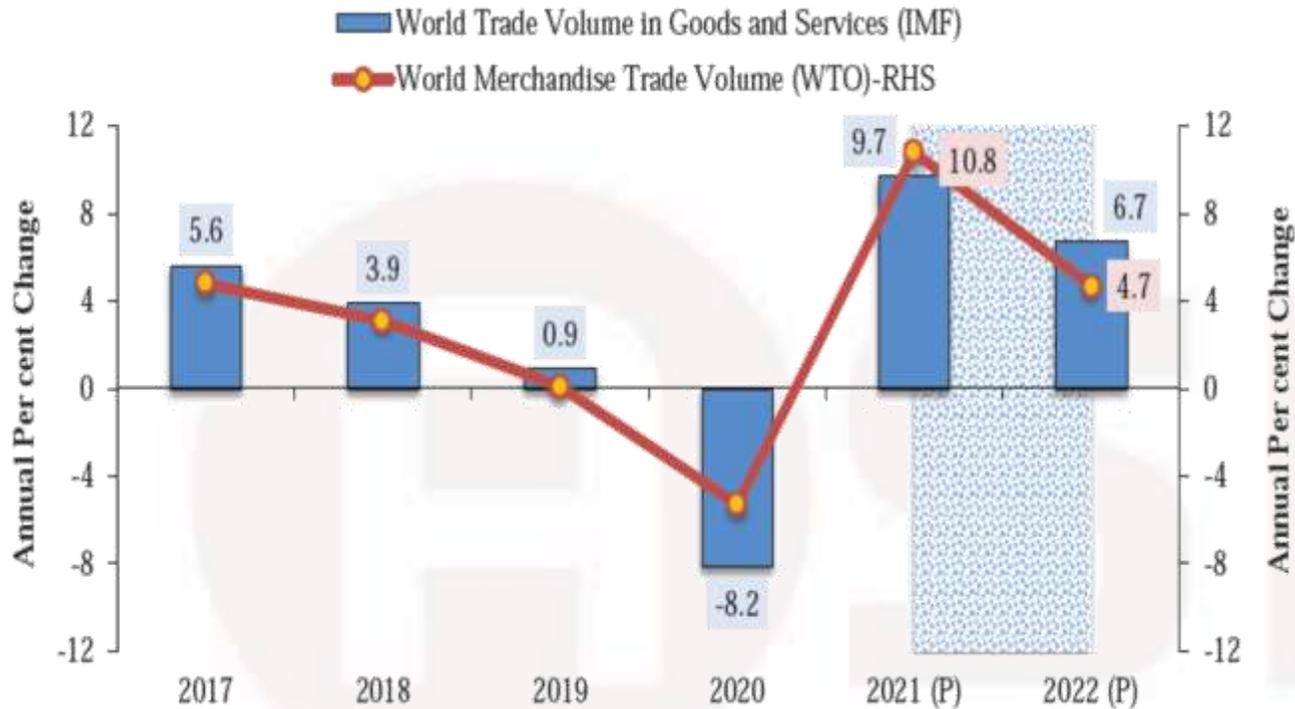


The image features a futuristic digital interface overlaid on a blurred background of people in business attire. The interface consists of a large circular data visualization with a network of white nodes and lines, surrounded by concentric rings of data points and a blue glow. Below the interface, a smartphone is visible on a table. The overall aesthetic is high-tech and professional.

# BUDGET 2022-23

# Global Economy



*World Trade Volume Growth projections*

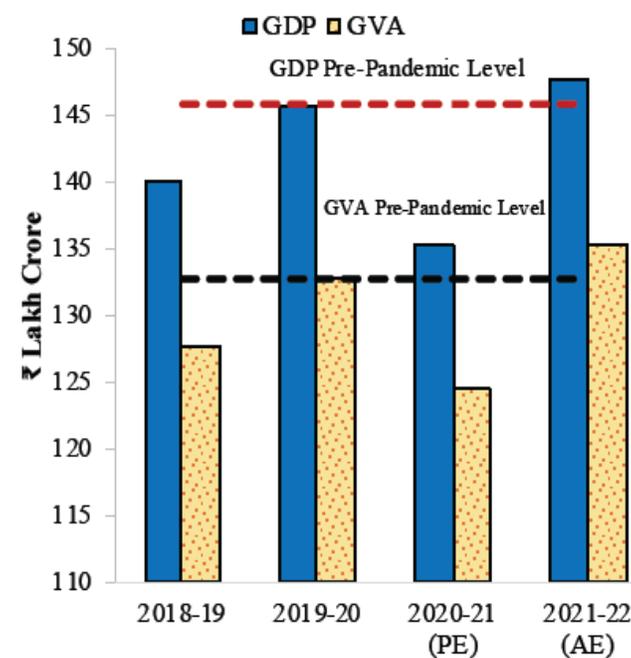
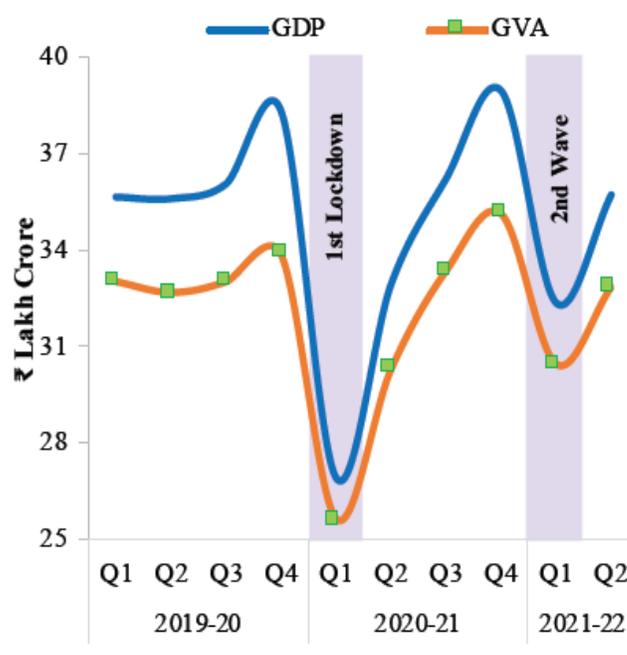
- The COVID-19 pandemic continued to impact the global economic environment during 2021.
- An acceleration in the global economic activity during the first half of the calendar 2021, that lifted the merchandise trade above its pre-pandemic peak.
- International Monetary Fund (IMF) in October 2021 projected higher growth of global trade volume in goods and services of 9.7 % in 2021, moderating to 6.7 % in 2022, in line with the projected global recovery.
- World Trade Organization (WTO) in its October 2021 release, also upgraded its forecast for global merchandise trade volume growth to 10.8 % in 2021, followed by a 4.7 % in 2022

# Overview of the World Economic Outlook

Country/Country Groups	Year over Year (Percent Change)			
	Estimate		Projections	
	2020	2021	2022	2023
<b>World Output</b>	-3.1	5.9	4.4	3.8
<b>Advance Economies</b>	-4.5	5.0	3.9	2.6
<b>United States</b>	-3.4	5.6	4.0	2.6
<b>Euro Area</b>	-6.4	5.2	3.9	2.5
<b>Germany</b>	-4.6	2.7	3.8	2.5
<b>France</b>	-8.0	6.7	3.5	1.8
<b>Japan</b>	-4.5	1.6	3.3	1.8
<b>India</b>	<b>-7.3</b>	<b>9.0</b>	<b>9.0</b>	<b>7.1</b>
<b>United Kingdom</b>	-9.4	7.2	4.7	2.3
<b>Other Advance Economies</b>	-1.9	4.7	3.6	2.9

# Indian Economy - Overview

## V shaped recovery continues but in better pace



*Economy recovers past Pre-Pandemic levels*

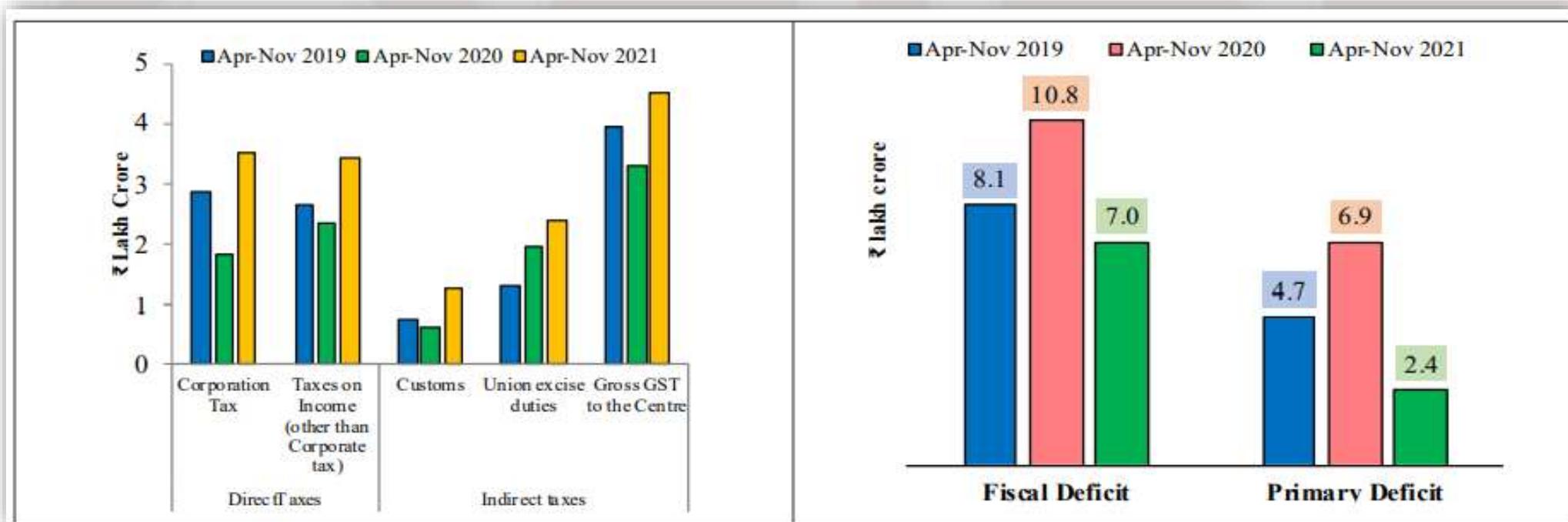
- The Indian economy, estimates of GDP, has been staging a sustained recovery since the second half of 2020-21.
- Although the second wave of the pandemic in April- June 2021 was more severe from a health perspective, the economic impact was muted compared to the national lockdown of the previous year.
- An acceleration in the global economic activity during the first half of the calendar 2021, that lifted the merchandise trade above its pre-pandemic peak.
- Indian economy is expected to witness real GDP growth of 9.2 % in 2021-22 after contracting in 2020-21.
- The GVA of Industry (including mining and construction) expected to rise by 11.8% in 2021-22 after contracting by 7% per cent in 2020- 21.

# Indian Economy - Sectoral

- **Agriculture and allied sectors** have been the least impacted by the pandemic and the sector is **expected to grow by 3.9%** in 2021-22 after growing 3.6% in the previous year,
- **The Services sector** has been the hardest hit by the pandemic, expected to grow by 8.2% in 2021-22 following last year's 8.4%,
- **Exports** of both goods and services have been exceptionally strong so far in 2021-22, but **imports** also recovered strongly with recovery in domestic demand as well as higher international commodity prices.
- India's balance of payments remained in surplus throughout the last two years. This allowed the Reserve Bank of India to keep accumulating foreign exchange reserves (they stood at US\$ 634 billion on 31 Dec 2021). This is equivalent to 13.2 months of merchandise imports and is higher than the country's external debt.
- The combination of high foreign exchange reserves, sustained foreign direct investment, and rising export earnings will provide an adequate buffer against possible global liquidity tapering in 2022-23.
- Overall, **macro-economic stability** indicators suggest that the Indian economy is well placed to take on the challenges of 2022-23.

# Tax Revenue & Fiscal Balance

- The revenue receipts of the central government during April - Nov 2021 have gone up (YoY), as against an estimated growth of 9.6 per cent in the 2021-22 Budget Estimates.
- The tax collections have been buoyant for both direct and indirect taxes. The gross monthly GST collections have crossed Rs.1 lakh crore consistently since Jul 2021.



# AMRIT KAAL- 4 Priorities



- 7 engines of PM GatiShakti → Road, Rail, Airport, Port, Mass Transport, Waterways and Logistic infra.
- Delivery of Digital and Hi-Tech services to farmers in PPP mode.
- Education: Virtual labs and skilling e-labs, high quality e-content, digital University
- Health: Mission Shakti, Mission Vatsalya, Saksham Anganwadi, and Poshan 2.0
- Digital Banking- 100% of post offices to come on the core banking system
- MSME- ECLGS, Interlinking various portals, Raising and Accelerating MSME Performance
- Ease of Doing Business 2.0:
- Issuance of chip embedded e- Passports
- Providing a battery swapping policy as an alternative to setting up charging stations in urban areas
- Accelerated corporate Exit: C-PACE to facilitate voluntary winding up of companies (2 years to 6 m)
- Government procurement- End to end online e-Bill System and utilising surety bonds,
- Animation, visual effect, gaming and comic (AVCG) promotion task force,
- Support to 5G under PLI scheme
- Opening up defence R&D for industry, startups and academia
- Solar power- 280 GW solar power plant by 2030
- Introduction of Digital Rupee by RBI starting 2022-23
- Green Bonds to mobilise resources for green infrastructure
- For 2022-23 States will be allowed a fiscal deficit of 4% of GSDP of which 0.5% will be tied to power sector reforms

# Key Policy Highlights - Making India a \$5 Trillion Economy (1/2)

- SEZ Act to be replaced by a new legislation to enable states to become partners in 'Development of Enterprise and Service Hubs'. It will cover existing and new industrial enclaves to optimally utilise infrastructure and enhance export competitiveness.
- Data Centers included in harmonized list of infrastructures which will facilitate credit availability for digital infrastructure and clean energy storage.
- Foreign universities and institutions to be allowed in GIFT City to offer certain courses free from domestic regulations.
- An International Arbitration Centre to be set up in GIFT City for timely settlement of disputes under international jurisprudence.
- Priority given to Make in India in defense contracts, 209 items used by armed forces will not be imported,
- Introduction of Central Bank Digital Currency to boost digital economy.

# Key Policy Highlights - Making India a \$5 Trillion Economy (2/2)

- National Infrastructure Pipeline was launched with projected infrastructure investment of around Rs. 111 lakh crore (US\$ 1.5 trillions) during FY 2020-2025 to provide world-class infrastructure across the country,
- Rs 64,000 crore PM Ayushman Bharat Health Infrastructure Mission will prepare the country for health crisis in future
- Union Budget 2021-22, announced **Ayushman Bharat Health Infrastructure Mission**, a new Centrally Sponsored Scheme, with an **outlay of about Rs.64,180 crore in next five years** to develop capacities of primary, secondary, and tertiary care Health Systems, strengthen existing national institutions, and create new institutions to cater to detection and cure of new and emerging diseases
- The **PLI scheme for Pharma** will expand possibilities for research in healthcare.
- India has set a target of **Net Zero emissions by 2070** under its commitment to deal with climate change.



# Corporate Taxation

# Extension of last date for commencement of manufacturing or production under new tax regime

- **Section 115BAB** was introduced recently by the Indian government as a game changer provision for making India a Manufacturing hub for domestic consumption and exports coupled with multiple lucrative PLI schemes that were introduced separately. The regime has a very lucrative effective Corporate tax rate of 17.1%, however for the new domestic companies who fulfill certain conditions.
- One of the condition to be fulfilled by the such companies that they set up and registered on or after 01 Oct 2019, and commence manufacturing or production up to **31 Mar 2023**.
- With the onset of Covid-19 pandemic, such companies are facing genuine difficulties in timely commencement of their operations on account of nation wide lockdowns etc. thus a relaxation is granted that such commencement can be done up to **31 Mar 2024**.

# Rationalization of provisions relating to assessments and reassessments

- In order to simplify the process of assessment, it is proposed to amend section 148 and 148A to provide that no approval of specified authority is required by AO to issue the show cause notice under section 148 if an order under section 148A(d) has already been passed in case of the assessee after taking prior approval from the specified authority.
- Scope of 'Information with the AO' has been widened to include any kind of audit objections (not necessarily the final one by C&AG), any information received from a foreign jurisdiction under Treaty network, information collected under section 135A or any information on account of action required due to an Order of a Court, Tribunal etc.
- The coverage of cases that fall under the extended period of 10 years appear to be significantly widened under section 149 as the same covers the cases where the income chargeable to tax of INR 50 lakhs or more represented in the form of either an asset or expenditure in respect of a transaction or event or occasion or an entry or entries in the books of account. The wordings 'that year' have also been removed.
- Furthermore, consequential changes have been proposed with respect to provisions related to search and surveys.
- This amendment will take effect retrospectively from 01 Apr 2022.

# Rationalisation of Faceless Assessment provisions

- The provisions of faceless assessment under Section 144B have been simplified / revamped to avoid any litigation on the technical as well as procedural aspects.
- It is proposed to be amended to allow mandatory personal hearing if it is requested by the taxpayer. The Income-tax authority shall allow personal hearing through video conferencing or video telephony.
- The appropriate changes have been made under the special audit provisions for aligning the same with the faceless assessment regime.
- Regional Faceless Assessment Centres are abolished and National Faceless Assessment Centres will interact directly with various units such as Assessment units, Verification Units etc. in electronic mode.
- It is also proposed to omit the sub section (9) of Section 144B which provides for assessments to be void if procedure mentioned in the above section is not followed to curb litigation.
- This amendment will take effect retrospectively from 01 Apr 2021.

# Extension of Tax Exemption to Eligible Start-ups

- **Section 80-IAC** provides deduction of an amount equal to **100%** of the Profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation.
- One of the condition to avail this deduction was that the startup to be incorporated on or after 01 Apr 2016 but **up to 31 Mar 2022**.
- With the onset of Covid-19 pandemic that has resulted inadvertent delays in setting up such Units and to promote the start-up ecosystem, the timeline for incorporation has been extended to **31 Mar 2023**.



# Crypto tax regime introduced – Does it go beyond!

- **Sec. 115BBH** to tax the income from transfer of Virtual digital assets @ 30%
- No deduction or set off of any loss allowed except for cost of acquisition
- The loss from transfer of virtual digital asset shall not be allowed to be set off from any other income and also cannot be carried forward
- Tax Withholding @ 1% is proposed on payment to a resident for such transfer. Also, section 194S overrides section 194-O in case of an overlap
- The meaning of 'property' for Section 56(2)(x) shall now include virtual digital asset for the purpose of taxation of gifts
- Virtual digital assets to include cryptocurrencies, NFTs, and any other digital asset to be notified by the Central Govt – definition seems very wide in reach!
- This amendment will take effect from AY 2023-24



# Clarification in respect of disallowance under Section 14A

- There were divergent views if any disallowance is warranted if no exempt income has arisen to the taxpayer in the concerned AY. Hence, it is proposed to insert an Explanation to Section 14A of the Act to clarify that the provisions of this section shall also apply where exempt income has not accrued or arisen or has not been received during the previous year and the expenditure has been incurred during the said previous year in relation to such exempt income.
- This amendment will take effect from AY 2022-23
- To illustrate, if during a previous year, an assessee incurs an expense of Rs.1 lakh to earn non-exempt income of Rs.1.5 lakh and also incurs an expense of Rs. 20,000/- to earn exempt income which may or may not have accrued/received during the year. As per one view, Section 14A of the Act does not apply in this year as the exempt income had not accrued/received during the year, hence, amount of Rs. 20,000 must be allowed as deduction against non-exempt income of Rs.1.5 Lakh. This interpretation as per the government defeats the legislative intent of both Section 14A and Section 37 of the Act.

# Widening of incentives for Gift City

- In continuation to the approach adopted by the Government in the last few years, additional incentives by way of tax exemption announced for IFSC as under on:-
  - a) Income from transfer of offshore derivative instruments or over the counter derivatives entered into with an offshore banking unit of an IFSC
  - b) Income from royalty or interest on account of leasing of ship paid by an IFSC unit
  - c) Income received from portfolio of securities or financial products or funds managed by portfolio manager in an account with Offshore banking Unit in IFSC
- Tax holiday under section 80LA extended to income arising from transfer of ship as well which is leased by a unit of IFSC
- Category I or a Category II AIF regulated under IFSC regime also excluded from the rigor to Section 56(2)(viib).
- This amendment will take effect from AY 2023-24



# Widening of reporting under section 285B

- This section requires filing of a Statement in Form 52A by the producer of Cinematographic films and the said Form was recently replaced in Nov 2021 with a comprehensive form with additional reporting of payments
- It is now proposed to widen the scope of reporting under section 285B to include persons engaged in specified activities such as event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as the Central Government may notify.
- As a result, these person would also be required to furnish such statement containing vendor payment details alongwith TDS compliance on the same within 30 days from the end of the financial year or from the date of completion of such specified activity, whichever is earlier.
- This amendment will take effect from 01 Apr 2022.

# Additional Clarification on treatment of Goodwill

- From the assessment year 2021-22, Goodwill of a business or profession is not considered as a depreciable asset and there would not be allowed any depreciation on such Goodwill in any situation.
- The law also provides that any pre-existing goodwill shall be removed from the block of assets from AY 2021-22 and the purchase price of the goodwill will continue to be considered as cost of acquisition (after reduction of depreciation already claimed till such AY 2020-21). Also, corresponding amendments were made under section 50 for computation of capital gains on such goodwill.
- There was an ambiguity on the applicability of section 50 in this case where goodwill is reduced from the block being no effective transfer involved in this case. Accordingly it is proposed to clarify that for the purpose of Section 50, any such reduction of amount from the block of goodwill, shall be deemed to be '**Transfer**' and capital gains shall be computed accordingly.
- This amendment is effective from AY 2021-22.

# Rationalization of provisions related to Trusts

- Several amendments has been introduced in the provisions related primarily to the charitable trusts in order to bring a uniformity under multiple provisions of two separate schemes that exist under the Act for section 10(23C) and 12AA or 12AB.
- Provisions of sections 115TD, 115TE and 115TF relating to taxation of Accreted Income are also made applicable to trusts or institutions under Section 10(23C).
- It has been clarified that Application of income to be allowed only on a payment basis.
- Trusts would have to keep and maintain books of accounts and other documents in the prescribed manner.
- Restrictions have been imposed on institutions claiming exemption under Section 10(23C) to pass on any unreasonable benefit to the trustee or any other specified person.
- Certain incomes of the trusts or institutions shall be chargeable to tax at the special rate of 30% under the newly proposed section 115BBI which would not be eligible for exemptions.

# Provisions of Bonus and Dividend stripping widened

- **Section 94** has anti avoidance provisions that deals with dividend stripping and bonus stripping in case of securities and mutual funds.
- Section 94(8) does not apply to bonus stripping in case of securities and is also not applicable on units of InvIT, REIT or AIF's.
- Similarly provisions of Dividend stripping were not applicable to the units of new pooled investment vehicles such as InvIT, REIT or AIFs.
- Thus section 94(8) is proposed to be amended to make the provision of bonus stripping applicable on **securities** also.
- Further, definition of unit to include the units of business trusts such as InvIT, REIT and AIF.
- This amendment will take effect from AY 2023-24.

# Revisionary powers extended to Transfer Pricing Orders

- The provisions of Section 263 has been proposed to be amended to allow the Principal Chief Commissioner, Chief Commissioner, Principal Commissioner or Commissioner who is assigned the jurisdiction of transfer pricing for exercising jurisdiction under Section 263 to revise any Order passed by the Transfer Pricing Officer (TPO).
- The revision can be exercised for modifying the Order of TPO or cancelling for fresh order to be passed by the TPO.
- Consequential changes have also been made in the provisions of Section 153 to provide two months time to the Assessing Officer to give effect to the order of TPO consequent to the directions in the revision order
- The amendments to take effect from 01 Apr 2022.

# Rationalization of provisions related to Business reorganizations

- Assessment on the old entity and its validity in case of reorganizations such as Amalgamation, Demerger, Merger etc. was consistently under litigation for multiple reasons. Further, reorganization process is a time taking process that creates large number of challenges for both taxpayers and the tax authorities.
- In order to curb the litigation and bring clarity on both technical and factual aspects, it is proposed to insert sub-Section (2A) to Section 170 to provide that in the event of a business reorganization, the assessment or other proceedings pending or completed on the predecessor during the pendency of such reorganization process shall be deemed to have been made on the successor only.
- It is also proposed to insert Section 170A to enable the successor to file modified returns for the period between the date of effectivity of the order and the date of issuance of the final order of the competent authority on business reorganization. Such modified return can be furnished within six months from the end of the month in which the said order was issued. Furthermore, enabling provisions are also introduced to give effect to the order of competent authority to modify tax demands reduced pursuant to business reorganization.
- These amendments will take effect from 01 Apr 2022.

# Provisions of refund to a person denying liability to deduct tax in certain cases rationalised

- Section 248 of the Act provides that in a case where, under an agreement or other arrangement, a person who has deducted tax on any income paid to a non-resident other than interest, under **Section 195** of the Act, he may appeal to the Commissioner (Appeals) for a declaration that no tax was deductible on such income.
- To obtain a refund of the tax deducted and paid by a person, where it was not deductible, as per the provisions of Section 248 of the Act, a taxpayer has no recourse to approach the Assessing Officer with such request. He has to necessarily file an appeal before the Commissioner (Appeals).
- In view of the above, a new **Section 239A** is proposed to be inserted to provide that such a person, who has made the deduction of tax under such an agreement or arrangement and borne the tax liability, when no tax deduction was required, may file an application for refund of such tax deducted before the AO and can approach CIT(A) in case of any adverse Order by the AO.
- These amendments will take effect from 01 Apr 2022.

# Other Key Budget Proposals

- **Claims not allowable under section 37-** Explanation has been inserted to specifically clarify non allowability:
  - a) Expenditure incurred for any purpose which is an offence under any Indian law or overseas legislation or to compound an offence under any such legislation
  - b) Expenditure to provide any perquisite/benefit to a person where such benefit is not allowed in any regulation that governs the conduct of such person (e.g.: Freebies to doctors etc.) – (w.e.f. 01 Apr 2022)
- **Major clarification on allowability of ‘Cess’ as expenditure-** It has been clarified that Education or any other ‘Cess’ levied by Central government are not allowable being additional surcharge and hence, in the nature of Tax. Therefore, the same is not allowable as an expense while computing the income under the head ‘PGBP’ and such amendment is effective retrospectively from AY 2005-06.
- **Concessional tax rate on Dividends from foreign companies under Section 115BBD withdrawn-** This section provides for a concessional rate of tax of 15% on the dividend income received by an Indian company from a foreign company in which the said Indian company has a shareholding of 26% or more (w.e.f. AY 2023-24)

# Other Key Budget Proposals

- **No deduction under section 43B on conversion of interest into debenture or similar instrument-** Section 43B has been amended to clarify that conversion of Interest to Instruments such as Debentures is not an actual payment or constructive discharge of liability and only a deferment of payment to a future date, hence, not allowable. (w.e.f. AY 2023-24)
- **Ambiguities under section 68 related to Cash credits removed** – The government has clarified that the requirement of onus to provide the nature and source of any sum credited in the books also apply in case of loans or borrowings. The existing provisions specifically covers share application, share capital, share premium or any other amount, however, there was an ambiguity of loans and borrowings are also covered. Also, the amendment does not have a specific mention of ‘resident’ for creditor and ‘private limited company’ as an assessee which would have significant implications. (w.e.f. AY 2023-24)

# Other Key Budget Proposals

- **Significant Increase in quantum of compliance related penalty under section 272A:** In a major increase, the rate of such penalty is proposed to increase from existing Rs. 100 per day to 5 times i.e. Rs. 500 per day for defaults such as filing of statement under section 285B, TDS / TCS returns, issuance of TDS / TCS certificates etc. (w.e.f 01 Apr 2022)
- **Certain Prosecution provisions extended to TCS as well:** The provisions of section 278A and 278AA related to rigorous imprisonment in case of second and subsequent default in depositing the tax collected at source and Reasonable cause also extended to TCS provisions. (w.e.f. 01 Apr 2022)
- **Penalties under Sections 271AAB, 271AAC and 271AAD:** The provisions of Sections 271AAB, 271AAC, and 271AAD give powers to the Assessing Officer to levy penalties in cases related to undisclosed income, unexplained credits or expenditures, or deliberate falsification or omission in books of accounts. To improve deterrence against non-compliance among taxpayers, amendments have been proposed under these sections to enable the Commissioner (Appeals) also to levy these penalties (w.e.f. 01 Apr 2022)

# Other Key Budget Proposals

- **Clarity in Section 179 of the Act on recovery from Directors:** Section 179 provides for the recovery of tax dues of a private company from its directors under circumstances where such tax cannot be recovered from the company itself. Explanation to the section clarifies the expression “tax due” in the section which includes penalty, interest or any other sum payable under the act. In order to provide further clarity, it is now proposed to insert the word “fees” in the scope of the expression “tax due” under Explanation to the section. The heading of the section has also been modified and ‘liquidation’ has been removed as the main section does not have any such restriction. (w.e.f 01 Apr 2022)
- **Set off of loss in search cases-** it is proposed to **insert a new Section 79A** in the Act to provide that, where consequent to a search, or a requisition made, or a survey conducted under the Act, the total income of any previous year of an assessee includes any undisclosed income, no set off, against such undisclosed income, of any loss, whether brought forward or otherwise, or unabsorbed depreciation under sub-Section (2) of Section 32 shall be allowed to the assessee under any provision of this Act.

# Other Key Budget Proposals

- **Provisions of Higher TDS rates in case of non-filers of return simplified:-** Provisions of sections 206AB and 206CCA provide for deduction or collection of tax at higher rates. The provisions apply to a specified person who has not filed the return of income for 2 assessment years relevant to the previous years immediately before the previous year in which tax is required to be deducted.

It is proposed to reduce two years requirement to one year under Sections 206AB and 206CCA. Further, to reduce the additional burden on individuals and HUF, it is proposed that the provisions of section 206AB will not apply in relation to transactions on which tax is to be deducted under Sections 194-IA, 194-IB, 194M and 194S.



# Taxation of Individuals and other Tax payers

# Tax Rates

- The Finance Act 2019 had enhanced the surcharge for Individuals, HUFs, AOPs and BOIs, to 25% and 37% where income exceeds Rs. 20 mn and Rs. 50 mn respectively.
- To bring uniformity, it is proposed that the surcharge on all long-term capital gains will now be capped at 15%.
- Accordingly, the surcharge on long term capital gains arising from the sale of listed securities is capped at 15% while other long term capital gains are subject to a surcharge of up to 37%.
- Resultantly, the highest long-term capital gains tax rate will reduce from 28.5% to 23.92% which will be a good relief to the taxpayers.
- The rates remain unchanged apart from the above.

# Regularisation of Covid-19 related relief measures

- The Government issued a Press release dated 25.06.2021 announcing significant tax related relaxations for the employer and employees pertaining to relief availed by the employees or their family members due to havoc triggered by Covid-19. There were however certain ambiguities that remain in the said Press release.
- A new sub clause is now proposed to be added in the proviso to section 17(2) to provide that no perquisite shall arise in the hands of the employee if the employer reimburses the medical expenditure actually incurred by the employee on himself or his family members on account of illness due to Covid-19.
- Section 56 is also proposed to be amended to provide that no income shall arise in the hands of recipient in case of any such reimbursement / receipt of medical treatment expenditure actually incurred from any person.
- Section 56 is also proposed to be amended to exclude any sum received by the family member of a deceased person from its employer (without any limit) or upto Rs.10 lakhs from any other person, where the reason of death is illness on account of Covid-19 and such amount has been received within 12 months of the death.
- Additional conditions will be prescribed by the Central Government.
- The provision of this Section shall be applicable from AY 2020-21

# Introduction of Updated Return (1/3)

- Under the current provisions, taxpayers have the option to file belated return once the due date of filing the return is expired for the previous year. However, such belated return can be filed only before three months prior to the end of the relevant assessment year.
- Once the timeline to file the belated return is expired, there is no other remedy for the taxpayer to voluntarily file his return of income.
- It is now proposed to introduce the facility to file an **updated return** on payment of additional tax and the same can be filed within two years from the end of the relevant assessment year.
- The option to file the updated return shall be available even to those taxpayers who have earlier filed their return of income but now wants to declare income that has been missed out earlier.
- This option is not available case of loss return or where it will result in a reduction of the tax liability determined in the original return or results in refund or increase in refund. Other exclusions include cases of search and survey for the concerned AY and the two years preceding the said AY, assessment or prosecution is pending etc.

# Introduction of Updated Return (2/3)

- Where a taxpayer opts to file the updated return, an additional tax has been proposed to be levied which shall be required to be paid along with such updated return. This is additional to the regular tax and interest.
- Section 140B provides for the mechanism to compute the final amount required to be paid before furnishing such updated return.
- Such additional tax shall be equal to 25% of the aggregate of tax and interest payable, if the return is furnished before the completion of 12 months from the end of the relevant assessment year and 50% if such return is furnished between 12 months and 24 months from the end of the relevant assessment year.
- Consequential amendments have also been made to Section 234A, Section 234B and Section 234C to charge interest in such cases.
- The provision of this Section shall be applicable from 01 Apr 2022.

# Introduction of Updated Return (3/3)

Computation of Additional Tax under section 140B			
Particulars	Original Return	Scenario 1*	Scenario 2**
<b>Total Income</b>	<b>10,00,00,000</b>	<b>15,00,00,000</b>	<b>15,00,00,000</b>
Tax on TI	3,00,00,000	4,50,00,000	4,50,00,000
Surcharge	21,00,000	54,00,000	54,00,000
Cess	12,84,000	20,16,000	20,16,000
<b>Total Tax Liability</b>	<b>3,33,84,000</b>	<b>5,24,16,000</b>	<b>5,24,16,000</b>
Less: Prepaid Taxes	(3,00,00,000)	(3,00,00,000)	(3,00,00,000)
Balance Tax Payable	33,84,000	2,24,16,000	2,24,16,000
Less: Tax paid u/s 140A at the time of filing of original return		(33,84,000)	(33,84,000)
<b>Balance Tax Payable (A)</b>		<b>1,90,32,000</b>	<b>1,90,32,000</b>
<b>Additional Tax @ 25% / 50% on (A) above</b>		<b>47,58,000</b>	<b>95,16,000</b>
<b>Final Amount Payable</b>		<b>2,37,90,000</b>	<b>2,85,48,000</b>

- \* Updated Return Filed within 12 Months from the end of the relevant assessment year.
- \*\* Updated Return filed after 12 Months but before 24 Months from the end of the relevant assessment year.

# Relief for persons with disability

- Under the current provisions, an amount paid towards an insurance scheme which provides payment of annuity or lump sum amount to the differently abled dependents upon death of the taxpayer, is allowed as a deduction in the hands of resident assessee (i.e. parent/ guardian).
- Further, the section provides that if the dependent with disability, predeceases the taxpayer, the amount deposited in such scheme shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.
- The government has considered the suggestions made in some of the judicial precedents and extended the deduction to an amount deposited in any scheme which provides for payment of annuity or lump sum upon the taxpayer attaining sixty years of age and when the payment to such scheme has been discontinued.
- The amendment shall take effect from AY 2023-24

# Other Key Budget Proposals

- **Filing of statement by the research association, university, colleges referred to in Section 35-** If a person has made donation to the research association, university, colleges etc. referred to in Section 35, then donor shall not be allowed to claim deduction under Section 80G unless such institution (donee) files the prescribe statement in Form 10DB.
- **Rationalization of provisions of TDS on sale of immovable property-** It is proposed to **amend section 194-IA** of the Act to provide that in case of transfer of an immovable property (other than agricultural land), TDS is to be deducted at the rate of one per cent of such sum paid or credited to the resident **or the stamp duty value of such property**, whichever is higher. In case the consideration paid for the transfer of immovable property and the stamp duty value of such property are both less than fifty lakh rupees, then no tax is to be deducted under section 194-IA.



# Goods and Services Tax

# Extended Time Limit For Compliances

- The Government has proposed to extend the time limit for various compliances from Sep following the end of FY to 13 Nov following the end of FY
- **The extended time limit will apply to the following compliances:**
  - Availment of ITC on invoice / debit note issued in a FY
  - Issuance of credit notes under GST
  - Rectification of outward supplies in GSTR-1
  - Rectification of return in GSTR-3B
  - Rectification of GSTR-8 return furnished by e-commerce operator

# Revamping of availment of Input Tax Credit

- The Government has proposed to remove two-way communication process in return filing and allow input tax credit to the recipient on the basis of auto-generated statement available on the GST portal
  - Consequential changes have been made to the Act by removing corresponding statutory provisions.
- Relaxation provided for availment of ITC by prescribed percentage in excess of inward supplies made available on the common portal has been removed
- The claim of eligible input tax credit on a provisional basis has been substituted to provide for availment of self-assessed input tax credit subject to such conditions and restrictions as may be prescribed
  - In case the supplier has not paid taxes on supplies on which ITC has been availed is required to reversed along with interest
  - The amount can be re-availed when the supplier makes the payment of GST on such supplies

# Revamping of availment of Input Tax Credit

- The Government has proposed to amend Section 50 of the CGST Act retrospectively w.e.f. 01 Jul 2017 to provide that interest shall be applicable where input tax credit has been wrongly availed and utilised and that the maximum rate which can be notified shall not exceed 24%. The rate of interest has been notified as 18% retrospectively w.e.f. 01 Jul 2017.
- ITC to be allowed only in respect of supplies for which communication has not been restricted under section 38.

# Transfer / Restriction on Cash Ledger

- The Government has proposed to amend provisions related to transfer of amount of IGST or CGST available in electronic cash ledger from one GSTIN to another GSTIN of the same taxpayer.
- The transfer shall be allowed only if the taxpayer does not have any unpaid liability in the electronic liability register.
- The Government has proposed that subject to conditions and restriction as prescribed, the maximum proportion of output tax liability that can be discharged through electronic credit ledger may be prescribed.

# Other Changes

- Late fees made applicable on delayed filing of GSTR-8 by e-commerce operator.
- Refund of electronic cash ledger to be filed in prescribed form.
- Power to withheld / adjust refund extended to all types of refunds instead of only refund of unutilised ITC.
- Due date for filing of refund claims for supplies to SEZ prescribed as due date of furnishing of GSTR-1 for supplies in respect of which refund is being claimed.
- Restriction on furnishing of outward supplies in case GSTR-1 for any previous tax period is not filed.



# Custom law

# Scope of Proper Officer Expanded

- The Government has proposed to expand the scope of Proper Officer under the Customs Act to include officers of DRI, Preventive and Audit formations.
- The amendment overrides the recent ruling of Supreme Court in Canon India Private Limited vs. Commissioner of Customs in Civil Appeal No. 1827 of 2018 which held that the Additional Director General of DRI is not the proper officer to issue show cause notice under Section 28(4) read with Section 2(34) of the Customs Act.
- The Government has proposed validation to any action taken or functions performed before the date of commencement of the Finance Act 2022 by any officer of Customs, as specified in amended Section 3 of the Customs Act where such action was in pursuance of their appointment and assigning of functions by the Central Government or the Board under the Customs Act.

# Clarification on SWC

- The Government clarified that the amount of Social Welfare Surcharge payable would be 'Nil' in cases where the aggregate of customs duties (which form the base for computation of SWS) is zero even though SWS has not been exempted.
- The clarification provides that SWS applies at the rate of 10% of the aggregate of customs duties payable on import of goods and not on the value of imported goods. If aggregate customs duty payable is zero on account of an exemption, the SWS shall be computed as 10% of value equal to 'Nil' (as aggregate amount of customs duties payable is zero).
- It further provides that Customs Law does not require computation of SWS on a notional customs duty calculated at tariff rate where applicable aggregate of duties of customs is zero.
- The Customs Rates has been enclosed in **Annexure-1** separately.

# Online Procedure for IGCR Prescribed

- The Government has proposed that all documentation and flow of information for Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.
- Form ICGR-1 prescribed for filing of prior information. On acceptance of the form, an Import of Goods at Concessional Rate Identification Number (IIN) shall be generated against such information.
- Importer to furnish bond number and IIN at the port of importation for clearance of goods
- Short receipt of goods shall be intimated on the common portal in IGCR-2.
- Importer shall submit monthly statement on the common portal in IGCR-3 by 10<sup>th</sup> of the following month
- Procedure for allowing imported goods for unit transfer prescribed.

# Advance Ruling Revamped

- Validity of advance ruling restricted to a period of three years or till change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.
- Definition of “applicant” amended to remove explanation of “joint venture in India” .
- Applicant has been provided an option to withdraw his application at any time before a ruling is pronounced.
- Provisions for prescribing appropriate fees by Board relating to application for advance ruling incorporated.
- Requirement of signing of orders passed by members removed.

## **Rahul Garg**

Partner

Corporate Tax & Regulatory

[garg.rahul@asire.in](mailto:garg.rahul@asire.in)

## **Anuj Kakkar**

Partner

Indirect Tax & EXIM

[kakkar.anuj@asire.in](mailto:kakkar.anuj@asire.in)

## **Office Addresses:**

### **Asire Consulting LLP**

#### **Gurgaon**

529, Fifth Floor,

Tower B-4,

SPAZE i-Tech PARK, Sector 49

Sohna Road, Gurgaon -122018

#### **Delhi**

R-89, Greater Kailash, Part – 1

New Delhi – 110048

#### **Bangalore**

FF1, Nasco Olives

Nagayanapalya

Maruthi Sevanagar-560033

