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INDIAN UNION BUDGET

2023 - 24

Major Changes On Income Tax:

- In the new tax regime of Section 115BAC, the maximum exemption limit shall be Rs.3 lakhs, and for every additional income of Rs.3 lakhs, the tax rate will be increased to the next slab. The highest tax rate of 30% will apply on income above Rs.15,00,000.
- In the new tax regime, the threshold of total income for rebate under Section 87A is increased from Rs. 5 lakhs to Rs. 7 lakhs.
- In the new tax regime, the highest rate of surcharge of 37% on income above Rs. 5 crores is reduced to 25%
- In the new regime, the standard deduction will be allowed to salaried employees.
- The new regime will be the default regime unless the existing regime is opted.
- Maximum exemption of Rs.10 crores can be claimed under Section 54 and 54F.
- No more double deductions by claiming interest on house property under Section 24 and considering the same as a part of the cost of acquisition.
- Winning from any online game is to be taxed at 30% (plus surcharge and cess) under new Section 115BBJ.
- Receipts from life insurance policies issued on or after 01-04-2023 shall be taxed as income from other sources, if the premium paid is above Rs.5,00,000 in a year.
- The rate of TCS on overseas tour packages and other foreign remittances increased from 5% to 20%, without any threshold benefit.
- Deduction for the sum payable to MSME shall be allowed only on a payment basis under Section 43B.
- The time available for completion of the assessment is increased from 9 months to 12 months w.e.f. Assessment Year 2022-23.
- The cost of acquisition of intangible assets and rights shall be nil.
- Share premium received from non-resident investors will be subject to the provisions of Section 56(2)(viib).
- The donations by a trust or institution to another trust or institution shall be treated as the application only up to 85% of such donations.
- The deadline for start-ups to incorporate and be eligible for the deduction under Section 80-IAC has been extended by 1 year.

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Budget Overview

BUDGET OVERVIEW

Union Finance Minister, Nirmala Sitharaman, presented her last full-fledged Budget before the 2024 Lok Sabha Elections. In the backdrop of India's GDP growth expected to remain at 7% in the coming year, the Budget 2023 seems to lay a firm foundation for Indian Economy with various policy measures to enhance ease of doing business, increased capital outlay, focus on education and healthcare, support to MSMEs, co-operatives, green growth etc.

The tax proposals in the Budget aim towards ease of compliance, maintain consistency, rationalisation, widening of tax base and socio economic welfare measures. Apart from the incentive to the tax payers though rationalised slab rates and higher non-taxable limit of INR 7 lakhs, there are multiple initiatives in the fine print that target towards benefitting the businesses with simplified/ easy of compliance. The tax proposals further provide initiatives to support the MSMEs and the co-operative assessees. On indirect tax front also the focus seems to be on rationalisation of provisions and rats.

Although satisfying every sector of the industry may not be possible, still, overall the Budget 2023 continues to build on the foundation laid over the last decade aiming towards boosting the economy through multiple initiatives and proposals. Investor confidence in India is expected to gain strength and lead to a much more powerful Indian economy in future.

Section A : Summary Economic Survey

SUMMARY OF THE ECONOMIC SURVEY 2022-23

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1
India to witness GDP growth of 6.0% to 6.8% in 2023-24 with a baseline GDP growth of 6.5 per cent in real terms in FY24.

2
Credit growth to the micro, small, and medium enterprises (MSME) sector has been remarkably high, over 30.5%.

3
Increase in capex expenditure @63.4% resulted growth of the economy mainly eight months.

4
Projected headline inflation at 6.8%.

5
Private consumption stood at 58.4% in Q2 of FY23.

6
Survey points to the lower forecast for growth in global trade by the world trade organisation, from 3.5% in 2022 to 1.0% in 2023.

KEY ECONOMIC SURVEY 2022-23

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1

Source Of Strength

- 75 Digital Banking Units announced for transforming financial services.

2

Physical & Digital Infrastructure

- UPI touched its highest ever mark with 782 crore transaction in Dec 2022.
- National Logistic Policy for making Indian Logistics competitive globally.
- Capacity of major ports nearly doubled in 8 years.

3

Big Tent

- EPFO based net payroll on the rise: 105.4 lakh in FY23 (till Nov).
- Credit growth to the Micro, Small, and Medium Enterprises (MSME) sector over 30.6 per cent, during Jan-Nov 2022, supported by extended Emergency Credit Linked Guarantee Scheme (ECLGS).
- The Capital Expenditure (CAPEX) increased by 63.4% with Budgeted capital expenditure rose 2.7 times in the last 7 years, from FY16 to FY23 including fillip in Private Capex. The Capex multiplier could boost economic growth by 4x.

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Broad –Macro Economic Indicators

- Global growth is forecasted to slow from 3.2% in 2022 to 2.7% in 2023 as per IMF's World Economic Outlook, October 2022.
- India better placed in terms of comfortable forex reserve and low external debt ratio.
- Largest recipient of remittances in the world in 2022 (Estimated by World Bank).
- Indian Rupee performs well compared to other EME's in Apr-Dec 2022.
- Retail inflation back within RBI's target range in Nov 2022 but may remain sticky and hence borrowing costs may stay 'higher for longer'.
- India's is 7th Largest Services Exporter in the world.
- Merchandise exports were US$ 332.8 bn for April-Dec 2022 exhibiting a growth of 16% from April-Dec 2021.
- Direct Tax collections for the period April-Nov 2022 remains buoyant.
- RBI raised the policy rates by a cumulative 225 basis points (bps).
- Monetary policy transmission from the repo rate hikes is underway.

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Broad –Macro Economic Indicators

- Gross Non-Performing Assets (GNPA) ratio at a seven-year low of 5%.
- Yield on the 10-year government bond stable in 2022.
- DII acted as countervailing force to FPI outflows in recent years.
- Private Consumption as a percentage of GDP stood at 58.4 per cent in Q2 of FY23, the highest among the second quarters of all the years since 2013-14.
- "Release of pent-up demand" was reflected in the housing market too as demand for housing loans picked up.
- Govt on track to achieve the fiscal deficit target for FY23.
- Sustained revenue buoyancy over last 2 years.
- Increasing average monthly gross GST collections.
- Positive growth-interest rate differential keeps Govt debt sustainable.
- The demand for credit as the Year-on-Year growth in credit since the January-March quarter of 2022 has moved into double- digits
- The government has been providing adequate budgetary support for keeping the PSBs well- capitalized, ensuring that their CRAR remains comfortably above the threshold levels of adequacy.

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Six Challenges faced by the Global Economy

1

COVID-19 impact still looming large.

2

Russian-Ukraine adverse impact along with disruption in supply chain.

3

Global stagflation slowing cross-border trade affecting overall growth.

4

China experienced a considerable slowdown induced by its policies.

5

Scarring from the pandemic brought in by the loss of education and income-earning opportunities.

6

US Federal Reserve responding with synchronised policy rate hikes to curb inflation, leading to appreciation of US Dollar and the widening of the (CAD) in net importing economies.

Section B : Direct Tax

RATES OF INCOME TAX

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Changes to Tax rates under new regime

S.No	Total Income	Rate of tax
1.	Upto Rs. 3,00,000	Nil
2.	From Rs. 3,00,001 to Rs. 6,00,000	5%
3.	From Rs. 6,00,001 to Rs.9,00,000	10%
4.	From Rs. 9,00,001 to Rs. 12,00,000	15%
5.	From Rs. 12,00,001 to Rs. 15,00,000	20%
6.	Above Rs. 15,00,000	30%

- Above slabs are default rate applicable for Individual, HUF, AOP (Other than Co-operative societies), and BOI

Other changes

- Nil tax on taxable income upto Rs. 7 lacs for individuals and HUF if opting for new regime.
- Standard deduction of Rs. 50,000 allowed as deduction from salary and family pension.
- Relief for super rich as surcharge rate of 37% has been done away with for taxable income more than Rs. 5 Crore and all income above Rs. 2 crore shall attract surcharge of 25%.
- Exemption limit for Leave encashment received at the time of retirement increased upto Rs. 25 lacs
- Option to continue with old regime still available with the assessee.
- Further, no change has been proposed in existing tax rates for any other persons.

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Exemption from tax to development authorities etc

- Effective from 1.04.2024 i.e., the amendment will apply from Assessment Year 2024-25 and subsequent Assessment Years.
- A new clause (46A) has been inserted in section 10 which provides to exempt any income arising to 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: -

1. Dealing with and satisfying the need for housing accommodation.
2. Planning, development or improvement of cities, towns and villages.
3. Regulating, or regulating and developing, any activity for the benefit of the general public.
4. Regulating any matter, for the benefit of the general public, arising out of the object for which it has been created.

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Conversion of Gold to Electronic Gold Receipt and vice versa

- Effective from 1.04.2024 i.e. the amendment will apply from Assessment Year 2024-25 and subsequent Assessment Years.
- A new Clause in Section 47 of Income Tax Act, 1961 which provides that conversion of physical gold into Electronic Gold Receipt (EGR) issued by a Vault Manager or conversion of such Electronic Gold Receipt into physical gold shall not be considered as 'transfer'.
- A new Sub Section (10) has been inserted to Section 49 of the Income Tax Act, 1961 which provides that on transfer of above mentioned physical gold or the Electronic Gold Receipt issued by a Vault Manager to any person, the cost of acquisition in the hands of transferor will be initial cost of acquisition of physical gold or the Electronic Gold Receipt.
- A new Sub clause (hi) has been inserted to explanation of 1 of sub section (42A) of section 2 which provides that for the purpose of capital gain the period of holding shall include the period for which the Gold/ Electronic Gold Receipt was held by the assessee prior to conversion into the Electronic Gold Receipt/Physical Gold.

Promoting Timely Payments to Micro and Small Enterprises

- Effective from 1.04.2024 i.e. the amendment will apply from Assessment Year 2024-25 and subsequent Assessment Years.
- A new clause (h) in section 43B of the Act has been inserted which provides that "any sum payable 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 shall be allowed as deduction only on actual payment . It will not be allowed as a deduction even if it is paid in the next year before due date of filing of Income Tax return.
- The proposed amendment to section 43B of the Act will allow the payment as deduction only on payment basis. It can be allowed on accrual basis only if the payment is within the time mandated under section 15 of the MSMED Act.

Relief to sugar co-operatives from past demand

- Effective from 1.04.2023 i.e. the amendment will apply from Assessment Year 2023-24.
- Applicable on Cooperative Societies
- In the case of a sugar mill cooperative, where any deduction in respect of any expenditure incurred for the purchase of sugarcane has been claimed by an assessee and such deduction has been disallowed wholly or partly the Assessing Officer shall, on the basis of an application made by such assesse in this regard, recompute the total income of such assessee for such previous year.
- The Assessing Officer shall allow such deduction to the extent such expenditure is incurred at a price which is equal to or less than the price fixed or approved by the Government.

Increasing threshold limit for co-operatives to withdraw cash without TDS

- Effective from 1.04.2023 i.e. the amendment will apply from Assessment Year 2023-24.
- An amendment is made to section 194N which states that TDS on cash withdrawal by the cooperative societies will be deducted @ 2% if the cash withdrawal exceeds Rs. 3 Crores (Earlier the limit was Rs. 1 crore).

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Relief to Start-Ups in carrying forward and setting off of losses

- Effective from 1.04.2023 i.e. the amendment will apply from Assessment Year 2023-24 and subsequent Assessment Years .
- There is an amendment in proviso to section 79(1) of the Income Tax Act which provides that the carried forward loss of eligible start-ups shall be considered for set off under this proviso, if such loss has been incurred during the period of ten years beginning from the year in which such company was incorporated (Earlier the period was 7 Years instead of 10 Years).

Extension of date of incorporation for eligible start-up for exemption

- Effective from 1.04.2023 i.e. the amendment will apply from Assessment Year 2023-24 and subsequent Assessment Years.
- There has been amendment in section 80-IAC of the Income Tax Act according to which the date of incorporation for eligible start-ups has been extended to 1st day of April 2024 from 1st day of April 2023.

SOCIO ECONOMIC WELFARE MEASURES

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Facilitating certain strategic disinvestment

- Effective from 1.04.2023 i.e. the amendment will apply from Assessment Year 2023-24 and subsequent Assessment Years.
- It is proposed to ammend the definition of 'strategic disinvestment' made in section 72A so as to include sale of shareholding by the public sector company in a public sector company which results in
    i. reduction of its shareholding below fifty-one per cent, and
    ii. transfer of control to the buyer.

In addition to the existing provision of Sale of shareholding in a company held by Central government / State government

- The requirement of transfer of control may be carried out by either the Central Government or State Government or Public Sector Company (or any two of them or all of them).
- It is also proposed to amend section 72AA of the Act 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.

15% concessional tax to promote new manufacturing co-operative society

- Effective from 1.04.2024 i.e., the amendment will apply from Assessment Year 2024-25 and subsequent Assessment Years.
- A new section 115BAE has been inserted in the Act according to which concessional tax rate of 15% is being provided for the new manufacturing cooperative societies as well Co-operative Society should start manufacturing before 31/03/2024.

EASE OF COMPLIANCE

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Section – 35D Ease in claiming deduction on amortization of Preliminary expenditure

In order to ease the process of claiming preliminary expenditure u/s 35D, it is proposed to amend the section to remove the condition relates to expenses incurred to be carried out by a concern approved by the Board (CBDT). 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.

*Effective from **AY 2024-25***

Extending the scope for deduction of Tax at source to lower or Nil rate-194LBA

Section 197 is proposed to be amended to extend the benefit of lower/ Nil withholding certificate to income liable to TDS under the provision of section 194LBA also.

*Effective from **AY 2024-25***

Increasing threshold limit for Presumptive Taxation Scheme-44AD & 44ADA

- The threshold for presumptive taxation of business receipts u/s 44AD is proposed to be increased from 2 crore to 3 crore provided cash receipts don't exceed 5% of the total turnover or gross receipts.
- The threshold presumptive taxation of professional receipts u/s 44ADA is proposed to be increased from 50 lakh to 75 lakh provided cash receipts don't exceed 5% of the gross professional receipts.

*Effective from **AY 2024-25***

Taxation of Capital Gains on Market Linked Debentures

- **Insertion of definition of Market Linked Debentures (MLD)**: - It means a security which has an underlying principal component in the form of a debt security and where the returns are linked to the market returns on other securities or indices, and includes any security classified or regulated as a MLD by SEBI. These are basically a non-convertible debenture with a hybrid nature that couples the features of both plain vanilla debt security and exchange traded derivatives.
- **Taxation of MLDs: -** Insertion of a new section 50AA, which taxes the Full Value of Consideration on transfer or redemption as reduced by the cost of acquisition and the expenditure incurred wholly and exclusively on transfer/redemption under Short Term capital gains. No deduction of securities transaction tax will be allowed.

applicable w.e.f. ***1st April 2024***

Tax avoidance through distribution by business trusts to its unitholders

- Any income which is in nature of interest, dividend and rent have accorded a passthrough status at business trust and taxable in the hands of the shareholders.
- Any sum received by the Unit holder from the business trust which is not in the nature of Rental Income, Dividend Income, Interest Income shall be taxable in the hands of the Unit-holders under income from other sources.
- Where the said sum is in the nature of redemption of units held by the unit holder, the amount received by the unitholder shall be reduced by the cost of acquisition.

applicable w.e.f. ***1st April 2024***

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Preventing deferral of taxes through undervaluation of inventory Section 142(2A)

- Finance Bill 2023 has brought Inventory valuation under the ambit of special audit.
- The assessing officer may direct the assessee to get the inventory valuation done by a cost accountant.

Applicable w.e.f. ***1st April 2023***

Rationalisation of exempt income under life insurance policies

- The sum received under LIC is exempt where the premium payable is not exceeding 10% of sum assured.
- Finance Act 2023 has proposed to tax income from insurance policies (other than ULIP) where the premium paid is more than 5 Lakhs in a year.
- Income will be taxable under other sources
- Any amount paid as premium should be allowed as deduction where the said deduction has not been claimed earlier.
- The said income will be exempt if received on death

Applicable to policies issued after ***1st April 2023***

Full value of consideration under JDA – Section 45(5A)

- It is proposed to align the definition of "full value of consideration" under the Joint Development Agreement to include the stamp duty value of taxpayer share and consideration received in cash or by a cheque or draft or by any other mode for the purpose of computing capital gain arising to an assessee from the transfer of capital asset being land & building or both under Joint Development Agreement under capital gain tax and for the purpose of withholding tax u/s 194 IC.

*Effective from **1st April 2024***

TDS on payment of interest on listed Securities to a resident – Section 193

- Earlier there was no withholding tax on the payment of interest on listed securities in a dematerialised form. Now, it is proposed that any interest paid on listed securities held in demat form shall be subject to a withholding tax at the rate of 10%.

*Effective from **1st April 2023***

Gift to not-ordinarily resident is taxable income

- Sum of money / gift exceeding Rs. 50,000 received by not-ordinarily resident from a person resident in India shall be income deemed to accrue or arise in India

Defining the Cost of acquisition for computing Capital Gains

- Cost of acquisition in case of certain assets like intangible assets or any sort of rights for which no consideration has been paid for acquisition shall be considered to be Nil. Earlier it was restricted to Goodwill only.

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Limiting the threshold of exemption from long term Capital Gains by purchase of residential property – Section 54/54F

- It is proposed to limit the cost of new asset purchased to INR 10 crore on purchase of residential house property for the purpose of computing exemption u/s 54/54F of the Income Tax Act even if the new asset purchased is more than INR 10 crores.
- Deposit in Capital Gain Account scheme shall be restricted to INR 10 crores.

Effective from ***1st April 2024***

Preventive misuse of presumptive schemes under sec 44BB and 44BBB

- New sub section has been inserted in section 44BB and 44BBB to restrict set-off of unabsorbed depreciation and brought forward losses against profits and gains of business declared in accordance with the provision for presumptive taxation under the section.

Effective from ***AY 2024-25***

Prevention of double deduction claimed on interest on borrowed capital

- Interest payable on borrowed for acquiring, renewing or reconstructing a property is allowed as a deduction either under the head "Income from house property" u/s 24 or deduction u/s 80EE/80EEA and therefore to prevent double deduction it has been proposed that the interest will not be included in Cost of Acquisition/Improvement for computation on capital gain on transfer of the capital asset if already claimed as an expense earlier.

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Increase in rate of TCS on certain remittances-206C

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*	Propose rate*
1	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
2	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
3	Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
4	Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	20% without any threshold limit.

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Introduction of the Authority of Joint Commissioner (Appeals)

- The first appellate authority i.e., the Commissioner of Income Tax (Appeals) was being overburdened by a huge number of appeals resulting into pendency being carried forward every year. To reduce the burden, a new authority for appeals has been proposed to be created at Joint Commissioner/ Additional Commissioner level **w.e.f. 1st April 2023.**
- The Joint Commissioner/ Additional Commissioner shall have all the powers, responsibilities and accountability similar to that of the Commissioner of Income Tax (Appeals) and shall handle certain class of cases involving small amount of disputed demand (Amount not specified in Budget).
- It may be noted that an appeal cannot be filed before the Joint Commissioner (Appeals) where an order against which appeal is being preferred is passed by an income-tax authority above the rank of Deputy Commissioner or with its approval.
- Where any appeal is pending before the Commissioner of Income Tax (Appeals), it may be transferred to the Joint Commissioner (Appeals) who may proceed it from the stage at which it was before such transfer. The vice versa of the same shall also apply.

Rationalization of the Provisions of Benami Property Transactions Act,1988

- Currently, any person, including the Initiating Officer (IO), aggrieved by the order of the Adjudicating Authority, may prefer an appeal to the Appellate Tribunal within a period of 45 days from the date of the order.
- However, order often takes time to reach the office of the Initiating Officer or the approving authority and, it is difficult to file an appeal within the prescribed time limit and leads to delay in such filing.
- Therefore, filing of appeal against the order of the Adjudicating authority within a period of 45 days from the date when such order is received in the office of the Initiating Officer, or the aggrieved person as the case may be has been allowed.
- Also, it has been clarified that where the aggrieved party does not ordinarily reside or carry on business or personally work for gain in the jurisdiction of any High Court then the High Court shall be such within whose jurisdiction the office of the Initiating Officer is located.

Time Limit for Furnishing of TP Report during Assessment Proceedings

- Every person who has entered into an international transaction or a specified domestic transaction shall keep and maintain the information and documents which is known as the TP Report/ TP Study.
- Earlier, the Assessing Officer (AOs) or the Commissioner (Appeals) could require such person to furnish the TP Report within a period of 30 days from the date of receipt of the notice issued in this regard which could be further extended by 30 days on an application made by the assessee.
- However, w.e.f. **1st April, 2023**, the time limit for furnishing of TP Report has been reduced to 10 days which can be extended further for a period not exceeding 30 days.

Penalty for furnishing inaccurate SFT information

- Every person responsible for furnishing a statement in respect of specified financial transaction or reportable account to the prescribed income-tax authority is required to take due care regarding the accuracy of the information being furnished.
- W.e.f. 1st April, 2023 It has been inserted that if there is any inaccuracy in the statement of financial transactions submitted and such inaccuracy is due to false or inaccurate information submitted by the account holder, a penalty of Rs. 5,000 shall be imposable on such institution which can be recovered from the account holder.

Penalty and Prosecution in case of failure to deduct TDS as per Section 194R,194S,194BA

- The above mentioned sections of the Act provide for deduction of TDS in case payment for benefit or perquisite paid in cash (194R) or in kind on payment on transfer of Virtual Digital Asset (VDA) and on payment on net winnings from online games (194BA).
- Provisions for penalty and prosecution did not contain provisions in respect of defaults made u/s 194R, 194S and 194BA.
- Therefore, to enable such penalty and prosecution, it is proposed to amend section 271C and 276B **w.e.f. 1st April, 2023 and 1st July, 2023.**

Assistance to an officer during Search and Seizure

- An authorized officer was empowered to request assistance from any police officer or any officer of the Central Government during a search. He was also authorized to make a reference to a Valuation Officer for determining Market Value of any property.
- With increasing use of technology and digitization, the authorized officer has been empowered to request services of any other person or entity as approved by the PCCIT/ CCIT/ PDGIT/ DGIT **w.e.f 1st April, 2022** to assist him during search and also during post search valuation of assets.

Time limit for disposing rectification applications by IBS

- With the retrospectively effect from 01.02.2021, the applications pending with the Interim Board for Settlements (IBS)relates to rectification or amendment of mistake apparent from the records and the time limit for passing such orders expires on or after 01.02.2021 but before 01.02.2022 then such time limit for passing the orders shall be extended to 30.09.2023.

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Rationalisation of Appeals to the Appellate Tribunal (ITAT)

- An assessee aggrieved by the order of the Commissioner (Appeals) could not appeal against certain penalty orders passed by Commissioner (Appeals). W.e.f. 1st April 2023 an appeal against such penalty orders shall be made to the Appellate Tribunal (ITAT) by the aggrieved assessee.
- PCCIT/ CCIT are enabled to also pass an order of revision under the section 263, but an assessee aggrieved by any such order or an order under section 154 of the Act rectifying such order under section 263 of the Act could not appeal against such orders to the Appellate Tribunal. W.e.f. 1st April 2023 an appeal against such orders u/s 263 or u/s 154 shall be made to the Appellate Tribunal (ITAT) by the aggrieved assessee.
- Earlier, in a case where appeal was filed with the Appellate Tribunal, the respondent was allowed to file a memorandum of cross-objections only when the appeal preferred was against the order of the Commissioner (Appeals). However, appeal can be made to the Appellate Tribunal against orders of authorities other than Commissioner (Appeals) also, like PCCIT/ CCIT / PDGIT/ DGIT etc. As a result, the respondent cannot file memorandum of cross-objections against such appeal before the Appellate Tribunal.
- **W.e.f. 1st April 2023,** filing of memorandum of cross-objections in all classes of cases against which appeal can be made to the Appellate Tribunal shall be enabled.

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Reassessment Proceedings

- A return in response to a notice under section 148 of the Act shall be furnished within 3 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 on a request made in this behalf by the assessee.
- In cases where survey is conducted, the Assessing Officer is deemed to have information for the purposes of section 148 of the Act but proceedings under section 148A of the Act need to be conducted prior to issuance of notice under section 148 of the Act. In the cases where the aforementioned search, requisition or survey proceedings are conducted after 15th March of a financial year, there is extremely little time to collate this information and issue a notice under section 148 or show cause notice under section 148A(b) of the Act.
- Accordingly, it has been proposed that in cases where a search is initiated or a search for which the last of the authorization is executed or requisition is made after the 15th March of any financial year, a period of 15 days shall be excluded for the purpose of computing the period of limitation for issuance of notice under section 148 and the notice so issued shall be deemed to have been issued on the 31st day of March of such financial year.
- It has been clarified that the specified authority under section 151 of the Act shall be PCCIT/ CCIT/ PDGIT / DGIT.

*Effective from **1st April 2023***

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Business Reorganisation – modification of filed return

- In case of business reorganisation the successor entity had to furnish a modified return in Form ITR-A within six months from the end of the month in which such order of business reorganisation was issued. The return was to be modified in accordance in accordance with and limited to the said order.
- It is now proposed that in a case of business reorganisation, where prior to the date of order of the tribunal or the High Court or Adjudicating Authority any return of income has been furnished by an entity to which such order applies, the successor entity shall furnish a modified return in the Form ITR-A. The time limit for furnishing such modified return is six months from the end of the month in which the said order was issued.
- It is further proposed that in cases where such modified return has been filed, the Assessing Officer shall pass an order considering the modified return for the relevant assessment year, if assessment or reassessment proceedings for such year has been completed.
- In a case where proceedings of assessment or reassessment for the relevant assessment year are pending on the date of furnishing of modified return, the Assessing Officer shall pass an order assessing or reassessing the total income of the relevant assessment year in accordance with the order of the business reorganisation and taking into account the modified return so furnished.

Effective from ***1st April 2023***

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Time limit for completion of scrutiny assessment

- Currently, the Assessing Officer was required to serve upon the assessee a notice u/s 143(2) within 3 months from the end of relevant assessment year and he was required to complete the assessment within 9 months from the end of relevant assessment year which gave time of only 6 months to the Assessing Officer for making assessment.
- This period of 6 months was considered short and therefore the time available for completion of assessment has been extended by 3 Months and assessment need to be complete within 12 months from the end of the assessment year w.e.f. **1st April, 2023.**

Clarification regarding advance tax while filing updated return

- Where filing the updated return, interest on short payment of advance tax u/s 234 B shall be computed on an amount equal to the assessed tax or, as the case may be, on the amount by which the advance tax paid falls short of the assessed tax, where "assessed tax" means the tax on the total income as declared in the updated return.
- To clarify the provisions an amendment has been introduced that the interest payable under section 234B shall be computed on an amount equal to the assessed tax as reduced by the amount of advance tax, the credit of which has been claimed in the earlier return.

*Applicable retrospectively from **1st April 2022***

Bringing the Investment by from Non-resident NRI under ambit of section 56(2) (viib)

- Section 56(2)(vii) provides that where an unlisted company receives from any person being resident any amount for issue of shares that exceeds the face value, the consideration exceeding the fair market value shall be taxable under the head other sources.
- Finance Bill 2023, proposes to bring Non-resident investors under the ambit of the above.

*Applicable w.e.f **1st April 2024***

Tax treaty relief at the time of TDS

- Benefit of lower rate under DTAA / Treaty, if any will be available against higher rate of TDS@20% under the domestic law with respect to income in respect of units of a mutual fund or from the specified company

*Effective from **1st April 2022***

Removal of certain funds from section 80G

- Finance bill 2023 proposes to amend section 80 G to provide that no deduction shall be allowed for any donation made to Jawaharlal Nehru Memorial trust, Rajiv Gandhi Foundation and Indira Gandhi memorial trust.

Applicable w.e.f ***1st April 2024***

Non-Banking Financial Company categorization

- Interest on any loan/borrowing taken from such class of NBFC, as may be notified, shall be allowed as deduction on payment basis. It can be allowed on accrual basis if it is actually paid on or before due date of filing of return of income [Section 43B].
- Income of such class of NBFC as may be notified shall be chargeable to tax in the previous year in which such income is credited to Statement of P&L or actually received, whichever is earlier [Section 43D].

Earlier above were stated for deposit taking/systematically important non-deposit taking NBFC it has been characterized as NBFC as may be notified by Central Government.

Set off and withholding of refunds in certain cases

- Under Section 241 the Income tax authorities have the power to withhold refund due to an assessee where the notice for scrutiny is issued under section 143(2) and grant of refund is likely to adversely affect the revenue.
- Section 245 deals with adjustment of refund against any sum remaining payable by the assessee after giving an intimation in writing.
- Finance bill 2023 integrates the above and introduces a new section 245 which provides for adjustment of refund against any sum remaining payable by the assessee after giving intimation in writing to such person.

Applicable w.e.f ***1st April 2023***

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Provision on net winnings from online games

Amendment in existing provisions

- It is clarified that tax shall be deducted on the winnings from lottery or crossword puzzle or card game on the amounts or aggregate amounts exceeding 10,000 (section 194B).
- Further, it is proposed to exclude online gaming from the scope of section 194B effective from 30/06/2023.
- Further, it is proposed to exclude income from winnings from online games from section 115BB with effect from 01/04/2024.

Insertion of Section 194BA

- It is proposed to introduce section 194BA with effect from 01/06/2023 wherein tax shall be deducted on net winnings from online gaming @ 30%
- Tax shall be withheld at the time of withdrawal of winnings and on remaining amount of winnings at the end of the financial year.
- In case of winnings in kind person responsible for payment will ensure compliance with withholding requirements.

Insertion of section 115BBJ

- It is proposed to introduce section 115BBJ with effect from 01/04/2024 to tax winnings from online games @30%.

RATIONALISATION OF PROVISIONS – CHARITABLE TRUSTS AND INSTITUTIONS

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Donation to other Trusts

- The Trust / institutions are allowed to accumulate 15% of the receipts for each year and spend 85% of the total receipts.
- The Finance Bill 2023 proposes that in case of donation by one trust to another, the application of funds for charitable purposes shall be considered to the extent of 85% of donation paid.
- The Amendment shall take be effective from April 1, 2023 w.e.f AY 2023-24.

Filing of tax return and necessary forms in case of charitable trust

- The claim of exemption under Section 10(23C) or Section 11 or section 12 is to be allowed only if the return of income is filed within due date of original return.
- The claim of exemption cannot be allowed by way of an updated return if filed under Section 139(8A) of the Act
- Trusts claim exemption under clause (2) of Explanation to section 11(1) and section 11(2) of the Act where the trust is unable to spend 85% of its gross receipts.
- In such cases trust is required to file Form 9A/ Form 10 with the tax authorities. Such forms are now required to be filed atleast 2 months prior to the due date of filing Income Tax Return.

Exit Tax for Charitable Trusts

- An exit tax has been introduced when a public charitable trust is converted into a non-charitable organisation or gets merged with a non-charitable organisation or a charitable organisation with dissimilar objects.
- Tax shall be charged at the maximum marginal rate on the accreted income of the trust.

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Relief from special provision for higher rate of TDS/TCS for non filers of income –tax returns-206AB

- Finance Act 2021 introduced section 206AB and 206CCA which provides for TDS to be deducted at higher rate if deductee has not filed its income tax return for earlier years.
- Specified person" was defined as a person who has not filed the ROI for one year immediately preceding the financial year in which tax is to be deducted or collected for which the time limit for furnishing the return of income under section 139(1) has expired and the aggregate of tax deducted and collected is more than INR 50,000 in the previous year.
- Earlier only a non-resident who does not have a permanent establishment in India was excluded from the definition of specified person.
- Now It has been proposed to amend to definition of " Specified person" to exclude a person who is not required to furnish the return of income for immediately preceding the financial year in which tax is to be further deducted or collected.
- Therefore, provision of section 206AB and 206CCA will not be applicable to a person who is not required to furnish its return of income.

Effective from ***1st April 2023***

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Providing clarity on benefits and perquisites in cash-Section 194R and Section 28

- Section 28 provides that the value of any benefit or perquisite whether convertible into money or not arising from business or profession shall be chargeable under head Income from PGBP.
- The Finance Act 2022 inserted a new Section 194R in the Income Tax Act, 1961 with effect from 01.07.2022. The new Section 194R casts an obligation on the person responsible for providing any benefit or perquisite to a resident, to deduct tax at source @ 10%, whether the benefit or perquisite is in cash or in kind.
- Now it has been clarified that benefit or perquisite covered under above sections can be in cash or in kind or partly in cash and partly in kind.

Effective from ***AY 2024-25***

Facilitating TDS credit for income already disclosed in the return of income of past year

- Finance Bill, 2023 proposes to insert subsection 20 in section 155 to provide relief to assessee who have declared taxable income in a previous years, but the payer had deducted TDS on the said income in a preceding previous year. To remove hardship in claiming credit for such TDs, it has been provided that the assessee can make an application in the prescribed form to the assessing officer within 2 years from the financial year in which such tax was deducted at source.
- The AO shall amend the order of assessment, or the intimation issued under section 143(1) for the relevant year to allow credit for such TDS
- Further it has been proposed to amend section 244A to the effect that interest on refund arising out of above rectification shall be paid for the period from the date of the application to the date on which the refund is granted.

Effective from ***AY 2024-25***

Section C : Indirect Tax Proposal

Key legislative changes

- **Input tax credit (ITC) related changes**
  - ITC restricted on supplies procured for Corporate Social Responsibilities ('CSR');
  - Bonded transfers (i.e. supply of warehoused goods before clearance for home consumption) to be treated as exempt supplies for the purpose of ITC reversal;
- **Compliances related changes**
  - Retrospective amendment (clarificatory) to provide GST registration requirement shall not apply to persons specifically exempted from obtaining registration under Section 23;
  - Deadline for various belated filings prescribed as 3 years from respective due dates. This shall apply to returns in
  - Form GSTR 1 : Outward supplies
  - Form GSTR 3B : Summary return
  - Form GSTR 8 : TCS statement
  - Form GSTR 9 & 9C : Annual return and reconciliation statement
- **E-Commerce**
  - Composition scheme extended to persons supplying goods (not available for services) through e-commerce operators.
  - Penalty provisions extended in specified cases where an E-commerce operator:-
    - ✓ *Allows supplies by unregistered person (other than exempted categories);*
    - ✓ *Allows inter-state supplies to person who is not eligible to make inter-state supply such as composition dealers;*
    - ✓ *fails to furnish correct details in TCS return pertaining to persons exempted from obtaining registration;*

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Key legislative changes

- **Other relevant changes**
  - In case of transportation of goods destined outside India (including by mail or courier), place of supply to be India where supplier and recipient both are located in India, to enable recipient to avail Input tax credit (delinked from destination of the goods).
  - Merchant trading (from one foreign country to another foreign country), bond to bond transfers and high-seas sales shall neither be treated as supply of goods nor services retrospectively effective 01-July-2017. No refund for GST already paid, if any.
  - Scope of OIDAR services expanded, essential element of automation and minimal human intervention omitted. Definition of "non-taxable online recipient" amended to include all unregistered persons receiving OIDAR services, whether or not for business purpose.
- **Offences and compounding relaxations**
  - Minimum threshold to launch prosecution increased from INR 1 crore to INR 2 crores, except for fake invoicing cases for which even compounding is not applicable
  - Failure to furnish information, deliberate tempering of material evidence and obstruction or preventing any officer in discharge of its duties are removed from category of criminalised offences;
  - Rationalization of compounding amount from existing range of 50% to 150% of tax to 25% to 100% of tax.

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Key legislative changes

- Timeline of 9 months (extendable by 3 months) provided for disposing off cases pending before Settlement Commission
- Section 25 of Customs Act which deals with power to grant exemptions presently provides that all conditional exemptions shall remain valid only upto 31st March falling immediately after 2 years of grant, unless extended or rescinded.
- A proviso has been added to state that such time limit shall not apply to exemptions granted to:
  - ✓ multilateral or bilateral trade agreements;
  - ✓ obligations under international agreements, treaties, conventions including with respect to UN agencies, diplomats, international organizations;
  - ✓ privileges of constitutional authorities;
  - ✓ schemes under Foreign Trade Policy; Central Government schemes having a validity of more than two years;
  - ✓ re-imports, temporary imports, goods imported as gifts or personal baggage;
  - ✓ Duties exempted under any other law;

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Key BCD Rate Changes

Sector	Description	Existing rate	New Rate
	Effective from 02-02-2023		
Chemicals	Styrene, chapter heading 2902 50 00	2%	2.5%
	Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder, chapter heading 25,28,32,39,40,69,73,85	7.5%	Nil
	Palladium Tetra Amine Sulphate for manufacture of parts of connectors, chapter heading 3824 99 00	7.5%	Nil
	Vinyl Chloride Monomer, chapter heading 2903 21 00	2%	2.5%
	Naphtha, chapter heading 2710 12 21, 2710 12 22, 2710 12 29	1%	2.5%
Electrical	Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20%	15%
	Electric Kitchen Chimney, chapter heading 8414 60 00	7.5%	15%

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Key BCD Rate Changes

Sector	Description	Existing rate	New Rate
	Effective from 02-02-2023		
Electronics	Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone	**2.5%**	**Nil**
	Specified parts for manufacture of open cell of TV panel chapter heading 8529	**5%**	**2.5%**
Gems and Jewellery	Seeds for use in manufacturing of rough lab-grown diamonds, chapter heading 7102, 7104	**5%**	**Nil**
	Silver Dore chapter, heading 7106	**6.1%**	**10%**
	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form, chapter heading 7106	**7.5%**	**10%**

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Key BCD Rate Changes

Sector	Description	Existing rate	New Rate
	Effective from 02-02-2023		
Automobiles & Electric Vehicles	Vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form, chapter heading 8703	30%	35%
	Vehicle in Completely Built Unit (CBU) form , other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrol- run vehicle and more than 2500 cc for diesel-run vehicles, or with both, chapter heading 8703	60%	70%
	Electrically operated Vehicle in Completely Built Unit (CBU) form, other than with CIF value more than USD 40,000, chapter heading 8703	60%	70%
	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, chapter heading 39,40,58,70,72 73,83,84,85,87,90	As applicable	Nil
	Specific capital goods/machinery for manufacture of Lithium-ion cell for use in battery of electrically operated vehicle (EVs)	As applicable	Nil

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Extension in exemptions / concessions scheduled to expire on 31st March 2023

Tariff heading	Description	Rate and timeline
7204	Ferrous waste and scrap	**Nil (up to 31-03-2024)**
7225 19 90	Raw materials for use in manufacture of CRGO steel	**Nil (up to 31-03-2024)**
8507 60 00	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	**5% (up to 31.03.2024)**
8507 60 00	Lithium-ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle (EVs) or hybrid motor vehicle	**5% (up to 31.03.2024)**
70	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	**5% (up to 31.03.2025)**
28,29, 30 or 38	Specified drugs, medicines, diagnostics kits or equipment, bulk drugs used in manufacture of drugs or medicines	**5% (up to 31.03.2025**
28,29,30 or 38	Lifesaving drugs/ medicine and diagnostic test kits, bulk drugs used in manufacture of life-life saving drugs or medicines	**Nil (up to 31.03.2025)**

Exemption from social welfare surcharge (SWS)

Tariff heading	Description
7106,7108	Silver, Gold & Imitation Jewellery
7110	Platinum other than rhodium and goods covered under S. Nos. 415(a) and 415A of notification No. 50/2017-Customs, dated the 30th June, 2017
7113	All goods, other than the goods covered under S. Nos. 356, 357 and 364C of notification No. 50/2017-Customs, dated the 30th June, 2017
7114	All goods, other than the goods covered under S. Nos. 356 and 357 of notification No. 50/2017-Customs, dated the 30th June, 2017
8712 00 10	Bicycles
8703	Motor vehicle including electrically operated vehicles covered under S. No. 526 (1)(b), 526 (2)(b), 526A(1)(b) and 526A(2)(b) of Notification No. 50/2017-Customs dated the 30th June, 2017
8802 2000, 8802 3000 and 8802 4000	Aeroplane and other aircrafts covered under S. No. 543 A of Notification No. 50/2017-Customs dated the 30th June, 2017
9503	Toys and parts of toys (HSN 9503) other than goods covered under S. No. 591 of Notification No. 50/2017-Customs dated the 30th June,2017

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Exemptions to be discontinued effective 31st March 2023 from 50/2017 - Customs

S.No	Entry No	Tariff heading	Description of Goods
1.	132	25,28,38 or 39	Goods for manufacture of specified refractory products
2.	289	4401 21 00 or 4401 22 00	Wood in chips or particulars for manufacture paper and paperboard; newsprint.
3.	397	84 or any other chapter	Specified goods for use in high voltage power transmission projects
4.	400	84 or any other chapter	Specified goods and its parts for use in textiles industry
5.	393	84	Machinery/Capital goods for manufacturing sport goods
6.	402	84 or 85	Parts and raw material for manufacture of goods of off-shore oil exploration or exploitation
7.	445	84 or any other chapter	Goods for use in pharmaceutical and biotechnology sector for R & D
8.	16	0511 99 99	Human Embryo
9.	439	84,85 or 90	Specified machinery/capital goods in leather/ footwear industry

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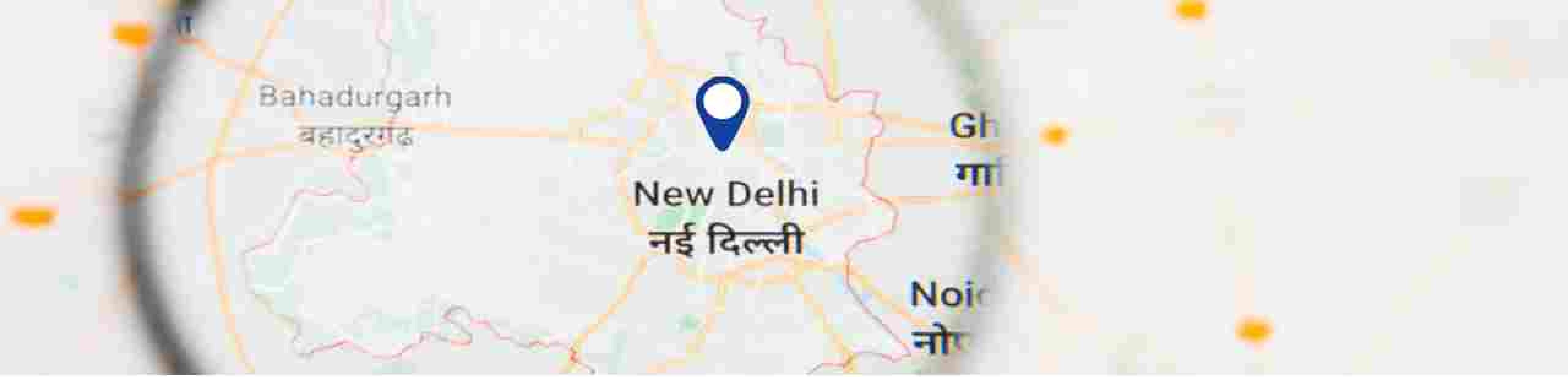
Exemptions to be discontinued effective 31st March 2023 from 50/2017 - Customs

S.No	Entry No	Tariff heading	Description of Goods
10.	432	84 or any other chapter	Specified goods for use in the textile industry
11.	434	84 or any other chapter	Specified machinery and capital goods for use in the silk textile industry
12.	460	8446,8448	Shuttle less looms and parts/components for its manufacturing
13.	513	Any chapter	Parts of components for use in manufacture of populated printed circuit
14.	436	84 or 85	Spares, supplied with outboard motors for maintenance of such outboard motors
15.	448	84 or any other chapter	Specified advanced capital goods/machinery used in agriculture



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