

# BUDGET

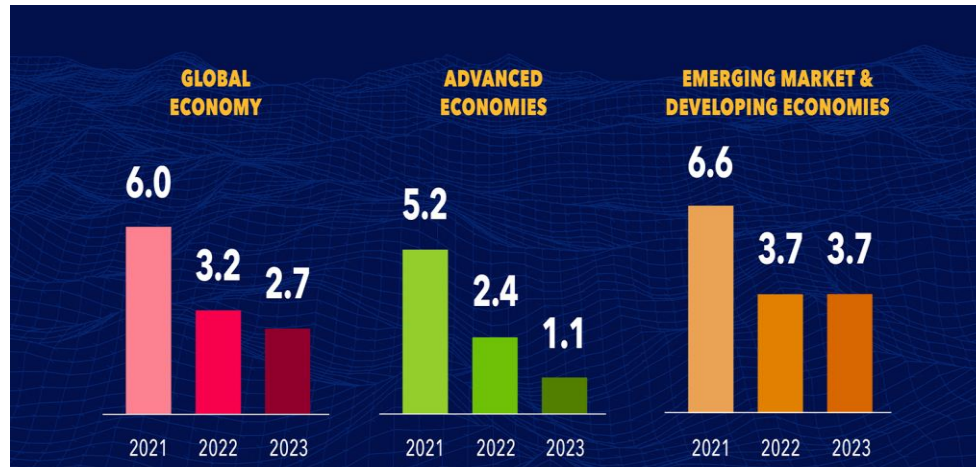
## 2023-24



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# Growth Projections



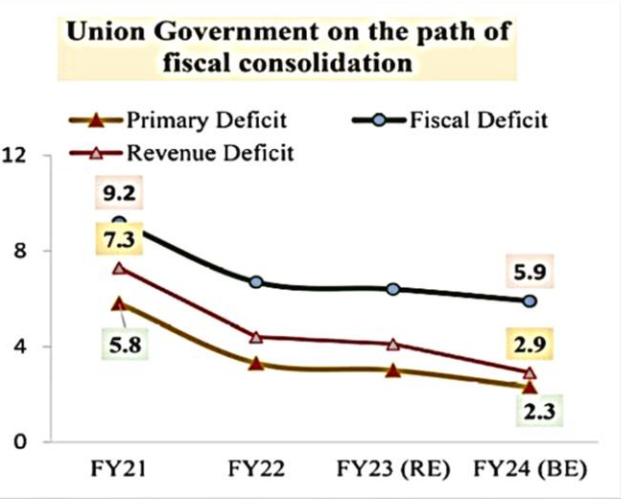
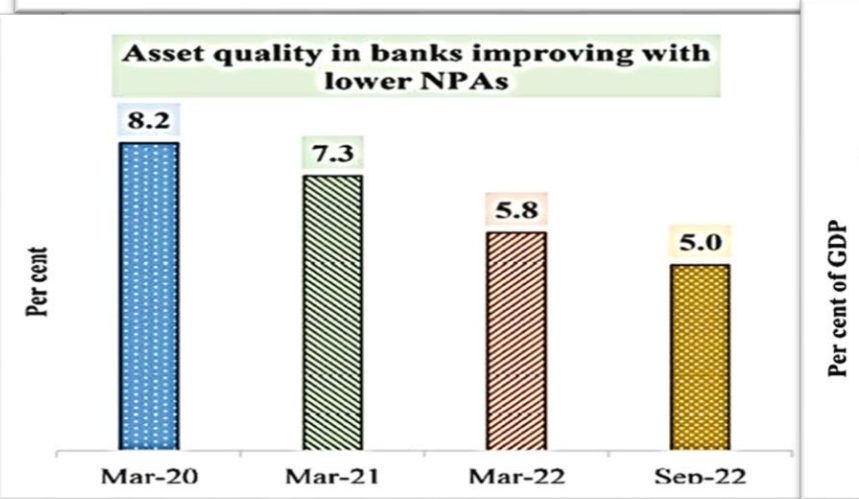
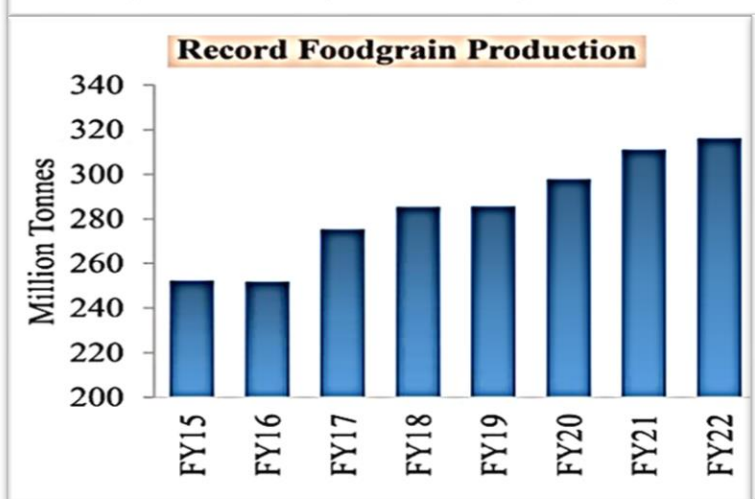
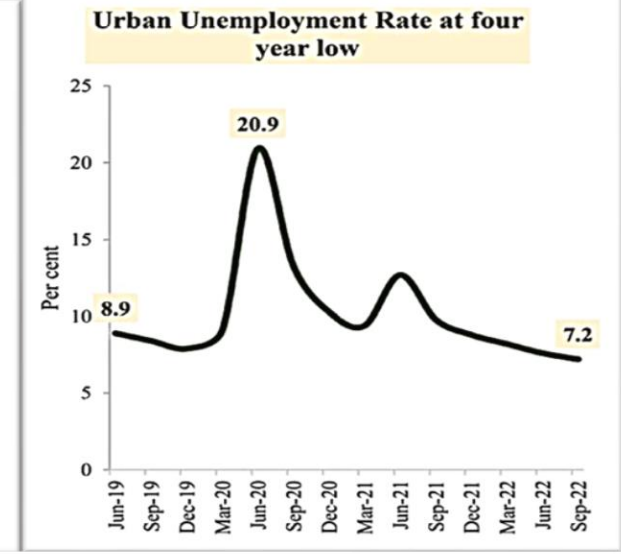
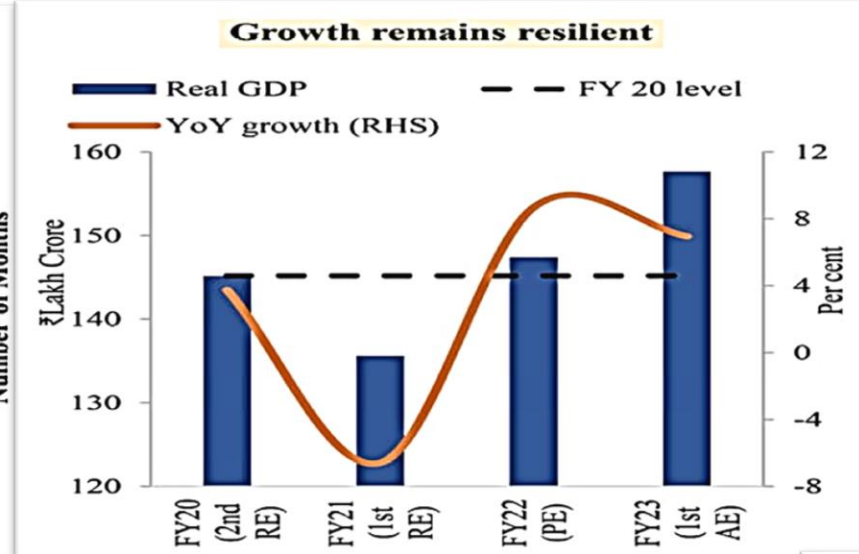
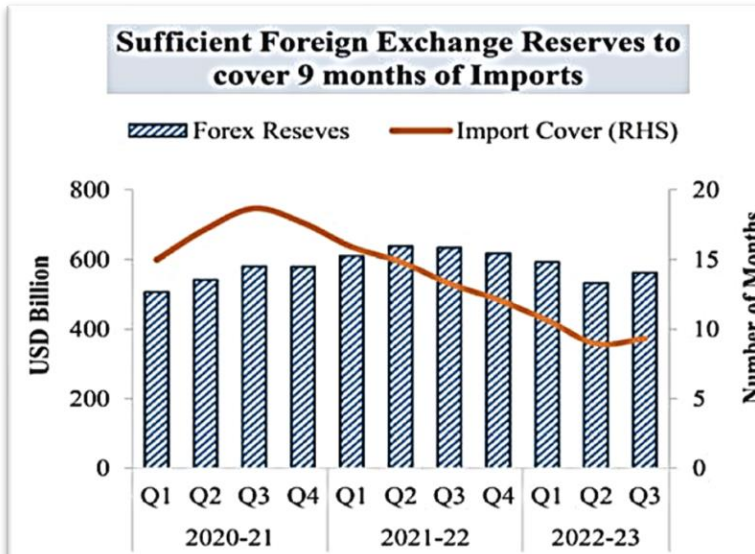
World Economic outlook October 2022 - IMF

- Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades.
- The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook.
- Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic

# Strong macroeconomic fundamentals (1/2)

- The global economy is facing formidable headwinds with recessionary risks looming large. The interplay of multiple shocks has resulted in tightened financial conditions and heightened volatility in financial markets, says RBI.
- The Indian economy is confronting strong global headwinds. Yet, sound macroeconomic fundamentals and healthy financial and non-financial sector balance sheets are providing strength and resilience and engendering financial system stability.
- The new year brings hopes for continued momentum in India's growth story, backed by the sustained strength in domestic demand, according to a recent report by Morgan Stanley. In addition, the OECD is optimistic that India could become the second-fastest growing economy among the G20 nations in FY2023-24, after Saudi Arabia. This is expected despite a potential slowdown in global demand, inflationary pressures and continued monetary policy tightening.

# Strong macroeconomic fundamentals (2/2)

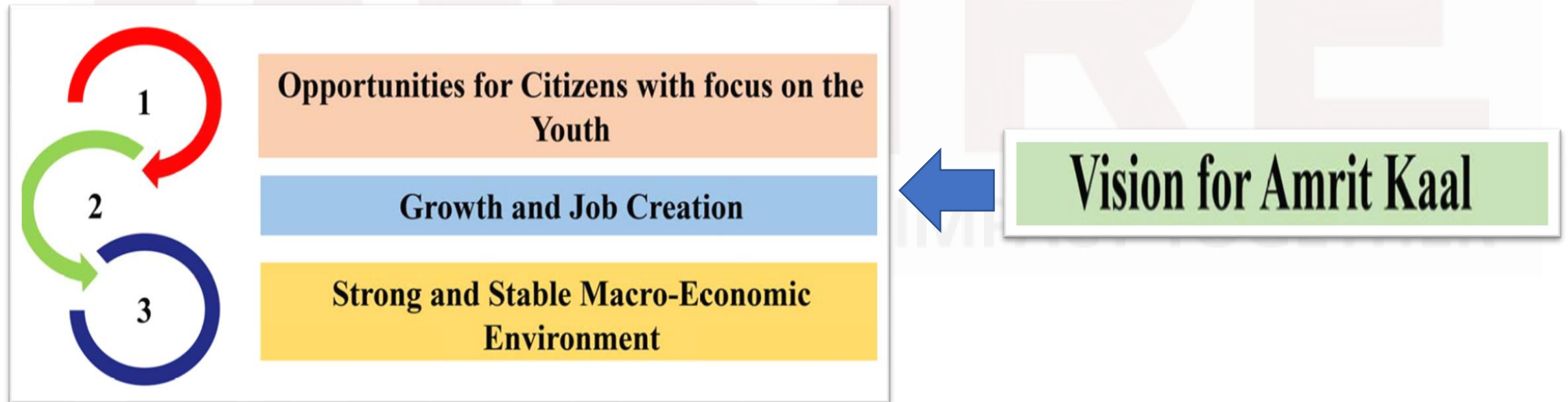


# Vision for Amrit Kaal (1/2)

- The vision of the Amrit Kaal is to create a technology-driven and knowledge-based economy with strong public finances, and a robust financial sector through Jan Bhagidari through Sabka Saath Sabka Prayas,.
- The three things have been focused on to achieve the vision: (i) facilitating ample opportunities for citizens, especially the youth, to fulfil their aspirations; (ii) providing strong impetus to growth and job creation; and (iii) strengthening macro-economic stability.
- To service these focus areas, the following four opportunities can be transformative during Amrit Kaal:-
  - 1. Economic Empowerment of Women:** Providing financial and other help to the 81 Lakhs Self Help groups created by Deendayal Antyodaya Yojana National Rural Livelihood Mission to reach the next level of economic empowerment.
  - 2. PM Vishwakarma Kaushal Samman (PM VIKAS):** To promote the traditional and craftspeople who work with their hands using tools, have brought renown for India. The new scheme will enable them to improve the quality, scale and reach of their products, integrating them with the MSME value chain. The scheme will include financial support, advanced skill training, knowledge of modern digital techniques, brand promotion at global level and social security.

## Vision for Amrit Kaal (2/2)

- 3. Tourism:** Promotion of tourism will be taken up on mission mode, with active participation of states, convergence of government programmes and public-private partnerships.
- 4. Green Growth:** Implementation of many programmes for green fuel, green energy, green farming, green mobility, green buildings, and green equipment, and policies for efficient use of energy across various economic sectors will help in reducing carbon intensity of the economy and provides for large-scale green job opportunities.



# AMRIT KAAL - Seven Priorities

The Budget adopts the following seven priorities. They complement each other and act as the ‘Saptarishi’ guiding through the Amrit Kaal.

- Inclusive Development
- Reaching the Last Mile
- Infrastructure and Investment
- Unleashing the Potential
- Green Growth
- Youth Power
- Financial Sector



# Priority 1 – Inclusive Development (1/3)

The Government's philosophy of Sabka Saath Sabka Vikas has facilitated inclusive development covering in specific, farmers, women, youth, OBCs, Scheduled Castes, Scheduled Tribes, divyangjan and economically weaker sections, and overall priority for the underprivileged (vanchiton ko varyyata). There has also been a sustained focus on Jammu & Kashmir, Ladakh and the North-East. This Budget builds on those efforts.

## Agriculture and Cooperation:

- **Digital public infrastructure for agriculture** will be built as an open source which will provide solutions to farmers by providing information like crop planning and health, improved access to farm inputs, credit, and insurance, help for crop estimation, market intelligence, and support for growth of agri-tech industry and start-ups.
- **Agriculture Accelerator Fund** will be set-up to encourage agri-startups by young entrepreneurs in rural areas to transform agricultural activities.
- **Enhancing productivity of cotton crop** to enhance the productivity of extra-long staple cotton, a cluster-based and value chain approach will be adopted through Public Private Partnerships (PPP). This will mean collaboration between farmers, state and industry for input supplies, extension services, and market linkages.

# Priority 1 – Inclusive Development (2/3)

## Agriculture and Cooperation:

- **Atmanirbhar Horticulture Clean Plant Program** an Atmanirbhar Clean Plant Program will be launched to boost availability of disease-free, quality planting material for high value horticultural crops at an outlay of ` INR 2,200 crore.
- To make India a **global hub for 'Shree Anna'** (such as jowar, ragi, bajra, kuttu, ramdana, kangni, kutki, kodo, cheena, and sama) the Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level.
- **The agriculture credit target** will be increased to INR 20 lakh crore with focus on animal husbandry, dairy and fisheries.
- **PM Matsya Sampada Yojana** a new sub-scheme will be launched with targeted investment of INR 6,000 crore to further enable activities of fishermen, fish vendors, and micro & small enterprises, improve value chain efficiencies, and expand the market.
- For farmers, the government is promoting **cooperative-based economic development model**, under which the computerization of the Primary Agricultural Credit Societies (PACS) is done which will facilitate the farmers in many ways.

# Priority 1 – Inclusive Development (3/3)

## Health:

- 157 new nursing colleges will be established.
- A Mission to eliminate Sickle Cell Anaemia by 2047 will be launched.
- A new programme to promote research and innovation in pharmaceuticals will be taken up through centers of excellence.
- Facilities for research in selected ICMR Labs will be provided.
- Dedicated multidisciplinary courses will be provided in existing institutions to train people for using medical devices.

## Education & Skilling:

- The District Institutes of Education and Training will be developed as vibrant institutes of excellence for providing training to teachers
- A National Digital Library for children and adolescents will be set-up and States will be encouraged to set up physical libraries for them at panchayat and ward levels.
- To inculcate financial literacy, financial sector regulators and organizations will be encouraged to provide age-appropriate reading material to these libraries.

## Priority 2 – Reaching the Last Mile

- **Pradhan Mantri PVTG (Particularly Vulnerable Tribal Groups) Development Mission** to provide the PVTG families with basic facilities such as safe housing, clean drinking water and sanitation, improved access to education, health and nutrition, road and telecom connectivity, and sustainable livelihood opportunities with an outlay of INR 15,000 Crores in next 3 Years
- **740 Eklavya Model Residential Schools** serving 3.5 lakh tribal students shall be facilitated with 38,800 teachers and supporting staff.
- INR 5,300 Crore shall be provided as central assistance to Upper Bhadra Project to provide sustainable micro irrigation and filling up of surface tanks for drinking water In the drought prone central region of Karnataka,
- The outlay for **PM Awas Yojana** is being enhanced by 66% to over INR 79,000 crore.
- **Bharat Shared Repository of Inscriptions (Bharat SHRI)** will be set up in a digital epigraphy museum, with digitization of one lakh ancient inscriptions in the first stage.
- **Financial support for poor prisoners** who are unable to afford the penalty or the bail amount.

## Priority 3 – Infrastructure & Investment (1/2)

- To enhance growth potential and job creation, Capital investment outlay is being increased steeply for the third time 33% to INR10 lakh crore (3.3% of GDP and almost three times the outlay in 2019-20).
- For creation of capital assets, the 'Effective Capital Expenditure' of the Centre is budgeted at INR13.7 lakh crore (4.5 per cent of GDP).
- 50 year interest free loan to states with a significantly enhanced outlay of INR1.3 lakh crore for one more year for investment in infrastructure.
- Enhancing opportunities for private investment in Infrastructure.
- The Harmonized Master List of Infrastructure will be reviewed by an expert committee for recommending the classification and financing framework suitable for Amrit Kaal.
- The largest ever capital outlay of INR2.40 lakh crore has been provided for the Railways (about 9 times the outlay made in 2013-14).
- Investment of INR75,000 crore (INR15,000 crore from private sources) will be given to identified 100 critical transport projects for connectivity of ports, coal, steel, fertilizer, and food grains.

## Priority 3 – Infrastructure & Investment (2/2)

- 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- States and cities will be encouraged to undertake urban planning reforms and actions to transform our cities into 'sustainable cities of tomorrow' by optimum utilization of resources.
- Cities will be incentivized to improve their credit worthiness for municipal bonds using property tax governance reforms and ring-fencing user charges on urban infrastructure.
- **Urban Infrastructure Development Fund** will be established with an annual outlay of INR10,000 cores and this will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.
- Use of machines will be promoted for cleaning sewers and septic tanks in all cities and towns.

## Priority 4 – Unleashing the Potential (1/4)

- **Mission Karmayogi** under which the government has launched an integrated online training platform, iGOT Karmayogi, to provide continuous learning opportunities for lakhs of government employees to upgrade their skills and facilitate people-centric approach.
- **The Jan Vishwas Bill** have been introduced to amend 42 Central Acts and 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized to implement for furthering the trust-based governance.
- For realizing the vision of “Make AI in India and Make AI work for India”, three centres of excellence for Artificial Intelligence will be set-up in top educational institutions partnering with leading industry players to galvanize an effective AI ecosystem and nurture quality human resources in the field.
- A National Data Governance Policy will be brought out to unleash innovation and research by start-ups and academia.

## Priority 4 – Unleashing the Potential (2/4)

- The KYC process will be simplified adopting a 'risk-based' instead of 'one size fits all' approach. The financial sector regulators will also be encouraged to adopt the KYC system.
- A one stop solution for reconciliation and updating of identity and address of individuals using DigiLocker service and Aadhaar as foundational identity.

### **Vivad se Vishwas I – Relief for MSMEs:**

- In cases of failure by MSMEs to execute contracts during the Covid period, 95% of the forfeited amount relating to bid or performance security will be returned to them by government and government undertakings.

### **Vivad se Vishwas II –Settling Contractual Disputes:**

- a voluntary settlement scheme with standardized terms will be introduced to settle contractual disputes of government and government undertakings, wherein arbitral award is under challenge in a court. This will be done by offering graded settlement terms depending on pendency level of the dispute.

## Priority 4 – Unleashing the Potential (3/4)

- **The PAN will be used as the common identifier for the business establishments for all digital systems for the facilitating ease of doing business.**
- **Unified Filing Process** will be set up for facilitating the submission of same information to different authorities.
- The State Support Mission of NITI Aayog will be continued for 3 years for our collective efforts towards national priorities.
- For better allocation of scarce resources used for competing development needs, the financing of selected schemes will be changed, on a pilot basis, from 'input-based' to 'result-based'.
- **E-Courts project Phase-3** will be launched for efficient administration of justice with an outlay of INR 7,000 crore.
- To enable more Fintech innovative services in banks, the scope of documents available in DigiLocker for individuals will be expanded.

## Priority 4 – Unleashing the Potential (4/4)

- DigiLocker for Business and charitable organizations will be set up for storing and sharing documents online securely.
- 100 labs for developing applications using 5G services will be set up in engineering institutions to realise a new range of opportunities such as smart classrooms, precision farming, intelligent transport systems, and health care applications.
- **Lab Grown Diamonds (LGD)**, these environment friendly diamonds which have same optical and chemical properties as natural diamonds. To reduce import dependency, a research and development grant will be provided to one of the IITs for 5 Years



## Priority 5 – Green Growth (1/3)

Hon'ble Prime Minister has given a vision for "LiFE", or Lifestyle for Environment, to spur a movement of environmentally conscious lifestyle. India is moving forward firmly for the 'panchamrit' and net-zero carbon emission by 2070 to usher in green industrial and economic transition. This Budget builds on our focus on green growth.



## Priority 5 – Green Growth (2/3)

- **National Green Hydrogen Mission**, was launched with an outlay of INR 19,700 crores to facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector. Our target is to reach an annual production of 5 MMT by 2030.
- An outlay of INR 35,000 crore will be provided for priority capital investments towards energy transition and net zero objectives.
- Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with Viability Gap Funding.
- The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of INR20,700 crore (INR8,300 crore from CG).
- A **Green Credit Programme** will be notified under the Environment (Protection) Act, incentivize environmentally sustainable and responsive actions.
- Adequate funds will be allotted to scrap old vehicles of the Central Government. States will also be supported in replacing old vehicles and ambulances.

## Priority 5 – Green Growth (3/3)

- **PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM)** will be launched to promote alternative fertilizers and balanced use of chemical fertilizers
- **GOBARdhan scheme (Galvanizing Organic Bio-Agro Resources Dhan) scheme**, 500 new 'waste to wealth' plants will be established for promoting circular economy with an investment of INR10,000 core.
- 10,000 Bio-Input Resource Centres will be set-up, creating a national-level distributed micro-fertilizer and pesticide manufacturing network to promote natural farming.
- **MISHTI 'Mangrove Initiative for Shoreline Habitats & Tangible Incomes'** will be taken up for mangrove plantation wherever feasible.
- The government will promote their unique conservation values through **Amrit Dharohar**, a scheme that will be implemented over the next three years to encourage optimal use of wetlands, and enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.
- Coastal shipping will be promoted as the energy efficient and lower cost mode of transport, both for passengers and freight, through PPP mode with viability gap funding.

## Priority 6 – Youth Power (1/2)

- To empower the youth the bill proposed to formulate the National Education Policy, focused on skilling, adopted economic policies that facilitate job creation at scale, and have supported business opportunities.
- **Pradhan Mantri Kaushal Vikas Yojana 4.0** to be launched to skill lakhs of youth within the next three Years On-job training, industry partnership, and alignment of courses with needs of industry will be emphasized on. The scheme will cover courses like coding, AI, robotics, mechatronics, IOT, 3D printing, drones etc.
- **National Apprenticeship Promotion Scheme** to provide stipend support to 47 lakh youth in three years, Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme will be rolled out.
- At least 50 destinations to be selected and would be developed as complete package for domestic and foreign tourists.
- **Skill India Digital Platform** will provide Digital ecosystem for skilling which will be further expanded with the launch of a unified Skill India Digital platform for enabling demand-based formal skilling, linking with employers including MSMEs, and facilitating access to entrepreneurship schemes.

## Priority 6 – Youth Power (2/2)

- States will be encouraged to set up a Unity Mall in their state capital or most prominent tourism centre or the financial capital for promotion and sale of their own ODOPs (one district, one product), GI products and other handicraft products.



## Priority 7 – Financial Sector (1/4)

- Revamped Credit Guarantee Scheme for MSMEs from 1 April 2023 through inclusion of INR 9000 Cr. in corpus. Additional collateral-free guaranteed credit of INR 2 lakh crore.
- A national financial information registry is to be set up, in consultation with the RBI, to serve as the central repository of financial and ancillary information.
- Financial sector regulators requested to carry out a comprehensive review of existing regulations to ease and reduce the cost of compliances
- Amendments proposed in the Banking Regulation Act, the Banking Companies Act and the RBI Act to improve bank governance and enhance investors' protection
- Public consultations to be brought to the process of regulation-making and issuing subsidiary directions.

## Priority 7 – Financial Sector (2/4)

- In order to further incentivize operations from the International Financial Services Centre (IFSC), the following are the proposals:
- Permitting acquisition financing by IFSC banking units of foreign banks;
  - Delegating powers under the SEZ Act to IFSCA to avoid dual regulation;
  - Setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI;
  - Establishing a subsidiary of EXIM Bank for trade re-financing;
  - Amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act,
  - Recognizing offshore derivative instruments as valid contracts; and
  - Setting up of their Data Embassies in GIFT IFSC for countries looking for digital continuity solutions.

## Priority 7 – Financial Sector (3/4)

- Certain amendments to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act are proposed. to improve bank governance and enhance investors' protection.
- SEBI will be empowered to develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets and to recognize award of degrees, diplomas and certificates. to build capacity of functionaries and professionals in the securities market.
- For faster response to companies through centralized handling of various forms filed with field offices under the Companies Act, A **Central Processing Centre** will be setup.
- An integrated IT portal will be established for investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease.
- Fiscal support for this digital public infrastructure will continue in 2023-24 for Digital payments.

## Priority 7 – Financial Sector (4/4)

- A one-time new small savings scheme, **Mahila Samman Savings Certificate**, will be made available for a two-year period up to March 2025. This will offer deposit facility upto INR 2 lakh in the name of women or girls, at fixed interest rate of 7.5 per cent with partial withdrawal option.
- The maximum deposit limit for **Senior Citizen Savings Scheme** will be enhanced from INR15 lakh to INR30 lakh. The maximum deposit limit for Monthly Income Account Scheme will be enhanced from INR4.5 lakh to INR9 lakh for single account and from INR9 lakh to INR15 lakh for joint account.
- The entire 50-year loan to states has to be spent on capital expenditure within 2023-24. Parts of the outlay will also be linked to, or allocated for, the following purposes:
  - Scrapping old government vehicles, Constructing Unity Malls,
  - Urban planning reforms and actions,
  - Financing reforms in urban local bodies to make them creditworthy for municipal bonds,
  - Housing for police personnel, Children and adolescents' libraries and digital infrastructure.

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a bright blue sky with scattered white clouds. The perspective creates a sense of height and scale. A semi-transparent dark red horizontal band is overlaid across the middle of the image, serving as a background for the text.

# Corporate Taxation

# Filip to Cash flows of MSME's – sec 43B

- Section 43B provides certain deduction on actual payment basis. Further, the provision of this section allows deduction on accrual basis if the amount is paid by due date of furnishing of the return of income.
- The budget proposes to amend section 43B of the Income Tax Act with the new clause (h) to curb the major cash flow challenge of MSEs( Micro and Small Enterprises) to their growth by including payments made to such enterprises.
- It can be allowed on accrual basis only if the payment is made within the time mandated under section 15 of the MSMED Act. Section 15 mandates payments to MSEs within the time as per the written agreement which cannot be more than 45 days. If there is no such written agreement, it mandates that the payment should be made within 15 days i.e., before the appointed date.
- This amendment would increase the compliance requirement on the part of corporates significantly to identify such cases timely for payments, so that the corresponding expense is allowed in the tax computation.
- This amendment will take effect from **1<sup>st</sup> April, 2024** and will accordingly apply to the assessment year 2024-25 and subsequent assessment years.

# Non-resident investors within the ambit of section 56(2)(viib)

- Section 56(2)(viib) of the Act, inter alia, provides that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable to income-tax under the head 'Income from other sources'.
- Rule 11UA of the Income-tax Rules provides the formula for computation of the fair market value of unquoted equity shares for the purposes of the Section 56(2) (viib) of the Act.
- However, the said section is not applicable for consideration (share application money/ share premium) received from non-resident investors.
- This will make the provision applicable for receipt of consideration for issue of shares from any person irrespective of his residency status. These amendments will be effective from the **1<sup>st</sup> April 2024**.

# Increasing threshold limits for presumptive taxation schemes

- **Section 44AD:** The threshold has been increased to **INR 30 Mn** (20 Mn earlier) provided, amount or aggregate of the amounts received during the previous year in cash does not exceed 5% of the total turnover or gross receipts.
- **Section 44ADA:** The threshold has been increased to **INR 7.5 Mn** (5 Mn earlier) provided, amount or aggregate of the amounts received during the previous year in cash does not exceed 5% of the total turnover or gross receipts.
- **Section 44AB:** This section shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of sub-section (1) of section 44AD of the Act or sub-section (1) of section 44ADA of the Act, as the case may be.
- The receipt by a cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be the receipt in cash for all the sections above. These amendments will take effect from **1st April, 2024**.

# Introduction of Joint Commissioner (Appeals) (1/2)

- As per the amendment under Chapter XX, appeals to the Deputy commissioner has been substituted with Joint Commissioner/ Additional Commissioner level to handle certain class of cases involving small amount of disputed demand.
- It has been proposed to substitute section 246 of the Act to provide for appeals to be filed before Joint Commissioner (Appeals). Further, any assessee aggrieved by any of the following orders of an AO (below the rank of Joint Commissioner) may appeal to the Joint Commissioner (Appeals) against the order u/s 143(1),143(3),144, 147, 200A(1), 201, 206 C(6A), 206 CB, 154,155 and an order imposing a penalty under Chapter XXI.
- Moreover, order u/s143(1B), 150, 163, 170, 171, 185(1)(b),185 (2),185 (3), 185(5), 186(1), (2), 216, 237, 221, 271, 271A, 271B, 272A, 272AA,272BB, 272, 272B or 273 has been omitted from section 246 of the act.
- It is proposed to insert a proviso under sub-section (1) that an appeal cannot be filed before the Joint Commissioner (Appeals) where an order referred to under this sub-section is passed by or with the approval of an income-tax authority above the rank of Deputy Commissioner.

# Introduction of Joint Commissioner (Appeals) (2/2)

- Section 246 (2) seeks to provide that where any appeal filed against an order is pending before the CIT (Appeals), the Board or an IT authority so authorised by the Board, may transfer such appeal and any matter arising out of or connected with such appeal and which is so pending, to the JCIT (Appeals) who may proceed with such appeal or matter, from the stage at which it was transferred. This will enable transfer of certain existing appeals filed before the CIT (Appeals) to the JCIT (Appeals).
- Section 246 (4) seeks to provide that where an appeal is transferred under the provisions of section 246 (2) or (3), the appellant shall be provided an opportunity of being reheard.
- Section 246(5) seeks for the purposes of disposal of appeal by the JCIT (Appeals), the CG may make a scheme, by notification in the Official Gazette.
- The CG further proposed that the section 246 (6) shall not apply to any case or any class of cases of section 246(1). These amendments will take effect from the **1<sup>st</sup> April 2023**.

# Reducing the time provided for furnishing TP report

- Section 92D of the Income Tax Act, provides that every person who has entered into an international transaction or a specified domestic transaction shall keep and maintain the information and documents as provided under rule 10D of the Income-tax Rules, 1962.
- It has been noticed in several instances that due to limited time available for TP proceedings it is not practically possible for TPO to provide minimum 30 days for producing these information or documents which in any case is already in possession of the assessee. Accordingly, the time period allowed for submission of information or documents in respect of international transaction, or a specified domestic transaction is required to be rationalised so as to provide the AOs a reasonable amount of time to examine the information/documents submitted and complete the pending proceedings.
- Hence, it is proposed to reduce the minimum time period required to be provided by the transfer pricing officer to assessee for production of documents and information from **thirty days to ten days**. Also, the extension time is also proposed to be reduced from **thirty days to ten days**.
- This amendment will take effect from FY 2023-24.

# Time limit for completion of assessment, reassessment and re-computation

- Under the existing provisions for AY 2021-22 and onwards, Assessing Officer has the time limit of 9 months from the end of AY to complete the assessment. A notice under sub-section (2) of section 143 of the Act can be served on the assessee up to 3 months from the end of the relevant assessment year. This gives a time of 6 months to the Assessing Officer for making assessment which, inter alia, includes making investigations, giving assessee opportunities of hearing, bringing on record any material relevant to the case, analysing judicial positions of various legal matters etc. This also gives very little time for all the units at NFAC to coordinate. As a result, the taxpayers' grievances were not being given enough time to explain themselves or provide evidences and may also compromise the dispensation of reasonableness of orders as well as natural justice to the assessee.
- Accordingly, it is proposed to increase the timeline to 12 months from AY 2022-23 onwards. The time available for completion of assessment proceedings in the case of an updated return is also proposed to be increased to 12 months from the end of the financial year in which such return is furnished.
- These amendments will take effect from FY 2023-24.

# Claim of WHT credit in subsequent years in respect of income already offered to tax in past years

- Presently, credit of tax withheld in respect of income of a taxpayer can be claimed only in the year in which such income is offered to tax. Taxpayers were facing difficulties in obtaining TDS credit where the income is offered to tax in earlier years following accrual method of accounting, but tax is withheld and paid by payer only when the income is actually paid to the taxpayer subsequently. In such case, it is typically seen that benefit of such credit is lost as the time to file revised return for past years has lapsed.
- Accordingly, to mitigate such challenges, it is proposed to allow a taxpayer to claim such tax credit in the said assessment year through an application made before tax authority within two years from the end of the FY in which such tax was withheld u/s 155(20). Additionally, it also permits the tax authority to carry out rectification granting such credit within four years from the end of the FY in which such tax was withheld.
- Separately, interest on refund, if any, that may arise in such case, shall be allowable only from the date of application made by the taxpayer u/s 244A.
- This amendment will be effective from **1st October 2023**.

# Provisions related to Business Reorganisation

- The section 170A provides that in case of business reorganisation, where a return of income has been filed by the successor u/s 139 of the Act, such successor shall furnish a modified return within six months from the end of the month in which such order of business reorganisation was issued, in accordance with and limited to the said order.
- While the law provide filling of modified return by the successor, there is no clear provision for filing of modified return after the passing of the Order by the concerned Court or authority and passing of modified order by the assessing officer pursuant to such modified return.
- Accordingly, it is proposed to insert enabling provisions for the successor to file a modified return after passing of such Order and assessing officer to pass a modified order (if assessment already completed for the said AY) or consider the modified return for completing assessment (if the assessment is pending).
- This amendment will take effect from FY 2023-24.

# Time limit for bringing consideration against export proceeds into India

- The existing provisions of the section 10AA of the Act provides 15-year tax benefit to a unit established in a SEZ which begins to manufacture or produce articles or things or provide any services on or after 01.04.2005. The deduction is available for units that begin operations before 01.04.2020, which has been extended to 30.09.2020 through the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 and is allowed in the specified manner therein.
- It is proposed to provide for an additional condition whereby deduction in respect of export profits earned by Eligible Unit in SEZ will be available only if the return is filed within the statutory due date under Section 139(1) of the Act.
- Separately, such deduction in respect of export profits of Eligible Unit in SEZ is also proposed to be made contingent upon receipt of export proceeds in India within 6 months from end of relevant tax year (or higher period in accordance with exchange control regulations). These amendments will be effective from the **1st April, 2024**

# Preventing misuse of Sec. 44BB and Sec. 44BBB

- It has been observed that taxpayers opt in and opt out of presumptive scheme in order to avail benefit of both presumptive and non presumptive schemes.
- It is proposed to insert a new sub-section to **section 44BB (oil and gas related projects)** and to **section 44BBB (civil construction for turnkey power projects)** of the Act to provide that notwithstanding anything contained in the Act, where an assessee declares profits and gains of business for any previous year in accordance with the provisions of presumptive taxation, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the assessee for such previous year.
- These amendments will take effect from **1st April, 2024** and will accordingly apply to the assessment year 2024-2025 and subsequent assessment years.

# Proposed amendments in Sec 241A, 244A & 245

- The amendment proposes to integrate two sections (**Sec 241A & 245**) by substituting **Sec 245** and the power to withhold the refund has been incorporated u/s 245 till the date of assessment or re-assessment with previous approval of PCIT or CIT.
- Further, the amendment proposes to amend **Sec 244A(1A)** by inserting a proviso to clarify that the additional interest shall not be payable to the assessee under this sub-section, for the period beginning from the date on which such refund is withheld by the AO, in accordance with and subject to provisions of Sec 245(2), till the date on which the assessment or reassessment pending in such case, is made.
- Also, it is proposed to amend **Sec 241A** (Withholding of taxes) of the Act to make the provisions of that section inapplicable from **1st April, 2023**.

# Rationalization of the provisions of Charitable Trust and Institutions (1/4)

- It is proposed that only 85% of the eligible donations made by a trust or institution under the first or the second regime to another trust under the first or second regime shall be treated as application only to the extent of 85% of such donation. The regimes being-
  - a. Regime for institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 of the Act (hereinafter referred to as trust or institution under first regime); and
  - b. Regime for the trusts registered under section 12AA/12AB of the Act
- The amendment is proposed due to instances of attempting to defeat the exemption provisions by forming multiple trusts and accumulating 15% at each layer, leading to significant reduction in effective application of funds whereas mandatory application is 85%.
- These amendments will take effect from **1st April, 2024** and will accordingly apply in relation to the assessment year 2024-25 and subsequent assessment years.

# Rationalization of the provisions of Charitable Trust and Institutions (2/4)

- It is proposed that the application out of corpus or loans or borrowings before 1<sup>st</sup> April, 2021 should not be allowed as application for charitable or religious purposes when such amount is deposited back or invested into corpus or when the loan or borrowing is repaid in order to ensure proper implementation of both the exemption regimes as stated earlier.
- It is further proposed to provide that if the trust or institution invests or deposits back the amount into corpus or repays the loan within 5 years of application from the corpus or loan, then such investment/depositing back into corpus or repayment of loan will be allowed as application for charitable or religious purposes.
- It is also proposed to provide that where the application from corpus or loan did not satisfy the conditions as stated, the repayment of loan or investment/depositing back into corpus of such amount will not be treated as application.

# Rationalization of the provisions of Charitable Trust and Institutions (3/4)

## ➤ Combining provisional and regular registration in some cases

In order to ensure rationalization of the provisions, it is proposed to allow for direct final registration/approval in case of trusts or institutions, where activities have already commenced under both the regimes. These amendments will take effect from **1st October, 2023**.

## ➤ Specified violations under section 12AB and fifteenth proviso to clause (23C) of section 10

At present, the process of granting the provisional approval/ registration for the new trusts and re- registration/ approval for the trusts already registered is automated and the said registrations can be cancelled by the PCIT/CIT for certain specified violations. In order to rationalise the said provisions, it is proposed to include the cases under both the said regimes where the applications for registrations referred to in section 12A & section 10(23C) of the Act is incomplete or it contains false or incorrect information. These amendments will take effect from **1st April, 2023**.

# Rationalization of the provisions of Charitable Trust and Institutions (4/4)

## ➤ Alignment of the time limit for furnishing the form for accumulation of income and tax audit report

In order to rationalise the provisions, it is proposed to provide for filing of Form No. 10 (Statement required to be filed where the trust or institution accumulates or sets apart its income) /9A (Statement required to be filed where the trust or institution under the second regime deems certain income to be applied), at least two months prior to the due date specified under sub-section (1) of section 139 for furnishing the return of income for the previous year. These amendments will take effect from **1st April, 2023**.

*A new Chapter XIIEB consisting of Sections 115TD, 115TE and 115TF was inserted in the Act by the Finance Act, 2016, which imposes a levy of exit tax where the trust gets merged with a non charitable or a charitable but with a dissimilar object or does not transfer the asset to another charitable trust. It is proposed to amend the provisions of section 115TD of the Act by inserting clause (iii) in sub-section (3) of section 115TD of the Act to provide that the provisions of the said Chapter shall be applicable if any trust or institution under the first or second regime fails to make an application in accordance with the provisions of clause (i) or clause (ii) or clause (iii) of the first proviso to clause (23C) of section 10 of the Act or in accordance with sub-clause (i) or sub-clause (ii) or sub-clause (iii) of clause (ac) of subsection (1) of section 12A of the Act, within the period specified in the said clauses or sub-clauses. Upon violation of these, it will be deemed to have been converted into any form not eligible for registration or approval in the previous year in which such period expires.*

# Cost of acquisition in case of no consideration for certain assets

- To define the term 'cost of acquisition' and 'cost of improvement' of certain assets like intangible assets or any sort of right for which no consideration has been paid for acquisition, it is proposed to amend the provisions of section 55 so as to provide that the 'cost of improvement' or 'cost of acquisition' of a capital asset being any intangible asset or any other right ( other than those mentioned in the said sub-clause or clause, as the case may be) shall be 'Nil'.
- Since there is no specific provision which states that the cost of such assets whose cost of acquisition is nil, the chargeability of capital gains from transfer of such assets was not accepted by the Courts.
- This amendment is will take effect from **1st April, 2024** and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

## Amendments to TDS and taxability on winnings from any lottery/crossword puzzle/ card game/horse racing/ wagering/ betting (Section 194B & BB)

- Section 194B of the Act provides that the person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort in an amount exceeding Rs 10,000/- shall, at the time of payment thereof, deduct income-tax thereon at the rates in force.
- Also, Section 194BB of the Act provides for similar provisions for deduction of tax at source for horse racing in any race course or for arranging for wagering or betting in any race course.
- It is seen that various deductors were deducting tax under section 194B and 194BB of the Act by applying the threshold of Rs 10,000/- per transaction and avoiding tax deduction by splitting a winning into multiple transactions each below Rs 10,000/-. This was not in sync with the intention of legislature.
- Hence, in both the sections, the limit of INR 10,000 has been specifically mentioned as applicable to the entire FY. This is a clarificatory amendment which is introduced to curb the unintended benefit claimed by assesses and will take effect from FY 2023-24.
- Further, Gambling & Betting of any form has also been included in the scope of Sec 194B.

# Amendments to TDS under Section 194R

- Sub-section (2) of Section 194R provides for issuance of guidelines by CBDT (with the approval of the Central Government) for the purpose of removing difficulties.
- Accordingly CBDT had issued Circular No. 12 dated 16th June, 2022. This circular, *inter-alia*, provides that tax under section 194R is required to be deducted whether the benefit or perquisite is in cash or in kind.
- Accordingly, it is proposed to codify the above Circular in the law to clarify by way of insertion of an Explanation to section 194R of the Act to provide that provisions of sub-section (1) apply to benefit or perquisite whether in cash or in kind or partly in cash and partly in kind. This amendment will take effect from FY 2023-24

# Host of measures to enhance business in IFSC (1/2)

- Finance Bill 2023 proposes incentives for International Financial Services Centre (IFSC) to make it a global hub of financial services sector.
- The measures to enhance business activities in GIFT IFSC including establishing a subsidiary of EXIM Bank for trade re-financing and allowing acquisition financing by IFSC Banking Units of foreign banks. Besides, an amendment proposed to International Financial Services Centers Authority (IFSCA) Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under the Special Economic Zone (SEZ) regime .
- The Budget also announced delegating powers under the SEZ Act to IFSCA and setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GST Network, RBI, SEBI and IRDAI.

# Host of measures to enhance business in IFSC (2/2)

- The Budget 2023-24 proposes an extension of tax benefits to funds relocating to IFSC, GIFT City till March 31, 2025.
- For countries looking for digital continuity solutions, setting up of the Data Embassies in GIFT IFSC will be facilitated.
- It is proposed to rationalize double taxation on distribution of income to NR ODI holders by providing for exemption to any income distributed on the offshore derivative instruments, entered with an offshore banking unit of an IFSC subject to the conditions prescribed under Section 80LA of The Income Tax Act, 1961.
- Exempted income shall include only that amount which has been charged to tax in the hands of the offshore Banking Unit under section 115AD.
- Recognising offshore derivative instruments as valid contracts.

# Non-Banking Financial Company (NBFC) proposals

- Section 43B and section 43D of the Act currently use two erstwhile categories of NBFC namely, Deposit taking Non-Banking Financial Company and Systemically Important Non-Deposit taking Non-Banking Financial Company. Such classification for non-banking financial companies is no longer followed by the Reserve Bank of India for the purposes of asset classification.
- In view of the above, it is proposed to amend section 43B and 43D of the act, to substitute the words “a deposit taking NBFC or systematically important non-deposit taking NBFC” for the words “such class of NBFC as may be notified by the Central Government in this behalf ”.
- It is also proposed to amend thin capitalization provisions under section 94B(3) of the Act to provide a carve out to certain class of NBFCs (to be notified by the Central Government) and to provide that these provisions won't apply to such NBFCs on the lines of Banking companies.
- These amendments will take effect from **1<sup>st</sup> April, 2024** and will accordingly apply to the assessment year 2024-25 and subsequent assessment years.

# Relief to start-ups (1/2)

## ➤ Relief to start-ups in carrying forward and setting off of losses

- Relaxation has been provided in case of an eligible start-up as referred to in section 80-IAC of the Act. The condition of continuity of at least 51% shareholding is not applicable to the eligible start-up, if all the shareholders of the company as on the last day of the year, in which the loss was incurred, continue to hold those shares on the last day of the previous year in which the loss is set off.
- There is an additional condition that the loss is allowed to be set off, under this relaxation, only if it has been incurred during the period of seven years beginning from the year in which such company is incorporated.
- the time period for loss of eligible start-ups to be considered for relaxation is proposed to be increased from seven years to ten years from the date of incorporation.
- It is therefore proposed to amend the proviso to sub-section (1) of section 79 of the Act so 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.

## Relief to start-ups (2/2)

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

It is proposed to amend the provisions of section 80-IAC of the Act to extend the period of incorporation of eligible start-ups before 1st April 2024 to further promote the development of start-ups in India and to provide them with a competitive platform.

This amendment will take effect from the **1st day of April, 2023** and shall accordingly, apply in relation to the assessment year 2023-24 and subsequent assessment years.

# Simplicity of claiming a deduction on amortization of preliminary expenditure

- Section 35D provides that the work in connection with the preparation of feasibility report or the project report or the conducting of market survey or of any other survey or the engineering services would need to be carried out either by the assessee himself or by a concern which is approved by the Board to be eligible under this section.
- In order to ease the process of claiming amortization of these preliminary expenses, it is proposed to amend **section 35D** of the Act to remove the condition of activity in connection with these expenses to be carried out by a concern approved by the Board.
- 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.
- This amendment will take effect from **1st April, 2024** and will accordingly apply to the assessment year 2024-2025 and subsequent assessment years.

# Special provision for taxation of capital gains in case of Market Linked Debentures

- 'Market Linked Debentures' are listed securities. They are currently being taxed as long term capital gain at the rate of 10% without indexation. However, these securities are in the nature of derivatives which are normally taxed at applicable rates.
- In order to tax the capital gains arising from the transfer or redemption or maturity of these securities as short-term capital gains at the applicable rates, it is proposed to insert a new section 50AA in the Act to treat the full value of the consideration received or accruing as a result of the transfer or redemption or maturity of the "Market Linked Debentures" as reduced by the cost of acquisition of the debenture and the expenditure incurred wholly or exclusively in connection with transfer or redemption of such debenture, as capital gains arising from the transfer of a short term capital asset.
- Further, it is also proposed to define the 'Market linked Debenture' as a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any securities classified or regulated as a Market Linked Debenture by Securities and Exchange Board of India (SEBI).
- This amendment will take effect from the **1<sup>st</sup> April, 2024** and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

# Prevention of double deduction claimed on interest on borrowed capital

- Under the existing provisions of the Act, the amount of any interest payable on borrowed capital for acquiring, renewing or reconstructing a property is allowed as a deduction under the head "Income from house property" under section 24 of the Act.
- The amendment has been introduced to curb the double deduction being claimed by various assesses w.r.t. interest paid on borrowed capital for acquiring, renewing or reconstructing a property. Firstly, it is claimed in the form of deduction from income from house property under section 24, and in some cases the deduction is also being claimed under other provisions of chapter VIA of the Act. Secondly while computing capital gains on transfer of such property this same interest also forms a part of cost of acquisition or cost of improvement under section 48 of the Act..
- Hence, in order to prevent this double deduction, it is proposed to insert a proviso after section 48(ii) to provide that the COA or the COI shall not include the amount of interest claimed under section 24 or Chapter VIA. This amendment is proposed to take effect from **1<sup>st</sup> April, 2024** and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

# Conversion of Gold to Electronic Gold Receipt (EGR) and vice versa

- It is proposed to insert a new clause in Section 47, to provide that the transfer of physical gold to EGR or vice versa by a Vault Manager shall not be considered as a "transfer."
- Further a new section 49(10) is inserted, to provide that the cost of acquisition of physical gold or EGR, in the event of a transfer, shall be deemed to be the cost of the other asset (gold or EGR) in the hands of the person in whose name it is issued.
- Explanation 1 of Section 2(42A)(hi) of the Act is proposed to be amended to include the holding period for the purpose of capital gains, which will include the period for which gold or EGR was held by the assessee prior to conversion.
- As per section 47, EGR issued by a Vault Manager becomes the property of the person and this will not be classified as transfer between the two. Further, the cost of acquisition of the asset will be deemed to be the cost of gold in the hands of the person in whose name the EGR is issued.
- These amendments will take effect from AY 2024-25.

# Alignment of provisions of section 45(5A) with section 194-IC

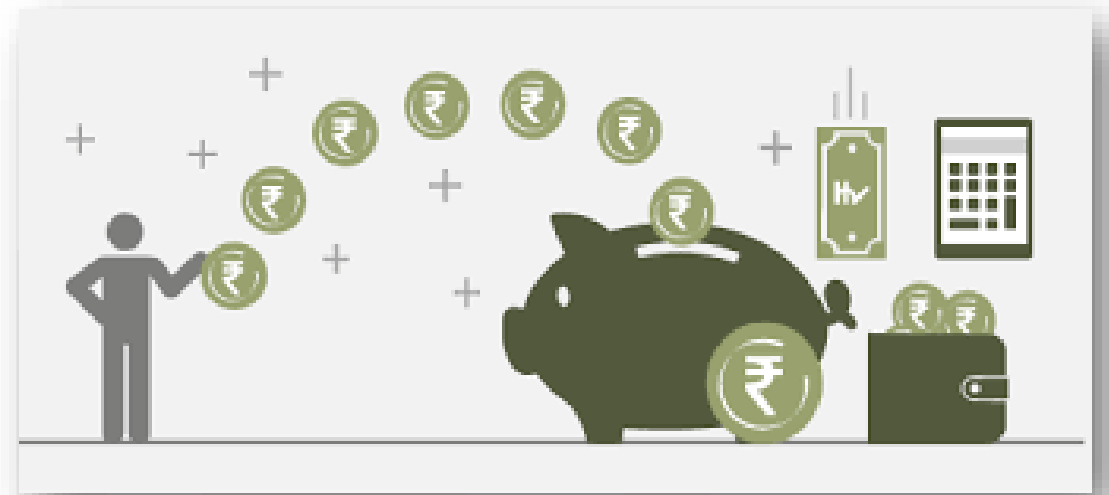
- The section 45(5A) of the Act provides that on the capital gain arising to an assessee (individual and HUF), from the transfer of a capital asset, being land or building or both, under a Joint Development agreement (JDA), the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority.
- It has been noticed that the taxpayers are inferring that any amount of consideration which is received in a mode other than cash, i.e., cheque or electronic payment modes would not be included in the consideration for the purpose of computing capital gains chargeable to tax. There is an ambiguity in both the sections i.e. section 45(5A) and 194-IC.
- To remove the ambiguity, It is proposed to amend section 45(5A) so as to provide that the full value of consideration shall be taken as the stamp duty value of his share as increased by any consideration received **in cash** or by a cheque or draft or by any other mode.
- This amendment will take effect from the **1<sup>st</sup> April, 2024**.

# Removal of certain funds from section 80G

- Section 80G of the Act provides for the deductions (50%/100%) in respect of donations to the taxpayers making such donations.
- It has been observed that there are only three funds based on names of the persons in the said section. In order to remove such funds, it is proposed to omit sub-clauses (ii), (iiic) and (iiid) of clause (a) of sub-section (2) of section 80G of the Act. The funds being namely-
  - a. the Jawaharlal Nehru Memorial Fund;
  - b. the Indira Gandhi Memorial Trust; or
  - c. the Rajiv Gandhi Foundation.
- This amendment will take effect from the **1<sup>st</sup> April, 2024** and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

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

- The existing provisions of the law provides for withholding at the rate of 20% on income of NRs from the specified units of Mutual fund and the treaty benefits are not considered at the stage of withholding by the payer.
- In order to provide the relief to taxpayers, it is proposed to insert a proviso to Section 196A(1) of the Act which seeks to provide that the withholding will be made at the rate of 20% or the rate/ rates provided in agreement (DTAA) referred to in Section 90(1) or Section 90A(1) of the Act, whichever is lower, in case of a payee to whom such agreement applies and such payee has furnished the TRC referred to in Section 90(4) or Section 90A(4) of the Act. This amendment will take effect from 1st April, 2023.



- This amendment has been made in view of the representations received by the govt. requesting to consider the benefit of tax treaty at the time of withholding so that if the treaty provides a rate lower than 20%, TDS is made at that lower rate.

# New manufacturing Co-operative Societies

- For providing a level playing field between new manufacturing co-operative societies and new manufacturing companies, it is proposed to insert a new **Section 115BAE** to the Act in which concessional tax regime is being provided for the new manufacturing cooperative societies. Extending 15% of corporate tax benefits to newly manufactured co-operative societies for those who commence manufacturing till 31st March 2024.
- The provisions of the Specified Domestic Transactions has been expanded to cover the transactions undertaken between any taxpayer with the new manufacturing co-operative societies availing a concessional tax rate of 15%.
- Manufacture or production of any article or thing shall include the business of generation of electricity, but not include a business of development of computer software in any form or in any media, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film, or any other business as may be notified by the Central Government in this behalf.
- Further, income not derived or incidental to manufacturing or production of an article or thing shall be taxed at 22%.
- These amendments are proposed to take effect from FY 2023-24.

# Other Key Budget Proposals (1/4)

- **Enhancement of powers of Assessing Officer under Special Audit** - It is proposed to widen the powers of Assessing officer to direct the valuation of inventory by a cost accountant apart from special audit of accounts under section 142(2A). It will take effect from **1st April 2023** and will accordingly apply to the assessment year 2023-2024 and subsequent assessment years.
- **Revamping of valuation of residential accommodation provided to employees** - It is proposed to rationalize section 17(2)(i) and (ii) and specify the method of computation for the value of the accommodation provided to the employee by his employer. The rules will be notified.
- Section 276A of the Act makes provision for prosecution with rigorous imprisonment up to two years in the case of a person, being a liquidator who fails to give **notice u/s 178(1) of the Act** or fails to set aside the amount u/s 178(3) of the Act or parts with assets of the company in contravention of the provisions of the said section. It is proposed to amend **Sec 276A** by providing a sunset clause on the said section with effect from 1st April, 2023, that no fresh prosecution shall be launched under this Sec on or after **1st April, 2023** to decriminalise minor offences and the liquidator is now working under the oversight of IBC law. This amendment will take effect from FY 2023-24.

## Other Key Budget Proposals (2/4)

- Amendment in definition of Specified person **u/s 206AB & 206CCA** to also not include a person who is not required to furnish the ROI for the AY relevant to the said PY and is notified by the CG in the Official Gazette in this behalf. The same is applicable w.e.f. FY 2023-24.
- It is proposed to hike the TCS rate to 20% from 5% currently on overseas tour packages (except for education and medical treatment) and remittance under LRS of funds out of India **u/s 206C**. Moreover, the threshold of 7 lakh on LRS is proposed to be removed. The amendment will come into effect from **July 1, 2023**.
- Amendments have been proposed to further streamline reassessment proceedings **under section 147 of the Act**. It is proposed to provide that a return in response to a notice can be filed within three months from the end of the month in which such notice is issued u/s 148, or within such further time as may be allowed by the Assessing Officer on a request made in this behalf by the assessee. There is no specific timeline mentioned currently in the section. It is also proposed to provide that any delayed filing of return will not be treated as a return filed u/s 139 of the Act.

## Other Key Budget Proposals (3/4)

- In the case of **Virtual Digital Assets**, since the consideration for transfer could be in exchange of another VDA (fully or partly in kind), the first proviso to section 194S provides that the person responsible for paying the consideration shall ensure that the required amount of tax has been paid, before releasing the consideration. Presently, the provisions for penalty and prosecution do not clearly mandate a penalty or prosecution for a person who does not pay or fails to ensure that tax has been paid in a situation where the benefit or perquisite is passed in kind. Therefore, it is proposed to amend section 271C inserting two new subclauses providing reference to the first proviso to section 194R and the first proviso to section 194S. Similar amendments are also proposed in section 276B. These amendments will take effect from the **1st April, 2023**.
- It is proposed to amend **Section 194N** of the Act by inserting a new proviso to provide that where the recipient is a co-operative society, the provisions of this section shall have effect, as if for the words “one crore rupees”, the words “three crore rupees” had been substituted.
- Removal of exemption from TDS on payment of interest on listed debentures to a resident **u/s 193** as it is observed that there is an under reporting of interest income by the recipient due to above TDS exemption w.e.f. 1<sup>st</sup> April, 2023.

## Other Key Budget Proposals (4/4)

- **Section 194LBA** of the Act, provides that business trust shall deduct and deposit tax at the rate of 5% on interest income of non-resident unit holders. However, in some cases rate of deduction may be required to be reduced due to some exemption, e.g. exemption under section 10(23FE) of the Act allowed to notified Sovereign Wealth Funds and Pension Funds, but in this case certificate for lower deduction under section 194LBA of the Act cannot be obtained under section 197 of the Act, benefit of exemption is not available at the time of tax deduction. Hence, in order to remove this difficulty, it is proposed to amend Section 197(1) of the Act to include section 194LBA of the Act for certificate for deduction at lower rate. This amendment will take effect from **1st April, 2023**.
- It is proposed to insert a new section 271FAA (2) which shall provide that if there is any inaccuracy in the statement of financial transactions submitted by a prescribed reporting financial institution and such inaccuracy is due to false or inaccurate information submitted by the account holder, a penalty of INR 5000 shall be imposable on such institution, in addition to the penalty leviable on such financial institution in the said section, if any. This penalty shall be levied by the IT authority prescribed under section 285BA(1) of the Act. This amendment will take effect from the **1st April, 2023**.

A photograph of a business meeting. Several people are gathered around a table, looking at and pointing to various financial documents and charts. The documents feature bar graphs, pie charts, and tables of data. One person is holding a pen over a document, while another is pointing at a specific section. The scene is brightly lit, suggesting an office environment. A semi-transparent red banner is overlaid across the middle of the image, containing the title text.

# Taxation of Individuals and other Tax payers

# Personal Income Tax – Section 115BAC (New Regime)

- **Income Tax rebate u/s 87A increases to INR 7 lakhs** – Taxpayers earning total income up to INR 7 lakhs annually will not pay any income tax in the new regime as the personal income tax rebate u/s 87A is proposed to be increased to INR 7 lakhs from INR 5 lakhs.
- **Number of tax slabs reduced to five** - Instead of earlier six income tax slabs with the lowest slab starting with INR 2.5 lakhs, now there are five slabs with the lowest starting with INR 3 lakhs.
- **Highest surcharge rate reduced to 25%** - The maximum surcharge rate on income above INR 5 crores has been capped to 25% from existing 37% under the new regime
- **Leave encashment limit increased to INR 25 lakhs** – Proposal to increase the tax exemption limit from INR 3 lakhs to INR 25 lakhs on the leave encashment on the retirement for the non-government salaried employees in the new regime.
- Salaried class and pensioners will get the benefit of Standard deduction under the new tax regime.
- New regime is proposed to be the default regime from FY 2023-24 unless old regime is specifically exercised.

# Income Tax slabs under different regimes

- The proposals suggests that the maximum reliefs and benefits will be to the middle class and lower taxpayers under the proposed tax regime i.e. u/s 115BAC.

Old / Existing Tax Regime under normal Provision of the Income tax Act		Proposed Regime u/s 115BAC of the Act	
Income Slab (in INR)	Tax Rate (%)	Income Slab (in INR)	Tax Rate (%)
Up to 2,50,000	Nil	Up to. 3,00,000	Nil
From 2,50,001 to 5,00,000	5%	From INR 3,00,001 to INR 6,00,000	5%
From 5,00,001 to 10,00,000	20%	From INR 6,00,001 to INR 9,00,000	10%
Above 10,00,000	30%	From INR 9,00,001 to INR 12,00,000	15%
		From INR 12,00,001 to INR15,00,000	20%
		Above INR 15,00,000	30%

Total income up to **INR 5 lakhs** are entitled to rebate u/s 87A

Total income up to **INR 7 lakhs** are entitled to rebate u/s 87A

# Comparison of tax liability (1/3)

## Case I: Where the income of an assessee is INR 7 lakhs

Computation of Tax liability		
Particulars	Old Regime	Proposed u/s 115BAC
<b>Gross Salary</b>	<b>7,00,000</b>	<b>7,00,000</b>
Less: Standard Deduction u/s 16(ia)	50,000	50,000
<b>Net Taxable Salary</b>	<b>6,50,000</b>	<b>6,50,000</b>
<b>Gross Total Income</b>	<b>6,50,000</b>	<b>6,50,000</b>
<b>Deduction u/c VI-A – u/s 80C</b>	(1,50,000)	-
National Pension Scheme (NPS) u/s 80CCD	(50,000)	(50,000)
<b>Total Income</b>	<b>4,50,000</b>	<b>6,00,000</b>
Gross Tax Liability	10,000	15,000
Less: Rebate u/s 87A	(10,000)	(15,000)
<b>Net Tax Liability</b>	<b>-</b>	<b>-</b>
Add: Health & Education Cess @ 4%	-	-
<b>Total Tax Payable</b>	<b>-</b>	<b>-</b>

*Tax saving under proposed scheme i.e., u/s 115BAC = Nil*

# Comparison of tax liability (2/3)

## Case II: Where the income of an assessee is INR 17 lakhs

Computation of Tax liability		
Particulars	Old Regime	Proposed u/s 115BAC
<b>Gross Salary</b>	<b>17,00,000</b>	<b>17,00,000</b>
Less: Standard Deduction u/s 16(ia)	(50,000)	(50,000)
<b>Net Taxable Salary</b>	<b>16,50,000</b>	<b>16,50,000</b>
<b>Gross Total Income</b>	<b>16,50,000</b>	<b>16,50,000</b>
<b>Deduction u/c VI-A – u/s 80C</b>	(1,50,000)	-
National Pension Scheme (NPS) u/s 80CCD	(50,000)	(50,000)
<b>Total Income</b>	<b>14,50,000</b>	<b>16,00,000</b>
Gross Tax Liability	2,47,500	1,80,000
Less: Rebate u/s 87A	-	-
<b>Net Tax Liability</b>	<b>2,47,500</b>	<b>1,80,000</b>
Add: Health & Education Cess @ 4%	9,900	7,200
<b>Total Tax Payable</b>	<b>2,57,400</b>	<b>1,87,200</b>

*Tax saving under proposed scheme i.e., u/s 115BAC = INR 70,200*

# Comparison of tax liability (3/3)

## Case III: Where the income of an assessee is INR 7 Crores

Computation of Tax liability		
Particulars	Old Regime	Proposed u/s 115BAC
<b>Gross Salary</b>	<b>7,00,00,000</b>	<b>7,00,00,000</b>
Less: Standard Deduction u/s 16(ia)	(50,000)	(50,000)
<b>Net Taxable Salary</b>	<b>6,99,50,000</b>	<b>6,99,50,000</b>
<b>Gross Total Income</b>	<b>6,99,50,000</b>	<b>6,99,50,000</b>
<b>Deduction u/c VI-A – u/s 80C</b>	(1,50,000)	-
National Pension Scheme (NPS) u/s 80CCD	(50,000)	(50,000)
<b>Total Income</b>	<b>6,97,50,000</b>	<b>6,99,00,000</b>
Gross Tax Liability	2,07,37,500	2,06,70,000
Less: Rebate u/s 87A	-	-
<b>Net Tax Liability</b>	<b>2,07,37,500</b>	<b>2,06,70,000</b>
Add: Surcharge (37% / 25%)	76,72,875	51,67,500
Add: Health & Education Cess @ 4%	11,36,415	10,33,500
<b>Total Tax Payable</b>	<b>2,95,46,790</b>	<b>2,68,71,000</b>

*Tax saving under proposed scheme i.e., u/s 115BAC = INR 26,75,790*

# Rationalisation of exempt income under life insurance policies

- **Section 10(10D)** entitles the recipient of a life insurance policy, including bonus on such policy, an exemption on the sum received under a life insurance policy. Provided that the premium payable shouldn't exceed 10% of the actual capital sum assured during the terms of policy.
- In order to prevent its misuse, this clause further provides that the sum received under a ULIP, issued on or after the 01 Feb 2021 shall not be exempt if the premium payable for any year exceeds INR 2,50,000 during the term of such policy.
- It is now proposed to tax the income from insurance policies (other than ULIP or Keyman Insurance Policies) having premium or aggregate of premium above ₹5,00,000 in a year during the term of such policy for curbing such misuse. The proposed provision shall apply for policies issued **on or after 1<sup>st</sup> April 2023**. There will not be any change in taxation for policies issued before this date. This income shall be taxable under the head **“income from other sources”**.
- These amendments will take effect from **1st April, 2024**.

# Limiting the roll over benefit claimed u/s 54 and 54F

- It has been observed that significant deductions are claimed by high-net-worth taxpayers under the provisions of section 54 and 54F, by purchasing luxurious residential houses and the stated practice defeats the very purpose of these sections as per the Government.
- In order to prevent these practices, it is proposed to impose a capping on the maximum deduction that can be claimed by the taxpayer under **section 54** and **54F** to **INR 10 Crore**. It has been provided that if the cost of the new asset purchased is more than INR 10 crore, the cost of such asset shall be deemed to be **INR 10 Crore**. This will limit the deduction under the two sections to INR 10 Crore.
- Further, it is proposed to insert a new proviso to provide that the provisions of section 54(2) and of section 54F(4), for the purpose of deposit in the Capital Gains Account Scheme, shall apply only to capital gains or net consideration, as the case may be, upto **INR 10 Crore**.
- These amendments will take effect from **1<sup>st</sup> April, 2024** and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

# Deeming provision of gift extended to not-ordinarily resident

- **Section 9(1)(viii)** covers income arising outside India, being any sum of money, exceeding INR 50,000 paid on or after 5<sup>th</sup> July 2019 by an Indian Resident to a non- resident ,not being a company, or to a foreign company.
- It was observed that certain persons being not ordinarily residents are receiving the gifts from persons resident in India and not paying tax on it.
- The proposed change would extend this deeming provision to sum of money exceeding fifty thousand INR, received by a not-ordinarily resident as a gift from an Indian resident.
- This amendment will take effect from **1st April 2024** and will accordingly apply to assessment year 2024-25 and subsequent assessment years.

# TDS on payment of accumulated balance due to an employee (Sec 192A)

- Under the existing provisions of section 192A of the Act, deduction of tax at the rate of 10% is made of the taxable component of the lump sum payment due to an employee. Further, no deduction of tax is required to be made where the amount of such payment or the aggregate amount of such payment to the payee is less than INR 50,000.
- It was observed that many low-paid employees do not have PAN and thereby TDS is being deducted at the maximum marginal rate in their cases under section 192A. Hence, it is proposed to omit 2<sup>nd</sup> proviso to section 192A of the Act, in cases of failure to furnish of PAN by the person on payment of accumulated balance due to him and in the said cases tax will be deducted at the rate of 20% on taxable portion of PF withdrawal proceeds instead of @MMR w.e.f. **1<sup>st</sup> April, 2023.**

# Amendments to TDS and taxability on net winnings from online games (Sec 194BA & 115BBJ)

- It is proposed to introduce a new section 194BA to provide for TDS on net winnings from online games at 30% w.e.f. 1st July 2023, to provide for deduction of tax at source on net winnings in the user account (account of a user registered with an online gaming intermediary) at the end of the financial year. Taxability in the hands of receiver u/s 115BBJ.
- In case where there is a withdrawal from user account during the financial year, the income-tax shall be deducted at the time of such withdrawal on net winnings comprised in such withdrawal.
- Additionally, income-tax shall also be deducted on the remaining amount of net winnings in the user account at the end of the financial year.
- In case the cash part is not sufficient to cover the taxes of in-kind winnings, the person responsible for paying shall, before releasing the winnings, ensure that tax has been paid in respect of the net winnings.



# Clarification w.r.t. benefit or perquisite in Cash/Kind (Sec 28(iv))

- Section 28(iv) brings to chargeability the value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession. This provision was inserted through the Finance Act 1964 and the Circular no 20D dated 7th July 1964 issued to explain the provisions of this Act stated clearly that the benefit could be in cash or in kind. Therefore, the intention of the legislation while introducing this provision was also to include benefit or perquisite whether in cash or in kind.
- However, Courts have interpreted that if the benefit or perquisite are in cash, it is not covered within the scope of this clause of section 28 of the Act.
- Hence, in order to align the provision with the intention of legislature, it is proposed to amend Section 28(iv) of the Act to clarify that provisions of said clause also applies to cases where benefit or perquisite provided is in cash or in kind or partly in cash and partly in kind. This amendment will take effect from **1<sup>st</sup> April, 2024** and will accordingly apply to the assessment year 2024-2025 and subsequent assessment years.

# Other Key Budget Proposals

- **Special provisions for payment of tax by certain person other than a company u/s 115JC** - The provisions of section 115JC (Alternate minimum tax) shall not apply to a person who has exercised the option u/s section 115BAC(5) and income-tax payable in respect of the total income of such person is computed as per sub-section (1A) of section 115BAC. (w.e.f. 01 April 2024)
- **Tax credit for alternate minimum tax u/s 115JD** - The provisions of section 115JD shall not apply to a person who has exercised the option referred to in sub section 5 of section 115BAC or sub section 5 of section 115BAD or sub-section (5) of section 115BAE and income-tax payable in respect of the total income of such person is computed under sub-section (1A) of section 115BAC. (w.e.f. 01 April 2024)



# Goods and Services Tax

# Payment condition for ITC amended

- The Government has proposed to amend section 16(2) of the CGST Act pertaining to reversal of ITC in case of non-payment of consideration to the supplier within 180 days. It is proposed to amend that the recipient will be required to pay the amount along with interest u/s 50 instead of the amount being added to his output liability.
- The Government has further proposed that the payment should be made by the recipient to the supplier. From the amended provision it seems that the payment made to third party on behalf of the recipient will not amount to fulfilment of the condition.

# ITC restricted on CSR

- The Government has proposed to insert section 17(5)(fa) of the CGST Act to restrict ITC on goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility (CSR) referred to in section 135 of the Companies Act 2013
- The amendment seeks to settle confusion regarding entitlement of ITC on expenditure made on account of CSR. ITC was being availed on expenditure made for CSR on the ground that the expenditure is a statutory expense and integral to business and thus ITC is available. However, a divergent view was given by AAR in case of **M/s Dwarikesh Sugar Industries Limited** allowing ITC and **Polycab Wires Private Limited** not allowing such ITC. The amendment will bring certainty in the tax position. Entities may also evaluate ITC entitlement for CSR made prior to the amendment on the ground that amendment is prospective in nature.

CREATING IMPACT TOGETHER

# Time limit for furnishing returns introduced

- The Government has proposed to provide a time limit of three years from the due date to furnish:
  - Details of outward supplies in GSTR-1 for a tax period - inserted vide section 37(5) of CGST Act
  - Return in GSTR-3B for a tax period - inserted vide section 39(11) of CGST Act
  - Annual return for a financial year - inserted vide section 44(2) of CGST Act
  - Statement for a month by an electronic commerce operator (ECO) - inserted vide section 52(15) of CGST Act
- The section further empowers the Government, on the recommendation of the Council, to extend by notification, the above timeline for person or class of person, subject to certain conditions and restrictions
- The above timelines are introduced for furnishing information in the stated statements/returns. It must be emphasised here that the time limit of 30<sup>th</sup> November of the following FY presently provided in the CGST Act is for rectification of error or omission on information furnished u/s 37, 39 & 52 and the said timeline does not apply to furnishing of information but only deals with rectification or omission of information furnished.

# Decriminalization of offences & Relaxation in Compounding of offences (1/2)

- The Government has proposed to omit the following offences from the list of offences u/s 132 that would result prosecution
  - Obstruction or prevention of any officer in the discharge of his duties under CGST Act
  - Tampering with or destroying any material evidence or documents
  - Failure to supply any information which a person is required to supply under the CGST Act or the rules made thereunder or supply of false information
- Further, the Government has also proposed to expand the scope of compounding of offences in the above cases which was earlier not allowed for these person where they have been allowed to compound once in respect of any offence in respect of value of supply exceeding INR 10 Mn
- The Government has proposed to increase the monetary limit to launch prosecution from INR 10 Mn to INR 20 Mn except in cases of issuance of invoice without supply of goods or services vide amendment to section 132(1)(iii) of CGST Act

# Decriminalization of offences & Relaxation in Compounding of offences (2/2)

- The Government has proposed to modify the scope of compounding of offences for the following person:
  - Person who acquires possession of, or in any way concerns in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with, any goods has reasons to believe are liable to confiscation under this Act or the rules made thereunder;
  - Person who receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reasons to believe are in contravention of any provisions of this Act or the rules made thereunder
  - Person who has been accused of committing an offence under this Act which is also an offence under any other law for the time being in force is now restricted only for offence of issuing invoice without supply of goods or services
- The compounding fee has been rationalised to 25% of the tax involved and the maximum amount not being more than 100% of the tax involved – amendment in section 138(2) of CGST Act

# Penal provisions inserted for contravention of provision of supply made by ECO

- The Government has proposed to impose penalty of INR 10,000 or amount equivalent to tax on electronic commerce operators in case of following contravention of relating to supplies of goods or services made through them: inserted vide section 122(1B) of CGST Act
- Any electronic commerce operator who—
  - Allows a supply of goods or services or both through it by an unregistered person other than a person exempted from registration by a notification issued under this Act to make such supply
  - Allows an inter-State supply of goods or services or both through it by a person who is not eligible to make such inter-State supply
  - Fails to furnish the correct details in the statement to be furnished under sub-section (4) of section 52 of any outward supply of goods effected through it by a person exempted from obtaining registration under this Act

# Expansion of scope of OIDAR services

- The Government has proposed to amend section 2(16) of the IGST Act to restrict the meaning of the term “*non-taxable online recipient*” to mean any unregistered person receiving online information and database access or retrieval services located in the taxable territory. The amendment further clarifies that persons who is registered under GST to deduct tax under section 51 of CGST Act shall be treated as unregistered person
- The amendment has removed reference to Government, local authority, governmental authority in expression “*non-taxable online recipient*” thus limiting its scope and expanding scope of payment of IGST
- The Government has proposed to amend section 2(17) of the IGST Act by removing certain words therein so as to remove the condition of “*essentially automated*” and “*involving minimal human intervention*” from the definition of “*online information and database access or retrieval services*”. This will result in reduction in disputes that have arisen in determining whether supplies which are impossible of being performed in the absence of information technology, involves any human intervention or not for covering under OIDAR.

# POS for transport of goods amended

- The Government has proposed to omit proviso to section 12(8) of IGST Act which provides that where the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods. Post the proposed amendment, the place of supply will be location of the registered recipient
- The amendment is a welcome step and clarifies eligibility of ITC to the registered recipient. The amendment was originally made with an intent to bring parity to taxability of transportation services of export goods by a transporter located in India with a transporter located outside India. However, the amendment overlooked the fact that the location of recipient and location of supplier still continues to remain in India and thus the service does not amount to export. Further, as place of supply of services was different from location of recipient, there were disputes regarding entitlement of ITC to the recipient. The amendment puts to rest such dispute regarding eligibility of ITC.

# Changes in CST, 1956

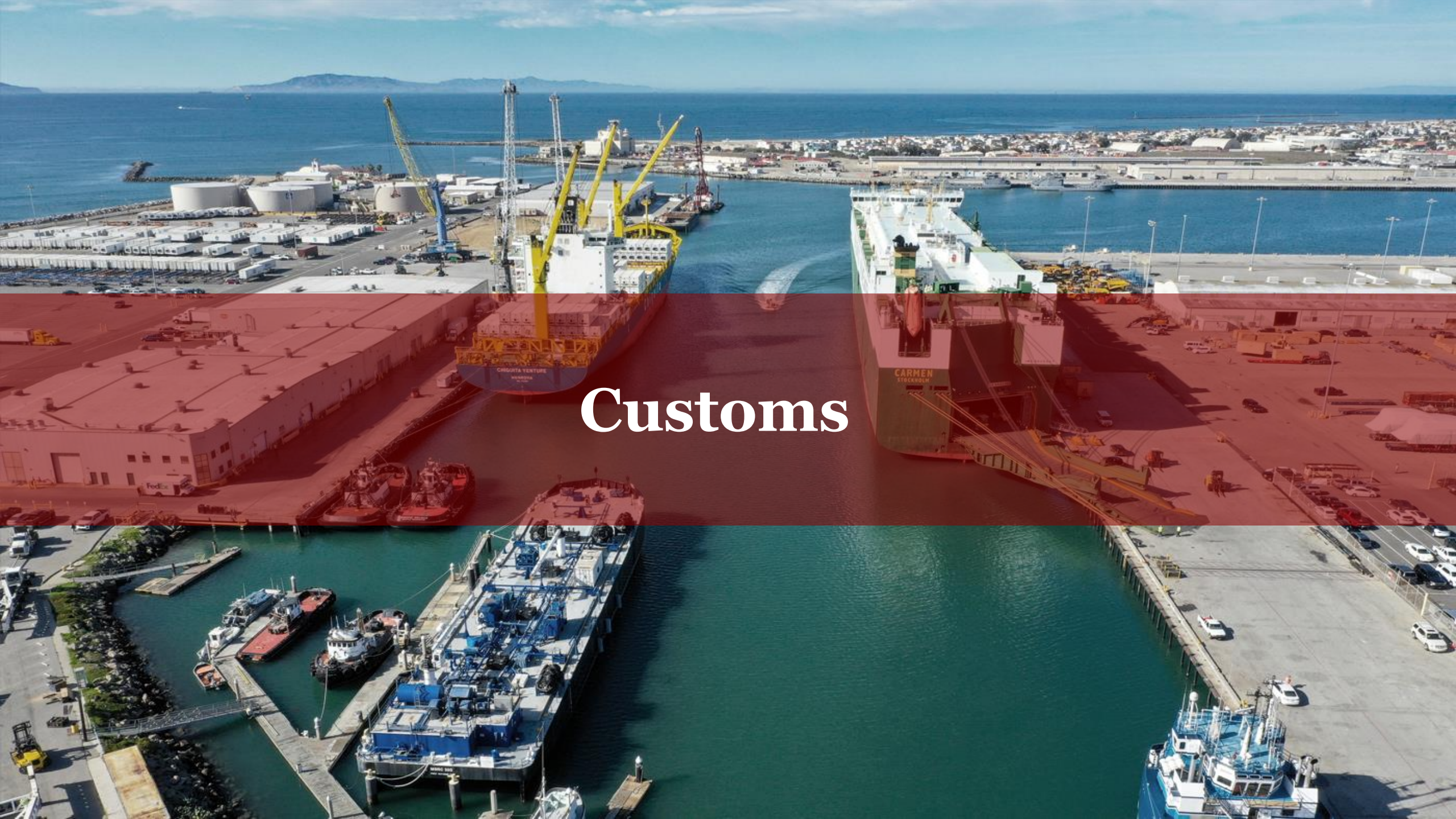
- The proposed Bill seeks to substitute a new section for section 19 of the Central Sales Tax Act so as to declare the Customs, Excise and Service Tax Appellate Tribunal constituted under section 129 of the Customs Act as the Appellate Authority for settlement of inter-State disputes falling under sections 6A and 9 of the Act, earlier the Central Government constituted, by notification in the Official Gazette, an Authority to settle inter- State disputes falling under falling under sections 6A and 9 of the Act
- Clause 150 of the Bill seeks to Omit section 24 of this Act in view of the abolition of Authority for Advance Rulings
- The proposed bill seeks to amend section 25 of the said Act to insert a new sub-section (3) to provide for transfer of pending proceedings before the erstwhile Authority for Advance Rulings to The Customs, Excise and Service Tax Appellate Tribunal constituted under section 129 of the Customs Act, 1962

## Other changes (1/2)

- The Government has proposed to amend section 10(2)(d) of the CGST Act and section 10(2A)(c) of the CGST Act to allow a registered person to make supply of **goods** through an electronic commerce operator. This will open huge E-commerce market for small suppliers availing composition scheme to sell their goods on the E-commerce platform.
- The Government has proposed to substitute section 23 of the CGST Act retrospectively w.e.f. 01.07.2017 to give an overriding effect over the provisions of law to exemption granted under section 23 from taking mandatory registration under section 22(1) of the CGST Act and section 24 of the CGST Act. The stated amendment is clarificatory in nature
- The Government has proposed to remove reference to ITC provisionally accepted in section 54(6) of CGST Act in processing of provisional refund to align the same with the present ITC regime
- Section 56 of the CGST Act is being amended so as to provide for an enabling provision to prescribe manner of computation of period of delay for calculation of interest on delayed refunds

## Other changes (2/2)

- Section 17 of the CGST Act, restricted the amount of ITC proportionately, where the goods or services are used by a registered person for effecting taxable supplies and Exempt supplies. The exempt supplies for this purpose included sale of land. Now through the amendment proposed, it shall also include supply of warehoused goods before clearance for home consumption. This will amount to further restricting the ITC for a person making supply warehoused goods.



# Customs

# Exceptions for customs exemption review introduced

- The Government has proposed to insert a proviso to section 25(4A) of Customs Act to exclude certain categories of conditional exemption from two yearly review.
  - any multilateral or bilateral trade agreement;
  - obligations under international agreements, treaties, conventions or such other obligations including
  - with respect to United Nations agencies, diplomats and international organisations;
  - privileges of constitutional authorities;
  - schemes under the Foreign Trade Policy;
  - Central Government schemes having validity of more than two years;
  - re-imports, temporary imports, goods imported as gifts or personal baggage;
  - any duty of customs under any law for the time being in force, including integrated tax leviable under section 3(7) of the Customs Tariff Act, 1975, other than duty of customs leviable under section 12

# Revert of settlement case for fresh adjudication

- The Government has proposed to insert section 127C(8A) of Customs Act to provide that an order by the Settlement Commission shall be passed within nine months from the date of making application under section 127B of Customs Act, and if no order is passed within the said period, the settlement proceeding shall abate and the case shall be reverted back to the adjudicating authority.
- The adjudicating authority shall adjudicate the matter as if no application was made.

# Customs Tariff changes

## Chemicals and petrochemicals

The BCD on denatured ethyl alcohol is being reduced from 5% to Nil for use in the manufacture of industrial chemicals through IGCR route.

The BCD on acid grade fluorspar (containing by weight more than 97% of calcium fluoride) is being reduced from 5% to 2.5%

The BCD on crude glycerin is being reduced from 7.5% to 2.5% for use in manufacture of epichlorohydrin through IGCR route.

The BCD on Naphtha is being increased from 1% to 2.5%

The BCD on styrene is being increased from 2 % to 2.5%

The BCD on Vinyl Chloride monomer is being increased from 2% to 2.5%

## Precious Metals

The import duty on Dore and bar of gold and platinum were enhanced in June and October 2022 respectively. While maintaining the existing incidence of import duty on these items, the BCD rate and AIDC rates are being recalibrated. The import duty on silver bar and silver Dore is however being enhanced

The import duty on articles made of precious metals falling under CTH 7113 & 7114 is being increased from 22% to 25%. It is however being exempted from SWS

# Customs Tariff changes

The import duty on imitation jewellery classified under Heading 7117 is being increased from 22% or INR 400/kg, whichever is higher' to '25% or INR 600/kg, whichever is higher'. It is however being exempted from SWS.

## Export Promotion

The BCD on 'seeds' for use in manufacture of rough lab grown diamond is being reduced to Nil subject to IGCR condition for a period of two years

## Electronics goods

The BCD on camera lens for camera module and input/sub parts for lens of camera module of mobile phone is being reduced from 2.5% to Nil subject to IGCR condition.

Exemption from BCD is being provided to specified chemicals/items for manufacture of Pre-calcined Ferrite Powder as is available for Ferrites (S. No 17 of Notification no 25/1999 -Customs).

Exemption from BCD is being provided to Palladium Tetra Amine Sulphate for manufacture of parts of connectors as is available for manufacture of connectors. (S. No. 225 of Notification no 25/1999 –Customs).

The BCD on parts for manufacture of open cells of TV panels is being reduced from 5% to 2.5% subject to IGCR condition

# Customs Tariff changes

## Electrical appliances

The BCD on electric kitchen chimney is being increased from 7.5% to 15%

The BCD on heat coils for use in manufacture of electric kitchen chimney is being reduced from 20% to 15% subject to IGCR condition

## Automobiles

Exemption from BCD is being provided to 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 specified conditions

The BCD on vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form is being increased from 30% to 35%. However it is being exempted from SWS

The BCD on vehicles in Completely-Built Unit (CBU) form is being increased from 60% to 70%. However it is being exempted from SWS.

## Capital Goods

Customs duty exemption is being provided to import of specified capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles as is available for manufacture of lithium-ion cells for batteries used in mobile handsets. (S.No 69 of Notification no 25/2002 -Customs )

# Customs Tariff changes

## Others

The BCD on bicycles is being increased from 30% to 35%. However it is being exempted from SWS.

The BCD on toys and its parts is being increased from 60% to 70%. However it is being exempted from SWS . There are no changes to the effective rate on parts covered under S. No 591 of Notification No. 50/2017-Customs

The BCD on aircraft (other than those at Nil or 2.5%) and aircraft tyres (other than those at Nil) is being reduced from 3% to 2.5% but they will attract AIDC of 0.5%.

The BCD on coal, peat and lignite is being increased to 2.5% but these are being exempted from AIDC

The BCD on compounded rubber is being increased from 10% to '25% or INR 30/kg whichever is lower

The BCD on pecan nuts is being reduced from 100% to 30%. The SWS exemption is being Withdrawn

The BCD on Warm blood horse imported by sports person of outstanding eminence for training purpose for equestrian sports is being reduced from 30% to Nil subject to Conditions

## Social welfare surcharge (SWS)

The following goods are being exempted from levy of Social Welfare Surcharge in order to maintain the total effective duty owing to rationalization of basic customs duty rate structure:

Silver (HSN 7106), Gold ( HSN 7108) & Imitation Jewellery (HSN 7117)

# Customs Tariff changes

Platinum (HSN 7110) other than rhodium and goods covered under S. Nos. 415(a) and 415A of the Table annexed to the notification No. 50/2017-Customs, dated 30.06.2017

All goods falling under HSN 7113, other than the goods covered under S. Nos. 356, 357 and 364C of the Table in the notification No. 50/2017-Customs, dated 30.06.2017

All goods falling under HSN 7114, other than the goods covered under S. Nos. 356 and 357 of the Table in the notification No. 50/2017-Customs, dated 30.06.2017

Bicycles (HSN 8712 00 10)

Motor vehicle including electrically operated vehicles falling under HSN 8703 covered under S. No. 526 (1)(b), 526 (2)(b), 526A(1)(b) and 526A(2)(b) of the Table in Notification No. 50/2017-Customs, dated 30.06.2017

Aeroplane and other aircrafts falling under tariff items 8802 2000, 8802 3000 and 8802 4000 covered under S. No. 543 A of the Table in Notification No. 50/2017-Customs, dated 30.06.2017

Toys and parts of toys (HSN 9503) other than goods covered under S. No. 591 of the Table annexed to Notification No. 50/2017-Customs, dated 30.06.2017

## **Agriculture Infrastructure and Development Cess (AIDC)**

Silver bar effective rate of duty changed from 2.5% to 5%

Silver dore effective rate of duty changed from 2.5% to 4.35%

# Review of customs exemption notifications

- Out of 196 exemptions, 146 exemptions are being extended for a period of one year i.e. up to 31.03.2024 for the purpose of undertaking review. Of the remaining, a few are being extended for five years, two years and one year while some exemption entries are being discontinued with effect from 31.03.2023.
- As anticipated, customs duty has been reduced on parts of many items including mobile phones, TVs, EVs etc to incentivize domestic value addition. However, there was no mention of the much anticipated voluntary compliance scheme under Customs to reduce the pending disputes. The extension of several exemption notifications (due to expire in March 2023) by 1 to 2 years and exclusion of such sunset clauses for exemptions under FTA, FTPs, etc is a welcome move for the industry.
- The heading 9801 of the first schedule of Customs Tariff Act, 1975 is being amended to exclude solar power plant/solar power project from the purview of Project Imports with effect from the date of assent to the Finance bill.

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