

## **UNION BUDGET 2023-2024**

### ***HIGHLIGHTS OF THE FINANCE BILL, 2023***

The final full-fledged Union Budget of the current government prior to the general elections in 2024 presented by the Finance Minister Smt. Nirmala Sitharaman on 1st February 2023; seems like a step in right direction clearly indicating the focus of the Government on achieving the long term vision of India in *Amrit Kaal* instead of short term measures in a pre-election year; choosing the path of fiscal prudence, heavily increasing capital expenditure to spur growth, employment generation, and consumption which in turn is likely to bring buoyancy in revenues and take India to next level in achieving the \$5 Trillion economy.

The Budget focuses on consistency in policy and tax rates, developing green, clean and climate friendly economy, to capitalize on power of youth, inclusive development, easing compliance burden and ease of doing business, reducing litigation, simplifying KYC process and introducing 'one stop solution' for identity and address updation through Digilocker, introducing taxation regime for online gaming, bringing efficiency in tax collections and administration by using technology, data analytics and reduction in human interface between taxpayer and officer, streamlining procedures of assessment/appeals to address practical challenges faced by stakeholders.

The Budget seeks to lay the foundation for achieving the vision of the Prime Minister for INDIA@100 and also making India a preferred choice for the world to do business.

Also, the Budget reflects the intent of forwarding the commitment made to taxpayers of transparency, minimum government maximum governance and does not include so called small print devils, as promised.

As in the earlier years, we have made humble attempt to lucidly present in the following paragraphs; our analysis of some of the salient tax proposals, to enable you to grasp them easily.

As of date, these are proposals only, and if adopted by the Parliament and passed as Finance Act; will come into force for and from Assessment Year 2024-2025 relevant to Financial Year 2023-2024, unless specifically provided otherwise.

## I. DIRECT TAXES

Amendments proposed under the Income-tax Act, 1961 (hereafter referred to as “the Act”).

### 1. Rates of Tax-New Regime of taxation to be the Default one unless otherwise indicated for Individuals, HUF, AOP (other than Co-operative society), BOI and artificial juridical person:

To surprise of many, the Finance Minister this time has proposed ‘Default New Regime’ of taxation with lower tax rates and income slabs subject to condition of foregoing certain exemptions, deduction, losses; which has been extended even to other class of Assessee’s being Association of Persons (other than co-operatives), Body of Individuals and Artificial juridical persons. The complete detail about the Default New Regime, with illustration about likely tax liability in both regimes and the differential impact in tax liability under the Default New Regime vis-à-vis the existing one is given below:

<b>Basic exemption and Income Slabs for Financial Year 2023-24 in Default New Regime</b>	
<i>Total Income</i>	<i>Tax Rate</i>
upto Rs.3,00,000/-	Nil
Rs.3,00,001/- to Rs.6,00,000/-	5% of income above Rs.3,00,001/-
Rs.6,00,001/- to Rs.9,00,000/-	Rs.15,000/- plus 10% of income above Rs.6,00,001/-
Rs.9,00,001/- to Rs.12,00,000/-	Rs.45,000/- plus 15% of income above Rs.9,00,001/-
Rs.12,00,001/- to Rs. 15,00,000/-	Rs.90,000/- plus 20% of income above Rs.12,00,001/-
Above Rs.15,00,001/-	Rs.1,50,000/- plus 30% of income above Rs.15,00,001/-

Further, it is proposed to cap Surcharge @ 25% in case of Assessee’s choosing the Default New Regime with respect to Assessee having an income in excess of Rs.5 Crores.

Also, it is proposed to allow the benefit of Standard Deduction Rs.50,000/- which was not available hitherto in the New Regime.

There apart, the Finance Minister has proposed increased rebate under the Default New Regime to Rs.25,000/- against current Rs.12,500/-. As a consequence, income upto Rs.7,00,000/- would be tax free as against Rs.5,00,000/- currently.

Also, it is proposed to keep such Assessee’s opting for the Default New Regime outside the purview of Alternate Minimum Tax (‘AMT’) regime.

**It is pertinent to note that an Assessee is presumed to have chosen the Default New Regime, unless he specifically chooses to opt out of the same and be governed by the existing regime, by exercise of such option prior to filing return of income for that year.**

**The Total Income under the Default New Regime would have to be computed by foregoing the following deductions/ exemptions/ set-off of losses:**

- Leave travel concession in Section 10(5);
- House rent allowance in Section 10(13A);
- Some of the allowance as contained in Section 10(14);
- Allowances to MPs/MLAs in Section 10(17);
- Allowance for minor's income in Section 10(32);
- Exemption for SEZ unit in Section 10AA;
- Deduction for entertainment allowance and professional tax in Section 16;
- Interest in Section 24 in respect of self-occupied properties referred to in Section 23(2).
- Set-off of Loss under the head income from house property from rented property would not be allowed to be set off against income under any other head in that year and same would have to be carried forward to be claimed under the old regime in future subject to Section 71B;
- Additional depreciation in Section 32(1)(ia);
- Deductions in Section 32AD, 33AB, 33ABA;
- Various deduction for donation for or expenditure on scientific research in Section 35;
- Deduction in Section 35AD and Section 35CCC;
- Deduction from family pension in Section 57(ia);
- All deduction under Chapter VI-A except Section 80CCD(2), Section 80CCH and Section 80JJAA which would be allowable in Default New Regime.

No change is proposed in the rates as per the existing regime and maintained status quo for all types of Assessee's.

For your ready reference, we give herein below the illustrative tax liability (excluding Surcharge and Health and Education Cess) in both Regimes for different income categories and the differential impact in tax liability on opting the Default New regime vis-à-vis the existing Regime:

Total Income Upto	Tax Liability in Existing Regime, after (Rs.)					Tax Liability in Default New Regime without Standard Deduction of Rs. 50,000/- (Rs.)	Tax Liability in Default New Regime after Standard Deduction of Rs. 50,000/- (Rs.)
	Deduction under Salary, Housing loan Interest and House rent Allowance* and Section 80C Investment (Rs.50,000 + 2,00,000 +1,50,000)	Deduction under Salary, Housing loan Interest, Section 80C Investment (Rs.50,000 + 2,00,000 +1,50,000)	Deduction under Salary and 80C Investment (Rs.50,000 +1,50,000)	Deduction under 80C Investment (Rs. 1,50,000)	No Deduction under (2), (3) and (4)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Rs.2,50,000	-	-	-	-	-	-	-
Rs.5,00,000	-	-	-	-	-	-	-
Rs.7,00,000	-	-	-	22,500	52,500	-	-
Rs.7,50,000	-	-	22,500	32,500	62,500	30,000	-
Rs.9,00,000	-	-	52,500	62,500	92,500	45,000	40,000
Rs.10,00,000	-	32,500	72,500	82,500	1,12,500	60,000	52,500
Rs.12,00,000	32,500	72,500	1,12,500	1,27,500	1,72,500	90,000	82,500
Rs.15,00,000	92,500	1,42,500	2,02,500	2,17,500	2,62,500	1,50,000	1,40,000
Rs.20,00,000	2,02,500	2,92,500	3,52,500	3,67,500	4,12,500	3,00,000	2,85,000
Rs.25,00,000	3,52,500	4,42,500	5,02,500	5,17,500	5,62,500	4,50,000	4,35,000
Rs.60,00,000	13,72,500	14,92,500	15,52,500	15,67,500	16,12,500	15,00,000	14,85,000

**CHARTERED ACCOUNTANTS**

Total Income Upto	<i>Additional Liability /(Saving) in Tax on shifting to Default New Regime</i>				
	<b>Deduction under Salary, Housing loan Interest, House rent Allowance* and Section 80C Investment (Rs.50,000 + 2,00,000 +1,50,000)</b>	<b>Deduction under Salary, Housing loan Interest and Section 80C Investment (Rs.50,000 + 2,00,000 +1,50,000)</b>	<b>Deduction under Salary and 80C Investment (Rs.50,000 +1,50,000)</b>	<b>Deduction under 80C Investment (Rs. 1,50,000)</b>	<b>No Deduction under (2), (3) and (4)</b>
(1)	(9=(8-2))	(9=(8-3))	(9=(8-4))	(9=(7-5))	(9=(7-6))
Rs.2,50,000	-	-	-	-	-
Rs.5,00,000	-	-	-	-	-
Rs.7,00,000	-	-	-	(22,500)	(52,500)
Rs.7,50,000	-	-	(22,500)	(2,500)	(32,500)
Rs.9,00,000	40,000	40,000	(12,500)	(17,500)	(47,500)
Rs.10,00,000	52,500	20,000	(20,000)	(22,500)	(52,500)
Rs.12,00,000	50,000	10,000	(30,000)	(37,500)	(82,500)
Rs.15,00,000	47,500	(2,500)	(62,500)	(67,500)	(1,12,500)
Rs.20,00,000	82,500	(7,500)	(67,500)	(67,500)	(1,12,500)
Rs.25,00,000	82,500	(7,500)	67,500	(67,500)	(1,12,500)
Rs.60,00,000	1,12,500	(7,500)	(67,500)	(67,500)	(1,12,500)

\* House Rent Allowance included in the above income:

Rs,9,00,000	1,50,000
Rs.10,00,000	1,50,000
Rs.12,00,000	2,00,000
Rs.15,00,000	2,00,000
Rs.20,00,000	3,00,000
Rs.25,00,000	3,00,000
Rs.60,00,000	4,00,000

As evident from above table, it may be noted that for Assessee's having higher income and higher claim of deductions; the existing regime will be beneficial. However, it is advisable to prepare computation of income and tax liability under both regimes and then decide which one is beneficial after considering specific facts and circumstances of each case.

There apart no change is proposed in the rates of tax and Surcharge for companies, firms, LLP's, and Co-operative societies.

**2. Restricting Deduction under Section 54 and Section 54F:**

In order to cap the maximum deduction that can be claimed by an Individual or HUF by investing Long Term Capital Gain arising from transfer of a residential house/ other assets; the Finance Minister has proposed to restrict the deduction under both Sections 54 / 54F to Rs.10 Crores respectively.

**3. Increase of threshold for exemption of Leave Encashment :**

In her Budget Speech, the Finance Minister alluded to the fact that exemption on Leave encashment on retirement of non-government salaried employees was last fixed in the year 2002 and hence to keep pace with the recent times, this limit is proposed to be increased from Rs.3 Lakhs to Rs.25 Lakhs.

However, we could not find mention about the above proposal in the Finance Bill. Hence, we expect clarity on this amendment.

**4. Restriction of exemption on sums received under Life Insurance Policy (other than Unit Linked Insurance Plan):**

Presently, any sum received under ULIP is exempt from tax u/s.10(10D) where the premium payable during the term of the policy does not exceed Rs.2,50,000/- per year (for policies issued after 1<sup>st</sup> February, 2021); otherwise, the amounts received on sale/ maturity would be taxed as capital gain either as short term/ long term capital asset.

In order to curb the practice of using investment vehicle under garb of Life Insurance to give higher post-tax returns; the Finance Minister has proposed amendment in Section 10(10D) to provide that for policies (other than ULIP's) issued on or after 1<sup>st</sup> April, 2023 having aggregate premium per year exceeding Rs.5 Lakhs; the exemption would not be available henceforth.

The above amendment is likely to discourage Assessee's from making investments in insurance products as the gains on maturity thereof would now become taxable under 'Income from Other Sources' which hitherto were exempt. Also, in case one has opted for the Default New Regime, he would not be required to make tax saving investments which were hitherto required u/s.80C.

Further, it is provided that the premium paid can be claimed as deduction, if the same was not claimed as a deduction under other provisions of the Act.

Also, the amounts received on death of insured person would continue to remain exempt even if the premium exceeds Rs.5 Lakhs.

**5. Preventing Double claim of deduction on account of Interest paid for acquiring property:**

Taking into consideration the cases where Assessee's may have claimed deduction of Interest on house property under Section 24(b) as well as included the same as part of cost of acquisition leading to double benefit; the Finance Minister with a view to clarify the legislative intent has provided that cost of acquisition/improvement of the property would not include the amount of interest which is either claimed as deduction under Income from House Property or as deduction under Chapter VI-A of the Act.

This is a welcome move from the Government, which would bring in certainty and avoid future litigation on the issue.

**6. Cost of acquisition and cost of improvement for self-generated Intangible Assets/Rights to be taken as Nil:**

With the objective of clarifying the legislative intent and to avoid futile litigation the Finance Minister has proposed to provide that the cost of acquisition in case of self-generated Intangible assets/rights would be Rs.Nil where no consideration is paid.

Further, cost of improvement of self-generated Intangible assets/rights would be taken as Rs.Nil.

**7. Remedy for grant of TDS credit in the year of offering income though TDS thereon done in subsequent year-welcome step:**

As per the provisions of Section 199 of the Act read with Rule 37BA(3) of the Rules, the credit of TDS would be eligible in the year in which relevant income is offered to taxation.

This amendment has been awaited since quite long as a lot of Assessee's are still struggling to get proper credit of taxes deducted at source, which directly impacts cash flow of any Assessee.

- a) After considering the grievances faced by Assessee's in obtaining credit of TDS in cases where income is offered in earlier year but TDS done thereon is deducted in subsequent year; now the Finance Minister has proposed a mechanism whereby an Assessee would make an application to the Assessing Officer within 2 years from the end of the financial year in which such TDS is done tax was deducted for granting such credit.
- b) It may be noted here that above mechanism is only applicable for cases where TDS is done in subsequent year and does not cover instances where TDS is done in earlier year and relevant income offered and TDS claimed in return of income of subsequent period. In such cases, one would have to continue efforts to pursue rectification application to get proper credit of TDS as per the law.

A suitable clarification from the Government to include cases at (b) above inn the new mechanism would further go a long way in ease of doing business for Assessees.

Further, it is provided that Interest on such refunds due u/s. 244A of the Act would be granted from the date of such application to the date on which the refund is issued.

Amendments effective from 1<sup>st</sup> October 2023.

**8. Distributions from Business Trusts other than Interest, Dividend and Rentals-now taxable:**

The existing provisions of Section 115UA read with Section 10(23FC) and 10(23FCA) of the Act are provide for taxation of income in the hands of unitholders and tax pass-through for the trusts.

However, it was observed that apart from distributions in the nature of Interest, Dividend and Rentals, the Business Trusts also distribute sums as repayment of debt; which goes untaxed at the level of unitholder as well as the Business Trust.

Hence, to plug this loophole, the Finance Minister has proposed to provide that such distributions shall now be taxable in hands of the unitholders under the head 'Income from Other Sources'.

*This is likely to alter the post-tax returns earned from investments in REIT's/INVIT's which may impact attractiveness in such products.*

**9. Deduction for delayed payments to Micro and Small enterprises to be allowed only on payment basis:**

With the objective of ensuring timely collection of receivables for the Micro and Small enterprises ('SME'), the Finance Minister has introduced an amendment in Section 43B of the Act to provide that deduction for amounts payable to such enterprises shall be allowed on accrual basis, only if the same is paid within the due date prescribed as per Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006.

The above new provision is a step further in the Government's effort to support SME's in their working capital management.

**10. Scope of Section 56(2) (viib) enlarged to include shares issued to Non-residents:**

In order to eliminate the possibility of tax avoidance by closely held companies in respect of shares issued above fair value to non-residents, the Finance Minister has proposed to make provision of Section 56(2)(viib) applicable to all persons irrespective of their residential status.

The above amendment may cause hardship to start-ups looking to raise funding from non-residents at premium, which category was hitherto not covered.



**11. Further relaxations for Start-ups-welcome:**

In order to promote and support the Start-up's, the Finance Minister has proposed to extend below time-limits:

- Time period for set-off of losses incurred by eligible start-ups increased from Seven years to Ten years from the date of incorporation;
- Time limit for incorporation of eligible start-ups for claiming tax holiday u/s.80IAC of the Act is extended from 31<sup>st</sup> March, 2023 to 31<sup>st</sup> March, 2024.

**12. Increase in Threshold limits for Presumptive taxation schemes-welcome step:**

With the aim of reducing the compliance burden on small and medium businesses/ professionals and to promote transactions through banking channels, the Finance Minister has proposed to increase the turnover threshold limit u/s.44AD/44ADA from Rs.2 Crores to Rs.3 Crores in case of business and from Rs.50 Lakhs to Rs.75 Lakhs in case of profession. The increased threshold limit is applicable only if the aggregate of cash receipts in the year are less than 5% of gross receipts.

Consequential amendment is made in Section 44AB of the Act.

**13. Taxation of winnings from online games and TDS thereon:**

Taking note of the increased popularity of online gaming amongst others, with the objective of taxation of winnings from such activities; the Finance Minister has proposed to insert new Section 115BBJ to provide for the manner of computation of income thereon and further providing for taxation of the same @ 30% plus Surcharge and Cess, as applicable.

Another Section 194BA is being inserted requiring the person responsible for paying any sum to the user on account of winnings from online game to do TDS at rates in force.

**14. Clarity on taxation of Capital Gains on Market Linked Debentures:**

To provide the much needed clarity on taxation of Market Linked Debentures (which have principal component as debt and returns are linked to market returns), the Finance Minister has proposed to insert new Section 50AA to provide that the Capital Gains arising from transfer of such investments would be deemed as Short Term Capital Gains, which would be taxed at applicable rate; as opposed to the practice of treating the gains taxable as Long Term Capital gains @10% without indexation (excluding Surcharge and Cess, as applicable), if held for period more than 12 months.

*This is a welcome step, and would bring certainty in treatment thereof by Assessee's and the Assessing Officers.*

**15. Perquisite arising from exercise of business/profession to include benefit in cash:**

In the last Budget, the Finance Minister introduced requirement of doing TDS @10% from the value of perquisites/benefits provided in course of business, so as to track such transactions and ensure same are properly reported and offered to taxation by the recipients.

Taking note of the certain decisions which have held that if the benefit/ perquisite are in cash, same are not taxable; and with the objective of clarifying the legislative intent and to avoid futile litigation; the Finance Minister has proposed to provide that even benefits in cash are within the ambit of benefit/ perquisite as per Section 28(iv) and Section 194R of the Act.

**16. New Authority-Joint Commissioner of Income Tax(Appeals) constituted for expeditious disposal of pending appeals at first appellate level:**

To reduce pendency of cases before the CIT(A) and expeditious disposal of appeals, a new appellate authority Joint Commissioner of Income Tax (Appeals) is proposed to be constituted to deal with appeals against orders passed by Assessing Officer below rank of Joint Commissioner of Income Tax ('JCIT') or orders approved by an authority below the rank of JCIT.

Further, existing appeals filed before CIT(A) may be transferred to JCIT(A) or vice-versa. Also, the Central Government may notify faceless mechanism for disposal of such appeals and provide for jurisdiction and procedure for such disposal by JCIT(A).

With respect to Orders passed by the JCIT(A), the Assessee would be able to file an appeal to the ITAT as is the case currently with Orders passed by CIT(A).

(Above amendments would be effective from 1<sup>st</sup> April, 2023 and applicable from **Assessment Year 2023-24**)

**17. Capital Gain /TDS on Transfer of Capital Assets under Joint Development Agreement:**

To bring the much needed clarity, rectify the unintended drafting error in Section 45(5A) and align same with provisions of Section 194-IC of the Act, the Finance Minister has proposed to include the words or "by a cheque or draft or by any other mode" in determining full value of consideration while computing Capital gain from the transfer of land or Building under Joint Development Agreement.

*This is a welcome step, and would bring certainty in treatment thereof by Assessee's and the Assessing Officers.*

**18. Set off and withholding of refunds due:**

Currently, there are different sections dealing with withholding of refund against likely demands and set off of refunds against outstanding demands as per the provisions of Section 241A/Section 245 of the Act.

It is now proposed to integrate the above provisions into one section for removing overlapping; such that now the Assessing Officer is empowered to withhold any refund due to taxpayer, which may be held until completion of any pending assessment/ reassessment proceedings in taxpayer's case.

Also, now the Assessing Officer is required to intimate the Assessee to adjust/withhold the refunds against the demands outstanding.

Further, it is proposed that the period for which the refund is withheld no interest will be paid u/s.244A(1A) of the Act.

(These amendments will take effect from 1<sup>st</sup> April, 2023)

**19. Filing of Modified Return of Income by successor on business reorganizations and assessment thereof:**

In the last Budget, a mechanism was provided for the successor entity to file modified return in order to give effect of reorganization, and time limit for the same. However, there was no clarity how such cases would be dealt with by the Assessing Officer.

Now, the Finance Minister has amended Section 170A to provide that Assessing Officer would have to pass modified Order, if assessment is already completed and in case of ongoing assessment, he would have to consider re-organisation Order and the modified return filed.

(These amendments will take effect from the 1<sup>st</sup> April, 2023).

**20. Widening tax base by expanding Gifts received by Not Ordinary Residents from residents:**

With the objective of expanding the scope of deeming provision of Section 9, the Finance Minister has proposed to provide that the monetary gifts received by Resident but Not ordinary residents from residents exceeding Rs.50,000/- would be taxable.

**21. TDS on winnings from lottery, crossword puzzle and horse races-widening scope:**

To discourage the practice of splitting a transaction into multiple transactions each less than Rs.10,000/- so as to avoid requirement of doing TDS thereon; the Finance Minister has proposed to amend the Section 194B and Section 194BB so as to provide aggregate threshold for a year Rs.10,000/- for attracting requirement of TDS.

This amendment is aimed to give information to Department for tracking above income, which hitherto may have gone unnoticed and untaxed.

**22. Widening tax base-Requirement of TDS on Interest on Debentures:**

Taking note of the fact that Interest income earned on listed Debentures is being under-reported by the recipients, the Finance Minister has proposed to remove the exemption u/s.193 of the Act which currently does not require the issuer company to do TDS from payment of Interest on listed debentures.

This amendment is aimed to give information to Department for tracking Interest earned on debentures, which hitherto may have gone unnoticed and untaxed.

**23. Tax neutrality for conversion of physical Gold to Electronic Gold Receipt and vice versa:**

In order to promote the concept of holding “Electronic Gold Receipt” (‘EGR’) in place of physical gold, the Finance Minister proposed that transaction of conversion of gold into EGR and vice versa would not be subject to Capital Gain taxation.

Further, it is also provided that the period of holding of gold prior to conversion and the cost of acquisition thereof thereto shall be available in respect of the EGR issued and vice-versa (i.e. reconversion of EGR into physical gold) on subsequent transfer.

**24. More Tax incentives for units located in International Financial Services Centre:**

To further promote the units set-up in International Financial Services Centre and to make it global hub for financial services, the following incentives are proposed by the Finance Minister:

- The Due date for availing exemption by shareholder on relocation of Funds to IFSC is extended from 31<sup>st</sup> March, 2023 to 31<sup>st</sup> March, 2025. (This amendment is proposed to be effective from AY 2023-24).
- To remove double taxation of income when International Banking Unit (‘IBU’) distributes income to offshore derivative instrument (‘ODI’) holders, it is proposed to provide that such income in hands of ODI holders would be exempt if tax thereon is paid by the IBU under Section 115AD of the Act.

**25. Rationalization of the provisions of Charitable Trust/Institution:**

In the last Budget, the lot of amendments were made related to charitable trusts/ institutions registered u/s. 10(23C), u/s.12AA/12AB of the Act to ensure proper monitoring of such entities, bring consistency in application of provisions of the Act and bring clarity wherever required.

To further rationalize the provisions, the Finance Minister has proposed certain amendments, the highlight of which, are stated below:

- The benefit of application of income (from corpus or loans) to be allowed only when the funds are reinstated back in corpus or loan repaid within a period of 5 years from the end of the year in which such application was made from the corpus/loan (this would not be available where application from corpus was made before 31<sup>st</sup> March, 2021).

- The above benefit of treating reinstatement as application of income would be allowed subject to fulfillment of prescribed conditions.
- Provision requiring payment of Exit tax by charitable trusts/ institutions upon conversion of charitable institution into a non-charitable institution made applicable in cases where registration is not renewed or regular registration not obtained (after provisional) within the due date.
- Statement(s) required to be filed for accumulation or setting apart income or deeming certain income to be applied, to be filed at least 2 months prior to the due date for filing the return for the previous year.
- Charitable trusts/ institutions to loose exemption u/s. 10(23C), 11 and 12 if return of income not filed within time limit permitted u/s.139(4) of the Act.
- Scope of “specified violation” expanded to include cases where application for registration is not complete or contains false or incorrect information.

(The above amendments are applicable from 1<sup>st</sup> April, 2023)

- Voluntary donations paid to other trusts or institutions to be treated as an application of income only to the extent of 85% of the amount paid.

**26. Extending time limits for assessment/re-assessment proceedings:**

Following procedural amendments are proposed by the Finance Minister with respect to assessment/ reassessment proceedings:

- The time limit to file return in response to notice u/s.148 extended from 30 days to 3 months (upon request by Assessee);
- In cases where reassessment notices are issued based on search initiated/ authorisation executed/ requisition made after 15<sup>th</sup> March, then last 15 days of March are to be excluded for computing the period of limitation for issue of notice.
- The time-limit for completing assessments for Assessment 2022-23 and subsequent years increased from to 12 months from the end of relevant Assessment Year (currently it is 9 months). In case of updated return, this time limit is increased from to 12 months from the end of Financial Year in which updated return is filed (currently 9 months).
- For assessment/ reassessment proceedings that are pending as on date of initiation of search, the time limit is extended by 12 months.

(The above amendments are applicable from **Assessment Year 2023-24**)

**27. Expanding scope of Orders appealable before the Appeals to Income Tax Appellate Tribunal:**

In order to provide Assessee's opportunity to prefer appeal to the Income Tax Appellate Tribunal against certain penalties imposed by the Commissioner of Income Tax (Appeals) [CIT(A)], the Finance Minister has proposed to enable appeal filing to ITAT against the Penalty Orders passed under section 271AAB/271AAC/271AAD by CIT(A) in cases of search, in case of unexplained cash credits, income, expenditure, investment, false entry in books of account etc.

On similar lines, it is also proposed to enable filing of appeals to the ITAT against Orders passed under section 263 by Principal Chief Commissioner or Chief Commissioner of Income Tax.

Also, the Orders passed by the Joint Commissioner of Income Tax(Appeals) is now appealable before the ITAT.

Further, Revenue can now file Cross Objections to ITAT against the Orders passed by the Dispute Resolution Panel in case the Assessee files an appeal to the ITAT.

(The above amendments are applicable from **Assessment Year 2023-24**)

**28. Rationalisation of Co-operative Society**

**Benefit of lower rate of taxation in case of new manufacturing companies extended to Co-operative societies-welcome:**

With a view to extend the benefit of concessional taxation regime to manufacturing co-operative societies on the lines as done for companies under Section 115BAB of the Act, the Finance Minister has now proposed to give an option to the resident co-operative societies to pay tax @15% plus Surcharge @10% plus applicable Cess by insertion of new Section 115BAE in the Act. Also, it is proposed to keep such societies opting for the above scheme outside the purview of Alternate Minimum Tax ('AMT') regime.

Consequential amendments are proposed in Section 115JC and Section 115JD of the Act.

**29. Other**

- Time for submitting Transfer Pricing documentation reduced to the Transfer Pricing Officer or the CIT(A) to 10 days (currently 30 days) from the date of receipt of the notice. This period could be further extended on request of the Assessee by 10 days (currently 30 days).

(The above amendments are applicable from **Assessment Year 2023-24**.)

- Deductions under section 10AA can be claimed only if the return is filed within the due date as per section 139(1) and the proceeds are realised within six months from the end of the financials year or as further time granted by RBI.

**CHARTERED ACCOUNTANTS**

- In case of Updated returns filed the procedure for calculating Interest u/s.234B it is amended with respect to Advance tax paid.

This Amendment is effective from 1<sup>st</sup> April 2022.

- For claiming deduction under Section 35D of the Act, now it is provided that only statement containing the particulars of this expenditure incurred is to be filed in the prescribed manner.
- Certain class of NBFC have been exempted from the provisions of section 94B with regards to restrictions of Interest to an Associated Enterprise of the NBFC.
- Specified persons under section 206AB/206CCA to exclude certain non-residents
- It is proposed to rationalize value of perquisite of residential accommodation to employees.
- Time limit for filing appeals against Orders passed under the Prohibition of Benami Property transactions Act, 1988 and the jurisdiction of High Court in case of non-resident Appellant are prescribed.

(The above amendments are applicable from **Assessment Year 2023-24.**)

- Non-Resident's Assessee are not required to file Return of Income if there is no representative of Assessee in India.
- For certain Co-operative societies the threshold limits have been increased from Rs.20,000/- to Rs.2,00,000/- with respect to Section 269SS and Section 269T of the Act.
- Extending the scope of provisions of Section 197 to income subject to TDS under Section 194LBA of the Act. This amendment will take effect from 1<sup>st</sup> April, 2023.
- TDS deductible on Income as per provisions of section 10(35) to NRI would be lower of the TDS as per the Act or tax as per DTAA provided the NRI has submitted the TRC for the year.

(The above amendments are applicable from **Assessment Year 2023-24.**)

- Penalty for default in deduction of TDS under Section 194R/194S /194BA

Penalties for furnishing inaccurate statement of Financial Transaction by the Account Holder and institution prescribed

(Amendment applicable from 1<sup>st</sup> April, 2023.)

❖ **Rationalisation of TDS and TCS rates :**

**Refer to the following table for the section-wise amendments in rates/threshold of TDS:-**

<b>Sr. No.</b>	<b>Section</b>	<b>Existing Rate/ Threshold</b>	<b>Proposed Rate/Threshold</b>
1	194N- TDS on cash withdrawal by co-operative societies	2% of the amount in excess of Rs. 1 crore	2% of the amount of cash withdrawal in excess of <b>Rs. 3 crores</b>
2	192 A - TDS on premature withdrawal from EPF in case of employees not furnishing PAN	Maximum marginal rate on the amount of withdrawal.	<b>20%</b> of the amount of withdrawal.
3	194BA – TDS on winnings from online games	Not Applicable	30% of the amount of net winnings from online games <b>without any threshold.</b>
4	194B – TDS on Winnings from Lottery, Game Show and Puzzles  194BB – Winnings from horse race	30% of amount exceeding ten thousand rupees during the financial year.	30% of the amount or <b>aggregate of the amounts</b> exceeding ten thousand rupees during the financial year.
5	193 – TDS on interest payable on Listed Debentures	No TDS is to be deducted	<b>10%</b> of the amount of interest payable.

**Refer to the following table for the existing rates and amendments in TCS on certain remittances-**

<b>Sr. No.</b>	<b>Type of Remittance</b>	<b>Existing Rate</b>	<b>Proposed Rate</b>
1	<b>Overseas tour package</b>	5% without any threshold limit.	<b>20%</b> without any threshold limit.
2	<b>Any other case</b>	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	<b>20%</b> without any threshold limit.



## II. INDIRECT TAXES

Key amendments proposed in respect to Goods and Service Tax are stated hereunder (to be effective from date to be notified unless otherwise specified):

- No input tax credit shall be available on expenditure on corporate social responsibility referred to in section 135 of the Companies Act, 2013
- It is now clarified persons covered under section 23 of CGST Act are not required to take registration under section 22 or 24 of the CGST Act.
- A registered person would not be allowed to file following returns/statements after a period of three years from the due date for filing such returns/ statements:

GSTR-1, GSTR-3B, GSTR-4, GSTR-5, GSTR-6, GSTR-7, GSTR-8 and GSTR-9.

- The Government will prescribe the manner, conditions and restrictions for computing the interest on delayed refund to Assessee.
- The E-commerce Operators would be liable to the prescribed penalty if he commits any offence as mentioned under section 122.
- It is clarified that high seas sales, supply of warehoused goods before clearance for home consumption and Third-country exports shall neither be treated as supply of goods nor supply of services.

There would be no refund of GST collected on such transactions which took place during 1<sup>st</sup> July, 2017 and 31<sup>st</sup> January, 2019

*(With retrospective effect from 1<sup>st</sup> July, 2017)*

- It is proposed to amend definition of 'non-taxable online recipient' to mean any unregistered person receiving Online Information and Database Access or Retrieval ('OIDAR') services located in taxable territory. Also, the scope of OIDAR has been widened by removing requirement of 'essentially automated and requiring minimal human intervention'.
- Certain offences such as, preventing officer discharge of duties, tampering or destroying material evidences have been decriminalized
- The monetary threshold for launching prosecution for offences is proposed to be increased from Rs.1 Crore to Rs.2 Crores, except for offences involving issuance of invoices without supply of goods / services.
- Compounding amount is proposed to be reduced from the range of 50% to 150% of the tax amount, to 25% to 100% of the tax amount.