

Sailing to Shore



**An Overview Of The
Finance Bill 2023**

**SHAH
MEHTA
AND
BAKSHI**
CHARTERED
ACCOUNTANTS

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It is recommended that the readers should take professional advice before acting on the same.

The provisions contained in the Finance Bill 2023 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 I Bhagat

B. Com., FCA, DISA (ICAI)

Varun V Fitter

B. Com., FCA, DISA (ICAI)

Daxal A Pandya

B. Com., FCA, DIIT (ICAI)

Himesh D Gajjar

B. Com., FCA



FOREWORD

THE FIRST BUDGET OF THE AMRIT KAAL.

The hon'ble Finance Minister Smt. Nirmala Sitaraman announced the Union Budget for FY 2023-24 on February 1, 2023. The Budget has always carried high importance for the Industries, Taxpayers and most importantly the Common Man of India.

Having crossed 75 years of independence, India has aged gracefully. India has become one of Asia's most diversified equity markets, with sizeable sectors that derive revenues from both within and outside the country using its sage. Leveraging the years of experience, the quantum of development taking place in the field of infrastructure, and with technology taking the front seat in the progress of the country, India gets an edge against the competition.

This was the first address to the Joint Session of the Parliament by the new President. As the Hon'ble Prime Minister has rightly put before the session, **“credible voices from the world of economy, have brought in a positive message, a ray of hope and a beginning of enthusiasm. Considering the current scenario, not only India but the entire world is looking at India's budget. Amid the unstable global economic situation, India's Budget will attempt to meet the hopes and aspirations of the common citizens.”**

Up until now, India was recovering from the dent of Covid-19, but as the recovery phase is coming to an end, the goal has now been shifted towards Growth. India is a ship which is sailing in the right direction and on its way to reach to the shore. Buoyancy in tax collection, flowing money from the foreign investors and improved consumption pattern has given the necessary boost to the Indian Economy.

All eyes on India now.....



An Overview Of The Finance Bill 2023

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STATE OF

ECONOMY



The Economic Survey for the Year 2022-23 has been tabled on January 31, 2023, i.e., on the first day of the budget session. The India's economy has rebounded since the Covid-19 Pandemic, but the Russia-Ukraine war has triggered some inflationary pressures and the Reserve Bank of India has implemented some of the measures like

increasing the repo rates to tame with such inflationary pressures. The survey mainly aims at pegging the GDP growth rate in the coming financial year, the performance of various indicative factors like fiscal deficit, foreign exchange reserves, growth in the core sector output and inflation.

GDP NUMBERS

Expected GDP Growth Rate
in FY 23-24 : 6 to 6.8%

Expected GDP Growth Rate
in FY 22-23 : 7%

Realised GDP Growth Rate
in FY 21-22 : 8.7%

The Chief Economic Advisor has specifically highlighted the 2019 tax cuts which helped private sector to repair the balance sheets quickly and helped the corporates to have more money to spend on the business activity. It has also pointed out the rebound in consumption and investment.

Started in the 1950-51, the economic survey carried a lot of importance as it gives insight into the major economic development in the year, broad review of the performance of the economy and various reliable estimates made under the supervision

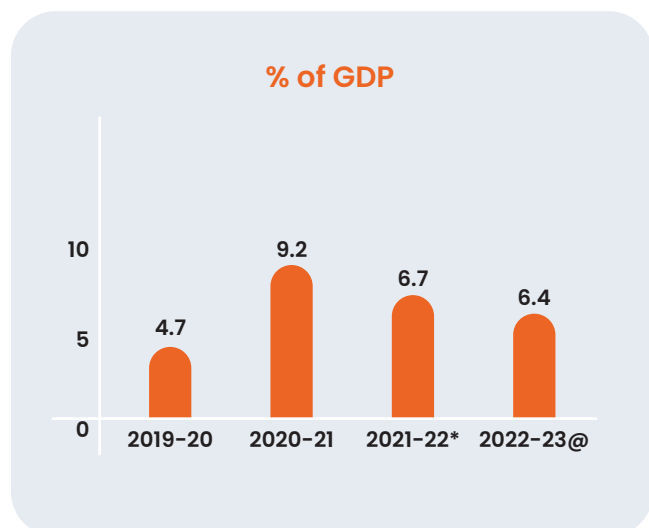
of chief economic advisor.

Indian Economy has nearly **"recouped"** what was lost, **"renewed"** what has paused and **"reenergised"** what had slowed.

The survey has cautioned that the Indian rupee may come under pressure if the current account deficit (CAD) continues to widen. Also, slowing economic growth, shrinking global trade has led to loss of export stimulus in the second half of the current year.

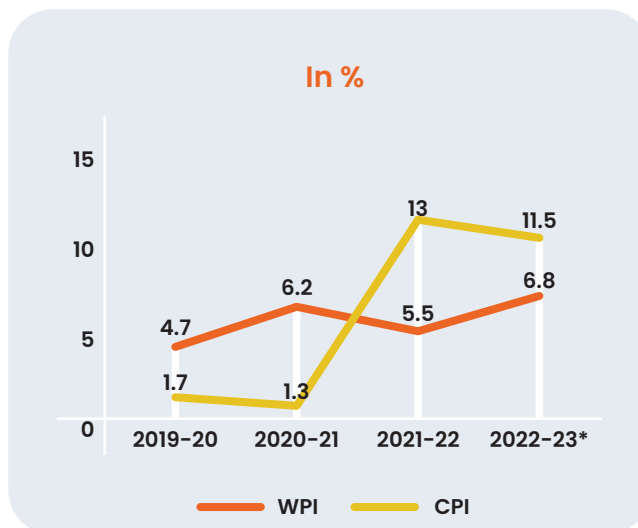
SOME KEY INDICATORS AND THEIR PERFORMANCE:

FISCAL DEFICIT



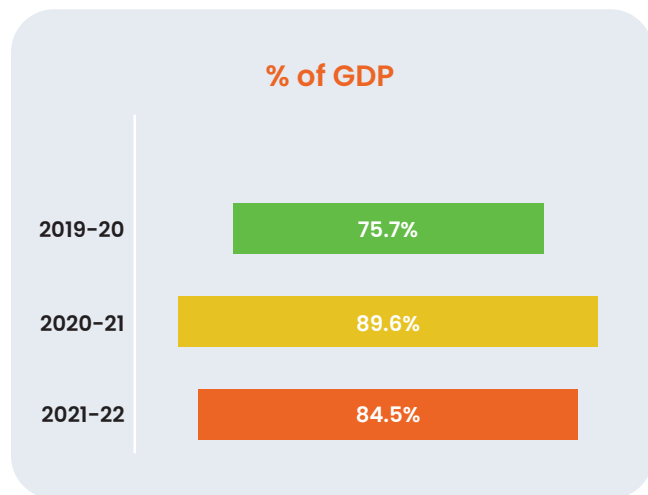
*provisional actuals @budgeted estimate

INFLATION

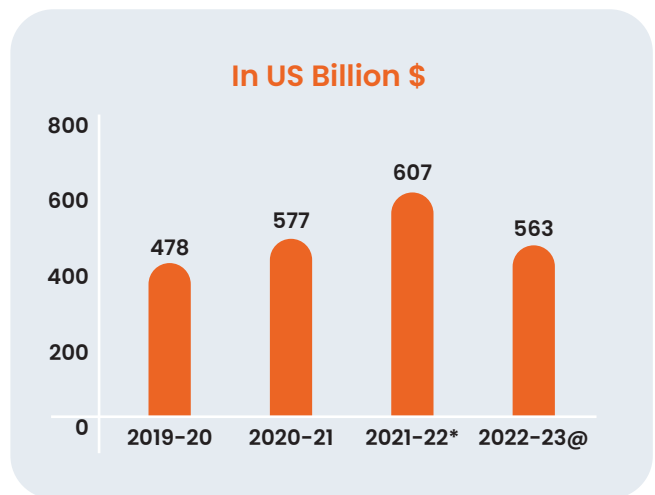


*Apr-Dec 22

DEBT TO GDP RATIO



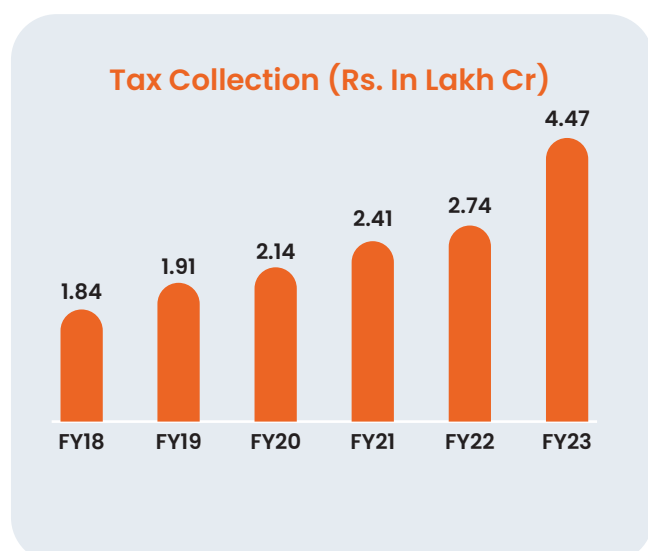
FOREIGN EXCHANGE RESERVE



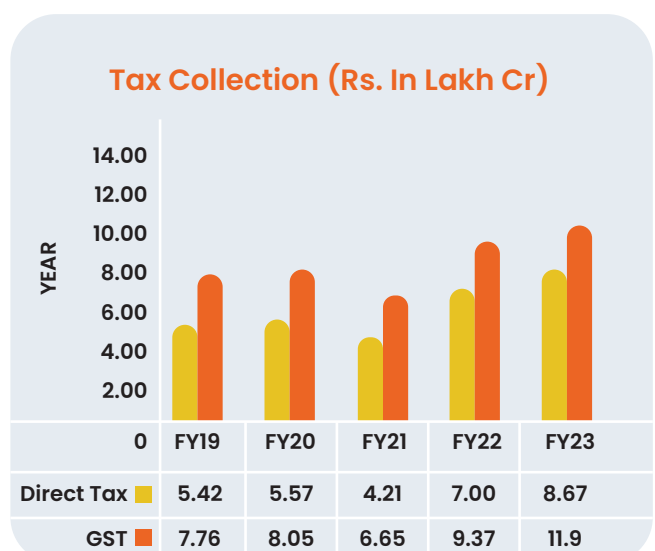
	AGRICULTURE AND ALLIED ACTIVITIES	INDUSTRY	SERVICES
FY19 (3rd RE)	2.1	2.1	2.1
FY20 (2nd RE)	5.5	5.5	5.5
FY21 (1st RE)	3.3	3.3	3.3
FY22 (PE)	3.0	3.0	3.0
FY23 (1st AE)	3.5	3.5	3.5

Source: NSO, MoSPI

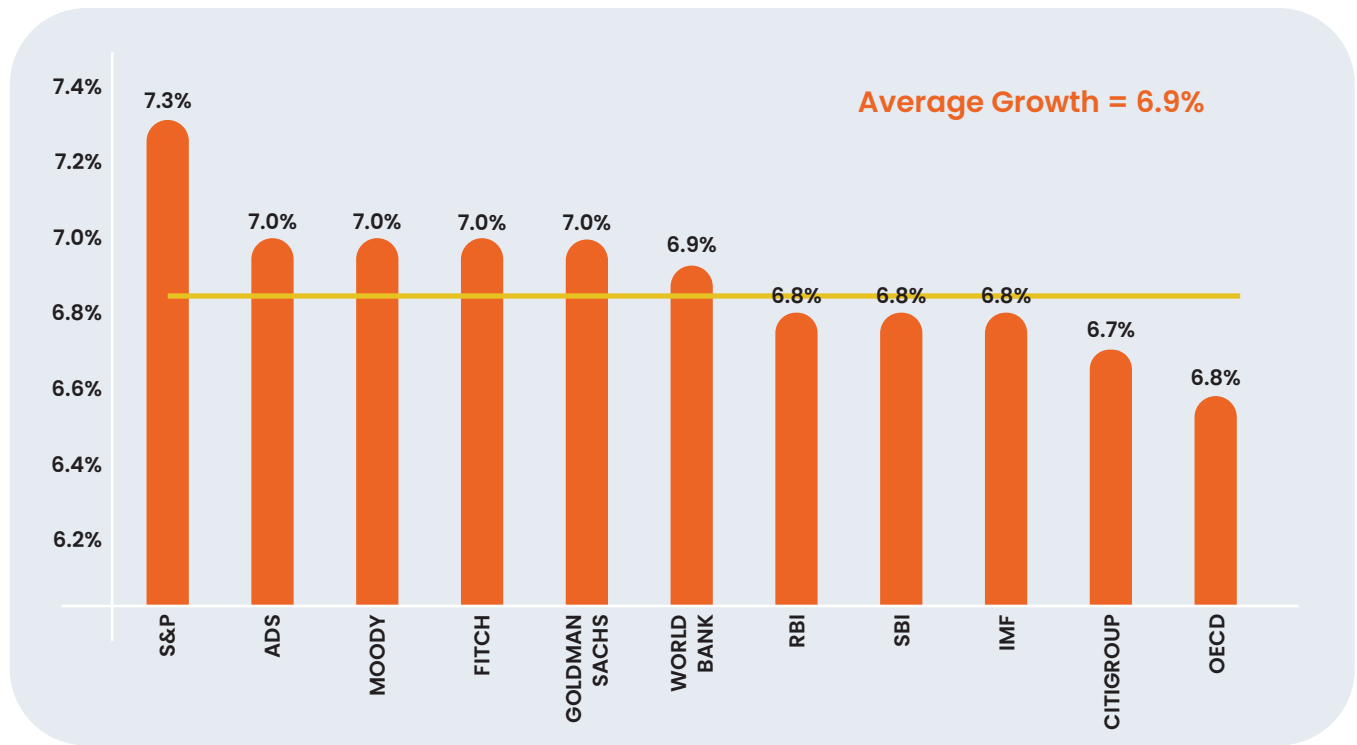
CAPEX DOUBLED IN THE PAST 5 YEARS



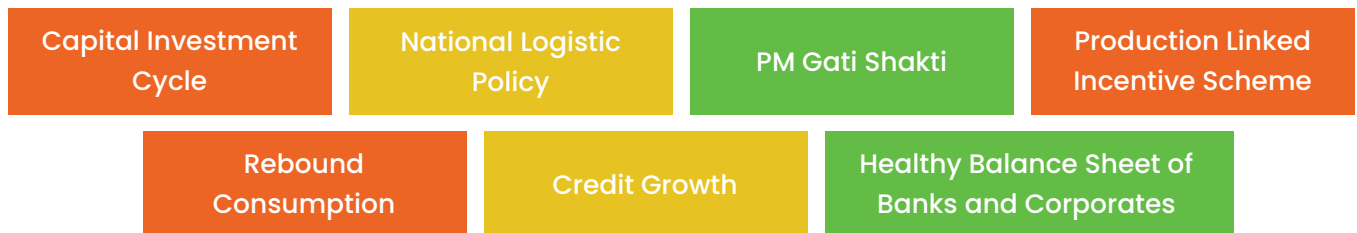
BUOYANT TAX COLLECTION



INDIA'S GROWTH PROJECTIONS BY VARIOUS AGENCIES



INDIA'S GROWTH DRIVERS:



FACILITATING THE PROCESS OF 'EXIT'

The Insolvency and Bankruptcy Code (IBC) has facilitated the exit of distressed firms, thereby allocating scarce economic resources towards more productive use. One of the far-reaching spill-over effects of the Code has been the behavioural change effectuated by it among debtors. Underlying default of ₹7.3 lakh crore were disposed of before their admission into CIRP.

Lately, concerns have been raised over declining rates of recovery in comparison to their claims admitted through the IBC mechanism, resulting in large haircuts for lenders.

START-UP EXPLORING REVERSE FLIPPING

The economic survey has pointed that the start ups are exploring reverse flipping, i.e., shifting their domicile back to India with their easy access to capital from private equity and venture capital. The survey balanced the optimism by citing the challenges faced by the start ups like funding hurdles, struggle with revenue generation, lack of easy access to supportive infrastructure and complex tax environments.

Labour market recover to pre covid level

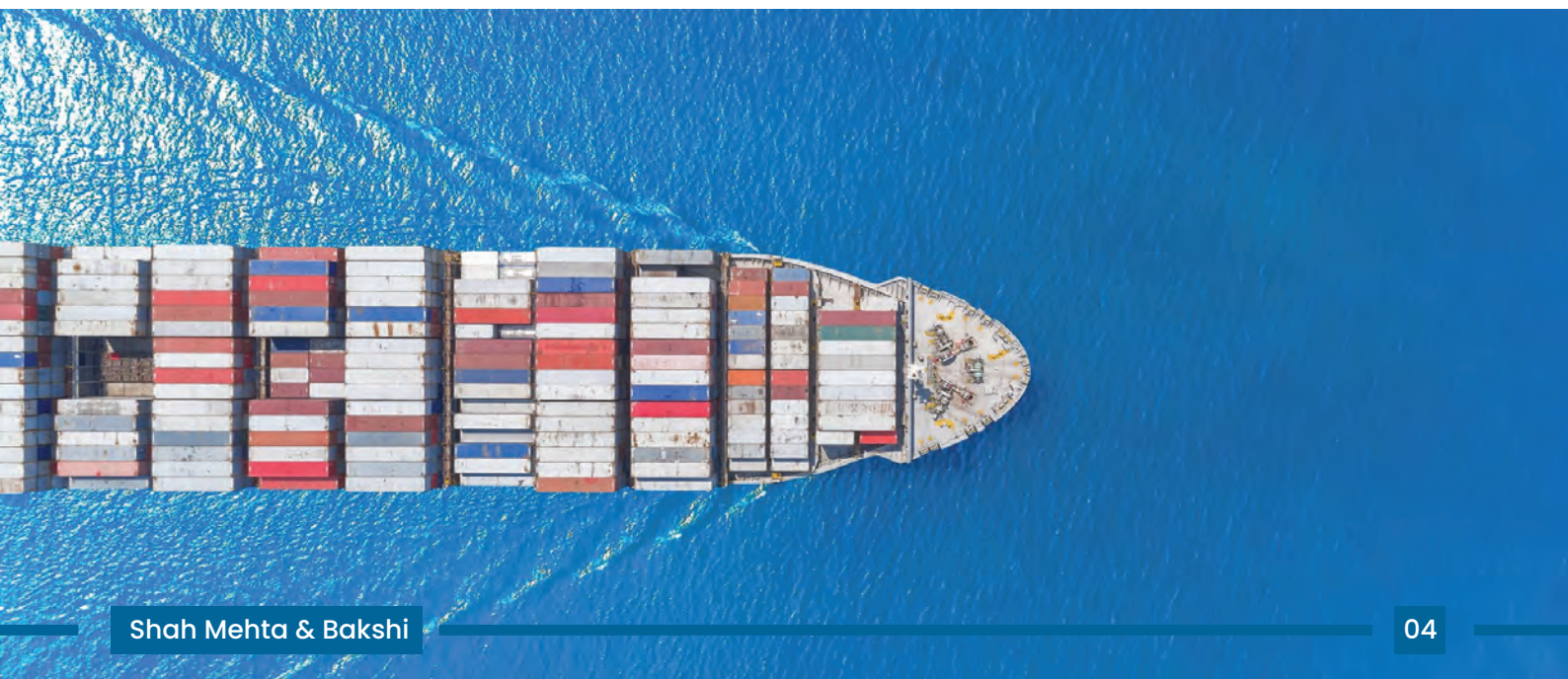
The road to recovery seems to have begun in the employment market and the recovery has reached at the pre pandemic level. The Survey observed that the rise in employment opportunities was due to improvement and streamlining of the skilling ecosystem, along with reforms in the education sector. There is a notable rise in the female labour force participation. The health sector had the highest percentage of estimated establishments imparting formal skill training and on-the-job training, followed by financial services.

Robust Credit Growth

Healthy Balance Sheet of the corporate and of the banking sector has contributed enough to show the robust credit growth. This has coupled with the tax cuts given to corporates and the recovery of economy from Covid. Well capitalised banking system with low NPA ratio, sharp rise in credit to deposit ratio gives bank a breathing space and increased the ability to fund demand for loans.

Upside risk of Inflation

The survey has pointed that India's inflation management is 'noteworthy' and can be contrasted with advanced economies. The Survey cited the example of resurgence of Covid-19 pandemic in China, which could lead to supply side disruptions. On the other hand, there could be a surge in commodity prices if normalcy returns to China. Though RBI has increased repo rates, but the core inflation remains sticky at 6%. The survey highlighted the measures like reduction in excise duty on petrol and diesel, prohibition of the export of wheat products, imposition of export duty on rice, cut in import duties and cess on pulses, among others.



HIGHLIGHTS OF THE BUDGET



Direct Tax

Savings Schemes

- **Ladies First:** One-time new small savings scheme for 2 years period (with partial withdrawal option) having upper limit of Rs. 2 Lakhs carrying interest @ 7.5% p.a for women.
- **Senior Citizens:** Enhanced maximum deposit limit for Senior Citizens savings MIS scheme from Rs. 15 Lakhs to Rs. 30 Lakhs.

Income Tax Rates

- Personal Tax rate for individuals having income exceeding Rs. 5 crores slashed from 42.744% to 39% effectively on account of reduction in surcharge.
- Benefit of lower tax rate of 15% to new manufacturing co-operative societies.
- New income tax regime (viz reduced tax rate but without claiming any deduction from total income) to become default tax regime but taxpayers allowed to take benefit of the old regime.
- Basic exemption limit raised from Rs. 2.50 Lakhs to Rs. 3 Lakhs under new tax regime (viz reduced tax rate but without claiming any deduction from total income).
- The rebate from tax payable up to Rs. 5 Lakhs has been increased to Rs. 7 Lakhs provided Tax Payer has opted new tax regime (viz reduced tax rate but without claiming any deduction from total income).
- There are no changes in rates of Tax on Company, LLP, Co-operative, Firm, AOP, BOI etc.

Computation of Income

- Scheme of Presumptive Taxation for Business and Professions increased where the cash turnover is less than 5% of total

turnover. The revised limit of Turnover for business increased to Rs. 3 Crores, and for Professionals the Turnover limit has been increased to Rs.75 lacs.

- Deduction of expense will be allowed only if actual payment has been made to Micro & Small Enterprises.
- Allowability of preliminary expenditure through concern approved by the Board has been removed and self-certified statement will be eligible for claim.
- Receipts on account of Insurance Policies (except death or ULIPs) will be taxable where the premium payable for a particular year (or annual premium) exceeds Rs. 5 Lakhs. Premiums paid will be allowed as deductions from proceeds if the premium has not been claimed as deduction earlier (Say u/s 80C).
- Gifts received by Non-Ordinary Residents to be taxable.
- Non-Residents now required to buy shares of unlisted domestic companies at the minimum rate of Fair Market Value of Shares. If the shares are purchased at lower rate, then the Fair Market Value of shares exceeding cost of shares to be taxed as Gift. Similarly, if the consideration is more than Fair Market Value, then the excess will be taxable in hands of company.
- Maximum allowable exemption from Capital gains on investment in residential housing curtailed Rs.10 Cr.
- Cost of improvement towards intangible assets will not be allowable as deduction.
- No double deduction of housing loan interest: The same will be allowed either under section 24 or section 80EE ie Chapter VIA.
- Jawarlal Nehru Fund, Indira Gandhi Memorial Trust, Rajiv Gandhi Foundation removed from eligible institutions for

Donation under Section 80G.

Conversion of gold into electronic gold

- receipts and vice versa not to be treated as capital gains

Agniveers to be allowed special deduction

- of contribution made by them, matching contribution by Government will be exempt and the receipts of accumulated Fund to be exempt from tax, popularly known as EEE model.

Start-Ups

- Start-ups to be allowed carry forward of losses even on account of change in shareholding for 10 years.
- Eligible start-ups incorporated by 31.03.2024 can also take advantage of exemption of income.

Compliance

- TDS credit allowed if income reported in earlier year and TDS deducted in subsequent year on application to officer within 2 years.
- Charitable Trusts will not lose exemption even if they file belated return.

- Relaxation in TDS on cash withdrawal in cooperative sector by increasing threshold to Rs. 3 Crores.
- Online Gaming TDS threshold of Rs.10,000 removed, withholding tax @30%.
- TDS on payments to Non-Residents restricted up to rate as per Treaty with the country of Non-Resident.
- TCS on Overseas Tour Package increased to 20%.
- The department can refer valuation of inventory of Tax Payer to Cost Accountant during assessment.
- Time limit to complete scrutiny assessment increased to 12 months from 9 months of the Assessment Year.
- Time limit to furnish information relating to Transfer Pricing Report has been extended to 10 days up to 30 days.
- Far reaching amendments relating to application of income and registration of the trust have been proposed.

Coping up Litigation

- One Hundred Joint Commissioners to join the race to dispose of pending appeals.



Highlights of Indirect Tax

- Now it is clearly provided that Input Tax Credit shall not be allowed in respect of expenses incurred under Corporate Social Responsibility (CSR) as mandated by the Companies Act.
- Any person engaged in supplying goods through Electronic Commerce Operator like Amazon, Flipkart are now eligible to avail benefit of Composition Scheme and thereby may choose to pay tax @ 1% without ITC.
- GST portal shall not allow to file GSTR 1, GSTR 3B and GSTR 9/9C after expiry of 3 years from the due date of furnishing respective returns.
- An enabling provision to prescribe manner of calculation of interest in case of delayed GST Refunds is proposed.
- It is proposed to amend section 138 (Compounding offences) so as to exclude the persons involved in offences relating to issuance of invoices without supply from the option of compounding of the offences. At the same time, it is also proposed to rationalise the amount for compounding of various offences by reducing the minimum as well as maximum amount for compounding.
- The exemption is proposed from Central excise duty on blended Compressed Natural Gas (CNG) from so much of the amount as is equal to the GST paid on Biogas /Compressed Biogas contained in such blended CNG. (w.e.f. 2-2-23).
- The rate of National Calamity Contingent Duty (NCCD) levied as duty of excise on Cigarettes is increased w.e.f. 2-2-23.



CHANGES PROPOSED IN DIRECT TAXES



A – RATES OF TAX

The proposed income tax rates (including Health & Education Cess and Surcharge wherever applicable) for FY 2023–24 (A.Y. 2024–25) have been given below for ready reference.

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 50 LAKHS.	RATE OF TAX IF TOTAL INCOME EXCEED RS. 50 LACS BUT DOES NOT EXCEEDS RS. 1 CR	RATE OF TAX IF TOTAL INCOME EXCEED RS. 1 CR BUT DOES NOT EXCEED RS. 2 CR	RATE OF TAX IF TOTAL INCOME* EXCEEDS RS. 2 CR BUT DOES NOT EXCEED RS. 5 CR	RATE OF TAX IF TOTAL INCOME* 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%
Senior Citizen (Resident) (60 years and above but below 80 years)					
Upto Rs.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%
Very Senior Citizen (Resident) (80 Years of age above)					
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%

SECTION-115BAC

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 50 LAKHS.	RATE OF TAX IF TOTAL INCOME EXCEED RS. 50 LACS BUT DOES NOT EXCEEDS RS. 1 CR	RATE OF TAX IF TOTAL INCOME EXCEED RS. 1 CR BUT DOES NOT EXCEED RS. 2 CR	RATE OF TAX IF TOTAL INCOME* EXCEEDS RS. 2 CR
Individual, HUF, AOP, BOI & AJP				
Up to Rs. 3,00,000	Nil	Nil	Nil	Nil
Rs. 3,00,001 – Rs. 6,00,000	5.20%	5.72%	5.98%	6.50%
Rs. 6,00,001– Rs. 9,00,000	10.40%	11.44%	11.96%	13.00%
Rs. 9,00,001– Rs. 12,00,000	15.60%	17.16%	17.94%	19.50%
Rs. 12,00,001– Rs. 15,00,000	20.80%	22.88%	23.92%	26.00%
Above Rs. 15,00,000	31.20%	34.32%	35.88%	39.00%

*The said total income will be excluding income of dividend & Short Term Capital Gain on Listed Securities (U/S 111A) & Long Term Capital Gain (U/S 112,112A) wherein surcharge rate is only 15%.

Rebate under section 87A

An individual resident in India exercising New Regime (under the provision of Section 115BAC (1A)) shall entitled to rebate of 100% of income-tax payable on total income not exceeding Rs. 7 Lakh. The total income shall be computed without claiming exemptions/deductions except standard deductions, deductions in respect of family pension and agniveer corpus fund.

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 1 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR.
Partnership Firm/ Limited Liability Partnership (LLP)		
Normal Income Tax	31.20%	34.944%

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 1 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR.
Local Authority		
Normal Income Tax	31.20%	34.944%

Co-operative Society (Other than opting u/s 115BAD & 115BAE)

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 1 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR. BUT DOES NOT EXCEED RS. 10 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 10 CR.
Co-operative Society			
Up to Rs. 10,000/-	10.40%	11.128%	11.648%
Rs. 10,001/- to Rs. 20,000/-	20.80%	22.256%	23.296%
Rs. 20,001/- onwards	31.20%	33.384%	34.944%

Co-operative Society (Opting for Section-115BAD)

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 1 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR. BUT DOES NOT EXCEED RS. 10 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 10 CR.
Co-operative Society	25.168%	25.168%	25.168%

Co-operative Society (Opting for Section-115BAE) *

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 1 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR. BUT DOES NOT EXCEED RS. 10 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 10 CR.
Co-operative Society	17.16%	17.16%	17.16%

* This is for the new manufacturing co-operative society set up on or after 01.04.2023, which commence manufacturing or production on or before 31.03.2024 and does not avail any specified incentives or deductions.

Tax Rates applicable for Companies

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 1 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR. BUT DOES NOT EXCEED RS. 10 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 10 CR.
Companies			
Domestic Co. having turnover or gross receipts does not exceed Rs.400 Cr. in previous year 2021-22	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	17.16%	17.16%	17.16%
Company other than Domestic Company	41.60%	42.432%	43.68%

MAT (Other than opting for 115BAA & 115BAB)

MINIMUM ALTERNATE TAX FOR	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 1 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR. BUT DOES NOT EXCEED RS. 10 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 10 CR.
Companies			
Domestic Companies	15.60%	16.692%	17.472%
Other than Domestic Companies	15.60%	15.912%	16.38%

STCG on Listed Securities (111A)

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 50 LAKHS.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 50 LACS BUT DOES NOT EXCEEDS RS. 1 CR	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR BUT DOES NOT EXCEEDS RS. 2 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 2 CR BUT DOES NOT EXCEEDS RS. 5 CR	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 5 CR	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 10 CR
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%

LTCG on Listed Securities (112A)

PARTICULARS	RATE OF TAX IF TOTAL INCOME DOES NOT EXCEED RS. 50 LAKHS.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 50 LACS BUT DOES NOT EXCEEDS RS. 1 CR	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 1CR BUT DOES NOT EXCEEDS RS. 2 CR.	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 2 CR BUT DOES NOT EXCEEDS RS. 5 CR	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 5 CR	RATE OF TAX IF TOTAL INCOME EXCEEDS RS. 10 CR
Individual, HUF, AOP & BOI	10.40%	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

	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 400Cr. In previous year 2021-22		
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%	22.256%
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%	22.256%
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		
Domestic Co. with Income less than Rs. 1Cr.	17.16%	22.88%
Domestic Co. with Income more than Rs. 1Cr.	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. 10Cr.	42.432%	21.216%
Company other than Domestic Company with Income more than Rs. 10Cr.	43.68%	21.84%

Personal Taxation

Valuation of Residential Accommodation Provided to employees:

If any residential rent free accommodation/ rent at concessional rate Provided by employer to employee is considered as 'perquisite' under section 17 (2) of the income tax Act.

The methodology for computation of perquisite is as per valuation rules provided in Income tax rules.

In order to rationalize, these two categories of perquisite relating to value of rent free accommodation provided to the assessee by his employer and value of any accommodation provided to the assessee by his employer at concessional rate, it is proposed to prescribe a uniform methodology in the rules.

Corporate Taxation

Prevention of Tax avoidance through Distribution of income by business trust to its unit holders.

The interest, dividend and rental income distributed by the business trust (Real Estate Investment Trust-REIT and Infrastructure Investment Trust-InVIT) to its unit holders are taxable in the hands of unit holder. However distribution made by such business

trust to its unit holders i.e. repayment of debt is actually an income of unit holder. The said income does not suffer taxation in the hands of either business trust or unit holder.

In view of this, it is proposed to make such sum received by unit holder taxable in his hands under the head "income from other sources" subject to certain conditions.



Business Income

Ease in claiming deduction on amortization of preliminary expenditure.

The existing provisions of the section 35D provides for the amortization of the certain preliminary expenses which are incurred prior to the commencement of the business or after the commencement, in connection with the extension of undertaking or setting up of a new plant. This includes expenditure in connection with the preparation of the feasibility report, project report etc. The same should be approved by the board. In order to ease the process of claiming amortization of these preliminary expenses it is proposed to amend section 35D of the Act by removing the condition of activity in connection with these expenses to be carried out by a concern approved by the Board. The assessee shall now 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.

Promoting timely payments to Micro and Small Enterprises

As per existing provisions, any sum dues to Micro and Small Enterprises are allowed as a deduction on the accrual basis.

However, to promote timely payment to Micro and Small Enterprise, it has been now

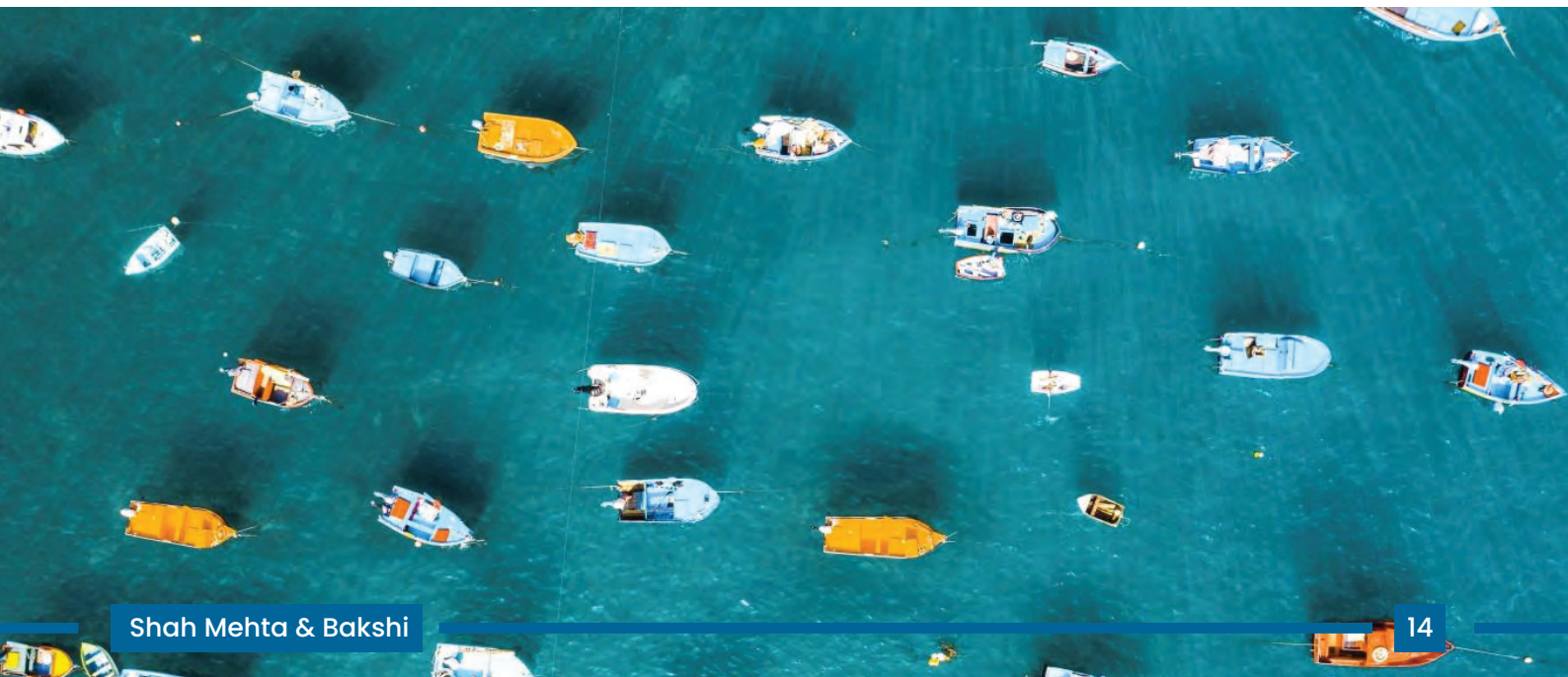
proposed to insert new clause under the section 43B to provide that, any sum payable to Micro and Small Enterprise beyond the time limit specified under the section 15 of the MSMED Act, 2006, shall be allowed as a deduction only on the payment basis.

Therefore, if any sum payable to Micro and Small Enterprises beyond the time limit prescribed under the MSMED Act, 2006 shall not be allowed as a deduction. The same will be allowed as a deduction in the year in which the payment has been made.

Increasing Threshold limits for Presumptive Taxation Schemes

The existing provisions of section 44AD and 44ADA provides for the presumptive income scheme for small business and small professionals respectively under which a threshold limit of Rs. 2 Crore for small businesses and Rs. 50 Lakhs for small professionals.

Now, in order to promote the non-cash transactions and to ease the compliance, it has been proposed to increase the above threshold of Rs. 2 Crore to Rs. 3 Crore and Rs. 50 Lakhs to Rs. 75 Lakhs respectively provided that the amount or aggregate of the amount received in cash does not exceed 5 % of the total gross turnover/receipts.



Capital Gain

Conversion of Gold to Electronic Gold Receipt and vice versa

In order to promote the concept of Electronic Gold, it has been proposed to insert a new clause in section 47 of the act to provide that conversion of physical gold to Electronic Gold Receipt (EGR) and vice versa by SEBI registered Vault Manager *shall not be considered as "transfer"*.

It is further proposed that in the event of the transfer:

- Cost of acquisition of the physical gold shall be treated as the cost of acquisition of EGR.
- While computing the holding period, period of holding of EGR shall include the period of holding the physical gold as well.

It is also proposed that, the said provision shall be vice versa applicable in case of conversion of EGR to Physical Gold.

Limiting the roll over benefit claimed under section 54 and section 54F

As per the existing provisions if there is income from capital gain, the assessee can buy residential house and claim deduction section 54 / 54F of the act as the case maybe and save the tax. At present there is no ceiling limit for claiming such deduction under the section 54 / 54F.

It is now proposed to restrict the said deduction and accordingly the deduction for investing in new residential house shall be restricted to Rs. 10 crores.

Accordingly, the maximum amount that can be deposited under the capital gain account scheme to claim the similar deduction is also restricted to Rs. 10 crores.

In other words, now maximum deduction under the head capital gain shall be capital gain earned or Rs. 10 crores, whichever is lower.

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

'Market Linked Debentures' are currently taxed as long-term capital gain @ 10% without indexation.

It is now proposed to treat them as debt instrument and capital gain so earned shall be treated as short term capital gain as reduced by cost of acquisition and the expense incurred in connection with transfer of such debt instrument from full value of consideration and taxed at applicable rate.

Prevention of double deduction claimed on interest on borrowed capital for acquiring, renewing, or reconstructing a property:

As per the existing provision of Income Tax Act, 1961, the interest on borrowed capital for acquiring, renewing, or reconstructing a property is claimed as deduction by assesses for multiple times under following sections:

- Sec. 24 of "Income from house property" – in the form of Interest on borrowed fund
- Sec. 48 of "Capital Gain" – in the form of cost of acquisition or cost of improvement.
- Provision of Chapter VIA of the Act – As standalone deduction.

In order to prevent double deductions, it is now proposed that the amount of any interest on borrowed capital claimed under section 24 and Chapter VIA shall not be allowed as deduction under the head income from Capital gain as cost of acquisition or improvement.

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

'Cost of any improvement' and 'Cost of acquisition' for the purpose of computing capital gains of certain assets like intangible assets or any sort of rights for which no cost is incurred by the assessee to acquire the same, generally such assets are self-generated assets is presumed to be 'Nil'. However, in absence of the specific mention of the same in the act,

many times assessee used to calculate the cost independently and claim deduction for the same while calculating Capital Gain.

It is now proposed to amend the Act to provide that, 'Cost of improvement' or 'Cost of acquisition' of a capital asset being self-generated intangible assets or any sort of rights for which no cost is incurred by the assess to acquire, will be 'Nil'.

This provision aims to ease out the litigation and give clarity with respect to cost of acquisition of apropos self-generated intangible assets or any sort of rights.

Alignment of provisions of section 45(5A) relating to with the TDS provisions of section 194-IC

The existing provisions of the sub-section (5A) of section 45 of the Act, inter alia, provide 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. Further, for computing the capital gains amount on this transaction, the full value of consideration shall be taken as

the stamp duty value of his share, as increased by the consideration received in 'cash'.

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. In Order to plug this loophole, 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.**



Deduction and Exemption

Removal of certain funds from section 80G

Section 80G(2) provides the list of these funds to which any sum paid by the assessee in the previous year as donations is allowed as a deduction to an extent of 50 % / 100% of the amount so donated. Now it is proposed to amend sub clause (ii) (Jawaharlal Nehru Memorial Fund), (iiica) (Indira Gandhi Memorial Trust) & (iiid) (Rajiv Gandhi Foundation) of section 80G(2)(a) omit based on name of persons from the list.

Removal of exemption of new agency

The existing provision of Section 10(22B) provides that the exemption to any income of a notified news agency which is set up in India Solely for collection and distribution of news and does not distribute its income to any manner to its members.

In accordance with the stated policy of Government of phasing out of exemptions and deduction, it is proposed to withdraw the said exemption from 01.04.24 i.e. A.Y. 2024-25.

Rationalisation of exempt income under life insurance policies

Under existing provision of section 10(10D) of the Income Tax Act exempts any amount received under life insurance policy including bonus if premium payable of the policy should not exceed ten percent of the actual capital sum assured.

The intension was to provide benefit to small and genuine cases of life insurance coverage. However, several high net worth individual are misusing the exemption.

In order to prevent misuse, Finance Act, 2021 has amended section 10 (10D) that any sum received under a ULIP (barring the sum received on death of person) issued on or after the 01.02.2021 shall not be exempted if premium payable exceeds Rs. 250000/- for single or more than one policy for any of the previous years during the term of any of the policy.

After the above amendment all other kind of LIC policies are still eligible for exemption irrespective of amount of premium payable.

In order to Curb misuse, it is proposed to tax income from insurance policy (other than ULIP) having premium or aggregate premium exceed Rs. 500000/- in a year. Provision shall not apply to any sum received on death of a person.

This income shall be taxable net of premium paid under the head "Income from other source" by inserting clause (xiii) of section 56 (2). If premium paid had been claimed as deduction in any other provision of the Act such premium will not be reduced from sum so received. This provision shall apply to policy issued on or after 01.04.2023.

This amendment will take effect from 1 April, 2024 and will accordingly apply to assessment year 2024-25.

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

The existing provisions of the section 80-IAC of the Act, inter alia, provides for a deduction to hundred percent of the profits and gains derived from an eligible business start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation, at the option of the assesseees subject to the condition that it is incorporated on or after 1st day of April, 2016 but before 1st April, 2023. The said period is now extended till 1st April, 2024.



Return, Assessment and Penalties

Penalty for cash loan and deposit under 269SS and 269T

The existing limit for levying penalty on cash loan or deposit accepted or repaid by any person under Section 269SS and 269T is Rs. 20,000/- or more.

In order to facilitate agricultural sector lending, the limit for accepting or repayment of cash loans or deposit under section 269SS and 269T for **Primary Agricultural Credit Societies (PACS) and Primary Co-operative Agricultural and Rural Development bank (PCARD)** has been proposed to be increased from Rs. 20,000/- to Rs. 200,000/-. The penalty will accordingly now be imposed if the loan or deposit is more than **2 lakh rupees in cash**.

Assistance to authorised officer during search and seizure

Under the existing provision of the act the authorized officer in search and seizure procedures can ask for help from a police officer or a Central Government officer. They can also seek assistance from a valuation officer to estimate the fair market value of properties during the search or within 60 days of the last authorization for search.

Due to technological advancement in data management and accounting, the assistance of other experts is required to analyse the data. The budget proposal allows the authorized officer to request help from experts and registered valuers for data analysis during or after a search, and these experts must submit their report within 60 days of such reference.

Provisions relating to reassessment proceedings

The existing provision under Section 148 of income tax act provides that the taxpayer who receives notice under this section shall submit return within 30 days from the date of receipt of notice.

To facilitate conduct and completion in seamless manner it is proposed to change the deadline for filing tax returns to 3 months after the end of the month in which the

notice was issued, or within such further time as may be allowed by the Assessing Officer on a request made in this behalf by the assessee. If the person doesn't file the return within this deadline the said will not be considered as valid return under Section 139, consequent to this the mandatory notice disclosing reasons u/s 143(2) will not be required to be given.

Penalty for furnishing inaccurate statement of financial transaction (SFT) or reportable account

After introduction of AIS/TIS, the transactions reported through SFT mechanism are often been denied by Tax Payers since they may be relating to Joint Account, Duplication of transactions, only portion of reported amount taxable etc. In order to get refined and correct information, the law relating to penalty for incorrect SFT transactions have been imposed on the institution whose information is reported in AIS/TIS. Under current law, a penalty is only imposed for submitting incorrect financial statements to the authorities, but there is no penalty for submitting false self-certification by a responsible person.

The bill proposes a new penalty of Rs 5,000/- for financial institutions that provide inaccurate information caused by false statements from the account holder. The financial institution has the right to recover this penalty from the account holder.

Set off and withholding of refunds in certain cases

The existing provision relevant to withholding and set-off of refund are overlapping and so it is proposed by the bill to integrate them as under:

A. Refund can be fully or partly adjusted against any dues under income tax act by the designated authority after giving intimation in writing to the assessee.

B. The designated authority has the power to withhold the entire refund or any remaining amount after set-off after giving intimation in writing to assessee. It is also proposed that no interest shall be paid on the withheld refund from the date it was withheld until the date of assessment or reassessment.

Reducing the time provided for furnishing TP report

Every person who has entered in an international transaction or specified domestic transaction must provide information or documents within 30 days after receiving a notice. They can apply for an extension which the assessing officer may grant for up to 30 additional days.

Due to limited time available for TP proceedings it is now proposed that the assessee have to furnish information or document within **10 days** from the date of receipt of notice. The assessing officer may extend the said limit of 10 days by giving maximum of **30 days** after receipt of application for extension by the assessee.

Rationalisation of Appeals to the Appellate Tribunal

Presently, in case of search or any other proceedings, if the assessing officer finds any unexplained income or investment then he can impose penalty u/s 271AAB (undisclosed income), 271AAC (unexplained income and investment, cash credit) and 271AAD (false or fake entries). Further the said penalty can be levied by The Commissioner of Income Tax (Appeals) or Principal Chief Commissioner or Chief Commissioner. Under the existing provision aggrieved assessee cannot challenge the said penalty in Appellate Tribunal due to absence of provisions in the Act. Also, no cross objection can be filed either by the assessee or department.

It is now proposed that, the assessee can challenge such penalty order of the Commissioner of Income Tax (Appeals) or Principal Chief Commissioner or Chief Commissioner in appellate tribunal. Also, the department or assessee can file cross objection against the appeal filed by them.

Alignment of timeline provisions under section 153 of the Act

The assessment order under section 143 (Summary and Scrutiny Assessment) or 144 (Best Judgement assessment) or 153 (Search assessment)) from the A.Y 2022-23 should be passed within 12 months instead of 9 months from 31st March of the assessment year. Hence, the assessment proceedings for AY 2022-23 should be concluded within 31.03.2024.

The current provisions of the Act relating to reassessment u/s 147 do not provide for abatement of any assessment or reassessment proceedings pending on the date of search under section 132 of the Act or requisition under section 132A of the Act. Consequentially, the information available in a search, which is a barrier on the pending scrutiny proceedings.

With regards to same, it is proposed that a new sub-section (3A) inserted in section 153 of the Act to provide that where an assessment or reassessment is pending on the date of initiation of search under section 132 or making of requisition under section 132A, the time limit for finalizing the order of assessment or reassessment, shall be extended by twelve months in a case of an assessee

Facilitating TDS credit for income already disclosed in the return of income of earlier years

Sometimes it so happens that the assessee has offered income in one year but TDS on the same is reflected in another year; As a result, there is a mismatch in TDS and income declared by the assessee. It is not always possible to revise the return of income for claiming the credit of TDS.

In order to resolve this problem, it is proposed that the assessee can make an application in prescribed form within two years from the end of the financial year in which TDS was deducted. The AO will amend their order allowing the credit of TDS after the receipt of application. Also, the department shall issue additional interest

from date of application to the date of refund due to such rectification.

The above provision is applicable from **1st October 2023**

Clarification regarding interest on deferment of advance tax while filing Updated Return

It has been clarified now that while filling updated return, the interest shall be charged after giving due credit of instalment of advance tax paid.

Accordingly, the interest should be charged on the difference of assessed tax and advance tax.

Preventing permanent deferral of taxes through undervaluation of inventory

In order to ensure that Inventory is valued as per required laws, it is now proposed that AO can direct Assessee to hire Cost Accountant, nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in this behalf. Assessee is required to file Inventory Valuation Report in prescribed form duly signed by Cost Accountant.

Assessee will get opportunity of being heard if any material discrepancy is found in the Inventory Valuation, except in the case of Best Judgement Assessment.

While computing the time limit as per section 153, period of Inventory Valuation by Cost Accountant shall be excluded.

The above provision is applicable from FY 2022-23 (i.e AY 2023-24)



International Taxation

Provision for taxation of gift received by the not-ordinary resident from resident

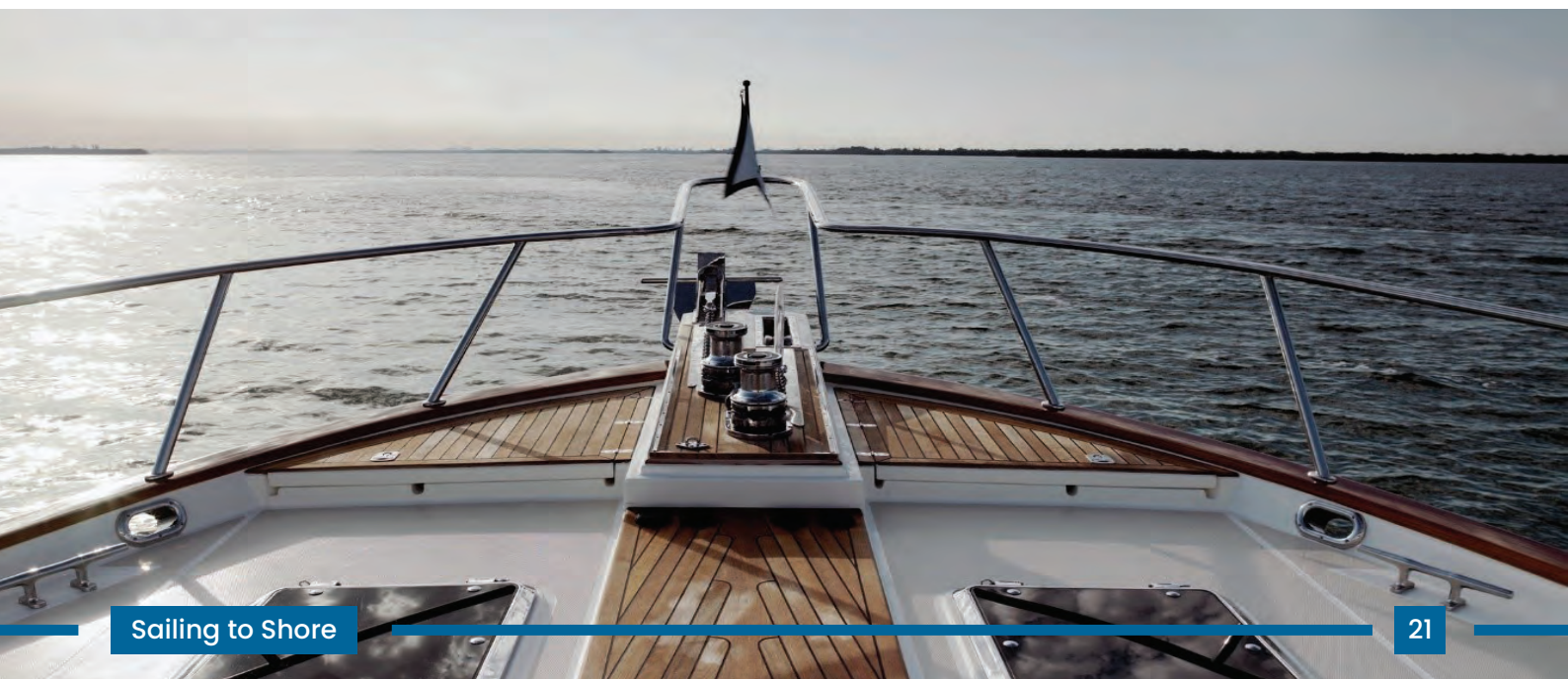
As per existing provision of the Income Tax Act, 1961, any sum of the money exceeding rupees fifty thousand received by the person who is Not Ordinarily Resident of India without consideration (i.e. free of cost/Gift) from the resident of India is exempt from tax in absence of specific provision for taxing the same.

It is now proposed to amend the said provision, accordingly any sum of the money exceeding rupees fifty thousand received by the person who is Not Ordinarily Resident of India without consideration (i.e. free of cost/Gift) from the resident of India shall be taxed under the head Income from Other Sources.

Taxability of share premium:

As per existing provision of the Act, any consideration received by the private limited company from Resident for issue of the shares in excess of the fair market value of the shares then the excess consideration over the fair market value is taxable as income under the head "income from other sources", The said provision was not applicable for the amount received from Non Resident.

It is now proposed to amend the act to provide that, any amount received by the private limited company for issue of the shares in excess of its fair value, such excess amount shall be taxed under the head Income from Other Sources irrespective of the residential status of the investor.



Other Amendments

Excluding non-banking financial companies (NBFC) from restriction on interest deductibility

Erstwhile provisions of section 94B provides for the 'restriction' on the deduction of the interest expenses incurred in respect of the any debt issued by a non-resident, being associated enterprise of the borrower. However, the said existing provisions of the section does not apply to companies who are specifically involve in the banking business or insurance business.

Now, it is proposed to add, certain class of the NBFCs in the above carve out list to provide that the provisions of this section i.e., 94B will also not apply to such class of the NBFCs, as may be notified by the government.

Rationalization of the provisions of the Prohibition of Benami Property Transactions Act, 1988 (the PBPT Act)

Under the existing provisions of the section 46 of the PBPT Act, time allowed to file to an appeal to appellate tribunal against the order of the adjudicating authority is 45 days from the date of order.

Now, it has been proposed to allow the filing of an appeal within the period of 45 days from the date of receipt of the order instead of date of order.

Under the existing provisions of the section 2(18) of the PBPT Act, there was no clarity apropos jurisdiction of the High court, where in case a person either appellant or respondent, not residing in or not personally work for the gain or not carry out any business in jurisdiction of any high court.

Accordingly, it is proposed to modify the definition of the high court to provide that, in case of the non-resident who is either appellant or respondent, the high court shall be such within whose jurisdiction the office of initiating officer is located.



TDS and TCS

Increasing threshold limit for co-operative to withdrawn cash without TDS.

Under the existing provision TDS @ 2% is required to be deducted by banking company or a co-operative society engaged in carrying on the business of banking or a post office on the withdrawal of cash aggregating to Rs. 1cr by any person.

It is proposed to insert a new proviso to increase the said limit from 1cr to 3cr if the recipient is a Co Operative Society.

Extending the scope for deduction of tax at source to lower or nil rate.

Section 197 of the act relates to grant of a certificate of tax deduction at lower or nil rate.

As per existing provision (section 194LBA) business trust shall deduct and deposit tax at the rate of 5% on interest income of non-resident unit holders. There are certain income which requires lower rate of tax due to exemptions provided under other provisions of the Act. Since Section 197 does not cover section 194LBA, benefit of such exemption is not available at the time of tax deduction by business trust to non-resident.

To remove this difficulty, it is proposed to amend section 197(1) of the act to provide that the sums on which tax is required to be deducted under section 194LBA of the act shall also be eligible for certificate for deduction at lower rate.

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

Removal of Exemption from TDS on payment of interest on listed debenture to a Resident.

Under the existing program, no TDS is to be deducted in case of any interest payable on security issued by company **in dematerialized form and is listed on a Stock Exchange.**

It is seen that there is under reporting of interest income by the recipient due to above exemption. So It is proposed to omit this clause. Now interest earned on such securities will attract TDS.

TDS and taxability on net winnings from online games.

As Section 194B TDS to be deducted on any winning from the lotteries, puzzles, games in case where the winning prize exceeds Rs. 10,000/-. Similarly, as per section 194BB, TDS to be deducted for horse racing, arranging for wagering or betting of any sort or gambling or betting of any form or nature. The deductors are deducting TDS by applying the threshold of Rs. 10000/- per transaction and avoiding TDS by splitting into multiple transactions each below 10000/-.

So now it is proposed to amend the said provision to provide that TDS shall be on amount or aggregate of the amount exceeding Rs. 10000/- during the year.

Also a new section 194AB is proposed to be included in the Act w.e.f. 01/07/2023, TDS shall be deducted from winnings of online gaming at the time of withdrawals from user account and also amount remaining in the user account at the year end. And hence w.e.f 01.07.2023, it is excluded from section 194B.



Increase in TCS Rates for Certain Remittances under Sec 206C (1G) w.e.f July 1, 2023

206C (1G) provides TCS to be deducted on foreign remittance and sale of overseas tour package, the same is proposed to amend as follows: -

SR. NO.	TYPE OF REMITTANCES	PRESENT RATE	PROPOSED RATE
1	Amount Remitted for the purpose of Education is a loan Obtained from Financial Institution u/s 80E	0.5% on amount*	No change
2	Remittance for the purpose of Education other than (1) or for the purpose of Medical treatment	5% on amount*	No change
3	Sale of Overseas Package	5% **	20%**
4	Any Remittance other than mentioned in (1),(2),(3)	5% on amount*	20% **

*Single or aggregate of amount in excess of 7 Lakhs

**without any threshold limit

Tax treaty relief in TDS on income of units to Non-resident (Section 196A)

Income earned u/s 196A by a non-resident not being a company or to foreign company, TDS @ 20% is required to be deducted u/s 195. The income is required to be earned from the units of mutual funds specified u/s 10(23D) or from the companies specified to explanation to section 10(35).

On representation received to consider the benefit of tax treaty at the time of TDS so that if treaty provides lower than 20%, TDS be made at lower rate.

It is therefore provided now that the TDS would be at the rate which is lower of 20% or rate or the rate provided in treaty in case of a payee to whom such agreement applies. It is also provided there; payee has to furnish the tax residency certificate.

Amendments in consequence to new provisions of TDS

Finance Act 2022 introduced section 194R - TDS in case any benefit or perquisite (arising from business or the exercise of a profession) and section 194S - TDS on

payment on transfer of Virtual Digital Asset (VDA) w.e.f. 01/07/2022.

the first proviso to section 194R provides that in case the benefit or perquisite or VDA has a "in kind" component, then the person responsible shall ensure that required amount of tax has been paid, before releasing the benefit or perquisite.

Similarly, in the case of winnings from online games, sub-section (2) of the proposed section provides that where the net winnings are wholly in kind or partly in cash and partly in kind, the person responsible for paying the net winnings shall ensure that tax has been paid in respect of the net winnings, before releasing the winnings

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. It is now proposed that the provisions of penalty and prosecution shall also be applied to align the language with the parent provision.

TDS on payment of accumulated balance due to an employee

As per the provision of section 192A, balance due to an employee under the Employees' Provident Fund Scheme, 1952, TDS @ 10% is deducted where the payment exceeds Rs. 50,000/- provided PAN is submitted. In case where the assessee fails to furnish PAN, TDS at higher rate will apply.

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. Hence, it is proposed to omit the second proviso, so that in case of failure to furnishing of PAN by the person relating to payment of accumulated balance due to him, tax will be deducted at the rate of 20% as in other non-PAN instead of at the maximum marginal rate.

Relief from special provision for higher rate of TDS/TCS for non-filers of income-tax returns (ITR)

Section 206AB & 206CCA for special provision for higher TDS and TCS respectively for non-filer of ITR.

The provisos to these definitions exclude a non-resident from the definition of specified person, if the non-resident does not have a permanent establishment in India.

There may be certain persons who are not required to furnish the return of income. It is not the intention to include such persons in the category of non-filers. Hence, in order to provide relief in such cases, it is proposed to amend the definition of the "specified person so as to exclude a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and who is notified by the Central Government in the Official Gazette in this behalf.



Trust

Far reaching amendments have been proposed to be made in case of Trust/Institution registered u/s 11 or 10(23C):

- I. it is proposed an Amendment in section 10(23C) and 11 to provide that application out of corpus or loans or borrowings before 01.04.2021 shall not be allowed as application when such amount is deposited back or invested in to corpus or when the loan or borrowing is repaid where in those years it has been allowed as application

Replenishment of corpus or repayment of loan would be allowed as application only when it is so done within 5 years.

Where the application from corpus or loan did not satisfy the conditions (like donation to another trust, Non-deduction of TDS wherever applicable, payment more than Rs.10,000 in cash, application benefitted directly or indirectly to person related to trustee or trustee etc.), the repayment of loan or investment/depositing back in to corpus of trust, such amount will not be treated as application.

This amendment will take effect from 1st April, 2023 i.e. AY 2023-24

- III. It is noticed that certain trusts or institutions are trying to defeat the intention of the legislature by forming multiple trusts and accumulating 15% at each layer. By forming multiple trusts and accumulating 15% at each stage, the effective application towards the charitable or religious activities is reduced significantly to a lesser percentage compared to the mandatory requirement of 85%.

- IV. It is proposed that only 85% of the eligible donations made by a trust or institution to another trust shall be treated as application.

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

Trusts and institutions formed or incorporated during the previous year are

not able to get the exemption for that year in which they are formed or incorporated since they need to apply one month before the previous year for which exemption is sought as per the existing provisions.

Further, trusts or institutions, where activities have already commenced, are required to apply for two registrations (provisional and regular) simultaneously thereby resulting in difficulties.

To remove such difficulties in registration, it is proposed to allow for direct final registration. To achieve this, following amendments are proposed:

1. Application for provisional registration only in case where activities of the trust / institution have not commenced.
2. Where the trust / institution has already commenced activities, it can make application directly for regular registration

These amendments will take effect from 1st October, 2023.

- V. In some cases, the form furnished by the trusts for provisional approval / registration and for re-registration / approval are defective and since the process of registration / approval / provisional_registration / approval is automated, registration has been granted by the CPC.

At present the approval/registration and the provisional approval/registration of the trusts can be cancelled by the PCIT/CIT for certain specified violations.

In order to rationalise the provision, it is proposed that "Specific Violation" include the case where the application referred in first provision is not complete or it contains false or incorrect information. This amendment will take effect from 1st April, 2023 i.e. AY 2023-24

VI. In case where the Trust has not applied for regular registration after obtaining provisional registration or has not applied for re-registration, or stop performing object of the trust, then the specified person shall be liable to pay the tax on accreted income (difference between the fair market value of assets and liabilities) at maximum marginal rate chargeable to tax. This is because of the reason that the income of the trust or institution has been exempted from tax and the accreted income of the trust represents the income on which tax has not been paid and appreciation thereof.

This amendment will take effect from 1st April, 2023 i.e. AY 2023-24

VII. The due date for furnishing form 9A (Application for income deemed to be applied) and form 10 (Statement to be furnished to assessing officer/prescribed authority for accumulation) is same as the due date of furnishing the return of income.

The trusts are also required to furnish audit report in form 10B/10BB one month before the due date for furnishing return of income. The auditors are required to report the details of form 9A/10 in the audit report. Since the due date for furnishing

form 9A/10 is one month before the due date of furnishing the ITR, auditors find it difficult to report.

It is now proposed to provide for filing of Form No 9A/10 at least two months prior to the due date specified under section 139(1) for furnishing the return of income for the previous year

VIII. As per the existing provisions of the Act, if the return of income is not furnished by a trust or institution within the time prescribed under section 139 of the Act, specified exemption shall not be available to such trust or institution.

Finance Act, 2022 provided an option to the taxpayers to furnish updated return of income up to 2 years from the end of assessment year, which has resulted in unintended consequences of allowing exemption to the Trusts/ Institutions where they furnish updated return of income.

It is now proposed to clarify that the exemption to the Trust/ Institution will be available **only if the return of income has been furnished within the time allowed under section 139(1) or section 139(4)** of the Act and not up to the time for filing updated return i.e 2 years from the end of assessment year.



A photograph of a red boat on a blue lake under a clear sky. The boat is on the left side of the frame, and the water is in the foreground. The sky is a clear, light blue. The text is overlaid on the top half of the image.

CHANGES PROPOSED IN INDIRECT TAXES

Goods and Services Tax

Amendments carried out in the Finance Bill, 2023 except otherwise stated will come into effect from the date when the same will be notified concurrently by way of notification with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature.

ITC Restriction

- The controversy on eligibility of Input Tax Credit (ITC) on Corporate Social Responsibility (CSR) expenses has been put to rest. Now it is proposed that ITC shall not be allowed in respect of expenses incurred under CSR as mandated by the Companies Act. Interestingly, it is worth to watch that whether the Government adopts this stand prospectively or

retrospectively. Further, it may be noted that only companies mandated for CSR u/s. 135 of the Companies Act, 2013 would be affected by this amendment and any voluntary contribution may not be covered.

- Section 17(2) of the CGST Act (read with Rule 42 & 43) stipulate mechanism for apportionment of ITC where outward supply involves taxable as well as exempt supply. Now, it is being proposed to consider Supply of warehoused goods before clearance for home consumption as exempt supply and shall be included while applying proportionate ITC. Interestingly, high seas sales and out and out supply transactions are still not be treated as exempt supply for reversal u/s. 17(2) of the Act.

Maximum time limit of Returns

GST law prescribes filing of following returns within the prescribed due date without any late fees.

SECTION	RETURN TYPE	RETURN	DUE DATE
Section 37(5)	Details of outward supplies	GSTR 1	11th of Next Month
Section 39(11)	Monthly tax payment cum return	GSTR 3B	20th of Next Month (Generally)
Section 44(2)	Annual return	GSTR 9	31st December of Next year
Section 52(15)	Furnishing TDS statement	GSTR 7	10th of Next Month

While the law prescribes late fees for delay in filing of above returns, there is no maximum time limit yet prescribed up to which said returns can be filed. Now, it is being proposed to provide that above returns would not be allowed to be filed

after the expiry of 3 years from the due date of respective returns. However, for a certain class of registered persons, this maximum time limit can be extended by the Government.

Manner of interest on delayed refunds

- There is a clear provision for interest on delayed refunds beyond 60 days from the date of refund application however still at many instances the GST Department denies such interest claims. Now, Section 56 is being amended to provide an

enabling provision through which the manner of computation of such interest on delayed refunds would be provided. Hence, sooner rules prescribing the manner and conditions/restrictions for computing the interest on delayed refund will be notified in this behalf.

Registration

- Section 23 provides for exemption from registration under the GST law. On the other hand, Section 24 provides for compulsory registration under the GST law. Frequently, it happens that a person would fall under both above provisions. In absence of any overriding provision, there was a confusion as to registration provisions. For example, a person who is making wholly exempt supplies (not liable to register) and falls under the reverse charge liability notification (compulsory registration).

In such cases, it has been proposed that Section 23 (persons not liable for registration) will prevail over Section 22 (turnover based registration limits) and Section 24 (persons liable for compulsory registration). Hence, a person exempt from registration under Section 23 would not be required to take registration irrespective of other registration provisions.

Composition Levy

- Composition scheme ideally provides an option to registered person to simply pay tax @ 1% without availing any input tax credit and many other compliance relaxations. Earlier, person supplying goods through various Electronic Commerce Operator (ECO) such as Amazon, Flipkart, etc. was debarred from availing benefit of this scheme. Now, it is being proposed to extend the benefit of composition scheme even to small suppliers who are supplying goods through such ECO. Still, any person supplying services through ECO shall not be able to opt for composition scheme.

Place of supply

- The place of supply (POS) of services by way of transportation of goods especially where the destination of goods is

outside India is being amended as under:

- Supply to registered person - Location of the registered person
- Supply to unregistered person - Location at which such goods handed over for transport

Non supply transaction

- Following suppliers are considered as neither supply of goods nor supply of services and consequently are not subject to GST.
 - High sea sales,
 - Sales from customs bonded warehouses and
 - Out & out sales.

Such supplies were mentioned under Schedule III of the CGST Act 2017 effective from 1-2-2019. Due to ongoing debate with the GST Department for the earlier period i.e. 1-7-17 to 31-1-19, now it is being clearly provided that this amendment would be applicable even for the said period also and such entry is deemed to be in place w.r.e.f. 1-7-2017.

OIDAR & non-taxable recipient

- Where services are provided in the nature of 'online information and database access or retrieval services (OIDAR)' (like cloud services, internet ads, etc.) and the services are received by a non-taxable online recipient for other than commerce, industry or business, the GST is liable to be paid by the supplier even if located outside India.

The definition of non-taxable online recipient is now being proposed to be amended. Such non-taxable online recipient shall now be restricted to only unregistered persons. It shall also include persons registered for only TDS purposes. Further, the condition that it should not be for business purposes has now been removed. Therefore, any unregistered

person taking such services for business purposes would not be liable to register under GST and pay taxes under RCM. Such taxes would continue to be discharged by the foreign supplier only.

Further, the scope of such OIDAR services seems to have been significantly expanded by amending its definition.

Offences & Penalties

- Special penalty is being proposed on ECO in case of contravention of provisions relating to supplies of goods made through them by unregistered persons (unless otherwise exempted) or composition taxpayers. Every ECO shall now be responsible to ensure that only eligible persons are allowed to supply through their platform. Any ECO who allows a supply through it by an unregistered person (unless otherwise exempted) or allows an inter-State supply through it by a person who is not eligible to make such inter-State supply shall be liable to penalty of Rs.10,000/- or an amount equivalent to the tax involved, whichever is higher.
- The following offences are considered as criminal offences. Now it is being proposed to decriminalize such offences and consequently no prosecution can be launched for following offences:
 1. Obstruction or prevention of an officer in the discharge of his duties
 2. Tampering with or destroying any material evidence or documents
 3. Failure to supply information or supplying false information required under the law.

Additionally, the monetary limit for prosecution has been increased from Rs. 1 crore to Rs. 2 crores for all the offences except if such person is engaged in the issuance of fake invoices without actual supply of goods or services.

Compounding of offences

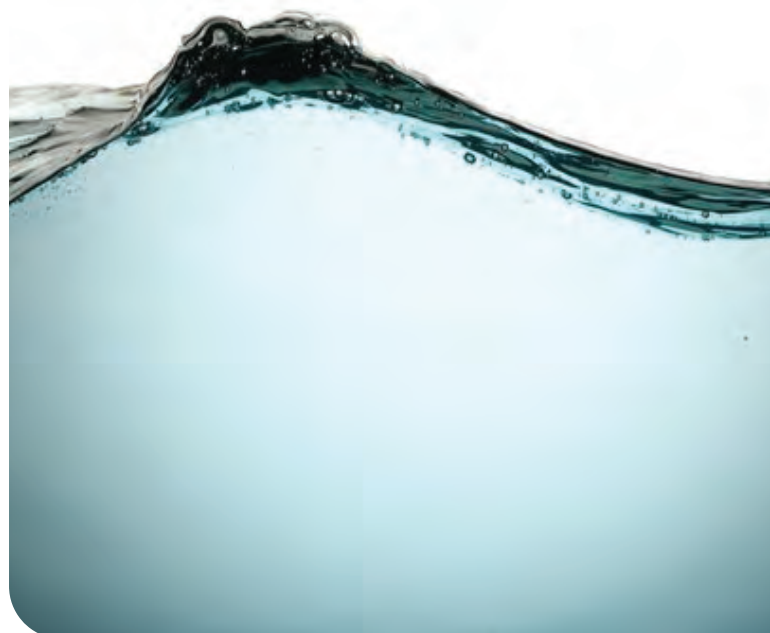
- The GST law allows for the compounding of certain offences whereby upon payment of the applicable amount, such person gets protection from further proceedings under the GST law. Following amendments are proposed for compounding of offences.

Any person dealing with goods liable for confiscation or services in contravention of the provisions can apply for compounding, irrespective of the amount.

There was monetary limit of Rs. 1 crore to apply for compounding of certain offences. The same has now been proposed to be removed.

There was restriction from applying compounding by a person accused of committing an offence under any other law. This restriction has also now been proposed to be removed.

However, any person who is accused of issuing fake invoices without an actual supply of goods or services would not be allowed to apply for compounding.



- The payment limit for compounding of offences has been proposed to be revised as under.

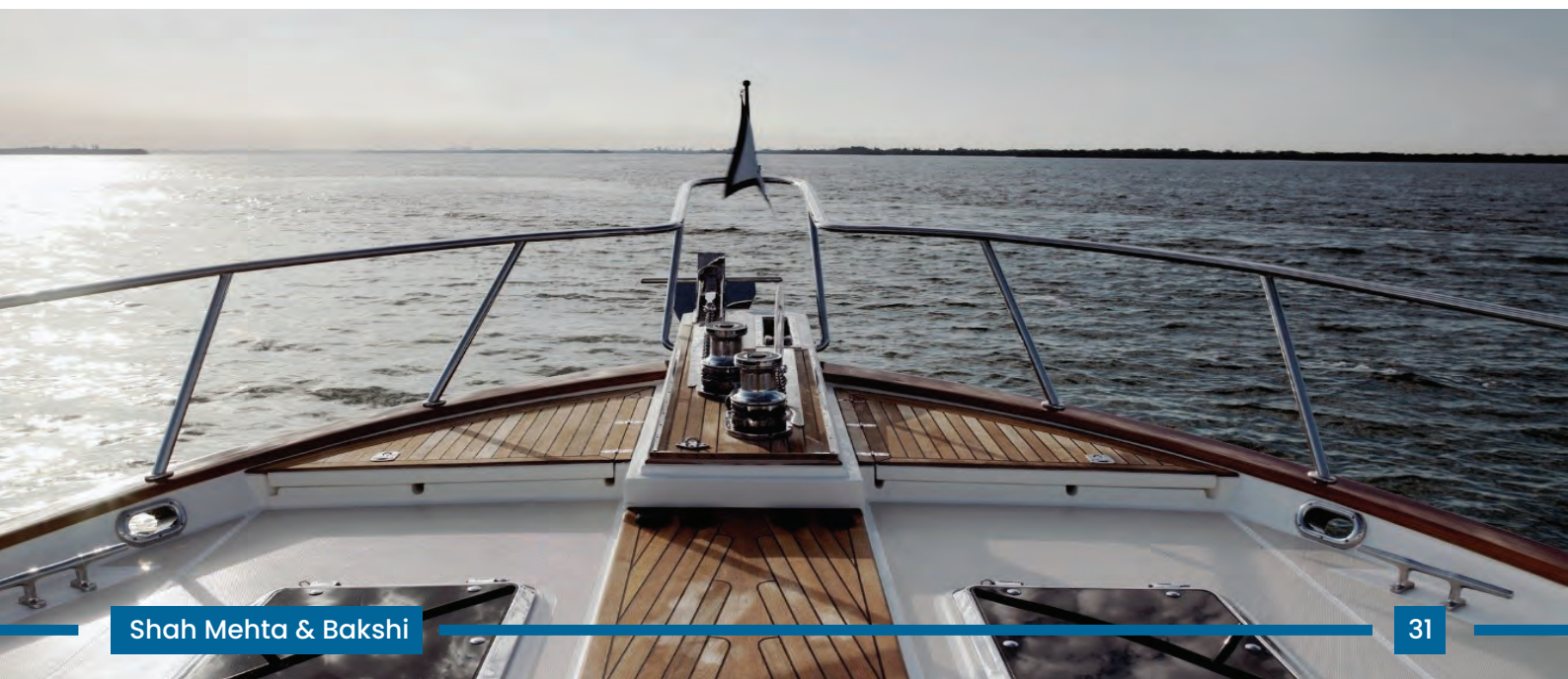
NATURE	EXISTING	PROPOSED
Minimum Amount	Higher of Rs.10,000 or 50% of tax involved	25% of Tax involved
Maximum Amount	Higher of Rs.30,000 or 150% of tax involved	100% of Tax involved

Consent based Sharing of information.

The Government is planning for sharing the following information with other systems:

- Application for registration
- Returns such as GSTR-1, GSTR-3B and GSTR-9 / 9C
- Details of invoices uploaded on the GST portal for e-invoice.
- Details of E-waybills
- Other prescribed details

It is relevant to note that such sharing shall be made after obtaining the consent of the relevant supplier/recipient only.



Customs

- The amendments proposed in the customs are keeping in mind the nation's move to enhance the global trade and also shifting the focus towards green energy and sustainable development which is the need of the hour.

This Budget proves to boost the manufacturing industries mainly engaged in the production of Mobile phones, Cameras, Television sets and Automobiles encouraging indigenous industries compete globally.

Amendment in Custom Act, 1962

- In 2021, certain conditional exemptions were provided under Section 25(4A) for two years from the date of notification. Clarification is issued to remove the time limit restriction provided in the proviso to Section 25(4A). Now, there is no time limit for certain exemptions such as EOU, Advance Authorization, re-export. This brings clarity to the taxpayers.
- Section 127C provides the procedure of disposal of application by Settlement Commission. Sub section (8A) newly introduced prescribes the time limit of 9 months within which the application filed must be disposed.

Amendment in Customs Tariff Act, 1975

The following changes in the Basic Customs Duty is effective from 01st February, 2023 unless otherwise specified.

(A) Items that got cheaper:

SR. NO	PARTICULARS	CUSTOM DUTY RATE	
		CURRENT RATE	PROPOSED
1	Electronic Goods		
	Camera Lens for Camera/Mobile Phones	2.5%	Nil
	Open Cells of TV Panels	5%	2.5%
2	Electrical Appliances		
	Heat Coils for Kitchen Chimney	20%	15%
3	Capital Goods		
	Specialised Machinery for manufacture of Lithium ion Cell used in battery of Electric Vehicles	As applicable	Nil
	Aircraft and Aircraft tyres (other than NIL and 2.5%) . However, AIDC of 0.5% will be levied. SWS is exempted in this case.	3%	2.5%
4	Chemicals		
	Denatured Ethyl Alcohol	5%	Nil
	Crude Glycerine	7.5%	2.5%
5	Agricultural Products		
	Pecan Nuts	100%	30%

(B) Items that got costlier:

SR. NO	PARTICULARS	CUSTOM DUTY RATE	
		CURRENT RATE	PROPOSED
1	Electrical Appliances		
	Kitchen Chimney	7.5%	15%
2	Others		
	Bicycles (Social Welfare Surcharge is exempted)	30%	35%
	Toys and its parts (Social Welfare Surcharge is exempted)	60%	70%
	Compounded Rubber (However, AIDC is increased to 0.5%)	10%	25% or Rs 30/kg whichever is lower.
3	Automobiles		
	Vehicles including Electric Vehicles in SKD (Semi knocked down) form. (However exemption is provided in Social Welfare Surcharge).	30%	35%
	Vehicles including Electric Vehicles in CBU (Completely Built Unit) form. (However exemption is provided in Social Welfare Surcharge).	60%	70%
4	Gems and Jewellery Sector		
	Articles made of precious metals	22%	25%
	Imitation Jewellery	22% or Rs 400/kg whichever is higher	25% or Rs 600/kg whichever is higher
5	Chemical and Petrochemical		
	Naptha	1%	2.5%
	Styrene and Vinyl Chloride monomer	2%	2.5%

(c) Precious Metals

Precious Metals have seen change in overall Custom Duty Structure. The rate changes of Precious metals is required to be read with the changes in AIDC (Agriculture Infrastructure & Development Cess) and SWS (Social Welfare Surcharge).

COMMODITY	BCD		BCD		BCD		TOTAL DUTY
	PREVIOUS	CURRENT	PREVIOUS	CURRENT	PREVIOUS	CURRENT	
Gold Bar	12.50%	10.00%	2.50%	5.00%	Nil	Nil	15.00%
Gold Dore	11.85%	10.00%	2.50%	4.35%	Nil	Nil	14.35%
Platinum	12.50%	10.00%	1.50%	5.40%	1.40%	Nil	15.40%
Silver Bar	7.50%	10.00%	2.50%	5.00%	0.75%	Nil	15.00%
Silver Dore	6.10%	10.00%	2.50%	4.35%	0.61%	Nil	14.35%

(D) Extension of Exemptions:

The time limit of exemption benefit is extended for five years, two years, one year in the following instances. The list provided is inclusive. Notification shall be referred for detailed description.

Extended upto 31st March 2028:

SR NO	COMMODITY
1	Used bonafide personal and household effects of a deceased person
2	Import/reimport of challenge cups and trophies won by a unit of Defence Force or its members.
3	Import of cups, trophies to be awarded to winning teams in international tournament /world cup to be held in India
4	Import of specified sports goods imported by National Sports Federation or by a Sports person of outstanding eminence for training.
5	Imports from Antarctica of goods used for or related to Indian Antarctic Expedition or Indian Polar Science Programme.

Extended up to 31st March 2025 :

SR NO	COMMODITY
1	Specific inputs and sub-parts for use in manufacture of telecommunication grade Optical Fibre or optical fibre cables
2	Raw materials and parts for manufacture of Wind operated electricity generators, including permanent magnets for manufacture of PM synchronous generator above 500KW for use in wind operated electricity operators
3	Lifesaving drugs etc

Extended up to 31st March 2024 :

SR NO	COMMODITY
1	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone
2	Lithium-ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle (EVs) or hybrid motor vehicle
3	Medical and surgical instruments, apparatus and appliances including spare Parts and accessories thereof.
4	Goods for the manufacture of orthopaedic implants
5	Specified raw material for sports goods
6	Ferrous waste and scrap
7	Solar tempered glass for use in the manufacture of solar cell or solar module
8	Goods exported to foreign countries for display in showrooms of Govt of India.
9	Articles supplied free under warranty as replacement for defective ones
10	Goods for carrying out repairs, reconditions , testing Calibration or maintenance.
11	Specified free gifts, donations, relief and rehabilitation material imported by charitable trust, Red Cross and govt of India.
12	Aircraft equipment, tanks, fuel, and lubricating oils by Indian Airlines, United Arab Airlines, India Air Force
13	Special Additional duty of Customs to goods cleared from SEZ and brought to any others place in India.

Excise

- NCCD Rates on specified cigarettes has increased between 15% to 16%.
- Exemption has been provided on Excise duty on Compressed Natural Gas (CNG) if GST is paid on Biogas or Compressed Biogas.

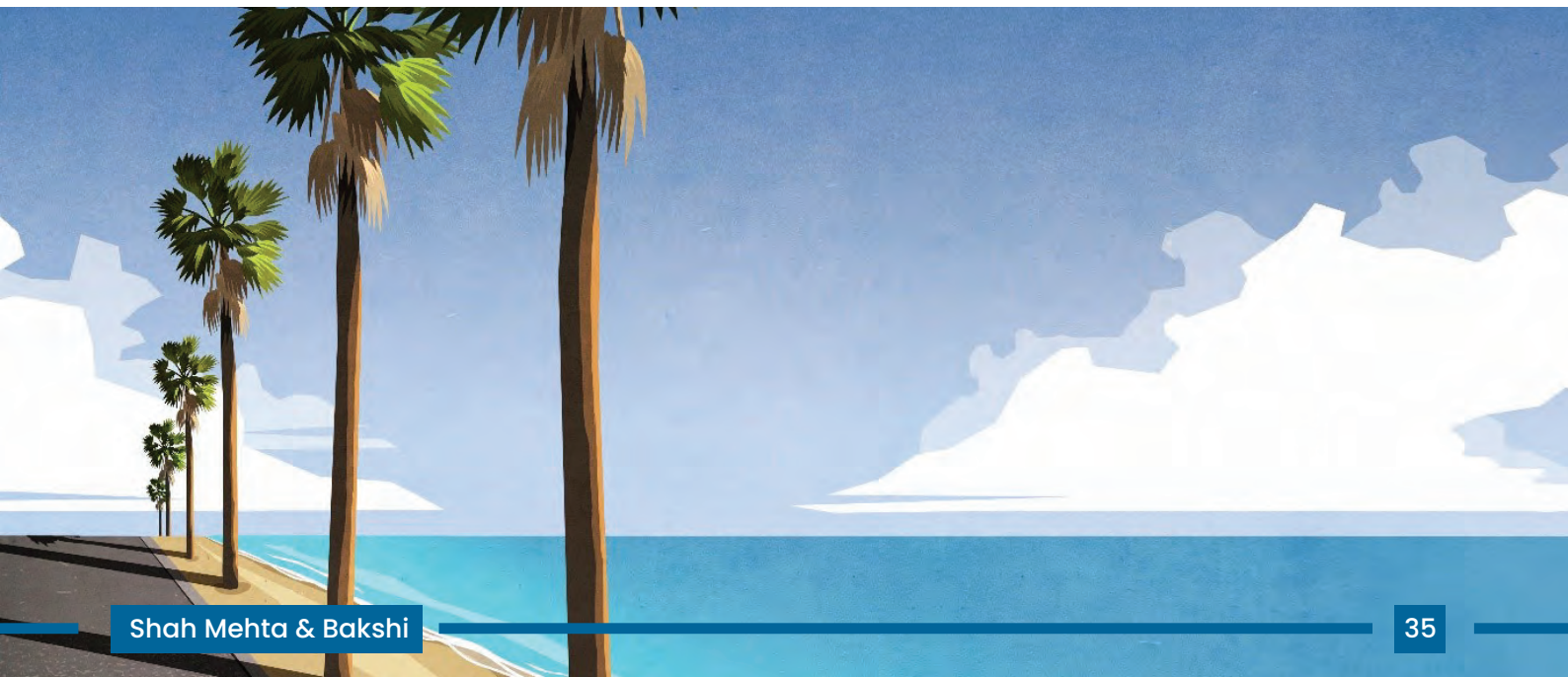


TABLE FOR

TDS AND TCS

RATES



SEC	NATURE OF PAYMENT	THRESHOLD LIMIT (IN RS.)	INDIVID, ALS, 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 / Dematerialized) * 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 Single or aggregate	30	30	30	30
194BA	Winning from Online Games (w e f 01.07.2023) Up to 30.06.203 it is covered under section 194B	-	30	30	30	30
194BB	Winnings - Horse Races	10,000 Single or aggregate	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

194C	*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
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
194-IB	Payment under Specified agreements* (Consideration in cash or kind or both)	-	10	N.A.	N.A.	N.A.
*It is and agreement with the owner of the asset who agrees to let another person build a real estate project on such assets in return for the share or payment that was made in cash.						
194JA	Call Centre Services	30,000	2	2	2	2
	Call Centre Services	30,000	2	2	2	2
194JB	Fees for Professional Services/Royalty Excluding Technical Services	30,000	10	10	10	10
194K	Income payable to resident in respect of Mutual Fund or UTI	5,000	10	10	10	10
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	20 lacs to 1 Cr	2	2	2	2
	Cash withdrawal from Banking company, cooperative bank or post office	Above 1 Cr	5	5	5	5
	Cash withdrawal from Cooperative Bank	Above 3 Cr	5	5	5	5
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.	20000	10	10	10	10
194S	TDS on Virtual Digital Assets	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(1) H)	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

SEC	NATURE OF PAYMENT	THRESHOLD LIMIT (IN)	INDIVIDUALS, HUF, AOP, BOI	FIRMS	CO-OP SOCIETY, LOCAL AUTHORITY	COMPANY
206C	For the purpose of Education, if the amount being remitted out is a loan obtained from any financial institution	700000	0.5	0.5	0.5	0.5
	For the purpose of education other than above or for medical treatment	700000	5	5	5	5
	Selling of overseas tour package	-	20	20	20	20
	Any other Overseas Remittance by Authorized Dealer	-	20	20	20	20
206C (1H)	Sale of Goods	50,00,000*	0.1	0.1	0.1	0.1
*Those sellers whose turnover exceeds Rs. 10 Crores and receipts from buyers exceeds Rs. 50Lakh						
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%				
206CC A	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%				



SALIENT FEATURES OF THE TAX PROPOSAL AT GLANCE

Mirage of benefits?

Calibrated move of the government to shift taxpayer in new regime however Housing Loan benefits and 80 C Benefits balances the tax benefits in new regime. Bag full of benefits to Start ups, Manufacturing Co-operatives, IFSC etc



Road too far?

Tinkering with the custom rate changes to protect the domestic players may give mix signal for global trade. The disallowance of Expense under Income Tax if MSME creditors is settled in due date has a long way to see.



Mixed Bag for Rich?

Benefits of reduced Surcharge but limits on Cost of acquisition of Residential property, High Premium Insurance, Higher TCS on Overseas Tour Package, provided mix bag for the rich.



Finding the Equilibrium?

The GST law is going under continuous rejig and this budget has also proposed changes in it. It seems that government is trying to find the right equilibrium for the GST.





Address

2nd Floor, Prasanna House,
Associated Society,
Nr. Akota Stadium,
Vadodara – 20

Landline No:

(0265) 359 9941

website

www.smb-ca.com