conducting interdisciplinary research, develop cutting-edge applications and scalable problem solutions in the areas of agriculture, health, and sustainable cities.

Lab Grown Diamonds

The Lab Grown Diamonds (LGD) is a technology-and innovation-driven emerging sector with high employment potential. To encourage indigenous production of LGD seeds and machines and to reduce import dependency, this Budget has announced the following:

- To provide a research and development grant to one of the IITs for five years.
- To review the custom duty rate on LGD seeds in order to reduce the cost of production.



Agriculture & Allied Sector

The percentage of the population living in India's rural areas stands at 65% for 2021. Further, 47% of the population is dependent on agriculture for livelihood. In recent years, India has also rapidly emerged as the net exporter of agricultural products and accordingly, due emphasis is given in this budget to increase the agricultural growth along with improving the quality of life in rural areas to ensure more equitable and inclusive development.



Key announcements in the Budget:

- To increase the agriculture credit target to Rs. 20 lakh crore with focus on animal husbandry, dairy and fisheries.
- A scheme is initiated from 01.01.2023 to supply free food grain to all Antyodaya and priority households for the next one year, under PM Garib Kalyan Anna Yojana ('PMGKAY'), with entire expenditure outlay of about Rs. 2 lakh crore at central level.
- Building 'Digital public infrastructure' for agriculture as an open source, open standard and inter operable public good, to enable inclusive farmer-centric solutions.
- To setup an 'Agriculture Accelerator Fund' to encourage agri-startups by young entrepreneurs in rural areas.
- To launch an 'Atmanirbhar Clean Plant Program' to boost availability of disease-free, quality planting material for high value horticultural crops at an outlay of Rs. 2,200 crore.
- To support Indian Institute of Millet Research, Hyderabad as the Centre of Excellence to make India a global hub for Millets 'Shree Anna'.
- To launch a new sub-scheme of PM Matsya Sampada Yojana with targeted investment of Rs. 6,000 crore to further enable activities of fishermen, fish vendors, and micro & small enterprises, improve value chain efficiencies, and expand the market.
- Formation of a new Ministry of Cooperation with a mandate to realize the vision of 'Sahakar Se Samriddhi' for small and marginal farmers and other marginalized sections, in order to promote cooperative-based economic development model. To realize this vision, the government has already initiated computerization of 63,000 Primary Agricultural Credit Societies (PACS) with an investment of Rs. 2,516 crore.
- To setup massive 'decentralized storage capacity', which will help farmers to store their produce and realize remunerative prices through sale at appropriate times.
- To facilitate setting up of a large number of multipurpose cooperative societies, primary fishery societies and dairy cooperative societies in uncovered panchayats and villages in the next 5 years.



Education and Skilling

In order to create jobs, this Budget has given emphasis on the skill development and has aimed at the removal of the disconnect between demand and supply of skilled manpower.

Key announcements in the Budget:

- Development of 'District Institutes of Education and Training' as vibrant institutes of excellence to re-envision teacher's training.
- To encourage States to setup 'National Digital Library for children and adolescents' to facilitate availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility at panchayat and ward levels.
- To launch 'Pradhan Mantri Kaushal Vikas Yojana 4.0' in order to skill lakhs of youth within the next three years.
- To setup 30 'Skill India International Centers' to skill youth for international opportunities.
- To launch a 'unified Skill India Digital Platform' to further expand the digital eco system for skilling.
- To provide stipend support to 47 lakh youth in three years, via Direct Benefit Transfer under a 'pan-India National Apprenticeship Promotion Scheme'.

Health & Pharmaceuticals

The quality health facilities to citizens are always an important priority for the Government. The share of expenditure on health in the total expenditure on social services, has increased from 21 per cent in FY19 to 26 per cent in FY23 (BE). Accordingly, the policy recommended an increase in the Government's health expenditure from the existing 1.2 per cent to 2.5 per cent of GDP by 2025. In this Budget as well, concerted efforts are made for achieving universal health coverage and delivering quality healthcare services to all at affordable cost.

Key announcements in the Budget:

- 157 new nursing colleges will be established in co-location with the existing 157 medical colleges established since 2014.
- To make available facilities in select ICMR Labs for research by public and private medical college faculty and private sector R&D teams for encouraging collaborative research and innovation.
- To initiate a new programme to promote research and innovation in pharmaceuticals through centers of excellence.
- To encourage industry to invest in research and development in specific priority areas.
- To support dedicated multidisciplinary courses for medical devices in existing institutions to ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing and research.
- To launch a mission to eliminate Sickle Cell Anaemia by 2047, by universal screening of 7 crore people in the age group of 0-40 years in affected tribal areas.



Green Energy, Climate change & Environment

India's energy demand is expected to increase due to its sheer size and enormous potential for growth and development. It is imperative that most of this new energy demand is met by low-carbon and use of renewable sources. The Indian renewable energy sector is the fourth most attractive renewable energy market in the world. This budget has made various announcements to achieve its target of net zero carbon emissions by 2070 and to meet 50% of its electricity needs from renewable sources by 2030.



Key announcements in the Budget:

- Recently launched National Green Hydrogen Mission with an outlay of Rs.19,700 crores to facilitate the transition of the economy to low carbon intensity the government targets to reach an annual production of 5 MMT by 2030.
- To provide for a Budget of Rs. 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.
- To support the Battery Energy Storage Systems with capacity of 4,000 MWH with Viability Gap Funding.
- To construct a Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh with investment of Rs. 20,700 crore (including central support of Rs. 8,300 crore).
- To facilitate 1 crore farmers over the next 3 years, to adopt natural farming. For this, the government to setup 10,000 Bio-Input Resource Centres (Bhartiya Prakritik Kheti) for creating a national-level distributed micro-fertilizer and pesticide manufacturing network.
- To notify a Green Credit Programme under the Environment (Protection) Act, which will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities.
- To launch "PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM)" to incentivize States and UTs to promote alternative fertilizers and balanced use of chemical fertilizers.
- To establish 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme for promoting circular economy.
- To taken up 'Mangrove Initiative for Shoreline Habitats & Tangible Incomes (MISHTI)', for mangrove plantation along the coastline and on salt pan lands, through convergence between MGNREGS, CAMPA Fund and other sources.
- To implement Amrit Dharohar, scheme over the next three years to encourage optimal use of wetlands, and enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.
- To promote coastal shipping as the energy efficient and lower cost mode of transport, both for passengers and freight, through PPP mode with viability gap funding.
- To allocate funds in order to scrap old vehicles of the Central Government and also, states will also be supported in replacing old vehicles and ambulances.



Tourism

India is one of the most popular travel destinations across the globe, which is making Indian tourism and hospitality industry an emerging key driver of growth among the Indian services sector. This budget has made various announcements to further expand the tourism industry in India.

Key announcements in the Budget:

- To select 50 destinations through challenge mode with an integrated & innovative approach.
- To make available all the relevant aspects (such as physical connectivity, virtual connectivity, tourist guides, high standards for food streets and tourists' security) on an App to enhance the tourist experience.
- To focus on domestic as well as foreign tourists for the development of tourism.
- Sector specific skilling and entrepreneurship development to achieve the objectives of the 'Dekho Apna Desh' initiative.
- To encourage States to set up a Unity Mall in their state capital or most prominent tourism center or the financial capital.

Financial Sector

India has a diversified financial sector undergoing rapid expansion, and various reforms and innovative use of technology therein have led to financial inclusion at scale, better and faster service delivery, ease of access to credit and participation in financial markets. Now, in order to further expand the same, the Government has introduced several reforms to liberalize, regulate and enhance this industry.

Key announcements in the Budget:

- To revamp credit guarantee scheme for MSMEs w.e.f. 01.04.2023 through infusion of Rs. 9,000 crore in the corpus, which will enable additional collateral-free guaranteed credit of Rs. 2 lakh crore. Also, to reduce cost of the credit by about 1 per cent.
- To setup a 'national financial information registry' to serve as the central repository of financial and ancillary information.
- To take various measures in order to enhance business activities in GIFT IFSC.
- To facilitate setup of 'data embassies' in GIFT IFSC for countries looking for digital continuity solutions.
- To amend Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act in order to improve bank governance and enhance investors' protection.
- To empower SEBI to develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets and to recognize award of degrees, diplomas and certificates.
- To setup Central Processing Centre for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.
- To establish an integrated IT portal to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease.



DIRECT TAX PROPOSALS



INDIVIDUALS



Income Tax Rates for Individuals, HUF, AOP/BOI or artificial juridical person:-

- There is no change in old tax rates including surcharge and education cess for Individual, HUF, AOP/BOI or artificial juridical person.
- The present levy of "Health and Education Cess" @ 4% remains same.
- New personal income tax regime under section 115BAC which was introduced in Finance Act, 2020 has been widened.
 - A new sub-section 1A of 115BAC is proposed to be inserted to include association of persons (other than a co-operative society), or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 along-with individuals & HUF.
 - Sub-section 2 of section 115BAC is further proposed to be amended to allow standard deduction u/s 16(ia), family pension u/s 57 (iia) and deduction u/s 80CCH (new Agnipath Acheme) for the computation of income chargeable to tax u/s 115BAC(1A).
 - Slab of incomes and tax rate under new tax regime as per section 115BAC are as under for AY 2024-25 onwards:-

S. No.	Total Income	Rate of Tax (new regime)	Maximum Tax*	Cumulative Tax*	Cumulative Saving (If new tax slab opted)*
1.	Upto Rs 3,00,000	NIL	NIL	NIL	NIL
2.	From Rs 300,001 to Rs 6,00,000	5 per cent.	15,000	15,000	7,500
3.	From Rs 6,00,001 to Rs 9,00,000	10 per cent	30,000	45,000	15,000
4.	From Rs 9,00,001 to Rs 12,00,000	15 per cent.	45,000	90,000	25,000
5.	From Rs 12,00,001 to Rs 15,00,000	20 per cent	60,000	1,50,000	37,500
6.	Above Rs 15,00,000	30 per cent.			

*Exclusive of Surcharge and Education Cess.



- Slab of incomes and tax rate under new tax regime as per section 115BAC are as under for AY 2024-25 onwards:-

Total Income Slab	Rate of Surcharge	Effective Tax Rate (MMR)
Exceeding Rs. 50 Lacs but less than Rs.1 Crore	10%	34.32%
Exceeding Rs. 1 Crore but less than Rs.2 Crore	15%	35.88%
Exceeding Rs. 2 Crore and more	25%	39.00%

- **Rebate under section 87A - limited extended:** An assessee, being an individual resident in India whose income is chargeable to tax under the proposed sub-section (1A) of section 115BAC, shall now be entitled to a rebate of 100 per cent of the amount of income-tax payable on a total income not exceeding Rs 7 lakh (previously, it was at Rs. 5 lakh).

Above mentioned amendments are effective from A.Y. 2024-25

- **Amendment for valuation of perquisite in the nature of accommodation provided by Employer at concessional rate**
 - In section 17(2)(i), the valuation of perquisites is required to be computed as per Rule 3.
 - Explanation has been proposed to be added in section 17(2)(ii) for computation of value of accommodation provided to the employee by his employer at a concessional rate, if the value of accommodation computed in such manner as may be prescribed, exceeds the rent recoverable from, or payable by, the employee. This amendment is proposed to take effect from A.Y. 2024-25.
- **Enhancement of exemption limits for leave encashment - Section 10(10AA)(II):** The maximum amount of limit for claiming exemption on leave encashment on retirement of non-government salaried employees is proposed to be increased from Rs. 3 lakhs to Rs. 25 lakhs.

This amendment is proposed to take effect from A.Y. 2024-25

Restriction on claim of interest on housing loan

A new proviso after clause (ii) of the section 48 is inserted which provides that the cost of acquisition or the cost of improvement shall not be included in the amount of interest claimed under section 24 or Chapter VIA.

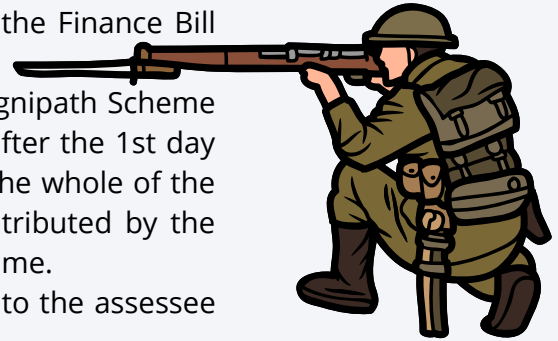
The proposed amendment is to restrict claim of double deduction of interest paid on housing loan taken for acquiring, renewing or restructuring of property under section 24(b) and section 48 of IT Act.

This amendment is applicable from A.Y. 2024-25



Agnipath Scheme, 2022

1. For the benefit of individuals enrolled under Agnipath Scheme, 2022, a new section 80CCH is proposed to be inserted by the Finance Bill 2023.
2. As per Section 80CCH, an individual enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after the 1st day of November, 2022, shall be allowed a deduction of the whole of the amount deposited by him and also the amount contributed by the Central Government to his account, from his total income.
3. The benefit of deduction u/s 80CCH shall be allowed to the assessee even in the new tax regime u/s 115BAC, if opted.
4. The central government's contribution shall form part of the Salary of the individual in accordance with the newly inserted sub clause in clause (1) of Section 17 and a corresponding deduction of the same has been provided.
5. A new clause (12C) is also inserted in Section 10 of the Act, to provide that any payment received by the agniveer or its nominee out of the individual's Corpus Fund, shall be exempt from Income Tax.



This amendment will be effective from A.Y. 2023-24

TDS on payment of accumulated balance of Employee Provident Fund due to an employee

TDS rate under section 192A is proposed to be restricted to 20% on lumpsum payment made to an employee participating in recognised provident fund who does not have a PAN.

This amendment is effective from A.Y. 2023-24.

Extending deeming provision for gift made to "not-ordinarily resident"

Section 9 (1) of the Act is a deeming provision providing the types of income which is deemed to accrue or arise in India during a year.

It was observed that in certain instances, gifts were being made by residents to non-residents (NR) and were claimed to be non-taxable in India by such NR. As an anti-abuse provision, Finance (No. 2) Act, 2019 inserted clause (viii) in Section 9 (1) which inter alia provides that any sum of money exceeding INR 50,000 in aggregate, received by a NR without consideration from a person resident in India, shall be income deemed to accrue or arise in India. However, it has been observed that RNOR are receiving gifts from residents and not paying taxes on it.

To curb this practice, RNOR have also been covered under the provision of clause (viii) of Section 9(1) ensuring parity with non-resident recipients.

This amendment will take effect from A.Y. 2024-25 and onwards.



Rationalisation of exempt income under life insurance policies u/s 10(10D) if premium or aggregate of premium paid in excess of Rs. 5,00,000/-

It is proposed to amend section 10(10D) by Finance Bill, 2023, which provides that any amount received on maturity of the policies issued on or after 01.04.2023, the whole amount is taxable as income from other sources if the premium or aggregate of premium paid exceeds Rs. 5,00,000/- in any previous year during the term of such policy. The amount so tax is reduced by the premiums paid if no deduction has been claimed for such premiums in earlier years. Further, any amount received on death of insured person shall still exempt without any conditions. This amendment is effective from AY 2024-25 and onwards.

In addition to above, for multiple policies if the premium is payable by a person for more than one life insurance policy (other than unit linked insurance policy), issued on or after the 1st April, 2023, the provisions of this clause shall apply only with respect to those life insurance policies (other than unit linked insurance policies), where the aggregate amount of premium does not exceed the amount referred to in the sixth proviso in any of the previous years during the term of any of those policies.



CORPORATE



Assessment/ Re-assessment w.r.t. business reorganization - Procedure notified

Due to the indefinite timeline involved in issuing orders by High Court, or Tribunal or Adjudicating Authority under IBC Code 2016 consequent to the business reorganization, there is a gap between the effectivity of such order and the date on which such order is issued by the competent authority. This also affects the final accounts of such entities as they are unable to modify their already filed returns in accordance with the reorganization.

Hence, in order to remove this difficulty, a new section 170A to the Act was inserted in Finance Act 2022, to enable for the entities going through such business reorganizations, to file modified returns within 6 months from the end of the month in which the said order was passed. However, no procedure to be followed by the AO after the modified return has been filed, was prescribed.

In order to avoid unintended litigation and how such return(s) are to be dealt with by the AO, it is proposed to amend the law and substitute the new section to clarify :-

- Where prior to the date of order, any Return Of Income (RoI) is filed by an entity to which such order applies, the successor can modify the return within a period of six months filed by predecessor wherever required.
- Modified Order:
 - If proceedings of assessment or reassessment have been completed on the date of furnishing of modified return, the AO shall pass an order modifying the total income of relevant AY taking account of modified return.
 - If proceedings are pending, the AO will pass an order considering the modified return in accordance with the order of business organization
- Definition of "business reorganization" and "successor" remains the same.

Amendment will take effect from 1st April, 2023.

Ease in claiming deduction on amortization of preliminary expenses u/s 35D

Section 35D provides for claiming of preliminary expenses incurred prior to commencement of business or after commencement in connection with extension of business. Such expenditure includes the work done in connection with preparation of feasibility report or the project report or market survey or engineering services carried out by the assessee himself or a concern approved by the Board.

It is proposed to amend the section to remove the condition of activity to be carried out by a concern approved by the Board, provided the assessee furnishes a statement of specified expenditure within such period, form and manner as may be prescribed.

Amendment is effective from AY 2024-25 and subsequent years.



Facilitating certain strategic disinvestment by government allowing carry forward of losses

Section 72A provides for carry forward and set-off of accumulated loss and unabsorbed depreciation allowance of amalgamating company by amalgamated company in case of amalgamation. Conditions have been laid down in the section to facilitate carry forward and set off of such loss and depreciation in case of “strategic disinvestment”, which is defined to mean sale of shareholding by Central or State government in a public sector company resulting in shareholding falling below 51%, with transfer of control to buyer.

It is proposed to substitute definition of “strategic disinvestment” so as to mean sale of shareholding by Central or State Government or Public Sector Company, resulting in shareholding falling below 51% with transfer of control to buyer. Provided that the shareholding of Central government or state government of public sector bank was above 51% before sale of shareholding.

Amendment has also been made in Section 72AA to include amalgamation of one or more banking company with any other banking institution or a company, subsequent to a strategic disinvestment, wherein the amalgamation is carried out within a period of five years from the end of the previous year during which such strategic disinvestment is carried out.

Amendment is effective from AY 2023-24 and subsequent years.

Prohibition on set off of unabsorbed depreciation and brought forward loss in presumptive schemes under section 44BB and section 44BBB

Section 44BB and Section 44BBB provides presumptive scheme for computing profits and gains of non-residents in connection with the business of exploration, etc. of mineral oils and business of civil construction, etc. in certain turnkey power projects respectively @ 10% of the aggregate of amount deemed to be profits and gains from business.

The presumptive schemes provide that an assessee may claim lower profits and gains by maintaining books of account and other documents and require the assessee to get his accounts audited and furnishes a tax audit report under the Act.

In certain instances, taxpayers opt in and opt out of presumptive scheme in order to avail benefit by claiming loss as per books and carry forwards in some years, and by showing presumptive income in the years of high profit and set-off brought forward losses. Amendments have been brought out in both the sections i.e. sections 44BB and 44BBB that no set-off of unabsorbed depreciation and brought forward loss to be allowed in the year when income from business is offered to tax on presumptive basis in these sections.

These amendments will take effect from 1st April, 2024 and will accordingly apply to the AY 2024-2025 and subsequent AYs.



Scope of "Angel Tax" extended to Non-Resident investors

The section 56(2)(viib) of the Act provides that if a closely held company (in which the public are not substantially interested), receives any consideration for issue of shares in excess of the fair market value from the resident, then such excess shall be considered as income from other source in the hands of company

Earlier, this provision shall be applicable in case of consideration received from any person being a resident.

Now, it is proposed to amend the provision of such section to cover the consideration received from any person irrespective of his residency status. Accordingly, it is proposed to include the consideration received from a non-resident also under the ambit of said provisions of the Act by removing the phrase 'being a resident' from the said provision.

This amendment will take effect from 01st April, 2024 and accordingly apply from A.Y. 2024-25 and onwards.

Relief to start-ups

Extension of time period in carrying forward and setting off of losses u/s 79 of the Act

Section 79 of the Act, provides for eligibility of carry forward and set off losses to an eligible start up for losses incurred in during the period of seven years beginning from the year in which such company is incorporated by fulfilling some of the specified conditions.

Although, Section 80-IAC provides for a 100% deduction of an amount equals to any profits and gains from derived from eligible business, from the total income of an assessee, being an eligible start-up for three consecutive years out of ten assessment years.

In order to align this period of seven years with the period of ten years contained in sub-section (2) of section 80-IAC of the Act, the time period for loss of eligible start-ups to be considered for relaxation is proposed amend sub section (1) of section 79 of the Act to increase the period for carried forward and set off from seven years to ten years from the date of incorporation.

This amendment will take effect from 1st day of April, 2023 and will accordingly apply to the assessment year 2023-2024 and subsequent assessment years.

Extension of sunset clause - for incorporation of an eligible startup extended

In order to further promote the development of start-ups in India and to provide them with a competitive platform, it is proposed to extend the period of incorporation of eligible start-ups to 1st day of April 2024.

This amendment would be effective from the 1st day of April, 2023 and shall accordingly, apply in relation to the assessment year 2023-24 and subsequent assessment years.



Tax Incentives to International Financial Service Centre (IFSC)

In order to further incentivize operations from IFSC, following tax benefits are proposed to be extended:-

I. Extension of current time limit of 31st March, 2023 by two years till 31st March, 2025 for transfer of assets of original fund, or of its wholly owned special purpose vehicle to a resultant fund in case of relocation;

II. To include reference of IFSCA (Fund Management) Regulations, 2022 in provision of income tax act by amending the definition of 'Special Fund', 'Resultant Fund' and 'Investment Fund';

The above amendments referred above in point (I) and (II) are proposed to applied w.e.f. 01st April, 2013.

III. To extend exemption from taxation to any income distributed on offshore derivate instrument entered into with an off shore banking unit of an IFSC of such amount has been charged to tax in the hands of IFSC banking unit.

The above amendment referred above in point (III) is proposed to applied from A.Y. 2024-25



ALL ASSESSEES



Specifying time limit for bringing consideration against export proceeds into India.

Provision of section 10AA with regard to filing of ITR brought in parity with section 143(1) of the Act.

Further, as per existing provisions there is no time- limit prescribed in the Act for timely remittance of the export proceeds from sale of goods or provision of services by SEZ Units for claiming deduction under the said section. Hence, it is proposed to insert a new sub-section (4) of section 10AA of the Act to provide that the deduction under section 10AA of the Act shall be available for such unit, if the proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, within such further period as the competent authority may allow in this behalf.

Further, it is also proposed to make consequential amendment in sub-section (11A) of section 155 of the Act, to insert section 10AA to allow the Assessing Officer to amend the assessment order later where the export earning is realized in India after the permitted period. These amendments will be effective from the 1st April, 2024 and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

Clarity on benefits and perquisites in cash

It is proposed to amend clause (iv) to section 28 to provide that the provision of said clause will also apply to the cases where benefit or perquisite are in cash or in kind or partly in cash and partly in kind.

Amendment is effective from AY 2024-25 and subsequent years

An explanation has been added to section 194R to provide that the provision of this section will apply to benefit or perquisite whether in cash or in kind or partly in cash or in kind. This has been done to bring clarity in line with the CBDT circular no. 12/2022 dated 16.06.2022.

Amendment will take effect from 1st April 2023.

Non-Banking Financial Company (NBFC) categorization in line with RBI

Section 43B and section 43D uses two categories of NBFC namely, Deposit taking Non-Banking Financial Company and Systematically Important non-deposit taking Non-banking Financial Company, since, such classification for NBFC is no longer followed by the Reserve Bank of India for the purpose of asset classification, hence, it is proposed to amend section 43B and section 43D to substitute the words "Deposit taking Non-Banking Financial Company and Systematically Important non-deposit taking Non-banking Financial Company", for the words "such class of Non-banking financial companies as may be notified by the central government in the official gazette in this behalf"

This amendment will be applicable from 1st April, 2024 i.e. from AY 2024-25 onwards



Payments made to MSME allowed only on actual payment basis

As per Finance Bill 2023, it is proposed to insert a new clause (h) in section 43B to provide tax deduction on the basis of the actual payments made by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006. The same can be allowed on accrual basis only if the payment is within the time mandated under section 15 of the MSMED Act.

Further section 15 of the MSMED Act mandates payments to micro and small enterprises within the time as per the written agreement, which cannot be more than 45 days. If there is no such written agreement, the section mandates that the payment shall be made within 15 days.

However, it is also proposed that the proviso to section 43B of the Act shall not apply to such payments, if paid beyond time as per the MSME Act.

Amendment will take effect from A.Y. 2024-25 and subsequent assessment years.

Threshold limits for presumptive taxation increased

In order to ease compliance and to promote non-cash transactions, it is proposed to increase the threshold limits for presumptive scheme of taxation for eligible businesses u/s 44AD of the Act from 2 crores to 3 crores and for specified professions u/s 44ADA of the Act from 50 lakhs to Rs. 75 lakhs. The increased limit will apply only in case the amount or aggregate of the amounts received during the year, in cash, does not exceed five per cent of the total gross receipts/turnover. These amendments will take effect from 1st April, 2024 and will accordingly apply to the assessment year 2024-2025 and subsequent assessment years.

Clarificatory amendment in section 45(5A) for fair value of consideration

Under the existing provision of section 45(5A) of the Act, for computing the capital gain arising from the transfer of a capital asset, being land or building or both, under a joint development agreement, the full value of consideration shall be taken as the stamp duty value as increased by the consideration received in 'cash'.

Now, it is proposed to amend the provision of such section to cover the consideration received in a mode other than cash also i.e. by cheque or draft or any other mode in alignment with the provision contained in section 194-IC of the Act for deduction of tax at source.

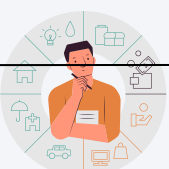
This amendment will take effect from A.Y. 2024-25 and onwards.



Conversion of Gold into Electronic Gold Receipt (EGR) and vice versa

In relation to the Gold Exchange and in order to promote the concept of Electronic Gold, the SEBI has come out with a detailed regulatory framework for spot trading in gold on existing stock exchanges through the instrument of Electronic Gold Receipt (EGR). Accordingly, following changes have been proposed in the Union Budget, 2023.

- It is proposed to exclude the conversion of physical form of Gold into EGR issued by a Vault Manager and vice versa from the purview of transfer for the purposes of capital gains by adding a new clause (viid) under section 47 of the Act.
- It is also proposed that the COA of the EGR shall be deemed to be the cost of Gold in the hands of the person in whose name EGR is issued by adding a new sub section 10 in section 49 of the Act. Similar provision for conversion from EGR to Gold is also proposed. In other words, the COA of the Gold released against the EGR shall be deemed to be the cost of EGR in the hands of the person in whose name EGR is issued.
- It is also proposed that the period of holding of the EGR shall include the period for which the Gold was held by the assessee prior to conversion into the EGR by adding a new sub-clause (hi) in clause (i) of Explanation 1 of sub section (42A) of section 2 of the Act. Similar provision for conversion from EGR to Gold is also proposed. In other words, the holding period shall include the period for which the EGR was held by the assessee prior to conversion into the Gold.
- This amendment will take effect from 01st April, 2024 and accordingly apply from A.Y. 2024-25 and onwards.



Special provision for computation of capital gains in case of Market Linked Debentures (MLD)

Under the existing law, the long term capital gains arising from transfer of such MLD's are taxable @ 10% without indexation and short term capital gains at applicable rates.

Now, it is proposed to insert new section 50AA of the Act for taxability of capital gain at the applicable rates, arising from the transfer or redemption or maturity of such MLD. The short term capital gain (irrespective of the period of holding under section 2(42A)) shall be calculated by considering the full value of consideration as reduced by the cost of acquisition and expenditure incurred on transfer of such MLD's (irrespective of mode of computation under section 48). The deduction on account of security transaction tax shall also not be allowable while computing income under head capital gain.

This amendment will take effect from 01st April, 2024 and accordingly apply from A.Y. 2024-25 and onwards.

Limiting the roll over under Capital gains regime for housing

The objective of section 54/54F was to mitigate the shortage of housing, by allowing benefit of reinvestment of CGS. However, there is no upper limit of this benefit, hence, it is proposed that the deduction available on capital gain as per section 54 and 54F, shall be capped at Rs. 10 Cr. Following which if the cost of the new asset purchased is more than 10 Cr. it shall be deemed at 10 Cr. Consequentially the benefit derived under the capital gain account scheme has also been limited to INR 10 Cr.

The amendment will take effect from 1st April, 2024

Defining cost of acquisition in case of certain assets for computing capital gains

Earlier, Section 55 of the Act provides that the cost of acquisition (COA) or cost of improvement (COI) for certain type of prescribed assets is to be treated as Nil. It is proposed to be amended to cover any other type of intangible assets or any other right for which no consideration has been paid, the COA and COI will be treated as Nil.

This amendment will take effect from A.Y. 2024-25 and onwards.

Search and seizure - assistance required from experts enabled

The sub-section (2) of Section 132 provides that the authorized officer during the course of search may requisition the services of police officer or any CG officer to assist him in the course of search.

With the increased use of technology and digitization like cloud storage, data digitization etc., the requirement of data forensic and advanced technologies has been identified in search procedures requiring the experts like digital forensic professionals, valuers, archive experts etc., in addition to technical person like carpenters, locksmiths.



It is thus proposed to substitute sub-section (2) to section 132 to provide in law for the requisition of all these persons as approved by designated authorities.

Amendment will take effect from 1st April 2023.

Also since the provision of Sec 153A and 153B are no longer applicable with the introduction of Finance Act 2021, the meaning of last authorization for search is proposed to be provided under section 132 itself to count the timelines for assessment or reassessment which is linked to the date of last authorization. This was earlier defined in section 153B.

Amendment will take effect retrospectively from 1st April 2022.

Concessional Tax rate of 15% for New Manufacturing co-operatives has been proposed

Currently the concessional tax rate of 22% is provided under section 115BAD to a co-operative society. Now to extend the benefit of concessional rate of tax to new manufacturing co-operative societies the Finance Bill, 2023 has proposed to insert a new section namely 115BAE, to extend the benefit of concessional rate of 15% to new manufacturing co-operative societies set up on or after 01.04.2023 and commences manufacturing & production on or before 31.03.2024. This amendment is effective from AY 2024-25 onwards. The surcharge would be at 10% on such concessional tax amount.

Taxability of distributions in the nature of repayment of debt/redemption of units by business trusts to its unit holder

Income-tax Act provides a special taxation regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT) [commonly referred to as business trusts]. The special taxation regime under section 115UA of the Act, inter alia, provides a pass-through status to business trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders unless specifically exempted.

It has been observed that there are certain distributions made by the business trusts to their unit holders which are shown in the nature of repayment of debt. The said distributions are exempt in the hands of business trust as well as in the hands of unit holders, which leads to dual non-taxation.

In view of the above, it is proposed to include such sum received, (i.e., those in the nature of repayment of debt/distributions) to be taxable in the hands of unit holders. The amendments have been made in following manner:

- Insertion of clause (xii) in Section 56 (2), to tax such sum as income under the head “income from other sources”, and proviso is inserted to clarify that if the sum received is for redemption of units held then the said sum received shall be reduced by the cost of acquisition of the unit to the extent such cost does not exceed the sum received;
- Insertion of sub-section (3A) in section 115UA to clarify that special taxation regime will not be applicable to sums referred above in Sec 56(2)(xii); and
- Insertion of clause 2(24)(xvii) to include such sum in the definition of income.

These amendments will take effect from 1st April, 2024 and will accordingly apply to assessment year 2024-25 and subsequent assessment years.



Rationalization of TDS Credit for income already disclosed in past year

It is proposed to insert by way of Finance Bill, 2023, a new sub-section (20) which enable's the assessee to file a rectification under the said section where any income has been included in ITR furnished u/s 139 of the Act and any TDS has been deducted and paid to the credit of Central Government in subsequent financial year other than in such case the assessee can make application in the prescribed form* to assessing officer within two years from the end of the financial year in which such TDS has been deducted. Corresponding amendment has also been proposed in section 244A for time limits of computing interest on refund arising out of such rectification. These amendments will take effect from 01.10.2023.

*Yet to be prescribed

Amendment in section 142 to includes inquiry for valuation of inventory

Sub-section 2A of section 142 is proposed to be amended to include inventory valuation. The proposed amendment would enable the AO to direct the Assessee to get inventory valued by a cost accountant nominated by prescribed authorities and furnish a report of such inventory valuation in prescribed form duly signed and verified by such cost accountant.

Provisions relating to reassessment proceedings under the provision of the Act

- Time line for filing the Income Tax Return

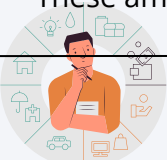
Provision relating to reassessment proceedings amendment to provide time limit for filing a return in response to a notice under section 148 of the Act shall be furnished within three months from the end of the month in which such notice is issued, or within such further time as may be allowed by the Assessing Officer. Return filed beyond the period allowed in the section 148 shall not be deemed to be a return under section 139 of the Act. As a result, the consequential requirements viz. notice under sub-section (2) of section 143 etc. would not be mandatory for such returns.

- Time line for issuing notice

In certain search/survey cases, it has been proposed to insert a proviso to provide that in cases where a search under section 132 is initiated or a search for which the last of the authorization is executed or requisition is made under section 132A, after the 15th March of any financial year but before 31st March a period of fifteen days shall be excluded for the purpose of computing the period of limitation for issuance of notice under section 148 and notice so issued shall be deemed to have been issued on the 31st day of March of such financial year.

Proceedings u/s 148/148A can now be initiated for a period of 3 years. However, for initiating proceedings beyond 3 years' approval of specified authorities is required. Now specified authorities under clause (ii) of section 151 is proposed to included Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General also. Similarly, the period as is proposed to be extended u/s 148/148A by 15 days shall also be applicable for granting approval u/s 151 of the Act as proposed.

These amendments will take effect from 01st April, 2023.



Alignment of timeline provisions under section 153 of the Act

The following changes are proposed to be made under section 153 of the Act with respect to the time line in relation to completion of assessment or reassessment under the provisions of the Act.

Relevant provision	Particulars	Existing Law	Proposed Law
Added fourth proviso to sub section (1) of section 153	Time limit for passing of an order of assessment under section 143(3) & 144 of the Act in relation to the A.Y. 2022-23	9 Months from the end of the A.Y. i.e. 31st December, 2023	12 Months from the end of the A.Y. i.e. 31st March, 2024
Amended sub section (1A) of section 153	Time limit for passing of an order of assessment under section 143(3) & 144 of the Act in relation to the A.Y. for which an updated return has been filed under section 139(8A) of the Act	9 Months from the end of the F.Y. in which such return was furnished	12 Months from the end of the F.Y. in which such return was furnished
Added new sub section (3A) in section 153	Where an assessment or reassessment is pending on the date of initiation of search under section 132 or making of requisition under section 132A, then the period available for completion of assessment or reassessment under sub sections (1), (1A), (2) and (3) of section 153 of the Act shall be extended by 12 Months for carrying out proper investigation of seized material. Further, the tax officers have been authorised to seek assistance of domain experts and other professionals during the search and seizure.		

Apart from the above, section 153 of the Act referred only to principal commissioner or commissioner for the purposes of orders to be passed under section 263 or 264 of the Act although vide Finance Act, 2021, the principal chief commissioner or chief commissioner were also allowed to pass order under these two sections of the Act. In order to remove any misunderstanding, the sub sections (3) or (5) or (6) of section 153 of the Act have been amended to include principal chief commissioner or chief commissioner also along with the principal commissioner or commissioner.

These amendments will take effect from 01st April, 2023.

Relief to sugar co-operative from past demands and litigation pertaining to disallowances of excess price paid for purchase of sugarcane prior to AY 2016-17

To provide this relief Section 155 of the Act is proposed to be amended by Finance Bill, 2023, through which a new sub-section (19) has been inserted which provides that where any deduction in respect of purchase of sugarcane has been claimed by assessee and such deduction has been disallowed wholly or partly by AO in earlier years then on the basis of an application made by the assessee in this regard, re-compute the total income and AO shall allow such deduction to the extent it is allowable as per the provision of section 36(1)(xvii) of the Act. This amendment will take effect from 01.04.2023.

TDS on payment of interest on listed debentures to a resident assessee

It is proposed to omit clause (ix) of the proviso to section 193 of the Act. Accordingly, now TDS would be required to be deducted on interest on listed debentures at the rate in force.

This amendment will be applicable from 1st April, 2023.

New Section inserted for TDS and Taxability on Net Winnings from Online Games

- TDS @ 30% on net winnings from online games: Finance Bill 2023 proposes to introduce a new Section 194BA to provide for TDS on net winnings from online games at 30%, w.e.f July 1, 2023. The tax is to be deducted on the net winnings in the user account at the end of the FY or at the time of withdrawal from the user account during the FY, as the case may be.
- In-kind winnings: Responsibility is casted on person responsible for paying the winnings in case the cash part is not sufficient to cover the taxes of in-kind winnings.
- Definitions: It proposes to provide definitions of terms "computer resource", "internet", "online game", "online gaming intermediary", "user" and "user account"
- Taxability @ 30% on net winnings from online games: New Section 115BBJ is proposed to be introduced, w.e.f. AY 2024-25, to tax winnings from online games at the rate of 30%.



TDS default qua VDA transactions and Net Winnings from Online Games to attract Penalty & Prosecution

Finance Bill, 2023 proposes to categorically amend Section 271C and 276B to provide for penalty and prosecution respectively in consequence of default in TDS under Section 194S (in respect of VDA transactions w.e.f April 1, 2023) and Section 194BA (in respect of Net Winnings from Online Games w.e.f July 1, 2023)

Simplification & Rationalization of benefit u/s 194LBA through lower/NIL rate TDS Certificate permitted

As per existing law business trust shall deduct and deposit tax at the rate of 5% on interest income of non-resident unit holders. In some cases, rate of deduction may be required to be reduced due to some exemption under section 10(23FE) of the Act allowed to notified Sovereign Wealth Funds and Pension Funds. However, since certificate for lower deduction under section 194LBA of the Act cannot be obtained under section 197 of the Act, benefit of exemption is not available at the time of tax deduction.

Hence, in order to remove this difficulty, it is proposed to amend sub-section (1) of section 197 of the Act to provide that the sums on which tax is required to be deducted tax at the rate of 5% on interest income of non-resident unit holders under section 194LBA of the Act shall also be eligible for certificate for deduction at lower rate w.e.f. 1st April, 2023.



Increasing the threshold limit from Rs. 1 Crore to Rs. 3 Crores u/s 194N of the Act in case of cash withdrawn by co-operative society

Section 194N of the Act provides the provision for tax deduction (TDS) on withdrawal of cash from any banking company or a co-operative society engage in business of banking or a post office, if the withdrawal amount or aggregate of the amount in cash during the year exceeds Rs. 1 crore by any recipient. The said limit has been increased to Rs. 3 crore by Finance Bill, 2023 only in case where such amount is withdrawn by a co-operative society. This amendment will take effect from 01.04.2023.

Tax treaty relief at the time of TDS under section 196A of the Act

To provide the benefit of tax treaty to the non-resident taxpayers, proviso is inserted that TDS will be deducted at the rate of 20% or rates provided in DTAA, whichever is lower or beneficial to the taxpayers. The said benefit will only be applicable on furnishing of TRC referred in Section 90(4) and Section 90A(4) of the Act.

This amendment is effective from 1st April, 2023.

Relief from higher rate of TDS/TCS for specified persons (non-filers of income-tax returns)

Section 206AB and section 206CCA of the Act provides for special provision for higher TDS and TCS for non-filers of income-tax returns. These non-filers in these sections are referred to as "specified person".

In order to provide relief to the certain persons who are not required to furnish return of income as per Act, the proviso of subsection (3) of respective sections shall be substituted to define specified persons shall not include

- A non-resident who does not have PE in India; or
- a person who is not required to furnish the return of income for the AY and is notified by the CG in the Official Gazette in this behalf

This amendment will take effect from 1st April, 2023.



Increasing rate of TCS on certain foreign remittances (LRS)

In order to increase TCS on certain foreign remittances and on sale of overseas tour packages, amendment is proposed in sub-section (1G) of section 206C of the Act.

The current and proposed TCS rates are tabulated as under:

S. No.	Type of remittance	Present rate*	Proposed rate*
(i)	For the purpose of any education, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E	0.5% of the amount or the aggregate of the amounts in excess of Rs.7 lakh.	No change
(ii)	For the purpose of education, other than (i) or for the purpose of medical treatment	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh	No change
(iii)	Overseas tour package	5% without any threshold limit.	20% without any threshold limit
(iv)	Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	20% without any threshold limit

* In the table above, the present rate and the proposed rate of TCS are on the amount or the aggregate of the amounts being remitted by the buyer in a financial year.

This amendment will take effect from 1st July, 2023.

Clarification amendment for interest computation in updated return

For the calculation of interest payable under section 234B in case of an updated return, an amendment has been proposed in the sub-section (4) of section 140B that the interest shall be computed on the amount of assessed tax as reduced by the amount of advance tax, the credit for which has been claimed in the earlier return, if any.

This amendment will take effect retrospectively from the 1st April, 2022



Simplification & Rationalization of setting off and withholding of refunds

In order to avoid overlap between section 241A (withholding of refund due u/s 143(1)) and section 245 (set-off of refund against tax payable), it is proposed to integrate the two sections by substituting section 245, wherein any refund is due under any section of the act, the AO / Commissioner / Principal Commissioner / Chief Commissioner / Principal Chief Commissioner in lieu of payment of refund may set-off the amount to be refunded or any part against the sum remaining payable under this act, after intimating the person concerned. Also, where a refund is due to a person the AO having regard to the on-going assessment is of the view that grant of refund is likely to adversely affect the revenue, may withhold the refund till the date on which such assessment or reassessment is made. Following the above mentioned amendments the provisions of section 241A of the Act are made inapplicable from 1st April, 2023.

The abovementioned amendments u/s 245 would also affect the cases referred u/s 244A (1A), it is proposed to amend sub-section 1A of section 244A by inserting a proviso wherein additional interest shall not be payable to the assessee under this sub-section, for the period beginning from the date on which such refund is withheld by the AO, till the date on which the assessment pending is made, however the existing position of interest shall not be affected due to the proposed amendment.

The amendments will be applicable from 1st April, 2023

Introduction of the authority of Joint Commissioner (Appeals)

It is proposed to amend section 246 to provide for appeals to be filed before JCIT (Appeals) in certain classes of cases involving small amount of disputer demand. This is being proposed to lower the burden on first authority of appeal i.e. CIT (Appeals) and reduce the pendency of the appeals carry forward every year.

Also, such authority shall have all the powers, responsibilities and accountability similar to that of Commissioner (Appeals).

In the proposed to substitute section the following amendments are proposed to be made:

- Appeal cannot be filed before JCIT(Appeal) where an order passed or approved above the rank of JCIT
- The Board may transfer the pending appeals before CIT (A) to JCIT(A) who may proceed with such appeal from the stage at it was before transferred to JCIT (Appeals), or vice versa, with an opportunity of being reheard.
- The CG may by notification in Official Gazette make a Scheme for disposing of the appeal in the transparent, accountable and faceless manner.

Amendment applicable from 01.04.2023



Rationalization of Appeals to the Appellate Tribunal

Section 253 provides for filing of appeal before ITAT against certain order as mentioned in sub-section (1). However due to omission of certain orders in sub-section (1), it was not possible for the appellant to file an appeal before ITAT against those orders. Thus to enable the appellant to file appeal or Memorandum of Cross Objections before ITAT, it is proposed to amend section 253 as follows:

- Aggrieved assessee can now file appeal against the penalty order passed by the CIT (Appeals) under the sections 271AAB, 271AAC and 271AAD. The said sections were amended vide Finance Act, 2022 that gave CIT (Appeals) power to pass order imposing penalty under the said sections.
- An appeal against the order passed under section 263 by Principal Chief Commissioner or Chief Commissioner or an order passes under section 154 of the Act in respect of any such order can be made to Appellate Tribunal.
- Enable filing of memorandum of cross objections under sub-section (4) in all classes of cases against which appeal can be made to the ITAT by either party, including against the final Order of AO consequent to DRP Order.

Amendment applicable from 01.04.2023

Increasing the threshold limit of cash deposits & loan from Rs. 20,000 to Rs. 2,00,000 u/s 269SS & 269T of the Act for Primary Agricultural Credit Societies (PACS) & Primary Co-operative Agricultural & Rural Development Bank (PCARD)

To provide the relief to PACS & PCARD for accepting and giving cash deposits or loans who are providing credit facilities at the grass-root level, the provisions of sections 269SS & 269T are proposed to be amended by Finance Bill, 2023, through which the cap of Rs. 20,000 cash loan or deposits is increased to Rs. 2,00,000/- for above specified credit providers. This is to give relief to the low-income groups and facilitate easier conduct of business operations in such areas. These amendments will take effect from 01.04.2023.

Penalty for furnishing inaccurate statement of financial transaction:-

Finance Bill, 2023 inserted a sub section (2) u/s 271FAA of the Act, which imposes a penalty of Rs. 5,000 on an institution if there is an inaccuracy in the statement of financial transaction and such inaccuracy is due to false or inaccurate information submitted by the account holder. Further the reporting financial institution may recover the amount so paid from the account holder or retain out of any moneys that may be in its possession or may come to it from every such reportable account holder. –

This amendment will take effect from 1st April, 2023



Decriminalization of section 276A of the Act

As per existing law, Section 276A provides for prosecution of liquidator for non-compliance with section 178 and also imposes personal liability on such liquidator for the same non-compliance. However, with the operationalisation of the Insolvency and Bankruptcy Code, 2016 (IBC), waterfall mechanism for payment of dues is now in place for companies under liquidation and sub-section (6) of section 178 (the parent section) provides that this section shall not have effect when provisions of the IBC are in contrary.

Thus, it is proposed to amend section 276A by providing a sunset clause on the section that no fresh prosecution shall be launched under this section on or after 1st April, 2023. The earlier prosecutions will however, continue. This amendment will take effect from 1st April, 2023.

Authority to amend duration under faceless schemes and e-proceedings

The Central government in its attempt to move towards an electronic and faceless procedure, has been notified / issued various schemes / directions for implementation in due course of time. This budget proposes to provide the power to the Central Government to amend the various above-mentioned directions, issued before the expiry of limitation i.e., 31.03.2022 or 31.03.2023, by issuing the notification in the Official Gazette.

The amendment will take effect from 1st April, 2022 for sections 135A, 250 and 274, and 1st April, 2023 for section 245MA and 245R.



CHARITABLE TRUST



Rationalization of provision of Charitable Trusts and Institutions

In order to bring consistency and providing clarity on taxation of charitable trust u/s 12AA/12AB and Institutions defined u/s 10(23C), Finance Bill 2023, proposes to rationalise the provisions of both the exemptions above and referred the First Regime for the institution defined u/s 10(23C) and Second Regime for the Charitable Trust registered u/s 12AA/12AB and make the following amendments under both the regimes:-

- **Restricts exemption on inter-trust donation to 85% of donation amount :-** Earlier the entire income of the trust was exempt, if such trust had made the donation to other trust (except corpus donation). Accordingly, Finance Bill, 2023 proposes amendments in Sections 10(23C) and section 11 to restrict the exemption of charitable trusts and institutions on donations made to other charitable trusts and institutions; As per the proposed amendment, only 85% of the donation amount given to another trust shall be allowed for exemption. (Inserted clause (iii) in explanation 2 to third proviso of clause (23C) of section 10 and inserted clause (iii) in explanation 4 to sub- section (1) of section 11) – This amendment will effective from AY 2024-25.
- **Combining the Provisional and regular registration in some case:-** Earlier, a trust registered under both regimes was required to apply for provisional registration and then subsequently regular registration (after the period of provisional registration expired) under section 10(23C)/12A and/or 80(G) of the Act. In order to reduce the difficulties in such a registration process, Finance Bill 2023, proposes to allow for direct final registration/approval in some cases and makes the following amendments as below:-
 - A trust and institutions under the first regime or second regime or section 80G regime shall be allowed to make an application for provisional registration only before the commencement of activities of the trust. Earlier it was at least one month prior to the commencement of the previous year relevant to the assessment year from which the said registration/approval is sought.
 - A trust and institutions under the first regime or second regime or section 80G regime shall be allowed to make an application for a final registration after commencement of activities. Earlier it was at least six months prior to expiry of period of the provisional registration/ approval or within six months of the commencement of activities, whichever is earlier.

The Principle Commissioner or Commissioner once satisfied about the genuineness and objects of the trust shall pass an order granting or rejecting such applications within 6 months calculated from the end of the month in which such application was received.

- **Imposition of Levy in the form of exit tax on trust who have not filed application for final registration:-** Finance Act 2023, imposes a new levy in the form of exit tax on a charitable trust or institution who fails to make an application of final registration of the trust after obtaining the provisional registration. It shall be deemed that such trust or institutions converted into a non-charitable organization in the previous year in which the time period of applying for the final registration expires. The main element of imposition of such new tax as below:-
 - The accreted income of the trust or institution is taxable on conversion of charitable trust into non-charitable trust.



- Accreted income is the amount of aggregate of Fair Market Value (FMV) of total assets as reduced by the liability as on the specified date. The method of valuation has been prescribed in rules.
 - The taxation of accreted income is at the maximum marginal rate.
 - This levy is in addition to any income chargeable to tax in the hands of the entity.
- **Alignment of the time limit for furnishing the Form 10/9A for accumulation of income:** Finance Act 2023, changes the time limit of filing of Form 10/9A by charitable trust and provides that such form has to be filed at least 2 months at least two months prior to the due date of filing of return under section 139(1) of the Act. Earlier the time limit was on or before the due date of filing of return under section 139(1) of the Act. - This amendment will effective from AY 2023-24
 - **Denial of exemption where return of income is not furnished within time:-** Finance Act, 2023 provides the income of the charitable trust can only be exempt if such trust has filed the return of income within the time allowed under sub-section (1) or sub-section (4) of section 139 of the Act. Thus, it specially excludes the time limit of filing of updated return as per the section 139(8A) of the Act for claiming an exemption u/s 10(23C)/12A of the Act. In other words the benefit of section 139(8A) of the Act is not available to charitable trusts - This amendment will effective from AY 2023-24
 - **Omission of redundant provision of the charitable trust:-** Finance Bill, 2023 proposes to omit the second, third and fourth proviso to sub-section (2) of section 12A of the Act which became redundant after the amendment of section 12A of the Act by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020. - This amendment will take effect from 1st April, 2023.
 - **Removal of certain funds and Charitable Institution from Section 80G-** Finance Bill, 2023 proposes to remove person's name based funds listed under sub clause (ii), (iiic) and (iiid) of section 80G(2) of the Act (i.e. Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation) from the section 80G of the Act. This amendment will take effect from A.Y. 2024-25.
 - **Extended the scope of 'Specified Violation':-** Finance Bill, 2023 extended the definition of 'Specified Violation' under the Explanation to sub-section (4) of section 12AB of the Act and Explanation 2 to the fifteenth proviso of clause (23C) of section 10 of the Act and includes the following;
 - where the application of provisional or final registration referred to in the first proviso to section 10(23C) of the Act is not complete or it contains false or incorrect information.
 - where the application of provisional or final registration referred to in clause (ac) of subsection (1) of section 12A of the Act is not complete or it contains false or incorrect information.

This amendment will take effect from 1st April, 2023



- **Exemption to Development Authorities:-** Finance Bill, 2023 proposes to insert a new clause (46A) of section 10 of the Act which proposes to exempt income of a body or authority or Board or Trust or Commission, not being a company, which has been established or constituted by or under a Central or State Act with one or more of the following purposes, namely: -
 - dealing with and satisfying the need for housing accommodation;
 - planning, development or improvement of cities, towns and villages;
 - regulating, or regulating and developing, any activity for the benefit of the general public;
 - regulating any matter, for the benefit of the general public, arising out of the object for which it has been created.

This amendment will take effect from 1st April, 2024

- **Treatment of Application of income of depositing back of corpus and repayment of loan or borrowings:-** Finance Bill, 2023 proposes some conditions to be satisfied while making applications from the corpus fund or from loan or borrowings. This amendment is proposed to protect the cases where the trusts can claim double deductions i.e. from corpus funds and/or from loan or borrowings.

Following conditions are prescribed while making the application from corpus fund or from loan or borrowings.

- Such application should not be in the form of corpus donation to another trust
- TDS, if applicable, should be deducted on such application
- Application whereby payment or aggregate of payments made to a person in a day exceeds Rs 10,000 in other than specified modes (such as cash) is not allowed
- Carry forward and set off of excess application is not allowed
- Application is allowed in the year in which it is actually paid
- Application should not directly or indirectly benefit any person referred to in sub-section (1) of section 13 of the Act
- Application should be in India except with the approval of the Board in accordance with the provisions of clause (c) of sub-section (1) of section 11 of the Act.

Finance Bill, 2023 further proposes that no deductions for re-depositing into corpus / repayment of loans where application from such sources were made prior to 1 April 2021. Deduction shall be available if funds are re-deposited back to the corpus / loans are repaid within 5 years. Earlier there was no such time limit.

This amendment will take effect from 1st April, 2023



TRANSFER PRICING



Reduction in time period provided for furnishing TP Report to 10 days (maximum 40 days with extension)

- Finance Bill 2023 proposes to amend Section 92D(3) by providing that instead of the current period of 30 days, a period of 10 days (from the date of receipt of a notice issued in this regard, either by the AO or CIT(A)) will be available for an assessee to furnish the TP report during the course of proceedings under the Act.
- The assessee may, on application, extend the period of 10 days by a further period not exceeding 30 days.
- This proposal intends to provide reasonable amount of time to the transfer pricing officer to examine the documents and complete the assessment proceedings in timely manner.
- In view of the stringent penalty provisions, it is advisable for the taxpayers to maintain the transfer pricing report on or before the due date of filing Form No. 3CEB i.e. by 31 October of Assessment Year on a contemporaneous basis.
- It is even more crucial that besides the TP Report, the taxpayers finish the maintenance of detailed TP documentation including supporting documentation (such as agreements, invoices, in case of intra-group services - documents for need-benefit- receipt of such services).

This amendment will take effect from April 1, 2023.

Domestic TP - New Manufacturing Co-operative Society to be brought under SDT regime

- New section 115BAE is proposed to be inserted, providing for concessional tax rate of 15% for new manufacturing co-operative society set up on or after 01.04.2023.
- To ensure that more than ordinary profits are not included in the income of the assessee claiming concessional tax rate under this new section, new clause (vb) is proposed to be inserted in Section 92BA which seeks to bring the business transactions between such assessee and closely connected person within the purview of 'specified domestic transaction' ('SDT').
- Henceforth, any transaction between the assessee claiming concessional tax rate and closely connected person will require to be at the arm's length price as per the Indian Transfer Pricing regulations.
- The current threshold for exemption from applicability of SDT (i.e. aggregate value of all SDTs, being INR 20 crores or lower) shall apply to Section 115BAE as well.
- In case SDT is applicable to such assessee, it will have to file Accountant's report in Form No. 3CEB and maintain TP documentation as per Section 92D read with Rule 10D of Income Tax Rules
- This amendment will take effect from April 1, 2024 (i.e. AY 2024-25 onwards).



Exclusion of Non-Banking Financial Companies ('NBFC') from restriction on interest deductibility – Rationalization of thin capitalization limitation

- Finance Bill 2023 proposes to amend Sec 94B to provide relief to NBFCs from the restrictions imposed on excess interest deduction under Sec 94B(1) for payments to non-resident AEs.
- Currently, the restrictions on such excess interest deductions are not applicable to companies engaged in banking or insurance businesses. This amendment aims to exempt NBFCs from thin capitalisation limitation since they are engaged in similar business of lending and borrowing of money as their primary activity and are subject to similar compliance regulations as that of other banking companies.
- This amendment will take effect from A.Y. 2024-25 and subsequent assessment years.



INDIRECT TAX PROPOSALS



Goods and Services Tax

The Finance bill 2023 has proposed the following amendments in the GST laws:

- **Amendment to opt for Composition Levy:**

It is proposed to amend section 10 of the CGST Act, 2017 that any registered person engaged in making **“supply of goods”** through an Electronic commerce operator who is required to collect tax at source u/s 52 shall be eligible to opt to pay tax under Composition levy.

- **Amendments for availing Input Tax Credit (ITC) and payment made by the recipient of value of supply along with taxes:**

- It is proposed to amend second proviso to Section 16(2) that any recipient who fails to pay the amount towards value of supply along with the tax thereon (other than supplies falling under Reverse Charge Mechanism) to the supplier of goods or services within a period of 180 days from the date of issue of invoice, such ITC availed shall now be paid by the recipient along with interest payable u/s 50 to substitute the earlier provision of addition of such ITC in the output tax liability of the recipient.
- It is proposed to insert the words **“to the supplier”** for availing ITC only after payment of amount towards value of supply of goods or services along with the tax i.e. ITC can only be availed on payment of value of supply along with tax **“to the supplier”**.

GST%



- **Inclusion of additional item to be considered as exempt supplies to restrict ITC availment on such supplies:**

GOI has considered the value of transactions as may be prescribed in respect of clause (a) of paragraph 8 of Schedule III i.e. **“Supply of warehoused goods to any person before clearance for home consumption”** as exempt supplies.

- **Introduction of additional clause under Blocked Credits**

It is proposed to insert clause (fa) under section 17(5) to restrict ITC on goods or services received by taxable person which are used or intended to be used for activities relating to his obligations under CSR referred to in section 135 of the Companies Act, 2013.

- **Restriction in time limits for filing various GST Returns:**

Amendment in Section 37, Section 39, Section 44 and Section 52 to restrict the registered person to furnish the details of Outward Supplies (GSTR-1), Details of ITC along with payment (GSTR-3B), annual return (GSTR-9, GSTR-9A and GSTR-9C and statement by Electronic Statement Operator (GSTR-8) after expiry of a period of 3 years from the due date of furnishing of said returns.

- **Amendment under Punishment and Penalty for certain offences:**

- GOI has proposed to levy penalty on Electronic commerce operator who:
 - allows the supply of goods or services through it by an unregistered person;
 - allows inter-state supplies through it by a person not eligible for making inter-state supplies;
 - fails to furnish details in Form GSTR-8 in respect of supplies effected through it by person exempted from obtaining registration.

with minimum of Rs.10,000/- or the amount of tax involved in above-mentioned supplies other than persons opted for composition levy, whichever is higher.

- GOI has proposed to substitute words from “any other offence” to “an offence specified in clause (b)”. Accordingly, in case of tax evaded or input tax credit availed or utilised or any refund wrongly taken ranging between Rs 1 Cr to 2 Cr only for offence in nature of issue of any invoice or bill without supply of goods or services in violation of GST Law or rules thereunder, will be punished with imprisonment extendable to 1 year and with fine.



- **GOI has proposed to amend penalty under compounding of offence as under:-**

Particulars	Earlier Provision	Proposed Provision
Minimum Limit	Higher of:- Rs 10,000 or 50% of tax involved	25% of tax involved
Maximum Limit	Higher of:- Rs 30,000 or 150% of the tax involved	100% of tax involved

- **Insertion of New Provision for sharing of information furnished on the common portal with consent of taxable person**

“Section 158A: Consent on sharing of information furnished by taxable person” has been newly inserted where following information furnished by the registered person on the common portal can be shared with other systems as may be notified by the Government:

- Information furnished at the time of registration under section 25 and details furnished in GSTR-1, GSTR-3B, GSTR-9, GSTR-9A and GSTR-9C
- Information furnished for preparation of invoices on E-invoicing portal
- Information furnished for generation of E-way bills

Further, the Consent required to be mandatorily obtained from the following taxable persons:-

- The supplier for all the above mentioned cases
- The recipient, for clause (b) and clause (c).





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