HIGHLIGHTS OF UNION BUDGET 2023-24

An insight into the fine print by CA VINOD JAIN

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ABOUT INMACS

- INMACS GROUP offer a full range of services that embrace in its ambit management consulting, corporate finance, audit:- management, internal, taxation and legal advisory services, risk management, re-engineering.
- INMACS' capabilities and performances have won the utmost trust and confidence of a richly varied and strong client base ranging through small & medium enterprises and big league corporate and multinational Business Houses, both in India and abroad.
- INMACS team members, selected by Mr. Jain, while sharing a common vision, belong to diverse technical, business and legal backgrounds. The company, in the direction of Mr. Jain, deploys specialized and multidisciplinary teams to serve assignments requiring specific skills. This enables it to work proactively and closely with clients and respond effectively to their needs in a highly focused manner, which in today's fast changing business environment is quite crucial to a client's success.

ABOUT OUR CHAIRMAN

- A Leading Professional Expert with In depth Knowledge
- Chairman of Northern India - The Institute of Chartered Accountants of India in 1983-84
- Member, Central Council of 'The Institute of Chartered Accountants of India' from 1998 to 2004 and 2007 to 2013 (12 Years) and supervised as a Member of the Council, framing of Accounting standards, Auditing Standards, Education examination and training of CA course, Investigation and disciplining of Chartered Accountants.
- Chairman, Board of Studies of The Institute of Chartered Accountants of India from 2010 to 2011 being in charge and overall responsibility for the Chartered Accountants education of about 1 million CA students in the country.
- He has also served on different Committees of Central Board of Direct Taxes, Ministry of Corporate Affairs and several committees of Securities and Exchange Board of India (SEBI)
- Mr. Jain has been elected member of National Council of CII and a former National President of ANMI (Association Of National Stock Exchanges members of India)
- Shri Jain has been Member, High Powered Committee, appointed by Finance Ministry to simplify Income Tax Law.
- He has been appointed by the Union Finance Minister as an Advisor to the GST Council for reviewing GST Law.
- Former Independent Director – Coal India Limited and South Eastern Coal Field

CA Vinod Jain

Chairman

B.Com (Hons.), LL.B., FCA, FCS, FICWA, DISA (ICAI)

KEY PERSONNEL

Seema Jain
Capital Market

N.C. Maheshwari
Resource Raising

Sunil Khemka
Capital Market

Pardeep Diwan
Finance

Rishabh Sawansukha
GST & Customs

Rakesh Puri
Independent director

VaibhavJain
Valuations & DDR

Aastha Jain
Direct & International Tax

Vaibhav Jain
Fund Raising – Debt / PE / VC

Rahul Rustagi
International Finance & vCFO

Sanjay Mehra
Audit

Mukesh Dadhich
Audit & IFRS

Amit Sarup
Wealth Management

Roshan Daultani
Audit Assurance & Advisory

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vCFO & Corporate Strategy

Er. Animesh Thakur
Plant and Machine Valuer

Shweta Dubey
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D K Agarwal
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Er. V.S.Yadav
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Audit Assurance & Advisory

Jay Agarwal
Audit Assurance & Advisory

Vishal Lohan
Income Tax

Bhagyashri S Thite
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Kapil Kachhawa
Company Secretary

Manish Kumar
Indirect Taxation

Sanyam Gupta
Audit Assurance & Advisory

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Adv Akhilesh
Associate Legal Counsel

Adv Ananya M.
Associate Legal Counsel

Ajay Kumar
Information Technology

Avinash Kumar
Information Technology

OVERVIEW OF INDIAN ECONOMY

01. Vision for Amrit Kaal – An empowered and inclusive economy

Union Finance Minister highlighted that "Our vision for the Amrit Kaal includes technology-driven and knowledge-based economy with strong public finances, and a robust financial sector". To achieve this, Jan Bhagidari through "Sabka Saath Sabka Prayas" is essential, she added.

The economic agenda for achieving this vision would focus on three priorities:

- facilitating various opportunities for citizens, especially the youth, to fulfil their aspirations;
- providing strong impetus to growth and job creation; and
- strengthening macro-economic stability

To service these focus areas in country's journey to India@100, the budget identifies four transformative opportunities:-

- **Economic Empowerment of Women through Self Help Groups (SHGs):** 81 lakhs Self Help Groups under DAY-NRLM to be transferred into large producer enterprises.
- **PM Vishwakarma Kaushal Samman (PM VIKAS):** It includes not only financial support but also advanced skill training and knowledge to traditional artisans and craftspeople, generally referred to as Vishwakarma.
- **Tourism Promotion in Mission Mode:** The sector holds huge opportunities for jobs and entrepreneurship for youth in particular and there is a large potential to be tapped in tourism. The promotion of Tourism will be taken up with active participation of states, convergence of government programmes and public-private partnerships.
- **Green Growth:** The focus is on green growth efforts that help in reducing carbon intensity of the economy and provides for largescale green job opportunities. It includes implementing many programmes for green fuel, green energy, green farming, green mobility, green buildings, and green equipment, and policies for efficient use of energy across various economic sectors.

02. Saptarishi- Seven Guiding Priorities

Union Finance Minister said the Union Budget has adopted seven priorities which complement each other and act as the 'Saptarishi' guiding us through the Amrit Kaal.

- **Priority No.1-Inclusive Development:** The Government's philosophy of Sabka Saath Sabka Vikas has led to inclusive development covering in specific, farmers, women, youth, OBCs, Scheduled Castes, Scheduled Tribes, divyangjan and economically weaker sections, and overall priority for the underprivileged. There has also been a sustained focus on Jammu & Kashmir, Ladakh and the North-East in the budget this year. There are the following key components:
  - **Digital Public Infrastructure for Agriculture:** Digital public infrastructure for agriculture will be built as an open source, open standard and inter operable public good.
  - **Agriculture Accelerator Fund:** An Agriculture Accelerator Fund will be set-up to encourage agri-startups by young entrepreneurs in rural areas. The Fund will aim at bringing innovative and affordable solutions for challenges faced by farmers.
  - **Enhancing productivity of cotton crop:** To enhance the productivity of extra-long staple cotton, the Centre will adopt a cluster-based and value chain approach through Public Private Partnerships (PPP).
  - It refers to collaboration between farmers, state and industry for input supplies, extension services and market linkages. Atmanirbhar Horticulture Clean Plant Program: Atmanirbhar Clean Plant Program will be launched to boost availability of disease-free, quality planting material for high value horticultural crops at an outlay of Rs 2,200 crore. Global Hub for Millets: 'Shree Anna'
  - India is the largest producer and second largest exporter of 'Shree Anna' in the world. To make India a global hub for 'Shree Anna', the Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level.
  - **Agriculture Credit:** The agriculture credit target will be increased to ` 20 lakh crore with focus on animal husbandry, dairy and fisheries.
  - **Medical & Nursing Colleges:** 157 new nursing colleges will be established in co-location with the existing 157 medical colleges established since 2014.
  - **Sickle Cell Anaemia Elimination Mission:** A Mission to eliminate Sickle Cell Anaemia by 2047 will be launched. It will entail awareness creation, universal screening of 7 crore people in the age group of 0-40 years in affected tribal areas, and counselling through collaborative efforts of central ministries and state governments.

- **Medical Research:** Facilities in select ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams for encouraging collaborative research and innovation.
- **Teachers' Training:** Teachers' training will be re-envisioned through innovative pedagogy, curriculum transaction, continuous professional development, dipstick surveys, and ICT implementation. National Digital Library for Children and Adolescents:
- A National Digital Library for children and adolescents will be set-up for facilitating availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility.

Priority No.2-Reaching the Last mile:

- **Aspirational Districts and Blocks Programme:** The Government has recently launched the Aspirational Blocks Programme covering 500 blocks for saturation of essential government services across multiple domains such as health, nutrition, education, agriculture, water resources, financial inclusion, skill development, and basic infrastructure.
- **Pradhan Mantri PVTG Development Mission:** Pradhan Mantri PVTG Development Mission will be launched to improve socio-economic conditions of the particularly vulnerable tribal groups (PVTGs).
- An amount of Rs 15,000 crore will be made available to implement the Mission in the next three years under the Development Action Plan for the Scheduled Tribes.
- **Eklavya Model Residential Schools:** The centre will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students in the next three years.
- **Water for Drought Prone Region:** Central assistance of Rs 5,300 crore will be given to Upper Bhadra Project to provide sustainable micro irrigation and filling up of surface tanks for drinking water in the drought-prone central region of Karnataka.
- **PM Awas Yojana:** The outlay for PM Awas Yojana has been enhanced by 66 per cent to over Rs 79,000 crore.
- **Bharat Shared Repository of Inscriptions (Bharat SHRI):** 'Bharat Shared Repository of Inscriptions' will be set up in a digital epigraphy museum, with digitization of one lakh ancient inscriptions in the first stage.

Priority No.3-Infrastructure and Investment:

- **Capital Investment as driver of growth and jobs:** For the third year in a row, capital investment outlay increased steeply by 33 per cent to Rs 10 lakh crore. This is around 3.3 per cent of GDP. This will be almost three times the outlay in 2019-20.
- **Effective Capital Expenditure:** The direct capital investment by the Centre is complemented by the provision made for creation of capital assets through Grants-in-Aid to States. The 'Effective Capital Expenditure' of the Centre is budgeted at 13.7 lakh crore, which will be 4.5 per cent of GDP.
- **Support to State Governments for Capital Investment:** A 50-year interest free loan to state governments will continue for one more year to spur investment in infrastructure and to incentivize them for complementary policy actions, with a significantly enhanced outlay of Rs. 1.3 lakh crore.
- **Railways:** A capital outlay of 2.40 lakh crore has been provided for the Railways. This highest ever outlay is about 9 times the outlay made in 2013-14.
- **Logistics:** One hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified. They will be taken up on priority with investment of 75,000 crore, including 15,000 crore from private sources.
- **Regional Connectivity:** A total of 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- **Urban Sanitation:** All cities and towns will be enabled for 100 per cent mechanical desludging of septic tanks and sewers to transition from manhole to machine-hole mode.

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- **Priority No.4 Unleashing the potential-Trust Based Governance:**
  - **Mission Karmayogi:** Under Mission Karmayogi, Centre, States and Union Territories are making and implementing capacity-building plans for civil servants. The government has also launched an integrated online training platform, iGOT Karmayogi, to provide continuous learning opportunities for lakhs of government employees to upgrade their skills and facilitate people-centric approach.
  - **Centres of Excellence for Artificial Intelligence:** Three centres of excellence for Artificial Intelligence will be set-up in top educational institutions for realizing the vision of "Make AI in India and Make AI work for India." National Data Governance Policy: A National Data Governance Policy will be brought out to unleash innovation and research by start-ups and academia. This will enable access to anonymized data.
  - **Simplification of Know Your Customer (KYC) process:** The KYC process will be simplified adopting a 'risk-based' instead of 'one size fits all' approach.
  - **One stop solution for identity and address updating:** A one stop solution for reconciliation and updating of identity and address of individuals maintained by various government agencies, regulators and regulated entities will be established using DigiLocker service and Aadhaar.
  - **Common Business Identifier:** For the business establishments required to have a Permanent Account Number (PAN), the PAN will be used as the common identifier for all digital systems of specified government agencies.
  - **State Support Mission:** The State Support Mission of NITI Aayog will be continued for three years for our collective efforts towards national priorities.
  - **E-Courts:** Phase-3 of the E-Courts project will be launched with an outlay of 7,000 crore.
  - **Entity DigiLocker:** An Entity DigiLocker will be set up for use by MSMEs, large business and charitable trusts.
  - **5G Services:** 100 labs for developing applications using 5G services will be set up in engineering institutions to realise a new range of opportunities, business models, and employment potential.
  - **Lab Grown Diamonds:** 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, a research and development grant will be provided to one of the IITs for five years.

- **Priority No.5-Green Growth:**

  According to Union Finance Minister, India is moving forward firmly for the 'panchamrit' and net-zero carbon emission by 2070 to usher in green industrial and economic transition.

  - **Green Hydrogen Mission-** The recently launched National Green Hydrogen Mission, with an outlay of `19,700 crores, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector.
  - **Energy Transition-** Budget 2023 provides 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.
  - **Energy Storage Projects-** Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with Viability Gap Funding.
  - **Renewable Energy Evacuation-** The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of 20,700 crore including central support of 8,300 crore.
  - **Green Credit Programme-** A Green Credit Programme will be notified under the Environment (Protection) Act for encouraging behavioural change.
  - **PM-PRANAM-** "PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth" will be launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.
  - **Gobardhan scheme-** 500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting circular economy. These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants at total investment of 10,000 crore.
  - **Bhartiya Prakritik Kheti Bio-** Input Resource Centres-1 crore farmers will be facilitated to adopt natural farming.
  - **MISHTI-** 'Mangrove Initiative for Shoreline Habitats & Tangible Incomes', MISHTI, will be taken up for mangrove plantation along the coastline and on salt pan lands, wherever feasible. This will be done through convergence between MGNREGS, CAMPA Fund and other sources.
  - **Coastal Shipping-** Coastal shipping will be promoted as the energy efficient and lower cost mode of transport, both for passengers and freight, through PPP mode with viability gap funding.

- **Priority No.6-Youth Power:**
  - Pradhan Mantri Kaushal Vikas Yojana 4.0 (PMKVY 4.0)-Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years which covers new courses like coding, Robotics, 3D Printing etc.
  - Skill India Digital Platform: The digital ecosystem for skilling will be further expanded with the launch of a unified Skill India Digital platform for enabling demand-based formal skilling, linking with employers including MSMEs, and facilitating access to entrepreneurship schemes.
  - National Apprenticeship Promotion Scheme-Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme will be rolled out to provide stipend support to 47 lakh youth in three years.
  - Tourism- At least 50 destinations will be selected through challenge mode. Every destination would be developed as a complete package. The focus of development of tourism would be on domestic as well as foreign tourists.
  - Unity Mall-States will be encouraged to set up a Unity Mall in their state capital or most prominent tourism centre or the financial capital for promotion and sale of their own ODOPs (one district, one product), GI products and other handicraft products.

- **Priority No.7-Financial sector:**

This sector includes the following components:

National Financial Information Registry: National financial information registry will be set up to serve as the central repository of financial and ancillary information.

Financial Sector Regulations: To meet the needs of Amrit Kaal and to facilitate optimum regulation in the financial sector, public consultation, as necessary and feasible, will be brought to the process of regulation-making and issuing subsidiary directions.

GIFT IFSC: To enhance business activities in GIFT IFSC, several measures will be taken up. These include:

- Delegating powers under the SEZ Act to IFSCA to avoid dual regulation.
- Setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI, Permitting acquisition financing by IFSC Banking Units of foreign banks.
- Establishing a subsidiary of EXIM Bank for trade re-financing, Amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act.
- Improving Governance and Investor Protection in Banking Sector: Certain amendments to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act proposed.
- Central Data Processing Centre: A Central Processing Centre will be setup for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.
- Reclaiming of shares and dividends: For investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease, an integrated IT portal will be established.
- Azadi Ka Amrit Mahotsav Mahila Samman Bachat Patra: One-time new small savings scheme, Mahila Samman Savings Certificate, will be made available for a two-year period up to March 2025.
- This will offer deposit facility upto Rs. 2 lakh in the name of women or girls for a tenure of 2 years at fixed interest rate of 7.5 per cent with partial withdrawal option.
- Senior Citizens: The maximum deposit limit for Senior Citizen Savings Scheme will be enhanced from Rs. 15 lakh to Rs. 30 lakh.
- The maximum deposit limit for Monthly Income Account Scheme will be enhanced from Rs. 4.5 lakh to Rs. 9 lakh for single account and from Rs. 9 lakh to Rs. 15 lakh for joint account.

INDIAN ECONOMY BACKED BY STRONG MACROECONOMIC FUNDAMENTALS

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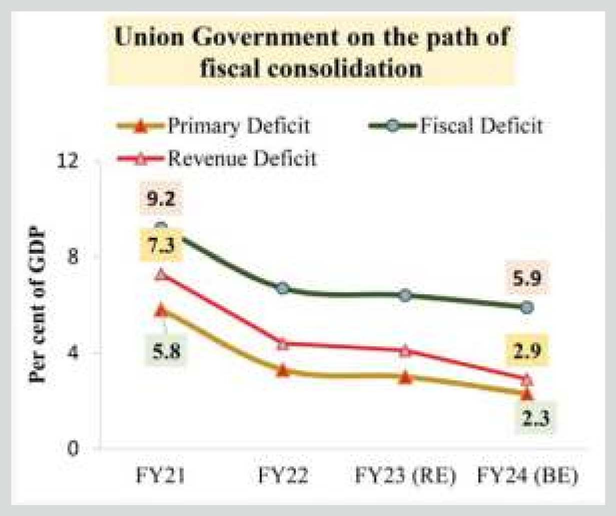
Union government on the path of fiscal consolidation

- Fiscal deficit was 9.2 % of GDP in FY 21 however budgeted estimate for FY 24 is 5.9% of GDP
- Revenue deficit was 7.3% of GDP in FY 21 however budgeted estimate for FY 24 is 2.9% of GDP
- Primary deficit was 5.8% of GDP in FY 21 however budgeted estimate for FY 24 is 2.3 % of GDP

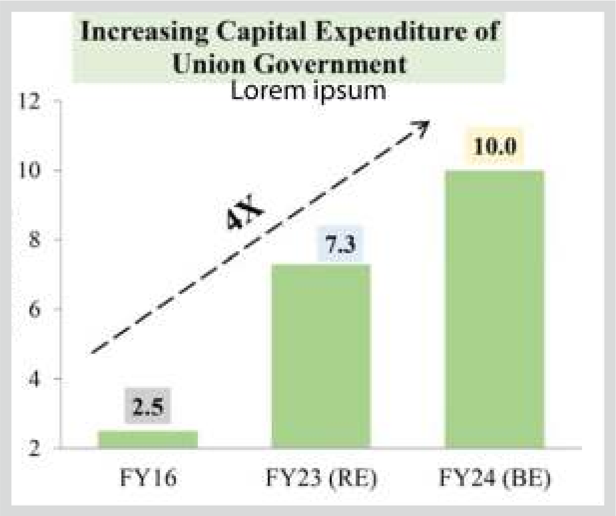


GST monthly revenue continues to remain around Rs. 1.5 Lakh Crore

- In FY 2019 average GST monthly revenue was Rs. 1.2 Lakh Crore
- In FY 2022 average GST monthly revenue was Rs. 1.5 Lakh Crore
- Comparison is not drawn from FY 2020 and FY 2021 being impacted by Covid 19.
- The GST Collections strengthening inspite of average GST Tax Rates being reduced, clearly witness very strong economic activity.

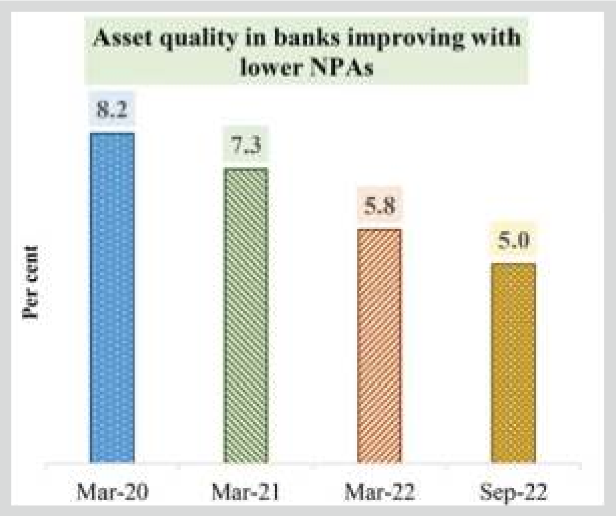
Increasing capital expenditure of union government

CAPEX in FY 2016 was Rs. 2.5 Lakh crore and in FY 2024 budgeted estimate is Rs. 10 Lakh Crore



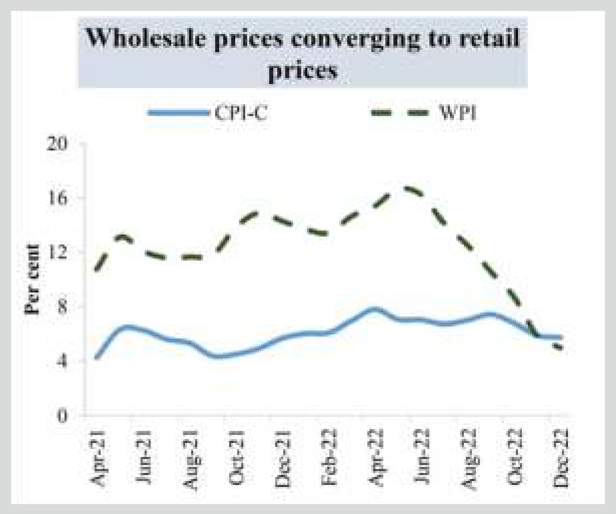
Asset Quality in Banks Improving With Lower NPAs

In March 2020 NPA was 8.2% and it was reduced to 5% in September 2022



Sufficient foreign exchange reserves to cover 9 months of imports

Wholesale prices converging to retail prices



INCOME TAX PROPOSALS

DIRECT TAXES

- **There is no change in corporate tax rates.**
- **PERSONAL TAX RATES**
  - The Act currently provides for 2 types of tax regimes – Existing Regime and New Regime. There has been no change in income tax rates in case of Existing old Regime of Taxation
  - **Old Regime** (optional regime & full tax rebate for income upto 5 lakhs) - No change proposed in rebate, surcharge and health and education cess. Maximum surcharge under old regime continues to be at 37%. Even the basic exemption limit continue at INR 2,50,000.

For Resident Individuals & HUF

Income Tax Slabs (INR)	Tax Rate as per OLD Regime		
	< 60 years & NRIs	60 to 80 years	> 80 years
Upto 2,50,000	-	-	-
2,50,001 to 3,00,000	5%	-	-
3,00,001 to 5,00,000	5%	5%	-
5,00,001 to 10,00,000	20%	20%	20%
Above 10,00,001	30%	30%	30%

- The new Regime of taxation has undergone following changes:
  - There is a revision to the basic exemption limit and change in the number of slabs has been proposed. The revised basic exemption limit shall be INR 3,00,000 and for every additional INR 3,00,000 of income, the next slab rate will be applicable. The highest slab rate of 30% shall continue to apply to income above INR 15,00,000. The revised rates are as follows:

Income Tax Slabs (INR)	Proposed New Tax Regime	
	Rates	Tax Amount
Upto 3 Lakhs	NIL	00
3 Lakhs - 6 Lakhs	5%	15,000
6 Lakhs - 9 Lakhs	10%	15,000 + 30,000 = 45,000
9 Lakhs - 12 Lakhs	15%	45,000 + 45,000 = 90,000
12 Lakhs - 15 Lakhs	20%	90,000 + 60,000 = 1,50,000
Above 15 lakhs	30%	1,50,000 + 30% of Remaining Income

  - Rebate u/s 87A has been proposed for the new regime with a threshold limit of income upto Rs. 700,000.
  - Under the new tax regime, the highest surcharge rate of 37% on income above INR 5,00,00,000 has been proposed to be reduced to 25%.

Income	50lakh-1 crore	1 crore-2 crore	**>2 crores**
Surcharge	10%	15%	**25%**
Effective Tax Rate (ETR)	34.32%	35.88%	**39%**

- The alternate tax regime of Section 115BAC is proposed to be applicable to Individual, HUF, Association of Persons (AOP) [(other than a co-operative society], Body of Individuals (BOI), and Artificial Juridical Persons (AJP).
- The following deductions shall be allowed under the new tax regime:
  - Standard Deduction of Rs. 50,000 for income from salary is also proposed to be introduced under this new tax regime.
  - Deduction up to INR 15,000 now allowed to the family members of deceased employee from pension income
  - Amount paid or deposited in Agniveer Corpus Fund under newly proposed section 80CCH of the IT Act.
- The new tax regime under Section 115BAC is proposed to serve as the default regime.

- The option to be governed under the Old Regime needs to be exercised by the taxpayer as follows: –
  - For taxpayer having no business income: Option can be exercised every FY while filing original ROI. Such option cannot be exercised in the belated/ revised/ updated ROI.
  - For taxpayer having business income: Option can be exercised in prescribed form while filing original ROI. Option once exercised shall apply to subsequent years. Migration from Old Regime to New Regime is permitted only once.

Benefits of

How Change in Tax Slabs will benefit Taxpayers

An individual with an annual **income of INR 9 Lakh** will be required to pay only INR 45,000 as tax. This is **5% his income**

- It is a **reduction of 25%** on what she is required to pay now, is, INR 60,000

An individual with an annual income of INR 15 Lakh would be required to pay INR 1.5 lakh or This is 10% his income

- It is a **reduction of 20%** from the existing liability of INR 1.87 lakh

- **Computation of Income Tax on the Basis of Different Regimes of Taxation**

Scenario 1:

- Assumptions: Assessee is resident individual below 60 years of age.
- is claiming deduction of INR 1,50,000 under Section 80C (LIC, PF/PPF, Principal repayment of home loan, Fixed deposits (5 years), Children Tution Fee etc.
- claiming deduction of INR 25,000 under Section 80D .total income consists of only salary income.
- Standard Deduction of 50,000 is existing old regime & proposed new regime
- Health & Education Cess @4% is included in the below calculation

Sr. No.	Gross Total Income (INR)	Tax under Existing old Regime (INR	Tax under Existing New Regime (INR)	Tax under Proposed New Regime (INR)
01	5,00,000	-	-	-
02	7,00,000	-	33,800	-
03	7,50,000	18,200	39,000	-
04	8,00,000	28,600	46,800	31,200
05	10,00,000	70,200	78,000	54,600
06	12,00,000	1,11,800	1,19,600	85,800
07	15,00,000	2,02,800	1,95,000	1,45,600
08	20,00,000	3,58,800	3,51,000	2,96,400
09	25,00,000	5,14,800	5,07,000	4,52,400

INCOME TAX PROPOSALS

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Scenario 2:

Assumptions: Assessee is

- resident individual below 60 years of age.
- is claiming deduction of INR 1,50,000 under Section 80C (LIC, PF/PPF, Principal repayment of home loan, Fixed deposits (5 years), Children Tution Fee etc.)
- claiming deduction of INR 25,000 under Section 80D.
- total income consists of only salary income
- Claiming deduction of NPS of INR 50,000/- u/s 80CCD(1B)
- Standard Deduction of 50,000 is existing old regime & proposed new regime
- Health & Education Cess @4% is included in the below calculation

Sr. No.	Gross Total Income (INR)	Tax under Existing old Regime (INR	Tax under Existing New Regime (INR)	Tax under Proposed New Regime (INR)
01	5,00,000	-	-	-
02	7,00,000	-	33,800	-
03	7,50,000	-	39,000	-
04	8,00,000	18,200	46,800	31,200
05	10,00,000	59,800	78,000	54,600
06	12,00,000	1,01,400	1,19,600	85,800
07	15,00,000	1,87,200	1,95,000	1,45,600
08	20,00,000	3,43,200	3,51,000	2,96,400
09	25,00,000	4,99,200	5,07,000	4,52,400

Scenario 3:

Assumptions: Assessee is

- resident individual below 60 years of age.
- is claiming deduction of INR 1,50,000 under Section 80C (LIC, PF/PPF, Principal repayment of home loan, Fixed deposits (5 years), Children Tution Fee etc.)
- claiming deduction of INR 25,000 under Section 80D.
- total income consists of only salary income.
- claiming deduction of NPS of INR 50,000/- u/s 80CCD(1B)
- claiming deduction of interest of housing loan of INR 2,00,000/-
- Standard Deduction of 50,000 is existing old regime & proposed new regime
- Health & Education Cess @4% is included in the below calculation

Sr. No.	Gross Total Income (INR)	Tax under Existing old Regime (INR	Tax under Existing New Regime (INR)	Tax under Proposed New Regime (INR)
01	5,00,000	-	-	-
02	7,00,000	-	33,800	-
03	7,50,000	-	39,000	-
04	8,00,000	-	46,800	31,200
05	10,00,000	18,200	78,000	54,600
06	12,00,000	59,800	1,19,600	85,800
07	15,00,000	1,24,800	1,95,000	1,45,600
08	20,00,000	2,80,800	3,51,000	2,96,400
09	25,00,000	4,36,800	5,07,000	4,52,400

Note: Deduction of House Rent Allowance is not allowed in new tax regime

Scenario 4:

Assumptions:

- Assessee is resident individual below 60 years of age.
- Basic salary + DA = INR 10 Lakhs
- House Rent Allowance = INR 5 Lakhs
- Rent paid by the assessee = INR 6 Lakhs
- City of residence of assessee = Delhi
- HRA exemption as per Section 10(13A) = INR 5 Lakhs
- is claiming deduction of INR 1,50,000 under Section 80C (LIC, PF/PPF, Principal repayment of home loan, Fixed deposits (5 years), Children Tution Fee etc.)
- claiming deduction of INR 50,000 under Section 80D.
- total income consists of only salary income.
- claiming deduction of NPS of INR 50,000/- u/s 80CCD(1B)

Sr. No.	Gross Total Income (INR)	Tax under Existing old Regime (INR	Tax under Proposed New Regime (INR)
01	15,00,000	54,600	1,45,600

- **Other Changes in Salaried Individual:**
  - The limit of Rs. 3 lakh for tax exemption on leave encashment on retirement of non- government salaried employees has been increased to Rs. 25 lakhs.
  - For computing value of rent free or concessional rent accommodation provided by employer to employee, CBDT to prescribe a new methodology.

- **Tax on Co-operative Societies**
  - A new section 115BAE is proposed to be inserted, which provides for reduced rate of tax of 15% (plus surcharge of 10% and cess) for Manufacturing co-operative societies established on or after April 1st, 2023 and commencing production on or before March 31st, 2024 [provided that specified incentives or deductions are not availed]. Further, income not derived or incidental to manufacturing or production of an article or thing shall be taxed at 22%.
  - AMT provisions will not be applicable to societies opting for the concessional tax regime.
  - Transactions between such co-operative society and person closely connected shall be subject to transfer pricing.
  - Option to avail concessional tax regime is to be exercised on or before the due date for furnishing its first ROI. Option once exercised cannot be subsequently withdrawn.
- **Rationalisation of exempt income under life insurance policies**
  - Receipts arising from life insurance policies (other than ULIPs) issued on or after April 1st, 2023 shall be considered as income from other sources if the **premium paid exceeds Rs. 5,00,000 in a given year.**

    Where a person holds more than one life insurance policy, the exemption will be available only for policies having premium of less than INR 500,000 in any previous year.
  - The exemption for receipts in the event of the insured person's death shall remain unchanged irrespective of amount of premium.
  - If the premium paid is not claimed as a deduction under other provisions of the Act, the same can be reduced from income taxed as above.
- **Deduction of expenditure payable to MSME allowable on payment basis**
  - Payments to MSME now covered within the provisions of section 43B of the Act.
  - Deduction of expenditure payable to MSME if paid beyond the due date specified under MSMED Act are now proposed to be allowed in the year of payment.
  - Due date will be 45 days in case of written agreement and 15 days in a case where no agreement is there.
  - The existing allowance for making payment before the due date of filing ROI will not apply to amounts payable to MSME and once the MSME dues are paid, the deduction will be allowed in year of payment.

- **Ease in claiming deduction on amortization of preliminary expenditure**
  - Section 35D of the Act provides for amortization of certain preliminary expenses which are incurred prior to the commencement of business or after commencement, in connection with extension of undertaking or setting up of a new unit. This includes expenditure in connection with preparation of feasibility report, project report etc.
  - The section inter-alia provides that the work in connection with the preparation of feasibility report or the project report or the conducting of market survey or of any other survey or the engineering services would need to be carried out either by the assessee himself or by a concern which is approved by the Board.
  - It is proposed to amend section 35D of the Act to remove the condition of activity in connection with these expenses to be carried out by a concern approved by the Board. Instead, the assessee shall be required to furnish a statement containing the particulars of this expenditure within prescribed period to the prescribed income-tax authority in the prescribed form and manner.
- **Benefit or perquisite in business**
  - Section 28 of the Act provides for income that shall be chargeable to income-tax under the head "Profits and gains of business or profession". Clause (iv) of this section brings to chargeability the value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession. This provision was inserted through the Finance Act 1964 and the Circular no 20D dated 7th July 1964 issued to explain the provisions of this Act stated clearly that the benefit could be in cash or in kind. Therefore, the intention of the legislation while introducing this provision was also to include benefit or perquisite whether in cash or in kind. However, Courts have interpreted that if the benefit or perquisite are in cash, it is not covered within the scope of this clause of section 28 of the Act.
  - It is proposed to amend clause (iv) of section 28 of the Act to clarify that provisions of said clause also applies to cases where benefit or perquisite provided is in cash or in kind or partly in cash and partly in kind. (Effective w.e.f. 1 April, 2024)
  - **This amendment may have an impact on the SC ruling in the case of Mahindra & Mahindra wherein cessation of loan liability has been held as non-taxable u/s 28(iv).**

- **Additional conditions for deduction under section 10AA - SEZ units**
  - To avail a deduction under Section 10AA, the assessee must submit a return of income on or before the due date specified under Section 139(1).
  - Deduction under Section 10AA shall only be allowed if the proceeds from the sale of goods or provision of services are received within 6 months from the end of the previous year or within such further period as the competent authority may allow in this behalf.
- **Set-off of business losses and unabsorbed depreciation**
  - Section 72AA to be amended to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking company with any other banking institution or a company subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of strategic disinvestment. (w.e.f. 1st April, 2023)
  - The time period for loss of eligible start-ups for the purpose of carry forward and set off has been increased from 7 years to 10 years from the date of incorporation, in terms of section 72A (w.e.f. 1st April, 2023)
- **PRESUMPTIVE TAXATION & TAX AUDIT**

  Turnover Limit for Presumptive taxation has been increased w.e.f AY 2024-25 as follows:

Section	Existing Turnover Limit	Proposed Turnover Limit		Deemed Income
		If Cash* Transactions are More than 5% of the Total Turnover or Gross Receipts	If Cash* Transactions are Less than 5% of the Total Turnover or Gross Receipts	
44AD – Business income other than agents, brokers, commission agents, transport business	INR 2 Crore	INR 2 Crore	INR 3 Crore	8%/6%
44ADA - Profession	INR 50 lakhs	INR 50 lakhs	INR 75 lakhs	50%

Note: Amount received by cheques drawn or bank demand drafts shall be deemed to be received in cash, if those were not account payee cheques or demand drafts.

Taxpayers opting for such presumptive scheme to be exempt from requirement of tax audit.

- **NBFC Categorization**
  - Section 43B of the Act provides, inter-alia, that any sum payable by the assessee as interest on any loan or borrowing from a Deposit taking Non-Banking Financial Company and Systemically Important Non-Deposit taking Non-Banking Financial Company shall be allowed as deduction on payment basis. It can be allowed on accrual basis if it is actually paid on or before the due date of furnishing the return of income of the relevant previous year.
  - Section 43D of the Act provides, inter-alia, for special provision in case of income of deposit-taking Non-Banking Financial Company and Systemically Important Non-Deposit taking Non-Banking Financial Company. Interest income in relation to certain categories of bad or doubtful debts received by such deposit-taking Non-Banking Financial Company and Systemically Important Non-Deposit taking Non-Banking Financial Company, shall be chargeable to tax in the previous year in which it is credited to its profit and loss account for that year or actually received, whichever is earlier.
  - In view of the above, it is proposed to amend section 43B and section 43D of the Act, to substitute the words, “a deposit taking non-banking financial company or systemically 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”.

- **Strategic disinvestments – carry forward of losses**
  - The definition of 'strategic disinvestment' in Section 72A has been proposed to be modified to include the sale of shares by the Central or State Governments, or by a public sector company in another public sector company resulting in a reduction of its shareholding below 51% and transfer of control to the buyer.
  - Section 72AA proposed to be amended to allow the carry forward of accumulated losses and unabsorbed depreciation in the case of the amalgamation of a banking company with another banking company within five years of the strategic disinvestment.

- **START UPS**
  - **Tax Holiday for Startups Extended – Section 80IAC:** Sunset date for incorporation of start-ups to be eligible for tax holiday extended from 31 March 2023 till 31 March 2024.
  - Eligible startups will be able to set off and carry forward losses incurred during their first ten years of incorporation, even if there has been a change in shareholding, as long as all shareholders continue during the relevant period. The previous time limit of **seven years has been proposed to be increased to ten years.**

- **Taxation of capital gains in case of Market Linked Debentures**
  - Market Linked Debentures' are listed securities. They are currently **being taxed as long term capital gain at the rate of 10% without indexation.** However, these securities are in the nature of derivatives which are normally taxed at applicable rates. Further, they give variable interests as they are linked with the performance of the market.
  - Section 50AA has been introduced to include special provision for taxation of Market Linked Debentures. Full value of the consideration received or accruing as a result of the transfer or redemption or maturity of the “Market Linked Debentures” less cost of acquisition of the debenture and the expenditure incurred wholly or exclusively for transfer or redemption of such debenture shall be treated as short term capital gains.
  - 'Market linked Debenture' as a security has been defined as a underlying principle component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any securities classified or regulated as a Market Linked Debenture by Securities and Exchange Board of India.

- **Restrictions on claiming benefit under section 54 and 54F**
  - The existing provisions of section 54 and section 54F of the Income-tax, 1961 (the Act) allows deduction on the Capital gains arising from the transfer of long-term capital asset if an assessee, within a period of one year before or two years after the date on which the transfer took place purchased any residential property in India, or within a period of three years after that date constructed any residential property in India. For **section 54** of the Act, the **deduction is available on the long-term capital gain arising** from transfer of a residential house **if the capital gain is reinvested** in a residential house. In **section 54F** of the Act, **the deduction is available on the long term capital gain arising** from transfer of any long term capital asset except a residential house, **if the net consideration is reinvested** in a residential house.
  - The primary objective of the sections 54 and section 54F of the Act was to mitigate the acute shortage of housing, and to give impetus to house building activity. However, it has been observed that claims of huge deductions by high-net-worth assessees are being made under these provisions, by purchasing very expensive residential houses. It is defeating the very purpose of these sections.
  - Hence, it is proposed to **impose a limit on the maximum deduction** that can be claimed by the assessee **under section 54 and 54F to rupees ten crore.** It has been provided that if the cost of the new asset purchased is more than rupees ten crore, the cost of such asset shall be deemed to be ten crores. This will limit the deduction under the two sections to ten crore rupees.
  - Further, it has been provided that for the purpose of deposit with a scheduled bank in the Capital Gains Account Scheme, the limit of such deposit shall also be Rs.10 Crores.
  - **Case Study: for 54F Deduction**

Property sold for 20 crore, Capital Gain 12 crore , Purchased new property for 20 crore

54F Deduction = Long term capital gain * Amount invested/ Net Consideration Received

Before Amendment = 12*20/20 = 20 crore

After Amendment = 12*10/20 = 6 crore

- **Prevention of double deduction claimed on interest on borrowed capital for acquiring, renewing or reconstructing a property**

Under the existing provisions of the Act, the amount of any interest payable on borrowed capital for acquiring, renewing or reconstructing a property is allowed as a deduction under the head "Income from house property" under section 24 of the Act.

Section 48 of the Act, inter alia, provides that the income chargeable under the head "Capital gains" shall be computed, by deducting the cost of acquisition of the asset and the cost of any improvement thereto from the full value of the consideration received or accruing as a result of the transfer of the capital asset.

It has been observed that some assessees have been claiming double deduction of interest paid on borrowed capital for acquiring, renewing or reconstructing a property. Firstly, it is claimed in the form of deduction from income from house property under section 24, and in some cases the deduction is also being claimed under other provisions of Chapter VIA of the Act. Secondly while computing capital gains on transfer of such property this same interest also forms a part of cost of acquisition or cost of improvement under section 48 of the Act.

Hence, Clause 48 (ii) has been inserted stating that cost of acquisition of the asset or the cost of improvement thereto shall not include the deductions claimed on the amount of home loan interest under section 24 (b) or under the provisions of Chapter VIA of the Act.

INCOME TAX PROPOSALS

- **Taxation of Online Gaming**
  - Net income arising from online gaming activities shall be taxed at 30%.
  - TDS on winning from online gaming is proposed without any threshold benefit. The tax will be deducted either upon withdrawal or on the year-end account balance (effective from July 1, 2023).

- **Section 56(2) (viib) : [Angel Tax] Taxability of Security Premium**

  Section 56(2)(viib) taxes the excess amount received by a company, not being a company in which the public are substantially interested, on issue of share over the fair market value for resident investors of the company.

  It is now being amended to include non-resident and RNOR investors of a company within the ambit of this section and hence for receipt of consideration for issue of shares in excess of FMV by such company from any person irrespective of his residency status will be taxed.

  This amended provision will not be applicable on the startups recognised by DPIIT and holding 80IAC certificate.

- **Income Tax Refunds**
  - Section 241A has been made ineffective from 1st April 2023. This section provided power of withholding refunds in case, a notice of assessment has been issued under section 143 (2). The power of such withholding shall now be available to AOs by virtue of section 245.
  - Section 245 amended to adjust any refund with any tax dues and withhold of a refund against any expected tax dues pending assessment or reassessment under any section has now been conferred upon the AO or Commissioner or Principal Commissioner or Chief Commissioner or Principal Chief Commissioner.
  - Section 244 provides for interest to be paid to assesses on refund of income tax. The section is being amended to provide that additional interest on such refunds which has been on hold due to any assessment/reassessment proceedings shall not be given at additional rate for the period of such hold of refunds. (Effective w.e.f 1 April, 2023)

- **Assessment Proceedings u/s 143(3)**

  Time limit for completion of assessment modified in certain cases:
  - For scrutiny related to AY 2022-23 onwards – time limit extended to 12 months from end of relevant AY (vis-à-vis 9 months as per existing provisions)
  - Updated ROI – time limit extended to 12 months from end of FY in which Updated ROI is furnished (vis-à-vis 9 months as per existing provisions).
  - Time-limit for assessment proceedings pending as on the date of search/ seizure operations to be further increased by 12 months.

- **Reassessment proceedings**
  - Time-limit of 3 months (which may be extended upon request) prescribed for filing ROI in response to reassessment notice
  - Exclusion of 15 days in computing the period of limitation for issuing reassessment notices: –

    i. In cases where search/ requisition initiated on or after March 15 of an FY; and

    ii. Limitation period for issuing reassessment notices expires on March 31 of that FY.

    No extension for seizure of documents or recording of statements (i.e., to be undertaken on or before March 31 of that FY).

- **Expansion of scope of appealable orders before ITAT**

  The following orders have been included in list of appealable orders before ITAT:
  - Penalty order passed by the CIT(A):

    – in search cases;

    – in case of unexplained cash credit, income, expenditure, investment, etc.;

    – in case of false entry in books of account, documents, etc
  - Revision order passed by PCCIT or CCIT including rectification order relating to such order
  - Order passed by the JCIT(A) under the prescribed sections

- **International Taxation**
  - Time limit for submission of Transfer Pricing Documentation - The time limit for submission of Transfer Pricing documentation and information to the AO or the CIT(A) is reduced to 10 days (earlier 30 days) from the date of receipt of the notice and these amendments are effective from April 1, 2023.
  - Section 94B provides for disallowance of interest if they owe more than 1 crore rupees in interest to a non-resident associated enterprise, the amount they can deduct is limited to 30% of their earnings before interest, taxes, depreciation and amortisation or interest paid or payable to associated enterprise. Interest to banks and insurance entities were already excluded, now interest payable to specified NBFCs is also excluded. (Effective w.e.f 1 April, 2024).
- **WITHOLDING TAX & TAX COLLECTION AT SOURCE**

TCS Provisions:

Section 206C of the Act provides for TCS on business of trading in alcohol, liquor, forest produce, scrap etc. Sub-section (1G) of the aforesaid section provides for TCS on foreign remittance through the Liberalised Remittance Scheme and on sale of overseas tour package which has been proposed to be amended:

The current and proposed TCS rates are tabulated as under: (Effective 1st July, 2023)

Sr. No.	Type of remittance	Present rate*	Proposed rate*
01	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
02	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
03	Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
04	Any other case (Liberalised Remittance Scheme)	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. The above TCS will apply even to overseas direct investment made outside India and other remittances even if duly tax paid income is used for remittance. No such TCS is applicable in case of ODI by corporate or LLP or registered partnership firm.*

- **TDS provisions**
  - Withholding tax reduced from maximum marginal rate to 20% on payment of accumulated balance under the Employees' Provident Fund Scheme, 1952 to an employee not having PAN
  - Withholding tax now applicable on interest payable to a resident on listed securities issued by a company
  - Scope of section 194B (winnings from lottery or crossword puzzle, etc.) revised to include 'gambling or betting of any form or nature whatsoever' (except online gaming as it is covered in new section 194BA)
  - Where income is offered to tax in a particular year and tax withholding happens in a subsequent year, then WHT credit would be available in the first year provided an application is made to the tax officer within 2 years from the end of the year in which tax is deducted (effective from October 1, 2023)
  - Section 194B and 194BB (winnings from horse race) amended to provide for withholding on aggregate (instead of transactional) of amounts exceeding INR 10,000
  - Section 194N which provides for TDS from an amount equal to 2% of sum withdrawn from bank, only when the payment of amount or aggregate of amount in cash during the year exceeds one crore rupees. It is proposed that where the recipient is a co-operative society the amount is increased to “three crore rupees”
  - Scope of section 194R (WHT on benefit/ perquisite) proposed to be categorically widened to include cases where the benefit/ perquisite is in cash or partly in cash and partly in kind
  - Benefit of lower deduction/ nil deduction certificate extended to WHT on income payable by business trust to non-resident unit holders
  - Section 196A provides for TDS on payment of certain income to a non-resident (not being a company) or to a foreign company, at the rate of 20% in respect of income form units of a Mutual Fund as specified. It is proposed to provide that the TDS would be at the rate which is lower of the rate of 20% or the rate provided in section 90/90A of the Act, in case of a payee has furnished the tax residency certificate

- **Charitable Trusts & Institutions**
  - The utilization of corpus, loans or borrowings by a charitable or religious trust prior to 01-04- 2021 will not be considered an application for charitable or religious purposes if the amount is subsequently deposited back into the corpus or the loan is repaid. The repayment of a loan or investment into the corpus will only be considered an application for charitable or religious purposes if it occurs within 5 years of the initial utilization.
  - The donations made by one trust or institution to another trust or institution shall be deemed to be an application of up to 85% of the donated amount.
  - The Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, and Rajiv Gandhi Foundation have been excluded from the list of eligible funds for deductions under Section 80G.
  - Trusts and institutions that have initiated their activities must apply directly for regular registration, rather than provisional registration.
  - The submission of an application for registration containing false, inaccurate, or incomplete information is considered a designated violation and may result in the revocation of the registration of trusts or institutions by the Principal Commissioner of Income Tax/Commissioner of Income Tax.
  - The provisions for tax on accreted income as specified in Section 115TD have been extended to trusts or institutions, if they fail to apply for re-registration.
  - In order to claim the accumulation of income, trusts or institutions must file Form 9A and Form 10 at least two months prior to the deadline for filing the return of income.
  - The exemption can be claimed by trusts or institutions only if return of income is furnished within time limit prescribed under section 139(1) or 139(4).
- **International Financial Services Sector (IFSC)**
  - No tax shall be imposed on the transfer of capital assets in connection with the relocation of an offshore fund to an International Financial Services Centre (IFSC). The deadline for this relocation has been extended to 31-03-2025.
  - Income distributed from offshore derivative instruments (ODI) entered into with an offshore banking unit of an IFSC shall be exempt from tax under Section 10(4E)
- **Taxability of distributions other than dividend/ interest/ rental income**
  - Section 56(2)(xii) inserted to tax any sum received by unit holder from Infrastructure Investment Trust or REIT for repayment of debt which is not covered u/s 10(23FC) or 10(23FCA) or taxable u/s 115UA.
  - Further, in case of a distribution on account of redemption of units, amounts received in excess of the cost of acquisition shall be taxable as income from other sources
- **Electronic Gold Receipt**
  - The transformation of physical gold into Electronic Gold Receipts and vice versa by a Vault Manager registered with the Securities and Exchange Board of India (SEBI) shall not be considered as a transfer for purposes of capital gains taxation.
  - The cost of acquisition of the EGR for the purpose of computing capital gains shall be deemed to be the cost of gold in the hands of the person in whose name Electronic Gold Receipt is issued, and the holding period for the purpose of capital gains, would include the period for which gold was held by the assessee prior to its conversion into EGR. Similarly, provision for conversion from gold to EGR is also proposed.
- **Prohibition of Benami Property Transactions Act, 1988**
  - Time limit to file appeal before Appellate Tribunal under PBPT extended to 45 days from receipt of order (vis-à-vis 45 days from date of order under existing provisions).
  - For the purpose of filing appeal against order of the Adjudicating authority, jurisdiction of the High Court has been provided to mean the High Court in which the jurisdiction of the Initiating Officer is located.

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- **Other Amendments**
  - Section 55 has been amended which defines the term 'cost of acquisition' and 'cost of improvement' of a capital asset, the amendment provides that cost of acquisition and cost of improvement of such capital asset being any self generated intangible asset or any other right shall be 'Nil'.
  - **International Gift:** Monetary gifts received by a person 'not ordinarily resident in India' from Indian resident would be taxable in India. The non-residents are already taxable in case of receipt of monetary gifts from resident Indians.
  - A new appellate authority, the Joint Commissioner (Appeal), has been introduced for specific categories of taxpayers, such as individuals and HUFs, to speed up the resolution process in appeal proceedings
  - Assessee can file an appeal against the penalty orders imposed by the Commissioner (Appeals) under Sections 271AAB, 271AAC, and 271AAD and revision orders passed by the Principal Chief Commissioner or Chief Commissioner under Section 263. The amendment also allows for the filing of a memorandum of cross-objections in all cases that are appealable to the Appellate Tribunal.
  - Section 142(2A) to be amended to prevent permanent deferral of taxes through undervaluation of inventory. A provision has been proposed to empower the assessing officer to require a cost audit for inventory valuation prior to assessment.
  - Power of the authorized officer conducting search and seizure proceedings expanded to take assistance of services of any person or valuer registered under any law (as may be approved by prescribed officials) either during the course of search or post such operations.
  - Where time limit for amending an order or for making rectification application of order passed by Settlement Commission expired between February 1, 2021, and January 31, 2022, the same shall be extended and passed by IBS up to September 30, 2023
  - To align the provisions of Joint Development Agreement with the TDS provisions under section 194-IC, amendment is proposed in section 45 to provide that the full value of consideration shall be taken as the stamp duty value of the property received as increased by any consideration received in cash or by a cheque or draft or by any other mode

GOODS AND SERVICES TAX

AMENDMENTS IN THE CGST ACT, 2017:

Composition scheme allowed for person supplying goods through E-Commerce Operator (ECO)

The restrictions provided in Section 10 of the CGST Act has been omitted. Thus, registered persons engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under Section 52 can also now opt for composition levy. This leads to less compliances for increasing number of small taxpayers selling goods through ECO.

ITC availed on non-payment of consideration to supplier within 180 days shall be paid by way of reversal

Second and third provisos to Section 16(2) of the CGST Act related to ITC reversal being amended to align it with the return filing system provided in the Act.

Second proviso to Section 16 (2) has been rephrased to make it amply clear that non-payment of consideration for supply along with GST within 180 days, results in liability to pay tax along with applicable interest (phraseology "adding to his output tax liability" substituted).

Third proviso states recipient entitled to avail ITC upon making payment "to the supplier".

Value of Exempt supplies to include 'Supply of custom bonded warehoused goods before clearance for home consumption'

Section 17(3) is being amended to restrict the availment of ITC under Rule 42 & Rule 43 in respect of certain transactions specified in para 8(a) of Schedule III of the Act by including the value of such transactions in the value of exempt supply.

Thus, no ITC can be availed on goods and/or services exclusively or commonly used or intended to be used for the supply of goods while they are still in custom bonded warehouse. Also ITC on common inputs shall require reversal in terms of Rule 42 and 43.

No ITC on CSR Expenditure

Section 17(5) is being amended to restrict the availment of ITC in respect of goods or services or both received by a taxable person for the purpose of CSR activities as specified by Companies Act,2013, thus bringing clarity on various contradictory advance rulings.

Persons exclusively engaged in making exempt supplies to get relief from rigors of registration

Section 23 of the CGST Act being amended w.r.e.f. 1st July, 2017 to have an overriding effect on the provisions of Section 22(1) and Section 24 of the said Act.

Hence if registration is not required under Section 23, there is no need to obtain registration irrespective of any mandate in terms of other provisions.

New Sections inserted restricting filing of returns after the expiry of 3 years from the due date

Section 37(5) – GSTR 1 providing details of outward supplies for a tax period cannot be filed after the expiry of three years from due date.

Section 39(11) – GSTR 3B for a tax period cannot be filed after the expiry of three years from due date.

Section 44(2) – Annual Return for a financial year (GSTR 9 & GSTR 9C) cannot be filed after the expiry of three years from due date.

Section 52(15) – GSTR 8 providing details of TCS collected by ECO's for a month cannot be filed after the expiry of three years from due date.

Refund of 90% of the claim for Zero Rated Supplies not to exclude Provisional ITC

Section 54(6) of the CGST Act being amended to align the same with the present scheme of availment of self-assessed input tax credit as per Section 41(1) of the Act.

Thus, reference to the provisionally accepted input tax credit being omitted hereafter allowing refund of 90% of the claim on account of zero rated supply.

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Interest on Delayed Refunds for delay beyond 60 days

Section 56 of the CGST Act being amended to enable the Government to prescribe the mechanism for computation, manner and restrictions for payment of interest on delayed refunds beyond 60 days.

Where any tax order to be furnished to any applicant is not refunded within 60 days from the date of receipt of application then the interest not exceeding @6% shall be payable.

Period to be taken: beyond 60 days from the date of receipt of application to the date of refund

E-Commerce Operator's (ECO's) liable to minimum penalty of Rs. 10,000 for incorrect reporting in GSTR – 8 and for certain supplies.

Newly inserted Section 122(1B) of the CGST Act contemplates penal provisions for Electronic Commerce Operators of Rs. 10,000 or equivalent to the tax involved (whichever is higher) in following cases

- supplies effected from an unregistered person (other than who are specifically allowed)
- supplies for person not permitted to make interstate supply (e.g. composition dealer)
- furnishing incorrect details in Form GSTR-8.

Decriminalization of certain offences and increase in monetary threshold for prosecution

Offences specified in the following clauses of Section 132(1) of the CGST Act has been decriminalized;

- obstructs or prevents any officer in the discharge of his duties under this Act,
- tampers with or destroys any material evidence or documents,
- fails to supply any information which he is required to supply under this Act or the rules made thereunder,

Except for the offences related to issuance of invoices without supply of goods or services or both, the monetary threshold for prosecution of any other offence under this Act shall be increased from Rs. 1 crore to Rs. 2 Crores.

No compounding option on issuance of invoices without supply of goods/services or both. Reduction in maximum/minimum amount for compounding

Section 138(1) of the CGST Act being amended so as to exclude the persons involved in offences relating to issuance of invoices without supply of goods or services or both from the option of compounding of the offences under the said Act.

Further Section 138(2) of the CGST Act being amended for reduction of minimum/maximum amount for compounding of various offences as shown here -

Particulars	Existing	Proposed
Minimum	Rs. 10,000 or 50% of tax involved	25% of tax involved
Maximum	Rs. 30,000 or 150% of tax involved	100% of tax involved

Consent based sharing of Information

Newly inserted Section 158A of the CGST Act contemplates consent-based sharing of information furnished by the registered person in his return or in his application of registration or in his statement of outward supplies, or the details uploaded by him for generation of electronic invoice or E-way bill or any other details, as may be prescribed, on the common portal with such other systems, as may be notified.

Retrospective amendment in Schedule III w.e.f. 1st July,2017

Activities/ transactions mentioned in Paras 7, 8(a) and 8(b) such as supplies of goods from place outside the taxable territories to another place outside taxable territories, high seas sales and supply of warehoused goods from their home clearance inserted in Schedule III of the CGST Act,2017 w.e.f. 1st February,2019 are treated neither as supply of goods nor as supply of services and hence outside the purview of GST.

This amendment shall be now applicable w.r.e.f. 1st July,2017. However, there shall be no refund of taxes already paid during the intervening period from 1st July,2017 to 31st January,2019.

AMENDMENTS IN THE IGST ACT, 2017:

Definition of "non-taxable online recipient" and "OIDAR services" amended to widen their scope

As per Section 2(16) of the IGST Act,2017, the condition of taxability of OIDAR service provided by any person located in non-taxable territory to an unregistered person located in the taxable territory and receiving the said services for purposes other than commerce, industry or any other business or profession has been omitted.

A person registered solely as a TDS deductor in terms of Section 24(vi) shall be treated as unregistered person for the purpose of this clause.

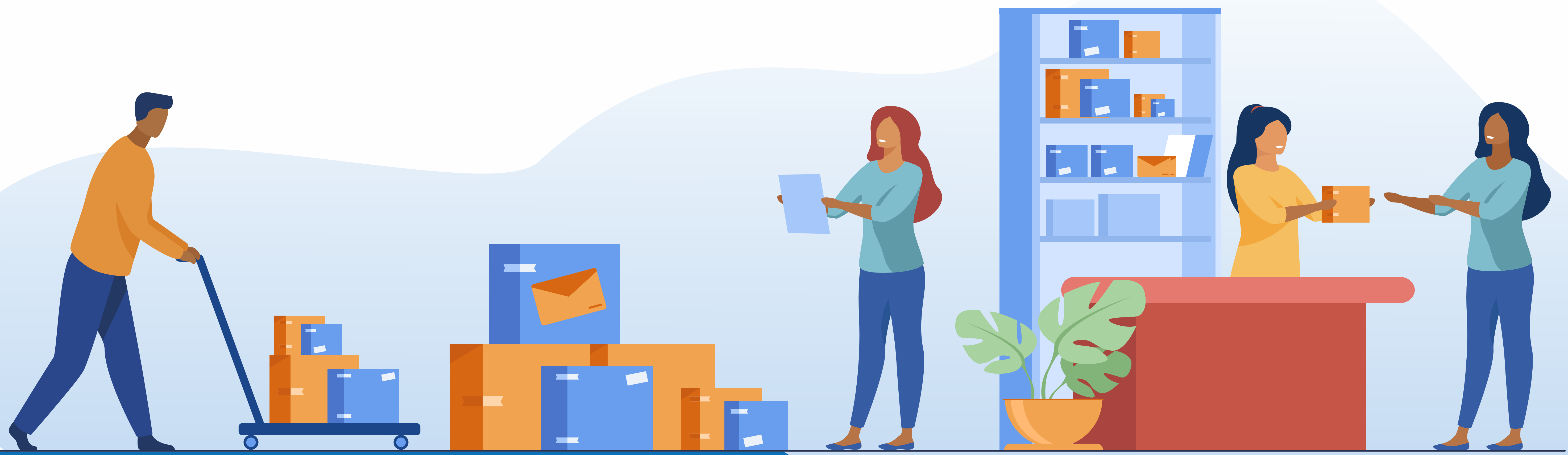
As per Section 2(17) of the IGST Act,2017, the condition of rendering of the supply of "online information and database access or retrieval services" being essentially automated and involving minimal human intervention has been omitted.

Change in "Place of Supply" provisions when goods are transported to a place outside India where both the supplier/recipient are located in DTA

Proviso to Section 12(8) of the IGST Act which stated the place of supply being the destination of goods when they are transported to a place outside India in cases where the supplier of services and recipient of services are located in India has been omitted.

Thus, POS in case of transportation of goods shall be the following even if the destination of goods is outside India –

- a registered person shall be the location of such person;
- a person other than a registered person shall be the location at which such goods are handed over for their transportation



CUSTOMS, CENTRAL EXCISE & CST

AMENDMENTS & RATE CHANGES

VALIDITY PERIOD OF CUSTOMS EXEMPTIONS IN CERTAIN CASES

2 years default validity not applicable for exemption to bilateral/multilateral trade agreements, international agreements/treaties/conventions, schemes under FTP, constitutional authorities, central government schemes with validity of 2 or more years, re-imports/temporary imports, Gifts or Personal baggage and customs duty imposed under any law, including GST and CTA (except Section 12 of Customs Act, 1962).

CUSTOMS SETTLEMENT OF CASES

- Application filed before the Settlement Commission to be disposed within 9 months from the date of application (with option to extend by 3 months).
- If no order passed as mentioned above, the adjudicating authority before whom the proceeding at the time of making the application was pending shall dispose-off the matter in accordance with the law.

CUSTOMS TARIFF

CUSTOMS SETTLEMENT OF CASES

- The Central Government to be vested with discretionary powers to accept (or not), the finding of the review conducted by the 'Designated Authority' in terms of Customs Tariff (Identification, Assessment and Collection of Countervailing Duty / Anti-Dumping Duty) Rules, 1995, beyond the initial 5-year period.
- This is a retrospective amendment w.e.f. 1 January 1995 which clarifies that the Government shall only ascertain the amount of subsidy as determined by the 'Designated Authority' after necessary inquiry and not bound to provide any reasoning for acceptance or rejection of the recommendations of the 'Designated Authority'.
- **Suitable changes have been made in the appeal provisions, to provide that the order of levy for countervailing and anti-dumping duty cannot be challenged before the CESTAT, and only the final findings of the 'Designated Authority' can be challenged.**

Changes in Customs Tariff

Basic Customs Duty rates on goods other than textiles and agriculture reduced from 21 to 13.

MAJOR CHANGES SUMMARISED BELOW IN EACH INDUSTRY SEGMENT

Electric Vehicles – TO BOOST DOMESTIC MANUFACTURING AND ENCOURAGE GREEN ENERGY MOBILITY

COMMODITY	Existing	Proposed	Change
Vehicles, specified automobile parts/components, sub-systems and tyres when imported by notified testing agencies for the purpose of testing and/ or certification , subject to conditions	As Applicable	NIL	↓
Vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form.	30%	35%	↑
Vehicle in Completely Built Unit (CBU) form	60%	70%	↑
Specific capital goods/machinery for manufacture of Lithium ion cell for use in battery of electrically operated vehicle (EVs)	AS APPLICABLE	NIL	↓

CUSTOMS

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Electronics – TO PROMOTE VALUE ADDITION AND EXPAND GOVERNMENT'S MANUFACTURING PROGRAMME

COMMODITY	Existing	Proposed	Change
Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone	2.5%	NIL	↓
Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder	7.5%	NIL	↓
Palladium Tetra Amine Sulphate for manufacture of parts of connectors	7.5%	NIL	↓
Specified parts for manufacture of open cell of TV panel	5.0%	2.5%	↓

Marine Products – TO ENCOURAGE EXPORT COMPETITIVENESS

COMMODITY	Existing	Proposed	Change
Fish Meal	15%	5%	↓
Krill Meal	15%	5%	↓
Fish Lipid Oil	30%	15%	↓
Algal Prime (flour)	30%	15%	↓
Mineral and Vitamin Premixes	15%	5%	↓

Diamond Industry -TO RETAIN LEADERSHIP IN GLOBAL DIAMOND MARKET

COMMODITY	Existing	Proposed	Change
Seeds for use in manufacturing of rough lab-grown diamonds	5%	NIL	↓

Diamond Industry -TO RETAIN LEADERSHIP IN GLOBAL DIAMOND MARKET

COMMODITY	Existing	Proposed	Change
Denatured Ethyl Alcohol	5%	NIL	↓
Acid grade fluorspar	5%	2.5%	↓
Crude Glycerin	7.5%	2.5%	↓
Naphtha	1%	2.5%	↑
Styrene	2%	2.5%	↑
Vinyl Chloride Monomer	2%	2.5%	↑

CUSTOMS

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Precious Metals – TO INCREASE IMPORT DUTY

COMMODITY	BCD		AIDC		SWS		TOTAL DUTY	
	FROM	TO	FROM	TO	FROM	TO		
Gold Bars	12.50%	10.00%	2.50%	5.00%	NIL	NIL	15.00%	-
Gold Dore	11.85%	10.00%	2.50%	4.35%	NIL	NIL	14.35%	-
Platinum	12.50%	10.00%	1.50%	5.40%	1.40%	NIL	15.40%	↑
Silver Bar	7.50%	10.00%	2.50%	5.00%	0.75%	NIL	15.00%	↑
Silver Dore	6.10%	10.00%	2.50%	4.35%	0.61%	NIL	14.35%	↑

Electrical – TO RECTIFY INVERTED DUTY STRUCTURE AND ENCOURAGE MANUFACTURING

COMMODITY	Existing	Proposed	Change
Electronic kitchen chimney	7.5%	15%	↑
Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20%	15%	↓

Rubber Industry – TO CURB CIRCUMVENTION OF DUTY

COMMODITY	Existing	Proposed	Change
Compound Rubber	10%	25%	↑

Increase in BCD on compounded rubber from 10% to "25% or 30/kg whichever is lower", at par with that on natural rubber other than latex.

CENTRAL EXCISE

Rate changes and exemption w.e.f. 2nd February,2023

- Notification No. 05/2023-Central Excise dated 01.02.2023 is being issued to exempt excise duty on blended Compressed Natural Gas (CNG) from so much of the amount as is equal to GST paid on biogas /compressed biogas contained in such blended CNG subject to the specified conditions.

- Upward revision of National Calamity Contingent Duty (NCCD) on specified cigarettes by about 16%.

CENTRAL SALES TAX (CST)

CESTAT becomes the new Appellate Authority replacing the Advance Ruling Authority, to settle inter-state disputes and to decide all pending appeals henceforth.

- CESTAT to function as Appellate Authority to decide disputes on CST exemption on inter-company stock transfers and determination of competent State to levy CST.
- Provision relating to Advance Ruling Authority (ARA) under CST law deleted.
- All pending CST appeals, including appeals against ARA, to be transferred to CESTAT.

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Our Team

75	07	07	120	14
Chartered Accountants	Company Secretaries	Advocates & Solicitors	Trainee & Others	Others

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Jumeriah Lake Tower, (JLT)
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Associate Offices in India:

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