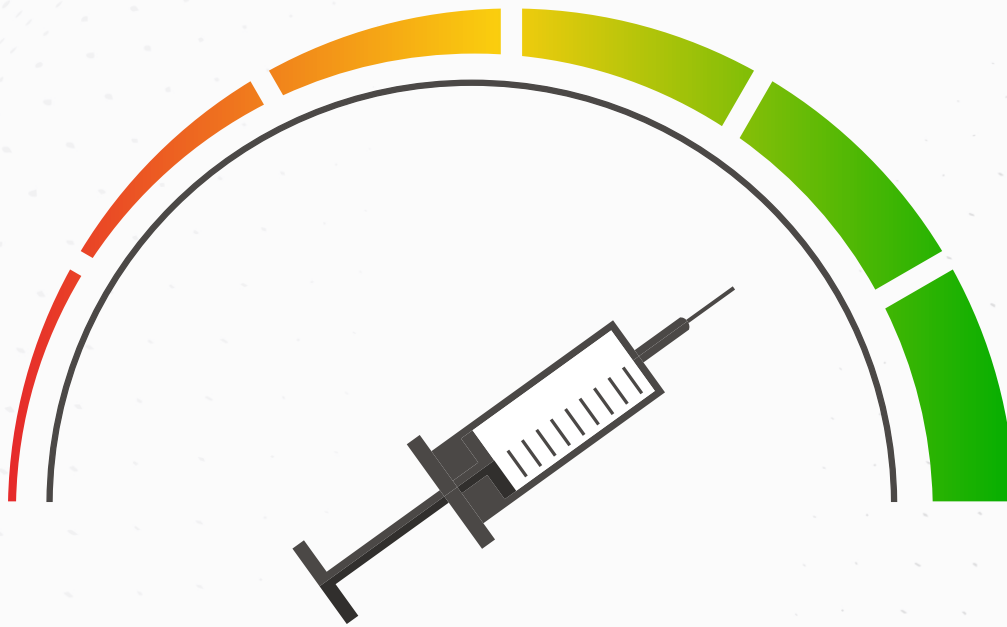


An Overview Of The
Finance Bill 2022

Moving the Needle



**SHAH
MEHTA
AND
BAKSHI**
CHARTERED
ACCOUNTANTS

This paper is prepared exclusively for the benefits of the clients & well wishers of M/s. Shah Mehta & Bakshi, Chartered Accountants. This should not be used as substitute for professional advice. Reasonable care has been taken for ensuring the accuracy and authenticity of the contents of this booklet. However, we do not take any error or omission contained therein on any account. It is recommended that the readers should take professional advice before acting on the same.

The provisions contained in the Finance Bill 2022 are proposals and are likely to undergo amendments while passing through both houses of the Parliament before being enacted.

Technical Contribution By:

Partners

Jagdish P Shah, B. Com., FCA

Dinesh M Shah, B. Com., LLB, FCA, DISA (ICAI)

Vihang K Bakshi, B. Com., FCA

Bhavana S Patel, B. Com., FCA

Prashant K Upadhyay, B. Com., FCA

Kalpiti Bhagat, B. Com., FCA, DISA (ICAI)

Varun V Fitter, B. Com., FCA, DISA (ICAI)

Daxal A Pandya, B. Com., ACA, DIIT (ICAI)

Himesh D Gajjar, B. Com., ACA

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FOREWORD

FROM REVIVAL TO RESTORE:

The hon'ble Finance Minister Smt Nirmala Sitaraman announced Budget for FY 2022-23 on February 1, 2022. The budget always carried high burden from industries, taxpayers, people of the financial market. The year went by was all about the **revival** of economy, in this year, we are witnessing the **revamping** in terms of many changes taken place to strengthen the ecosystem and now it is the time of **restoring** the economy on the path of progress. The **Needle** injected in the economy in the previous year is showing it's effect this year.

It is the moment of **Wings of change**, as the Tata has taken the management from the government for Air India, the much-awaited disinvestment. As Tatas put it rightly that 'amazing before' and 'amazing after', the state of economy was amazing before i.e., FY 21-22, and considering the various proposals it will be 'amazing after'. With no specific focus on subsidies/grants just to woo the voters, the budget was on point.

STATE OF ECONOMY

For second year running, the Economic Survey was written under the cloud of the Covid-19 pandemic. The survey has been penned by principal economic advisor Sanjeev Sanyal and his team sitting in the north block of the Capital. The measures suggested are not just about the immediate disruptions and uncertainty caused by repeated waves of the pandemic, but also considering the longer-term uncertainty about the post-Covid world due to accelerated shifts in technology, consumer behavior, supply-chains, geo-politics, climate change and a host of other factors.

The unique thing about the survey was that they have done away with the one of the volumes and added separate volume for statistical tables. The survey for the year focused on the increased space for the capital expenditure by the government.

From Waterfall to Agile framework

The default mode of policy making is analyses of the issue, detailed planning and meticulous implementation with five-year plans. This is 'waterfall' approach which is kind of rigid and in the complex and evolving world, this approach is not helping in improving the output. The survey advocated for 'Agile' framework, which is based on feedback loops, real time monitoring, flexible responses, scenario analyses. This is the central theme of this economic survey.

FY 2022-23 GDP Growth Rate pegged at 8 to 8.5%

The revival of the economy was begun in the earnest. Although the second wave of the pandemic was more severe from health perspective, it was not deadly for the economy as and the impact was muted. The survey conservatively estimates economic growth in the range of 8% to 8.5% which shows robust rate after 2 years pandemic.

Fiscal Space:

The revenue from the tax collection was robust and this was a great breather for the government. Revenue receipt was more than 67% in the first eight months of FY 21-22. The strong revenue suggests the revival, and this allows government to increase capita expenditure. Push to capital expenditure has anyhow multiplier effects on the economy front. The budget announced by the finance minister also given great emphasize on ramping up the capital expenditure.

Sectoral Trends:

Covid left a scar on industry and on service activity. However, agriculture is an exception as agriculture sector is the only one which was least impacted. Annual growth in gross value added (GVA) at 2011-12 prices in percentage terms is as follows:

Sectors	2019-20	2020-21	2021-22	Recovery over 19-20
Agriculture and allied sectors	4.3%	3.6%	3.9%	107.7%
Industry	-1.2%	-7.0%	11.8%	104.1%
Service	7.2%	-8.4%	8.2%	99.2%
GVA at basic price	4.1%	-6.2%	8.6%	101.9%

The share of agriculture has been increased in nominal gross value added (GVA) and the same is offset by the reduction in service sector. Service sector being dependent on the agriculture and industry bear the brunt of covid. Following table shows the trend of various sector in gross value added.

Sectors	2019-20	2020-21	2021-22
Agriculture and allied sectors	18.4%	20.2%	18.8%
Industry	26.7%	25.9%	28.2%
Service	55.0%	53.9%	53.0%

Demand Trends:

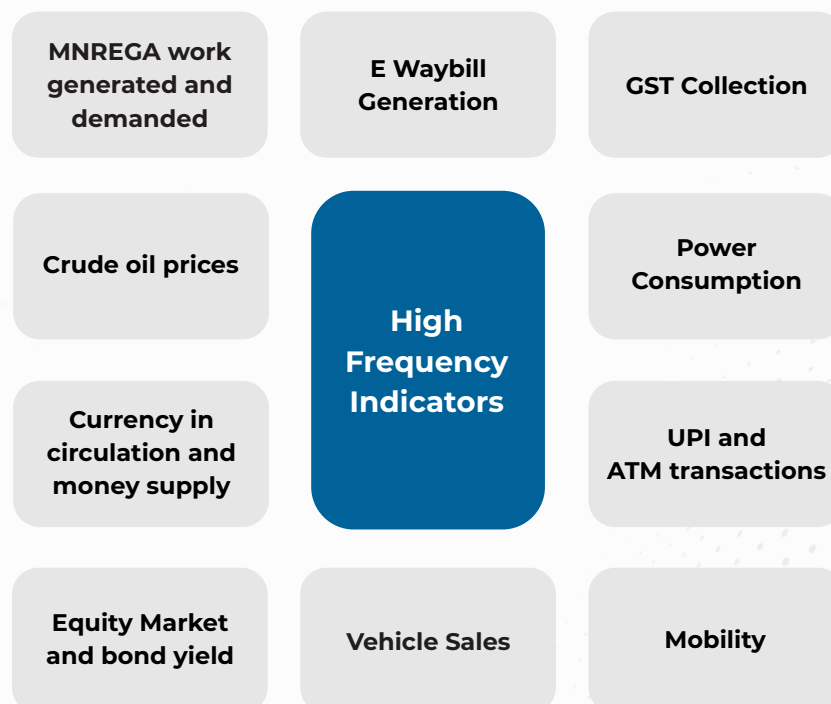
Except for private consumption, latest advance estimates (AE) suggest full recovery on the front of demand side. Recovery is most significant in export, followed by government consumption and then fixed capital formation. Recovery from export over 2019-20 level is 111.1%, in government consumption it is at 110.7%. Private consumption is still at the level of 97.1% as compared to the level of 2019-20.

Investment Trends:

Investment trends as measured by gross fixed capital formation is expected to remain robust and may see growth of 15% in 21-22 and expected to recover fully from covid. Government's thrust to increase the capex in infrastructure has led to increase in capital formation.

High Frequency Indicators:

These high frequency indicators helped the government for real time monitoring of the economy and take corrective actions. As mentioned in survey, government has leveraged various HFIs gauge the underlying state of the economy. Such indicators are:



▶ THE WAY AHEAD:

Since the economy showing the signs of revival to restore, it is very much relevant to look at the way ahead as anticipated by the central government for FY 2022-23. The government has provided for the various fiscal indicators. The same has been tabulated below:

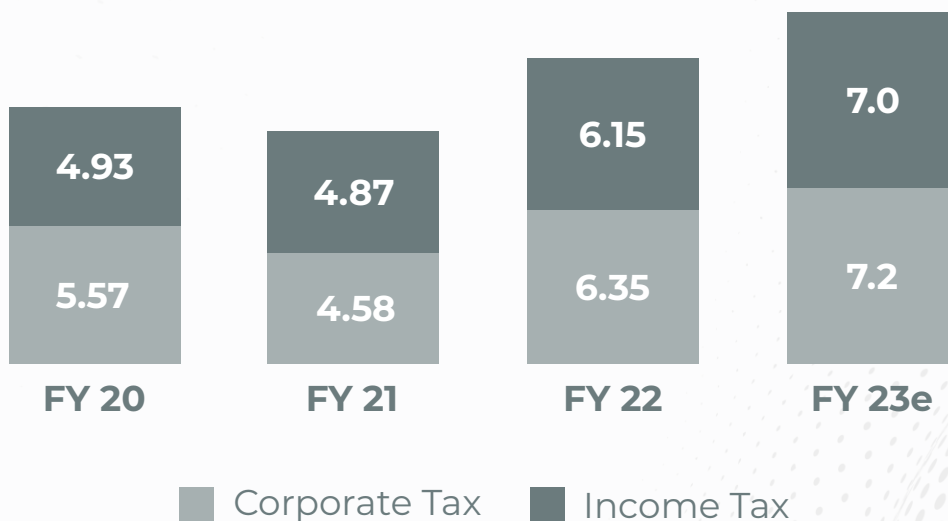
Sr No	Particulars	Revised Estimates 2021-22 (Rs. In Cr)	Budget Estimates 2022-23 (Rs. In Cr)
1.	Tax Revenue Receipt	17,65,145	19,34,771
2.	Non-Tax Revenue Receipt	313,791	269,651
3.	Capital Receipt	16,91,064	17,40,487
4.	Revenue Expenditure	31,67,289	31,94,663
5.	Capital Expenditure	602,711	750,246
6.	Revenue Deficit	10,88,352	990,241
7.	Fiscal Deficit	15,91,089	16,61,196

The emphasize has been placed on growth over fiscal consolidation. Fiscal deficit is estimated at 6.4% in 22-23 as against the revised estimate of 6.9% in 21-22. The government seems to be very well in line of achieving fiscal deficit of 4.5% by 2025-26.

Tax Collection is expected to zoom:

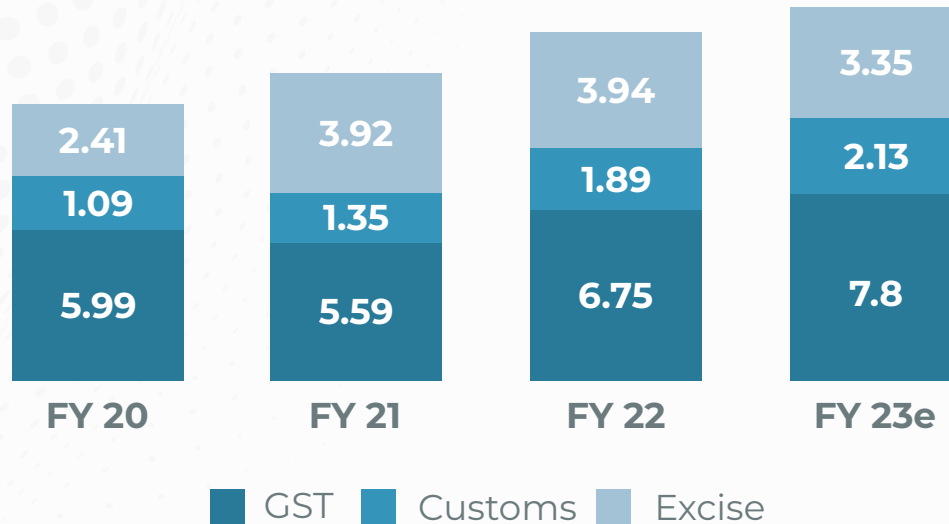
DIRECT TAX COLLECTION

(Rs. in Lakh Cr.)



INDIRECT TAX COLLECTION

(Rs. in Lakh Cr.)



Capital Expenditure, take a front seat:

The finance minister raised capex budget by 35.4% for financial year 22-23. The amount expected to spend is around Rs. 7.5 trillion to continue investment led recovery. Capital investment holds the key to speedy and sustained economic revival and helps in generating the employment and has multiplier effects.

Health Expenditure, take a back seat:

The pandemic seems to be reaching at the endemic as the government has tighten its purse while allocating the find for health expenditure. In previous year the allocation for vaccination was made at Rs. 39,000 crores as against in this year around Rs. 5,000 Crore allocated for vaccination considering 75% of the adult population has been vaccinated. The total health expenditure expected to increase by 0.23% as compared to revised estimate of 21-22.

Green Bonds

To incentivize the investment in green energy, it is proposed to issue green bonds. Amount collected from issuing the green bonds will be used to promote investment in green and clean energy. This is the move towards carbon neutrality. The green bond market is rapidly expanding globally, and this move will help India access long term funds at competitive rates.

FINANCE BILL 2022

Unless otherwise specifically mentioned, the amendments proposed are to be effective from AY 2023-24 and are therefore applicable with respect to income arising on or after 1st April 2022. Specific mention is made at the relevant places when the effective date of a proposed amendment is other than 1st April, 2022. Reference to the existing provision mean the provisions of the Act immediately prior to the amendments proposed in the Bill.

Any reference to the sections, unless otherwise stated, is to the sections of the Income Tax Act, 1961.

HIGHLIGHTS OF THE BUDGET 2022

DIRECT TAX

Virtual Digital Assets:

- Profit from the Virtual Digital Assets (VDAs) like Crypto Currencies or Non-Fungible Tokens etc will be taxed at the flat rate of 30%.
- Losses on trading of VDAs will not be allowed to be set-off against any other Income.
- Since the profits are taxed at flat rate, deduction of any expenditure except purchase cost will not be allowed against Sales Proceeds.
- In order to track the traders in such VDAs, TDS mechanism has been introduced at the rate of 1% on sale proceeds.
- Gift of VDAs liable to be taxed subject to conditional exemptions.

Tax Rates:

- **Surcharge** on all the types of Capital Gains restricted to 15%.
- Concessional tax regime of 15% for new manufacturing companies extended by one year up to 31.03.2024.
- Reduction in surcharge on cooperatives if total income is between Rs.1 Cr and Rs. 10 Cr. from 12% to 7%.
- Alternate Minimum Tax for co-operative societies made at par with companies to 15% which was earlier 18.50%.
- Maximum surcharge in case of Association of Persons restricted to 15%.

Computation of Taxable Income:

- Exemption up to Rs. 10 Lakhs for death compensation or receipt of amount for medical treatment on account of COVID-19.
- It has been clarified that the **surcharge** or **education** cess will not be allowable as a business expenditure. This has been done to counter the judicial pronouncements.
- Expenditure to earn exempt income will be disallowed even if there is no income accrued/received during the year.
- No set off of losses or deduction allowed against undisclosed income or suppressed sales, stock difference etc detected during search or survey operations.
- For deduction under section 80CCD, there is increase in limit for employer's contribution to NPS from 10% to 14% for state govt employees also.
- Receipt of annuity by senior citizen dependant not taxable even if deduction allowed under section 80DD.
- Extension of deadline for setting up startup for availing tax benefits of 100% extended by one year.
- Income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax, subject to specified conditions.

Litigation Free Environment:

- Unsecured loan transactions, shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider.
- If certain incomes are missed to be disclosed in return and such incomes are unearthed during assessment or search or survey, the same is taxed at as high as 137% of income plus interest. In order to avoid such undesired situation, concept of updated return has been introduced.
- In order to avoid repetitive appeals having common issues, Litigation Management System has been introduced whereby Revenue shall defer from filing appeals against the Tax Payer until the substantial question of law is decided by the jurisdictional High Court or the Supreme Court.
- Faceless Appellate Tribunal Rules deferred till 31.03.2024.

Compliance:

- TDS to be deducted at 10% on giving Benefit or Perquisite in kind or other sums which may be a part of Sales Promotion or otherwise.
- The limit of 2 years for higher TDS deduction from non-filers of income tax return has been reduced to 1 year.
- The higher deduction of TDS from non-filers not applicable to individuals or HUFs in cases of purchase of property, rent u/s 194IB, works contract or commission or professional fees u/s 194M.
- TDS on immovable property to be deducted even if consideration is less than Rs. 50 Lakhs but Stamp Value is more than Rs. 50 Lakhs.
- Far reaching amendments are proposed in the assessment of Trust registered u/s 12A or 10 (23C) relating to maintenance of books, cancellation of registration, unreasonable payment to specified persons etc.

INDIRECT TAX

- Time limit for availment of input tax credit in respect of invoices/debit notes pertaining to particular financial year is extended from 30th September of next financial year to 30th November. Now a registered person can avail ITC of particular financial year upto 30th November of next financial year.
- Similarly, in line with ITC time limit extension, time limit of issuance of credit note is being also extended from 30th September of subsequent financial year to 30th November of subsequent financial year.
- Correspondingly, any rectification or addition for particular financial year in GSTR 1 (Outwards supplies) is now permissible upto 30th November of next financial year against existing time limit of 30th September.
- Existing section 42, 43 and 43A of the CGST Act broadly relating to matching, reversal and reclaim of ITC and outward liabilities is being omitted to do away with two-way communication process in GST return filling. Simultaneously, the powers have been given to central government to prescribe manner of matching of ITC in this regard.
- Provisions relating to payment of interest under GST is being amended retrospectively w.e.f. 1-7-17 to provide for levy of interest on input tax credit wrongly availed AND utilised. For this purpose, the rate of interest @ 18% is prescribed.
- The central government is now empowered, notwithstanding anything contained in GST Act, to provide for prescribing restrictions for utilising the amount available in the electronic credit ledger.
- Provision relating to refund under GST is being amended so as to provide clarity that due date of furnishing return shall be considered as relevant date for filing refund claim in respect of supplies to SEZ.
- Various custom duty rates have been rationalised and exemptions have been phased out to make India self-reliant and push make in India initiative.

A – RATES OF TAX

The proposed income tax rates (including Health and Education Cess and Surcharge wherever applicable) for the FY 2022-23 have been given below for ready reference.

Particulars	If total income				
	Upto Rs.50 lacs	Exceed Rs.50 lacs and upto Rs. 1 Cr	Exceed Rs. 1 Cr and upto Rs.2 Cr	Exceed Rs.2 Cr and upto Rs.5 Cr	Exceeds Rs.5 Cr
Individual (including women), HUF, AOP, AJP & BOI (other than senior citizen)					
Upto Rs.2,50,000/-	Nil	Nil	Nil	Nil	Nil
Rs.2,50,001/- to Rs.5,00,000/-	5.20%	5.72%	5.98%	6.50%	7.12%
Rs.5,00,001/- to Rs.10,00,000/-	20.80%	22.88%	23.92%	26.00%	28.50%
Above Rs.10,00,000/-	31.20%	34.32%	35.88%	39.00%	42.74%
Resident Senior Citizen (Above 60 years but below 80 years)					
Upto ` 3,00,000/-	Nil	Nil	Nil	Nil	Nil
Rs.3,00,001/- to Rs.5,00,000/-	5.20%	5.72%	5.98%	6.50%	7.12%
Rs.5,00,001/- to Rs.10,00,000/-	20.80%	22.88%	23.92%	26.00%	28.50%
Above Rs.10,00,000/-	31.20%	34.32%	35.88%	39.00%	42.74%
Resident Very Senior Citizen (Above 80 Years of age)					
Upto Rs.5,00,000/-	Nil	Nil	Nil	Nil	Nil
Rs.5,00,001/- to Rs.10,00,000/-	20.80%	22.88%	23.92%	26.00%	28.50%
Above Rs.10,00,000/-	31.20%	34.32%	35.88%	39.00%	42.74%
Individual & HUF (Optional)					
Upto Rs.2,50,000	Nil	Nil	Nil	Nil	Nil
Rs.2,50,001 - Rs.5,00,000	5.20%	5.72%	5.98%	6.50%	7.12%
Rs.5,00,001 - Rs.7,50,000	10.40%	11.44%	11.96%	13.00%	14.25%
Rs.7,50,001 - Rs.10,00,000	15.60%	17.16%	17.94%	19.50%	21.37%
Rs.10,00,001 - Rs.12,50,000	20.80%	22.88%	23.92%	26.00%	28.50%
Rs.12,50,001 - Rs.15,00,000	26.00%	28.60%	29.90%	32.50%	35.62%
Above Rs.15,00,000	31.20%	34.32%	35.88%	39.00%	42.74%

Particulars	If total Income	
	Upto Rs.1 Cr	Exceeds Rs.1 Cr
Partnership Firm/Limited Liability Partnership (LLP)		
Normal Income Tax	31.20%	34.944%
Local Authority		
Normal Income Tax	31.20%	34.944%

Particulars	If Total Income		
	Upto Rs.1 Cr	Exceed Rs.1 Cr and upto Rs.10 Cr	Exceed Rs.10 Crs
Co-operative Society (Other than opting u/s 115BAD)			
Upto Rs.10,000/-	10.40%	11.128%	11.648%
Rs.10,001/- to Rs.20,000/-	20.8%	22.256%	23.296%
Rs.20,001/- onwards	31.20%	33.384%	34.944%
Co-operative Society			
	25.168%	25.168%	25.168%

Particulars	If Total Income		
	Upto Rs.1 Cr	Exceed Rs.1 Cr and upto Rs.10 Cr	Exceed Rs. 10 Crs
Companies			
Domestic Co. having turnover or gross receipts does not exceed Rs.400 Cr. In previous year 2020-21	26.00%	27.82%	29.12%
Domestic Co. other than opting for 115BAA & 115BAB	31.20%	33.384%	34.944%
Domestic Co. opting for 115BAA	25.168%	25.168%	25.168%
Domestic Co. opting for 115BAB (New Domestic Manufacturing on or after 1 st October 2019)	17.16%	17.16%	17.16%
Company other than Domestic Company	41.60%	42.432%	43.68%
Minimum Alternate Tax for (Other than opting for 115BAA & 115BAB)			
Domestic Companies with Income less than Rs.1 Cr.	15.6%	16.692%	17.472%
Other than Domestic Companies	15.6%	15.912%	16.38%

Particulars	If total Income					
	Upto Rs.50 lacs	Exceed Rs.50 lacs and upto Rs.1 Cr	Exceed Rs.1 Cr and upto Rs.2 Cr	Exceed Rs.2 Cr and upto Rs.5 Cr	Exceed Rs.5 Cr and upto Rs.10 Cr	exceed Rs.10 Cr
STCG on Listed Securities (111A)						
Individual, HUF, AOP & BOI	15.60%	17.16%	17.94%	17.94%	17.94%	17.94%
Partnership Firm	15.60%	15.60%	17.472%	17.472%	17.472%	17.472%
Domestic Co. Other than opting for 115BAA & 115BAB	15.60%	15.60%	16.692%	16.692%	16.692%	17.472%
Domestic Co. opting for 115BAA & 115BAB	17.16%	17.16%	17.16%	17.16%	17.16%	17.16%
Company other than Domestic Company	15.60%	15.60%	15.912%	15.912%	15.912%	16.38%
LTCC on Listed Securities (112A)						
Individual, HUF, AOP & BOI	10.4%	11.44%	11.96%	11.96%	11.96%	11.96%
Partnership Firm	10.40%	10.40%	11.648%	11.648%	11.648%	11.648%
Domestic Co. Other than opting for 115BAA & 115BAB	10.40%	10.40%	11.128%	11.128%	11.128%	11.648%
Domestic Co. opting for 115BAA & 115BAB	11.44%	11.44%	11.44%	11.44%	11.44%	11.44%
Company other than Domestic Company	10.40%	10.40%	10.608%	10.608%	10.608%	10.92%

Capital Gains tax on assets other than Listed Securities.

Particulars	STCG	LTCG
Individual, HUF, AOP & BOI with income less than Rs.50 Lacs.	As per Slab	20.80%
Individual, HUF, AOP & BOI with income more than Rs.50 Lacs but less than Rs.1 Cr.	As per Slab	22.88%
Individual, HUF, AOP & BOI with income more than Rs.1 Cr but less than Rs.2 Cr	As per Slab	23.92%
Individual, HUF, AOP & BOI with income more than Rs.2 Cr but less than Rs.5 Cr	As per Slab	23.92%
Individual, HUF, AOP & BOI with income more than Rs.5 Cr	As per Slab	23.92%
Partnership Firm with income less than Rs.1 Cr.	31.20%	20.80%
Partnership Firm with income more than Rs.1 Cr.	34.944%	23.296%
Domestic Co having turnover or gross receipts does not exceed Rs.400 Cr. In previous year 2020-21		
Domestic Co. with Income less than Rs.1 Cr.	26.00%	20.80%
Domestic Co. with Income more than Rs.1Cr. But less than Rs.10 Cr.	27.82%	22.26%
Domestic Co. with Income more than Rs.10 Cr.	29.12%	23.296%
Other Domestic Companies Other than opting for 115BAA & 115BAB		
Domestic Co. with Income less than Rs.1 Cr.	31.20%	20.80%
Domestic Co. with Income more than Rs.1Cr. But less than Rs.10 Cr.	33.384%	22.26%
Domestic Co. with Income more than Rs.10 Cr.	34.944%	23.296%
Other Domestic Companies opting for 115BAA		
Domestic Co. with Income less than Rs.1 Cr.	25.168%	22.88%
Domestic Co. with Income more than Rs.1Cr.	25.168%	22.88%
Other Domestic Companies opting for 115BAB (New Domestic Manufacturing on or after 1st October 2019)		
Domestic Co. with Income less than Rs.1 Cr.	17.16%	22.88%
Domestic Co. with Income more than Rs.1 Cr.	17.16%	22.88%
Company other than Domestic Company with Income less than Rs.1 Cr.	41.60%	20.80%
Company other than Domestic Company with Income more than Rs.1 Cr. But less than Rs.10 Cr.	42.432%	21.216%
Company other than Domestic Company with Income more than Rs.10 Cr.	43.68%	21.84%

B – PERSONAL TAXATION

Exemption of amount received for medical treatment and on death due to COVID-19

Any Sum received by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to COVID-19, shall not be forming part of “perquisite” under section 17(2) of the Act.

Further it is proposed to insert two new clauses so as to provide that any amount received

- By an Individual from any person for expenditure incurred by him on treatment of illness related to COVID-19 for himself or for his family.
- By a member of the family of a deceased person, from the employer of the deceased person (without limit), or from any other person or persons to the extent that such sum or aggregate of such sums does not exceed ten lakh rupees, where the cause of death of such person is illness relating to COVID-19.
- Payment is received within twelve months from the date of death of such person.
- Subject to such other conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person.

Above clauses will take retrospective effect from A.Y 2020-21 and subsequent assessment year.

C – BUSINESS INCOME

Clarification regarding treatment of cess and surcharge not allowed as deduction

Previously several judicial pronouncements have ruled that cess is allowed as a deduction from income of profits and gains from business or profession.

Now to clarify for the same it has been proposed that the term “Tax” shall include any surcharge or cess imposed on tax and accordingly not allowed to be deducted from total income.

This amendment will take effect retrospectively from 1st April, 2005 and will accordingly apply from assessment year 2005-06 and subsequent assessment years.

Clarification in respect of disallowance of expenditure related to exempt income

Section 14A of the Act provides that no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to income that does not form part of the total income as per the provisions of the Act i.e., exempt income.

Over the years, disputes have arisen in respect of the issue whether disallowance under section 14A of the Act can be made in cases where no exempt income has accrued, arisen or received by the assessee during the previous year.

It has been clarified now that expenditure incurred to earn an exempt income will be disallowed even if the corresponding income against the same has not been accrued or received during the relevant previous year. The provision of the section shall apply and deemed to have applied always.

This amendment will take effect from 1st April, 2022.

Clarification regarding deduction on payment of interest only on actual payment

As per section 43B deduction of interest payable to bank/financial institution/NBFC/Co-Operative Bank shall be allowed as a deduction only when it has been paid actually.

However, it was observed that the certain taxpayers were claiming the interest payable on account of conversion of interest payable on the existing loan into debentures.

Therefore, it has been proposed to amend the relevant explanation to the provision of the section 43B to provide that conversion of interest payable into debenture or any other instruments by which the liability to pay the same is deferred to the future date shall not be deemed to be actually paid.

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

Clarification on allowability of expenditure under section 37

Section 37 of the Act provides for allowability of revenue and non-personal expenditure (other than those failing under sections 30 to 36) laid out or expended wholly and exclusively for the purposes of business or profession. Explanation 1 of sub-section (1) of section 37 of the Act provides that if any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure.

However, it is seen that certain taxpayers are claiming deductions on expenditure incurred in offering certain benefits or perquisite to a person which are not intended to be allowed under the section or by claiming deduction on expenses incurred for a purpose which is an offence under foreign law or for compounding of an offence for violation of foreign law, claiming that provisions of Explanation 1 to sub section (1) of section 37 of the Act applies only to offences which are prohibited by the domestic law of the country.

In order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to insert another Explanation to sub-section (1) of section 37 to further clarify that the expression “expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law”, under Explanation 1, shall include and shall be deemed to have always included the expenditure incurred by an assessee, —

- for any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or
- to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guidelines, as the case may be, for the time being in force, governing the conduct of such person; or
- to compound an offence under any law for the time being in force, in India or outside India.

This will take effect from 1st April 2022.

D – CAPITAL GAIN

Provisions pertaining to bonus stripping and dividend stripping to be made applicable to securities and units

Erstwhile provision of section 94 of the act provide for anti-avoidance provision dealing with transaction in securities and units of mutual funds including for dividend stripping and bonus stripping. However, it does not apply to bonus stripping in case of the transaction in securities. It is also not applicable to units of Infrastructure Investment Funds (INVIT), Real Estate Investment Trust (REIT) and Alternative Investment Funds (AIF).

Now, it has been proposed to modify section 94(8) of the act to provide that the provision of the said section shall also apply to transaction in securities as well as Infrastructure Investment Funds (INVIT), Real Estate Investment Trust (REIT) and Alternative Investment Funds (AIF) to prevent tax evasion through bonus stripping.

Reduction of goodwill from Block of Asset

The Goodwill of business or profession is not a depreciable asset. However, if the goodwill is purchased by assessee then the cost of acquisition will be purchase price of goodwill as reduced by amount of depreciation, if any, claimed on such goodwill till A.Y. 2020-21.

Where goodwill of a business or profession forms part of a block of asset for the assessment year beginning on the 1st day of April, 2020 and depreciation thereon has been obtained by the assessee under the Act, then such amount of Goodwill calculated as mentioned in above paragraph will be reduced from block of asset and such reduction of Goodwill will be deemed to be transfer of Goodwill and subject to short term capital gain on transfer of capital asset will be attracted.

These amendments will take effect from A.Y. 2021-22 and subsequent assessment years.

E – CORPORATE TAXATION

Withdrawal of Concessional Rate of tax for Dividend

The existing provision of the section 115BBD of the Act provides for a concessional rate of tax of 15% on the dividend income received by an Indian company from a foreign company holding 26% or more of nominal value of equity shares (specified foreign company).

In order to provide parity in the tax treatment in case of dividends received by Indian companies from specified foreign company's vis a vis domestic companies, it is proposed to amend section 115BBD of the Act to provide that the provisions of said section shall not apply to any assessment year beginning on or after the 1st day of April, 2023. Accordingly, dividend received from specified foreign companies will not be eligible for concessional rate of 15%.

Rationalization of provisions of the Act to promote the growth of co-operative societies

Erstwhile provision of section 115JC provides alternate minimum tax (AMT) in case of co-operative societies at 18.5%. Whereas the Minimum Alternate Tax (MAT) for the companies is at 15%. Therefore, in order to provide parity between the co-operative society and company, it has been proposed to rationalize the existing rate of AMT for co-operative societies from 18.5% to 15%.

These amendments will take effect from the assessment year 2023-24 and for subsequent assessment years.

Extension of date of commencement of manufacturing or production for new domestic companies:

The existing provisions of the section 115BAB provides for an option of concessional rate of taxation at 15% for new domestic manufacturing companies, provided that they do not avail any specified deductions or incentives and fulfil certain other conditions. Further new domestic manufacturing company is also required to be set up and registered on or after 1st October 2019 and commence manufacturing or production on or before 31st March, 2023.

Now, it has been proposed to increase the above time limit of 31st March 2023 by one another year i.e. now the revised time limit will be 31st March, 2024.

F - TRUST

Far reaching amendments are proposed to rationalise the provision of exemptions for charitable trust and institutions registered u/s 12AA to 12AB and u/s 23C, mainly they are as follows:

1. Both must keep books of account and other documents as may be prescribed.
2. Income tax return must be filed compulsorily under both provisions.
3. In the event if unreasonable benefit is passed on to the specified persons, a penalty of 100% is proposed and for continuing such practices subsequently a penalty of 200% is proposed.
4. In both the cases, 85% of the income to be applied for the object of the trust.
5. If the income of the trust results in to direct or indirect benefit of the specified person then the same shall be charged to the income of recipient.
6. At present there is no clarity on computation of taxable income in case of trust / institution. Therefor it is proposed that income chargeable to tax shall be computed after allowing deduction of expenditure (other than capital expenditure) provided:
 - Such expenditure is not from the corpus
 - Such expenditure is not from borrowing or loan
 - Claim of depreciation if expenditure on assets is claimed as application.
 - Such expenditure is not in the form of contribution or deduction to any person
 - The expenditure shall be subject to TDS if applicable
 - The expenditure should not be more than Rs. 10,000 in cash.
 - No set off of loss
7. Only that part of income which is not applied for the object of the trust shall be liable to be included in total income, similarly, only that part of investment which has been invested as pre the Act, shall be liable to be included in total income.
8. Trust or institution are required to apply 85% of their income for the specified object of the trust provided it has actually spent irrespectively of the provision in the year in which the liability arose. In other words, expenditure incurred for which payment is not made, the same shall not form part of 85%.

G – VIRTUAL DIGITAL ASSET

Virtual Digital Assets is a buzz word in the economy today. There has been lots of if's and but's till date with regards to Taxation of Virtual Digital Assets, finally it seems government has made up its mind how to handle the same so far as the taxation aspect of the same is concern. Accordingly, it has been proposed to introduce scheme for taxation of Virtual Digital Assets, this proposed amendment will take effect from 1st April, 2023, i.e. AY 2023-24.

The Finance Bill has defined Virtual Digital Assets as “**any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account and includes its use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically. Non fungible token and; any other token of similar nature are also defined as Virtual Digital Assets**”.

The Scheme of Taxation will be as follows:

- It has been proposed to treat this as a special rate income and levy taxation @ 30% on the profit/gain arising on transfer / gifting of such Assets. For the purpose, of deriving the profit / gain only **cost of acquisition** is allowed as deduction / allowance and no other expenses or cost shall be allowed as deduction.
- This being a special rate Income, no set-off of any loss shall be allowed against any other income nor carried forward of such loss shall be allowed to the subsequent year. Hence, if there any net losses the same will be lapsed.
- To capture the transaction details, it is proposed to provide for TDS on the payment made in relation to transfer of Virtual Digital Assets @ 1% of such consideration above monetary threshold.

The above provision of the section 194S has been proposed to be introduced w.e.f 1st July 2022.

H – DEDUCTION AND EXEMPTION

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

The existing provisions of the section 80-IAC provides that the deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive assessment years out of 10 years at the option of the assessee. The eligible start-up is required to be incorporated on or after 1st day of April, 2016 but before 1st day of April 2022. The said time limit is further extended by one year i.e. 01-04-2023.

Incentive to National Pension System (NPS) subscribers for State Government Employees:

Contribution by central government to National Pension Scheme (NPS) is allowed as deduction provided it does not exceed 14% of the salary. However, the said contribution by state government to its employees was allowed @10% of the salary. To bring parity, it is now proposed that existing 10% be increased to 14% for state government employees also.

This amendment will take retrospective effect from 1st April, 2020 and will be apply from A.Y. 2020-21 and subsequent assessment years.

Exemption of Annuity Income to a disabled Person:

Under existing provision, deduction is provided to an individual or HUF for amount paid to LIC or any other insurer or administrator or specified company in respect of a scheme for the maintenance of a disabled dependent. The deduction shall be allowed only if the payment of annuity or lump sum amount is made to the benefit of the dependent, in the event of the death of the individual or the member of the HUF in whose name subscription to the scheme has been made.

Further it is provided that, any annuity or lumpsum income received by dependent with disability if pre-deceases the individual or the member of the HUF, the amount deposited in such scheme shall be deemed to be the income of the assessee of the previous year and the same being chargeable to tax.

However, there may be cases where handicapped dependent may need payment of annuity or lump sum basis even during life time of their parents/ guardians.

To remove genuine hardship, it is proposed to allow deduction under the said section during the lifetime i.e., upon attaining age of sixty years or more of the individual or the member of the HUF in whose name subscription to the scheme has been made and where payment or deposit has been discontinued.

This amendment will take effect from 1st April, 2023 and will be apply from A.Y. 2023-24 and subsequent assessment years.

I – RETURN & ASSESSMENT

Promoting Voluntary Tax Compliance and Reducing Litigation:

A person who has taxable income during the year, he/she must have filed his/her return of income within the time limit prescribed under section 139 of the Act, 1961. The time limit for filling the return of income as per current provision of the act is tabulated below:

Sr. No	Particulars	Time Limit for filling the return of income		
		Original Return of Income i.e us 139(1) of the Act	Belated Return i.e us 139(4) of the Act	Revised Return i.e us 139(5) of the Act
1	A person who is not required to be audit of accounts	31 st July	31 st December Or Completion assessment ... Whichever is earlier.	
2	A person who is required to be audit of accounts	31 st October		
3	A person who is required to furnish a report u/s 92E of the Act	31 st November		

However, sometimes the taxpayer file his/her Return of Income at last moment and it may lead to unwanted errors being made or forgot to file return of income within the above-mentioned time limits. To facilitate those taxpayers, the Finance bill 2022 has introduced new provision for voluntary tax compliance. The proposed section 139(8A) of the act allows more time i.e. 24 months from the end of the assessment year to file or revise or update his/her return of income. However, the taxpayer has to pay tax at 25% or 50% as additional tax on tax and Interest on such additional Income.

If the person filed updated return of income within one year from the end of the assessment year	25% additional tax and Interest
If the person filed updated return of income after one year from the end of the assessment year	50% additional tax and Interest

The following persons are not eligible to avail this benefit:

- where the tax liability or earlier income decreases
- Search cases u/s 132/132A
- Survey cases u/s 133A
- Assessment proceedings has been pending or completed.
- Notice has been issued for....
 - Prevention of Money Laundering Act, 2002 or
 - the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or
 - the Prohibition of Benami Property Transactions Act, 1988 or
 - The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976
- The information received for foreign transaction.
- Prosecution proceedings has been initiated.

Further, if the taxpayer files return of income as “Tax payable” under proposed section 139(8) of the act, then it would be defective return.

The updated return shall be filed taking into account of all the taxes paid as advance tax or TDS or TCS, relief u/s 89 or 90 or 91 of the act.

Litigation management System u/s 158AB:

It is now proposed that if question of law has been raised by the revenue in case of assessee and the same issue is decided by the jurisdictional High Court or the Supreme Court in favour of same assessee or another assessee for same year or any other year, then the assessee can submit the application to the revenue requesting not to file the appeal against the said identical issue.

Cash Credits under section 68 of the Act:

As per current scenario of section 68 of the act, any sum found credited in the books of a taxpayer for which the taxpayer offers no explanation about the nature and source thereof or the explanation offered by him is not satisfactory in the opinion of the Assessing Officer may be charged to income-tax as the income of the taxpayer of that year.

It is now proposed that the explanation of nature and source of loans/borrowings would be satisfactory only if the source of such funds are explained in the hands of creditors or entry provider.

This will take effect from AY 2023-24 and subsequent years.

Assessment and Reassessment:

If department has received any information regarding the foreign transaction exceeding Rs.50 Lakhs & believe that he/she did not show such income in return of income then, the department has right to re-open the case upto the period of 10 preceding assessment years.

Liability of Director of Private Limited Company :

Where any “tax due” from a private company in respect of any income of any previous year cannot be recovered then every person who was a director of the private company at any time during the relevant previous year shall be jointly and severally liable for the payment of such tax under section 179 of the act.

Under existing provisions, the tax dues includes...

- penalty,
- interest or
- Any other amount payable under this act.

It is proposed to include fees in definition of tax dues and also the liability is not conditional upon the company being in liquidation.

No Set off of loss of undisclosed income in search cases:

Under existing provision, any person can claim set off of losses or unabsorbed depreciation, against undisclosed income corresponding to difference in stock, undervaluation of stock, unaccounted cash payment etc. which is detected during the course of search or survey proceedings.

To prevent tax evasion, new section 79A of the Act is proposed to be introduced. Now **no set off** of losses or deduction shall be allowed against undisclosed income detected during search or survey operations.

Reassessment

Restrictions on re-opening assessments in search, survey, and requisition cases for three years, immediately preceding the year of search or survey, have been removed retrospectively from 1 April 2021.

Reassessment scope after three years up to 10 years has been expanded to cases where AO has books and documents that reveal income escaping assessment is represented in the form of: 1. An asset; or 2. Expenditure with respect to a transaction/event or occasion, or 3. An entry in books amounting to INR 5 million or more.

J – TAX DEDUCTED AT SOURCES & TAX COLLECTED AT SOURCES

Amendment in definition of specified person u/s 206AB and 206CCA (Non fillers of Income Tax Return & TDS Return)

Under existing provision, the definition provided for two years to be considered for specified persons (Non Fillers) but now it is reduced to one year. This means that in case of specified persons if the return of income or TDS return is not filed for one year immediately preceding the financial year in which tax is to be deducted or collected then in that case the tax is to be deducted at higher rate as follows provided that the amount of TDS or TCS is Rs 50,000 or more.

1. at twice the rate specified in the relevant provision of the Act; or
2. at twice the rate or rates in force; or
3. at the rate of five per cent (where PAN is not available).

Further, It shall not apply to Individual and HUF covered u/s 194IA, 194IB and 194 M (who are not required to obtain TAN) of the Act.

Amendment in section 194IA relating to TDS on transfer of immovable property

Existing provision provides that TDS @1% to be deducted on transfer of immovable property other than agriculture land provided the consideration is more than Rs 50 lakhs. It is now proposed to provide that in case of transfer of an immovable property (other than agricultural land), TDS is to be deducted @ 1% of such sum paid or credited to the resident or the Stamp Duty Value of such property, whichever is higher. Thus stamp duty value which was not there on the statute is now included.

Insertion of section 194R relating to provision for benefits or perquisites to Resident

- It is proposed to insert Section 194R that the person responsible for providing benefits or perquisites to a resident whether convertible to money or not arising from carrying out of a business or professional has to ensure that TDS has been deducted at rate of 10% provided it exceeds Rs 20,000.
- In case where the benefit or perquisite provided is wholly in kind or partly in cash and partly in kind but such part in cash is not sufficient to meet TDS liability then person responsible for providing the benefits shall before release of benefit or perquisite ensure that TDS is properly deducted at 10%.
- This section shall apply to those Individuals and HUF whose total sales, gross receipts or turnover exceed one crore rupees for business and fifty lakh rupees for profession during the financial year immediately preceding financial year in which such benefit/perquisite is provided.
- This amendment will take effect from 1st July 2022.

Consequences for failure to deduct / collect or payment of tax – Computation of interest.

- Erstwhile provision of section 201(1A) and 206C (7) deals with the consequences of person who fail to deduct/collect the tax or after deducting/collecting who fails to deposit to the credit of Central Government. In such cases he shall liable to pay simple interest at the rate specified in the respective section.
- However, it was observed that the 'computation of the interest' under both the section was subject matter of the frequent litigation.
- Therefore, it has been proposed to provide that where any order for defaulting either under provision of section 201(1A) or 206C (7) has been passed by the Assessing Officer (AO) then in such a case Interest for such default shall be paid in accordance with the said order passed by the AO only.
- This amendment will take effect from 1st April 2022.

K – INDIRECT TAXES

CHANGES IN GOODS AND SERVICES TAX

Changes relating to Input Tax Credit (ITC)

- Now, section 16(2) provides following major 6 conditions for availment of the ITC under GST after introduction of new condition through clause (ba).

(a) Document

Possession of tax invoice or debit notes.

(aa) Communication (1-1-22)

The details of invoices or debit notes have been furnished by supplier in form GSTR 1 AND such details have been communicated to recipient (form GSTR 2A/2B).

(b) Receipt

Goods and/or services has been received.

(c) Payment

Tax charged in the invoice is paid by the supplier of the goods or services or both to the credit of the Government.

(d) Returns

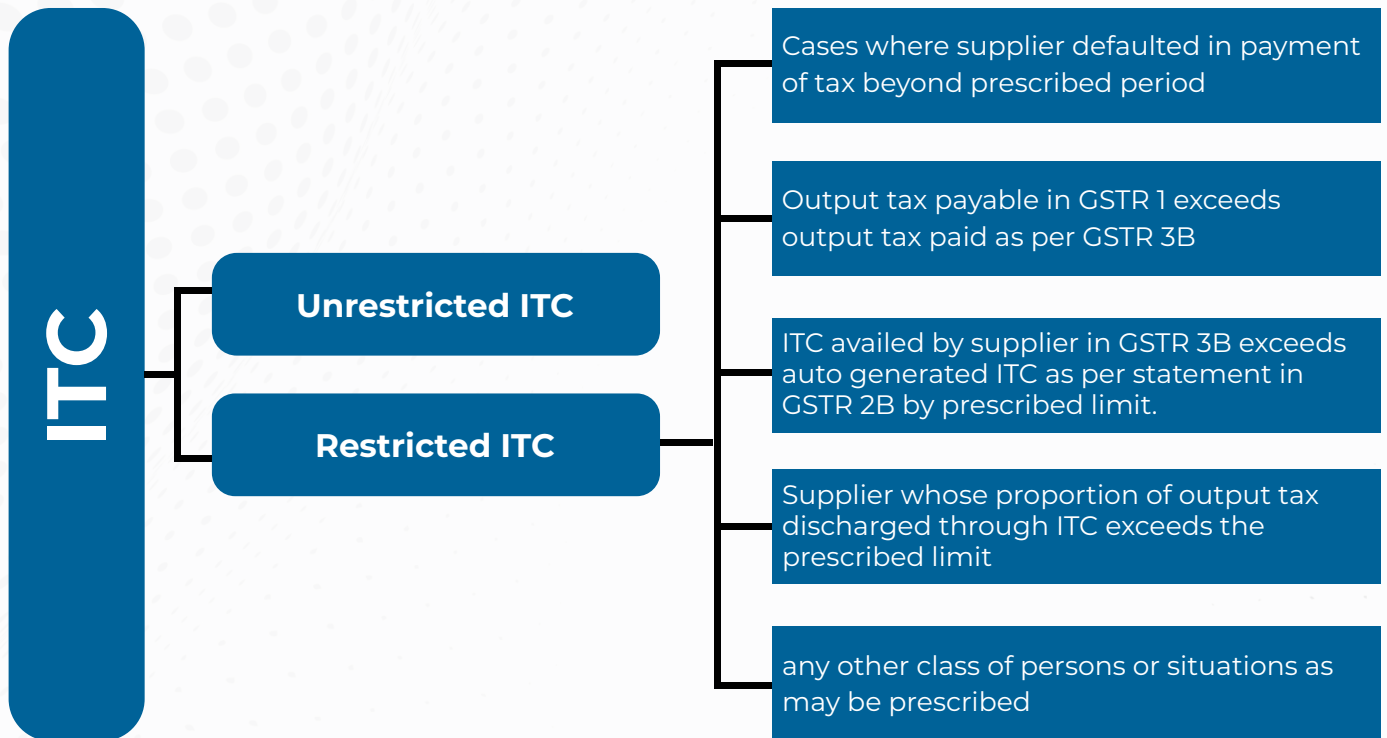
Supplier has furnished GSTR 3B.

(ba) Restriction (NEW)

ITC availed is not restricted in any way vide Section 38. (Explained in detailed below)

- As stated above, newly proposed ITC condition [clause (ba)] is simply linked to restriction enumerated in section 38. Original section 38 relating to 'furnishing details of inward supplies' is completely revamped and renamed as 'Communication of details of inward supplies and input tax credit'. This suggests indirect indication of government to done away with the requirement of filing return for inward supplies as originally envisaged (GSTR 2). The proposed amendments are listed below;

- Based on the GSTR 1 filed by the supplier, an auto generated statement containing the details of ITC shall be made available to the recipient in the manner to be prescribed.
- This auto generated statement shall consist of ITC available [Unrestricted ITC] AND Details of ITC which cannot be available to the recipient [Restricted ITC], whether wholly or partly, even though the GSTR 1 is filed by the supplier. To summarize;



The rules in this regard are yet to be framed and prescribed.

Having said this, it could be said that the duty of the tax officer to identify whether the tax has been paid or not by the supplier has now been shifted on the shoulder of the recipient by making recipient to step into the shoes of investigating officer and identify whether tax of which the credit has been availed is paid by the supplier or not.

- Section 16(2)(c) as stated above cast an obligation on the recipient to ensure that the tax has been paid to the Treasury of Government. In the case of D. Y. Beathel Enterprises v. the State Tax Officer, the Madras High Court held that for the fault of supplier, recipient cannot be penalized at first instance and insisted that the department should first proceed against the supplier and explore the remedy of recovery before demanding reversal of ITC from the recipient.

Now, to put rest to all the doubts, section 41(2) is proposed to be inserted which specifically provides for reversal of the ITC along with interest by recipient in case where suppliers has not paid tax in such manner as may be prescribed. Additionally, it also permits a re-availment of the said reversed ITC by recipient when the supplier makes the payment of the tax. Grippingly, it is believed that interest cannot be re-availed even though the supplier has discharged the interest for delayed deposit of tax in absence of any such specific provisions.

Further, from the proposed amendment it seems that the ITC which was provisionally taken as self-assessment is now no more to be considered as a provisional credit and therefore it would be the Final ITC. This also goes to prove that the government is not intended to reintroduce the mechanism of original eco system of GSTR 2 & GSTR 3 based return filing system.

- Whereas the above provisions deal with restrictions on the availment of ITC, further provisions are also prescribed to restrict subsequent utilisation of validly availed ITC in certain circumstances.

Section 49(4) seeks to provide for prescribing restrictions for utilizing the amount available in the electronic credit ledger. Further Section 49 (12) provides for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger, thereby giving a legal backing to Rule 86B, which is already in force. Rule 86B already provide that ITC shall be restricted to be used for certain class of taxpayers in excess of 99% of the output tax liability w.e.f. 1-1-21.

- ITC of any invoice or debit note received in any particular financial year can be availed at any time subject to time limit restriction. The said timeline is now being revised as under:

Original time limit	Revised time limit
Whichever is earlier	
- Due date of furnishing return for September month of subsequent financial year.	- 30 th November of subsequent financial year
- Annual return	- Annual return

Interestingly, revised time limit is not linked to the due date of return instead simply linked to 30th November.

It is being reiterated again that this provision is applicable when ITC is availed based on invoice or debit note and not applicable in any other case where ITC is claimed based on any other document like bill of entry.

- Section 42, 43 and 43A relating to matching, reversal and reclaim of ITC and outwards liabilities is being proposed to be omitted so as to do away with two-way communication process in GSTR return filing system.

Interest on ITC reversal

It is being proposed to provide for levy of interest on wrongly availed ITC only to the extent that the credit has been utilised. Meaning thereby, interest shall not be levied when ITC wrongly availed but not utilized. This amendment is proposed to be effective retrospectively w.e.f. 1-7-17. Also, for this purpose, the rate of interest is also notified to be 18% p.a. in line with interest rate for delayed payment of tax.

Changes relating to GSTR 1 & GSTR 3B.

- It is being proposed that any non-submission of GSTR 1/GSTR 3B for a tax period will restrict the filling of GSTR 1 for subsequent tax period except where it is notified by the government on the recommendation of council. Meaning thereby, GSTR 1/GSTR 3B cannot be filed if GSTR 1/GSTR 3B of previous tax period was not filed.

- It is being proposed to provide for the filing of GSTR1 mandatorily before the filing of GSTR-3B. Effective from 1-1-22, it is being already provided that a registered taxpayer shall not be allowed to file his GSTR-1 in case his GSTR-3B was not filed for preceding month.
- Any error or omission in respect of GSTR 1/GSTR 3B can be rectified/amended while filing GSTR 1/GSTR 3B of subsequent tax period(s) subject to specified time limit. Said time limit is being proposed to revise as under:

Original time limit	Revised time limit
Whichever is earlier	
- Due date of furnishing return for September month of subsequent financial year.	- 30 th November of subsequent financial year
- Annual return	- Annual return

- Procedural changes have been affected to provide for further restrictions in case of furnishing of GSTR1 returns. Such restrictions are to be introduced by way of rules.
- Since originally perceived two-way return filling system is (GSTR 2 & GSTR 3) now seems to be done away with, certain provisions were anyways redundant and therefore it is being proposed to be omitted/amended.
- It is proposed to empower government by virtue of rules to introduce the possibility of filing GSTR 3B without full payment of taxes as may be determined subject to such restrictions as may be notified in this regard. The rule in this regards is yet to be prescribed.
- It is being proposed to change due date of return filling for non-resident taxable person. Originally return is to be filed within 20 days after the end of calendar month OR within 7 days after the last day of the period of registration as specified, whichever is earlier. Now it is being proposed to time limit of 20 days to 13 days.

Timeline for issuance of credit notes

Section 34 allows a registered person to issue credit notes in the specified situation and thereby allowing reduction in GST liability of particular tax period. This is permissible only if the incidence of tax and interest has been not passed on to any other person. Now, there is change in time limit of issuance issue credit note which is as under:

Original time limit	Revised time limit
Whichever is earlier	
- Due date of furnishing return for September month of subsequent financial year.	- 30 th November of subsequent financial year
- Annual return	- Annual return

Transfer of balance in Electronic Cash Ledger between same PAN GSTIN

Now it is being proposed to allow transfer of electronic cash ledger balances between same PAN GSTIN's to save the time from the process of refund application. Such transfer shall be deemed to be a refund from electronic cash ledger. This amendment is in line with the GST Councils recommendation

Cancellation of registration:

Section 29 of the CGST Act, 2017 includes provision for cancellation of registration on suo-moto by proper officer for specified cases. The cancellation is subject to giving a person an opportunity of being heard.

Composition Person Section 29(2)(b)

- Provides for cancellation of registration if dealer has not furnished returns for 3 consecutive tax periods.
- It is being proposed to amend this provision to provide for cancellation if the return for a particular financial year has not been furnished beyond 3 months from the due date of furnishing of the said return.

Regular Person Section 29(2)(c)

- Provides for cancellation of registration if he has not furnished returns for 6 consecutive months.
- Now it is being proposed to provide for cancellation if the return has not been furnished for prescribed continuous tax periods. This period is yet not notified however it may be possible that government may notify lesser period.

Refund of tax

It is being proposed to specifically provide that the time limit for filing refund application for supplies made to SEZ shall be 2 years from the date of filing of GSTR 3B of the month in which such supply has been made.

Amendments relating to TCS Collectors

1. Late fees for delay in filing of TCS returns by TCS collectors is being proposed.
2. Due date of amendment in TCS returns is being extended till 30th November of next financial year instead of due date for the month of September in line with other due date amendment as stated above.

▶ AMENDMENT IN THE CUSTOMS ACT, 1962

Customs act has seen certain major changes. The major changes include phasing out of various exemptions and make the country more competent and self-reliant. As the GST policy is outside the purview of union budget, more focus was on rationalising the custom act and custom tariff act.

- To address the issue of undervaluation in imports, rules are proposed to be made to specify the additional obligation of importers.
- Application made under advance ruling can be withdrawn at any time before an advance ruling is pronounced. Earlier the same can be withdrawn within 30 days from the date of application.
- Advance ruling is now valid for three years or till there is a change in law or on basis of the facts upon which advance ruling has been pronounced whichever is earlier.
- The officer who has performed the original function of inquiry, investigation or audit shall have the sole authority to exercise further actions in subsequent investigations or any other function.
- To protect the data, now publishing the details of goods imported/exported or importer/exporter, shall attract imprisonment and penalty.

The changes are made to make the effective use of Information Technology and leverage the technology. The changes made in the Import of Goods Concessional rate of duty (IGGR) is aimed at making the whole process IT oriented, standardised and hence more transparent. The major changes propose are as follows:

- Submission of necessary documents electronically through common portal for end-to-end automation of process.
- For effective monitoring of the use of goods, “Monthly Statement” is proposed which is submitted by importer on the common portal.
- Option of voluntary payment of interest & duty through common portal is provided to the importer.

▶ AMENDMENT IN THE CENTRAL EXCISE ACT, 1944

Imposition of Additional Basic Excise Duty (ABED) on unblended Petrol and Diesel

To promote blended Petrol & Diesel with ethanol/methanol, an additional basic excise duty is imposed on unblended Petrol & Diesel by 2/- Rs per Litre.

▶ CHANGES IN CUSTOM DUTY RATES:

Basic Custom Duty seems to have been rationalized provide support to Production Linked Incentive Schemes, Make in India and Atmanirbhar Bharat initiative. Government seems to have used custom rates as a tool to achieve various initiatives as penned above. As monthly GST collection soaring high, government seems to have focused on increased compliances rather than immediate rate changes. The rate changes have been rationalized to aid manufacturing sector and MSME sector.

All changes in the rates of Custom Duty and other cess are applicable from February 2,2022 unless otherwise specified.

Major items which got costlier:

The rates of basic custom duty have been increased on the following items:

Sr. No	Particulars	Custom Duty Rate	
		Current Rate	Proposed
1.	Edible Oils		
	Microbial fats and oils and their fractions	30%	100%
2.	MSME Sector		
	Umbrellas	10%	20%
	Paper, paperboard	Nil	2.5%
3.	Gems and Jewellery Sector		
	Imitation Jewellery	20%	20% Or Rs.400/kg Whichever is higher
4.	Electrical and Electronics Sector		
	X Ray Machines	7.5%	10%
	Single or multiple loudspeakers, Headphones and earphones, microphone and one or more loudspeakers	15%	20%
	Smart Meters (Till March 22, 15%)	15%	25%
	Printed Circuit Board Assembly of Smart Meters	10%	20%
5.	Solar Energy Sector		
	Solar Cells (Till March 22, effective BCD Nil)	20%	25%
	Solar Modules (Till March 22, effective BCD Nil)	20%	40%

Major items which got cheaper:

Considering the price pressure of metals, exemption given to Iron and steel scrap, including stainless steel scrap has been continued till March 31, 2023. Also, rates on various items related to clothes has been slashed down to make it cheaper. Tariff rates change on Basic Custom duties on following products has been decreased.

Sr. No	Particulars	Custom Duty Rate	
		Current Rate	Proposed
Applicable from February 2, 2022			
1.	Fuel oil, vacuum gasoil, low sulphur wax residue	5%	2.5%
2.	Cut and Polished diamonds and gemstones	7.5%	5%
3.	Camera Lens	10% / 15%	2.5%
Applicable from May 1, 2022			
4.	Pure-bred breeding horses	30%	Free
5.	Poppy seeds	70%	20%
6.	Ethyl alcohol and other spirits	30%	5%
7.	Oil (other than crude petroleum) obtained from Bituminous Crude	5%	Free
8.	Motor Spirit commonly known as petrol and High-speed diesel	10%	2.5%
9.	Aviation Turbine Fuel (ATF)	10%	5%
10.	Liquefied natural gas (LNG)	10%	2.5%
11.	Cotton waste	25%	10%
12.	Cocoa Beans, whole or broken, raw or roasted	30%	15%

Some of the items of capital goods have been benefitted from the reduced rate of basic custom duty. The said items have been highlighted below.

Sr. No	Particulars	Custom Duty Rate	
		Current Rate	Proposed
1.	S. G. Ingot Castings used in manufacturing of Plastic Processing Machinery	10%	7.5%
2.	Ball Screw and Linear Motion Guide used in manufacturing of Plastic Processing Machinery	7.5%	5%
3.	Bushing (made up of platinum and rhodium alloy, imported in exchange of worn-out bushing exported for refurbishment)	10%	7.5%
4.	Coffee roasting, brewing or vending machineries for use in the manufacturing or processing of coffee	10%	7.5%

Changes in Export Duty Rates:

- Under the commodity Leather, export duty imposed on Raw hides & skins of buffalo is reduced to 30% from 40%.

Revocation of Anti-Dumping Duty and CVD:

Anti- Dumping duty is being permanently revoked on import of following, to address the issue of high metal prices. This will also help the domestic producers and consumers as steel being a producer and consumer commodity.

- Straight length bar, rods, and alloy steel imported from People's Republic of China. High speed still of non-cobalt grade imported from People's Republic of China, Brazil & Germany. Flat rolled product of steel, plated, or coated with alloy of aluminium or zinc imported from People's Republic of China, Vietnam & Korea.
- Countervailing duty is being permanently revoked on import of certain Hot Rolled and Cold Rolled Steel Flat Products from People's Republic of China.

Concessions to bonafide exporters:

A scheme for duty-free imports for the purpose of use in goods meant for export, based on end-use monitoring is being introduced for bonafide exporters. The conditional exemptions provided for import of items like decorative papers, motifs, back of photo frames, etc. to be used in manufacture of handicraft products, fasteners, inlay cards, lining and inter-lining materials, wet blue chrome tanned leather, etc. to be used in manufacture of textile or leather garments, buckles, buttons, locks etc. to be used in manufacture of leather or synthetic footwear, or other leather products meant for exports.

TABLE FOR TDS & TCS RATES

TDS Rates for F.Y. 2022-23

Sec	Nature of Payment	Threshold Limit (in RS.)	Individuals, HUF, AOP,BOI	Firms	Co-op society, Local Authority	Company
192	Salary	-	Basic Slab Rate	N.A.	N.A.	N.A.
192A	EPF Withdrawal (Before 5 Years)	50,000	10	N.A.	N.A.	N.A.
193	Interest on Securities					
	Interest on Debentures or securities (Listed) * In case of Individual resident only.	5,000*	10	10	10	10
	Interest on 8 % Savings (Taxable) Bonds 2019	10,000	10	10	10	10
	Any Other Interest on securities (Listed)	-	10	10	10	10
194	Dividend	5,000	10	10	10	10
194A	Interest other than interest on securities (cases other than below)	5,000	10	10	10	10
	Where the payer is					
	(I) Banking company	40,000***	10	10	10	10
	(ii)Co-op. society engaged in banking business*	40,000***	10	10	10	10
	(iii)Post off under a deposit scheme framed by CG	40,000***	10	10	10	10
***the said limit is for senior citizen is Rs 50,000/-.						
194B	Winning from Lotteries	10,000	30	30	30	30
194BB	Winnings - Horse Races	10,000	30	30	30	30
194C	Payment to Contractors / Sub-contractors /Advertising but other than transporter except who falls u/s 44AE of the Act. **for single transaction or If the consolidated amount during the year exceeds Rs. 1,00,000/.	30000**	1	2	2	2
	*Payment to transporter who falls u/s 44AE of the Act (i.e. person who does not own more than 10 goods carriage) and provide declaration with PAN.	-	Nil	Nil	Nil	Nil
194D	Insurance Commission	15,000	5	10	10	10
194DA	Life Insurance Policy	Excess over Premium Paid	5	5	5	5

194E	Non-Resident sportsman/ sports association / entertainer	-	20	20	20	NA
194EE	Deposits under NSS to Resident/Non resident	2,500	10	10	10	NA
194F	Repurchase of units of MF/UTI from Resident/Non-resident	-	20	20	20	NA
194G	Commission on sale of lottery tickets to Resident / Non-Resident	15,000	5	5	5	5
194H	Commission or Brokerage to Resident	15,000	5	5	5	5
194I	Rent to Resident					
	i) for machinery/ Plant / equipment	2,40,000	2	2	2	2
	ii) For land or building or furniture & fixtures	2,40,000	10	10	10	10
194J	Fees for Professional Services/Royalty Excluding Technical Services	30,000	10	10	10	10
	Call Centre Services	30,000	2	2	2	2
	Technical Services	30,000	2	2	2	2
194K	Income payable to resident in respect of Mutual Fund or UTI	5,000	10	10	10	10
194-IA	Payment/ value u/s 50C on transfer of immovable property other than agricultural land.*	*50,00,000	1	1	1	1
*Immovable property includes other amenities like club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature						
194 - IB	Rent Payable by Individual (Not covered u/s 194I) For land or building or furniture & fixtures	50,000 P.M.	5	5	5	5
194LA	Compensation to Resident on acquisition of immovable property (Compulsory)(other than agriculture land)	2,50,000	10	10	10	10
194M	Payment to Contractors & Professional by Individual/HUF	50,00,000*	5	N.A.	N.A.	N.A.
*Yearly payment of Rs. 50Lakh or more & other than who deduct u/s 194C & 194J						
194N	Cash withdrawal from Banking company, cooperative bank or post office	1,00,00,000	2	2	2	2
194O	TDS on E-commerce Transaction*	5,00,000 Single/ Aggregate	1*	1	1	1
*If PAN not available then rate is 5%						

194Q	Purchase of goods (person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out.) w.e.f. 01.07.2021	50,00,000 (single/ Aggregate)	0.1	0.1	0.1	0.1
194R	TDS on benefit or perquisite of business or profession w.e.f 01.07.2022	20000	10	10	10	10
194S	TDS on Virtual Digital Assets w.e.f 01.07.2022	10000	1	1	1	1
195	Payment of other sums to Non-Resident	Rate specified under Part II of First Schedule of Finance Bill, 2021 subject to provisions of DTAA				
196D	Income of FII (foreign institutional investors) (In case of a payee to whom Section 90 & 90A applies and if such payee has furnished the tax redundancy certificate)	(i) At the rate 20% OR (ii) Rates of income tax provided in such agreement for such income Whichever is lower				
206AB	For non-filers of income-tax return	Higher of the followings rates:- (i) twice the rate specified in the relevant provision of the Act; or (ii) twice the rate or rates in force; or (iii) the rate of 5%				
206C(1H)	Sell of goods (person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out.)	50,00,000 (single/ Aggregate)	0.1	0.1	0.1	0.1

TCS Rates for F.Y. 2022-23

Section	Nature of Payment	Threshold Limit (in Rs.)	Individuals, HUF, AOP,BOI	Firms	Co-op soc, Local Authority	Company
206C	Overseas Remittance by Authorized Dealer	7,00,000	5	5	5	5
	Selling of overseas tour package	-	5	5	5	5
206C (1H)	Sale of Goods	50,00,000*	0.1	0.1	0.1	0.1
*Those sellers whose turnover exceeds ` 10 Crores and receipts from buyers exceeds ` 50 Lakh						
206CC	If PAN is not furnished	which tax shall be collected at the higher of the following rates, namely:— (i)at twice the rate specified in the relevant provision of this Act; or (ii)at the rate of 5%				
206CCA	For non-filers of income-tax return	The proposed TCS rate in this section is higher of the following rates:- • twice the rate specified in the relevant provision of the Act; or • the rate of 5%				



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2nd Floor, Prasanna House, Associated Society,
Opp. Radhakrishna Park, Nr Akota Stadium,
Akota, Vadodara - 390020, Gujarat, India.

- +91-91732-02343
- www.smb-ca.com
- office@smb-ca.com