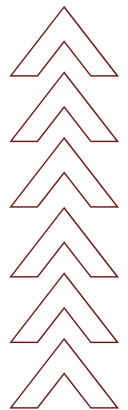


Hinesh R. Doshi & Co. LLP
Chartered Accountants



BUDGET

2023

INDUSTRY OVERVIEW

- ❖ The Budget focuses on the rural and agriculture sector development, better financial inclusion, and schemes for the development of the social sector - health, education and skilling.
- ❖ **Agriculture landscape** - announcement of a credit target of Rs. 20 lakh crore with a focus on animal husbandry, dairy and fisheries.
- ❖ **Health sector** - The public expenditure has risen from 1.4 % of the GDP during FY 2019 to 2.1 percent of the GDP in FY 2023.
- ❖ **Pharmaceutical industry** - allocation of funds worth Rs. 1,250 crore, drastically up from Rs. 100 crore allocated in the previous year's Budget.
- ❖ **Education and skill development** - Focusing on the socially disadvantaged group, increase in allocation for the *Eklavya model* residential school.
- ❖ About 64.5 % y-o-y increase in fund allocation for low-cost housing- **Pradhan Mantri Awas Yojana** (up from Rs. 48,000 crore in the Budget 2022 to Rs. 79,000 crore in the Budget 2023).
- ❖ Reduction in the highest surcharge rate on incomes > Rs. 5 crore ('the super-rich') from 37 % to 25 %, under the new tax regime.
- ❖ Revision under the new tax regime which intends to put more money in the hands of the middle, salaried class and pensioners.
- ❖ The GST paid by MSMEs during FY2022 stood the highest since FY 2019.
- ❖ Building Defence capabilities with the increase in the fund allocation by about 13 % y-o-y at Rs. 5.94 lakh crore.
- ❖ India now is the 5th largest economy in the world



PERSONAL INCOME TAX

General Amendments:

- ❖ Maximum surcharge reduced from 37% to 25% in case of income greater than Rs. 5 crores
- ❖ Maximum marginal rate has been reduced to 39% from 42.744%
- ❖ Rebate under section 87A shall be increased to Rs. 7 lakhs from the existing Rs. 5 lakhs

Tax under (Till 31st March) Old Regime - Existing Slabs

Income	Tax Rate
Up to Rs. 2.5 lakh	0
Rs. 2.5 lakh to Rs. 5 lakh	5%
Rs. 5 lakh to Rs. 10 lakh	20%
Above Rs. 10 lakh	30%

New Regime - Existing slabs

Income	Tax Rate
Up to Rs. 2.5 lakh	0
Rs. 2.5 lakh to Rs. 5 lakh	5%
Rs. 5 lakh to Rs. 7.5 lakh	10%
Rs. 7.5 lakh to Rs. 10 lakh	15%
Rs. 10 lakh to Rs. 12.5 lakh	20%
Rs. 12.5 lakh to Rs. 15 lakh	25%
Above Rs. 15 lakh	30%

Tax from 1st April, 2023 - Slabs Proposed under New Regime

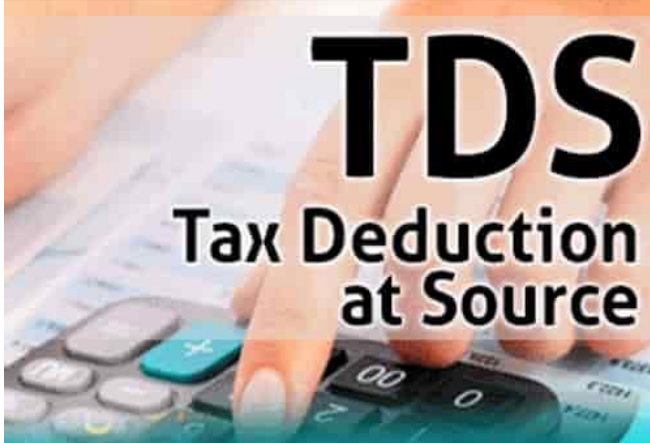
Income	Tax Rate
Up to Rs. 3 lakh	0
Rs. 3 lakh to Rs. 6 lakh	5%
Rs. 6 lakh to Rs. 9 lakh	10%
Rs. 9 lakh to Rs. 12 lakh	15%
Rs. 12 lakh to Rs. 15 lakh	20%
Above Rs. 15 lakh	30%

Blocked deductions under new tax regime:

- ❖ Loss on account of interest on home loan
- ❖ Leave travel concession
- ❖ House rent allowance under section 10(13A)
- ❖ Entertainment allowance deduction.
- ❖ Professional tax deduction
- ❖ Deduction under section 80C to 80U [except employers contribution to NPS u/s 80CCD(2), deduction u/s 80JJA and 80LA(1A)].

DIRECT TAX

TDS



TDS on winning from crossword, lottery, puzzles and online games

Presently TDS applicable per transaction for winning proceeds more than Rs. 10,000/- is proposed to be applicable where aggregate amount exceed the above threshold during financial year.

Section 194BA is proposed to be inserted to deduct TDS @30% on net winnings from online games without any threshold.

This Amendment will take effect from 1st July, 2023

TDS on interest on Listed Securities

No TDS is required presently on interest on Listed debentures. It is now proposed to apply the provisions of TDS on such interest @ 10%.

This Amendment will take effect from 1st April, 2023

TDS on Payment of Provident Fund

Section 192A pertains to the deduction of TDS on the payment of the accumulated balance of the provident fund. 2nd proviso to the said section provided for compulsorily furnishing PAN. Since many low paid employees didn't have PAN, the said proviso is proposed to be deleted to avoid the TDS deduction at the maximum marginal rate.

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

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

Section 196A of the Act provides for tax deduction on payment of income in respect to units of Mutual fund to a non-resident (not being a company) or to a foreign company, @ 20%. A proviso is proposed to be added to provide the benefit available under DTAA and accordingly TDS shall be required to be deducted at a rate lower of 20% or the rate prescribed in the treaty. This amendment will take effect from 1st April, 2023.

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

For section 194N (withdrawal of cash without TDS) where the recipient is a cooperative society, the threshold applicable would be Rs. 3 crore instead of Rs. 1 crore.

Amendment in TDS

Section 194R proposes to include benefit in cash or kind within the ambit of benefit, for deduction of tax.

Section 194S proposes to include benefit in partly or wholly in kind, within the ambit of benefit, for deduction of tax.

The amendment shall be applicable from 1st July, 23

TDS Credit

In order to remove the difficulty in claiming TDS in cases where income & TDS has been offered in different years, it is proposed for granting such credit by way of making an application within 2 years from the end of the financial year in which such tax was deducted.

Interest on refund consequent to date of granting of such credit would be computed from the date of application to date of granting of refund.

The above amendment is applicable from 1st October, 2023.

TCS

Section 206C

TCS rate for Overseas Tour Package outside India was 5% without any threshold limit, which is now proposed to change to 20%. The threshold limit of Rs. 7 lakhs for remittance for any other purpose other than education or medical facility shall be removed. Further TCS rate of 5% and threshold limit of Rs. 7 lakhs will be maintained for education or medical treatments.

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

TDS/ TCS to Non-filers

Section 206AB & 206CCA of the Act provides for special provision for higher TDS & TCS respectively for non-filers of income tax returns.

Proviso to these sections excludes non-residents who does not have permanent establishment in India.

In order to provide relief to persons who are not required to file Income Tax Returns it is proposed to add the said specified persons in the

aforementioned proviso and hence higher rate of TDS/ TCS will not be applicable to them.

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

Capital Gains



Benefit under section 54 and section 54F

It is proposed to impose a limit on the maximum deduction that can be claimed by the assessee to Rs. 10 crores on Capital gains arising from transfer of long term capital asset on purchase or construction of residential house property.

The above threshold is also applicable on deposit sum of money to Capital Gains Account Scheme.

Taxation of capital gains in case of Market Linked Debentures

Presently, long term capital gain from Market Linked Debentures are taxed at 10% without indexation. It is proposed to be treated as deemed short term capital gain irrespective of the period of holding and shall be taxable at applicable rates.

No capital gains on digital gold conversion

Conversion of physical gold to electronic gold has been removed from the purview of “transfer” under section 2(47). Thus no capital gains shall be applied on such conversion. The following amendments shall take effect from 1st April,2024.



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

To define the term ‘cost of acquisition’ and ‘cost of improvement’ of intangible assets, the provisions have been amended to provide said as ‘Nil’. This amendment is will take effect from the 1st day of April, 2024.

Industry Specifics

Concessions to new manufacturing co-operative societies

15% concessional tax rate applicable to new manufacturing co-operative societies set up after April 01, 2023.

The conditions are materially similar to the conditions applicable to new manufacturing companies under section 115BAB.

Relief to start-ups

The date of incorporation for eligible start up exemption has been increased upto April, 01 2024. Thus start-ups incorporated between April 01, 2023 to March 31, 2024 shall be eligible to avail the benefit of 100% of deduction with respect to profits and losses for three consecutive assessment years out of ten years.

Start-ups are proposed to be given the benefit of carrying forward losses of the first 10 years of their incorporation as compared to the previous 7 years from incorporation.



Changes for assessee in a SEZ

It has been proposed that the proceeds of the exports by an assessee in a SEZ should be received in/brought into India in convertible foreign exchange within 6

months from the end of the previous year in order to claim the deduction under 10AA.

Additionally, for claiming the deduction filing return of income within due date is also made mandatory.

Benefits to MSME

MSME has been included in the section 43B. The deductions with respect to the payments to a MSME shall be allowed only on the actual payment of such amount. Thus ensuring timely payments to MSME's. This amendment will take effect from 1st April, 2024.

Facilitating certain strategic disinvestment

It is proposed to amend section 72AA to provide that subsequent to a strategic disinvestment, carry forward of losses and unabsorbed depreciation will be allowed on amalgamation of the banking company.

Assessment

Taxpayers currently are required to file return in response to notice received within 30 days which is now proposed to extend to 3 months to file return.

Presently, for computing the period of limitation for issue of notice for reassessment last 15 days of March are not included even if search is initiated or requisition is made after 15th March of any financial year. It is now proposed to exclude the said period in computing the time limit where such notices are issued based on search initiated or authorization executed after 15th March.

It has been proposed to increase the time limit from 9 months to 12 months for

passing order of assessment or best judgment assessment from the end of relevant AY.



Introduction of Alternate Appellate Authority i.e. authority of Joint Commissioner (Appeals)

Joint Commissioner (Appeals) shall be the new authority to take up pending and new appeals involving small demands disputes.

If the order has been passed by or with the approval of an authority above the rank of Deputy Commissioner, the appeal before the Joint Commissioner cannot be filed.

International Taxation

Transfer Pricing

Any transaction between taxpayer and a new manufacturing cooperative society availing a concessional rate of 15% has now been covered under the ambit of specific domestic transaction (SDT).

The time period to submit documentation to Transfer pricing officer has been reduced to 10 days from 30 days.

The above amendment is applicable from 1st April, 2023.

Issue of shares at premium

When a closely held company receives any consideration from any resident for issue of shares at premium, exceeding fair value of the shares, such excess is chargeable to income tax under the head income for other sources under section 56(2)(viib).

It is proposed to amend provision to include consideration received from non-residents also.



Tax Incentives to International Financial Services Centre

Extension of date for transfer of assets of the original funds to a resultant fund on relocation to 31st March, 2025 from 31st March, 2023.

Exemption provided to non-residents on income received from offshore derivative instruments issued by IFSC Banking Units.

The amendments shall take effect from 1st of April, 2023.

Extending deeming provision to Not-ordinarily resident

Amendment proposed be made to Section 9 (1)(viii) to extend the deeming provision to sum of money exceeding Rs. 50,000/- received by a “Not ordinarily resident”, without consideration from a person resident in India and the same shall be chargeable to tax.

This amendment will take effect from 1st April, 2024.



Other Amendments



Presumptive Taxation schemes

Presently, presumptive taxation scheme provides for business and specified professionals having turnover or gross

receipts upto Rs. 2 crores or Rs. 50 lakhs respectively to offer deemed income at 8% or 6% (in case of digital receipts & payments for businesses) & professions can offer deemed income at 50% of the receipts.

It is proposed to increase the threshold limit to Rs. 3 crores in case of businesses and Rs. 75 lakhs in case of specified professionals.

Where an assessee declares profits and gains of business as per presumptive taxation scheme, set off of unabsorbed depreciation and brought forward loss shall not be allowed for previous years.

The said amendment will take effect from 1st April, 2024.

Deductions on amortization of preliminary expenditure

Currently services of carrying out feasibility report, project report, market survey or any other survey are eligible for claiming deduction under section 35D of the Act as amortization of

preliminary expenses by approval of concerned Board.

It is proposed to amend the said section to ease out the process of claiming deduction by ***removing the requirement for the approval by the concerned Board*** on necessary compliance done by the taxpayers.

The said amendment will take effect from 1st April, 2024.

Amendments in business trust

Earlier the TDS rate on business trust (interest income of non-resident unit holders) was flat @ 5%, is now proposed to be eligible for lower deduction certificate.

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

Distribution (other than interest, dividend, rental income or capital gains), such as in the nature of 'repayment of debt', by business trust to unit holder to be taxed as 'other income' in the hands of unit holders.

Such distribution to be reduced by cost of acquisition where units are redeemed.

Order of Inventory valuation by Assessing Officer



In order to ensure that the inventory is valued in accordance with various provisions of law, it is amended to enable the Assessing Officer to direct the assessee to get the inventory valued by a cost accountant.

Accordingly, assessee is then required to furnish duly signed and verified report by cost accountant.

Taxability under life insurance policies

It is proposed to limit exemption from Tax on Insurance policies having premium or aggregate of premium less than Rs. 5,00,000 in a year.

Deduction shall be allowed for premium paid, if such premium has not been claimed as deduction earlier.

Amount received on the death of the insured person continues to be exempt.

Applicable for policies issued on or after 1st April, 2023.



Exclusion of NBFC - Thin capitalisation rule

Section 94B imposes limits on interest deduction on borrowings from Associate Enterprise with exception for Banks and insurance companies.

It is proposed to now exclude NBFC's as may be notified from applicability of above provision.

Applicable from 1st April, 2024.

Valuation of Rent free accommodation to employees

Currently, Rule 3 and Section 17(2)(ii) prescribes methodology to compute value of rent free accommodation and value of concessions in rent respectively.

To rationalize the methodology of computation of rent free accommodation it is proposed to delete the existing methodology and a new uniform method shall be prescribed.

Applicable from 1st April, 2024.



Business Reorganization

Section 170A of the Act was inserted vide Finance Act, 2022 provides that in case of business reorganisation, where a return of income has been filed by the successor under section 139 of the Act, such successor shall furnish a modified return within six months from the end of the

month in which such order for business reorganisation was passed.

As per proposed amendment the Assessing Officer shall pass an order assessing or 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.

Penalty for furnishing inaccurate statement of financial transaction or reportable account

Income tax Act makes it mandatory for a person to furnish particulars of specified financial transaction. It is now proposed to levy penalty of Rs. 5000/- on the institution for the inaccurate or false information submitted by account holder.

The said institution may recover such penalty from the account holder.

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

Removal of certain funds from 80G

Section 80G provides for deduction in respect of donation to some institution or funds.

It is proposed to remove certain funds from the ambit of section 80G.



Indirect Tax

- ❖ Composition dealers of goods shall be allowed to sell through ecommerce operators under section 10(2)
- ❖ Where the payment has not been made to the supplier within 180 days, the ITC is to be paid along with interest under section 50(as against presently to be added to the output tax liability), through cash ledger.
- ❖ ITC on good or services used or to be used for corporate social responsibilities shall not be available under section 17(5)
- ❖ Restrictions imposed on filing GST returns after the expiry of three years from the due date of filing such returns.
- ❖ To remove the condition of minimal human intervention from the definition of “Online Information and Database Access or Retrieval Services” under section 2(17), thus placing emphasis only on information technology required to provide such service.
- ❖ As per section 54(6), 90% provisional refund may be given without reducing the amount of ITC provisionally accepted.



- ❖ E-commerce (ECO), will now to be liable to pay penalties for 3 defaults pertaining allowing certain transaction through him and pertaining incorrect data in return
- ❖ Minimum Threshold raised to Rs. 2 crores from Rs. 1 crore for launching prosecution except Issuance of invoices without supply.
- ❖ Consent Based Sharing of information by common portal with other systems.
- ❖ Compounding amount, in case of offences, will be reduced between 25% to 100% of the tax amount.

- ❖ Due to ITC issues, under section 12(8) of IGST Act, 2017 proviso omitted related to POS as Destination of Goods for Transportation of Goods outside India.
- ❖ Value of activities as may be prescribed in respect of warehoused goods before their clearance for home consumption will be considered as an exempt supply for common ITC reversal.

CUSTOMS



- ❖ Exemption to certain categories such as FTAs, bilateral trade agreements, etc. beyond the restricted period of 2 years.
- ❖ Time limit of 9 months is specified from the date of application for disposal of application filed before the settlement commission.
- ❖ To reduce the rate of Basic custom duty from 21% to 13%.



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