Indian Union Budget

Synopsis

2023-24

AKM GLOBAL

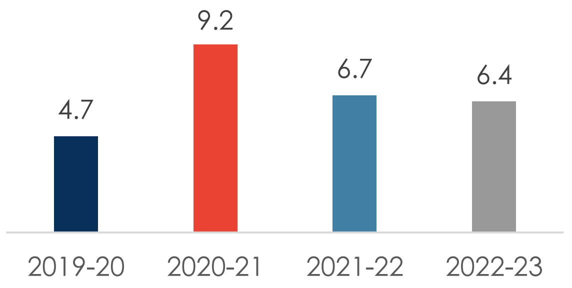
TAX | CONSULTING | OUTSOURCING

Topics

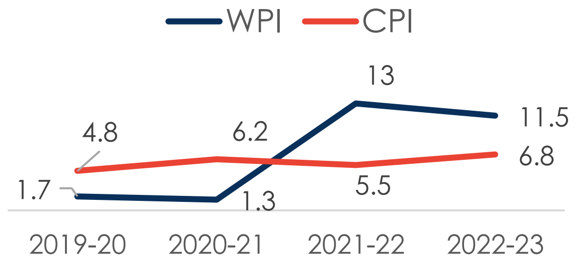
01.
Economy Survey

Indian Economy A Snapshot

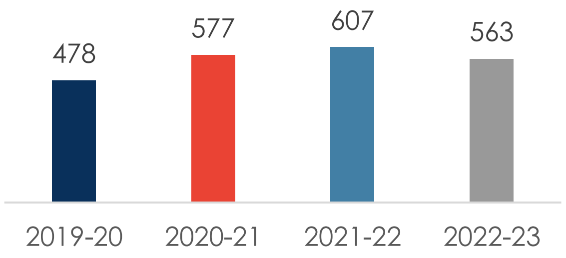
Fiscal Deficit
% of GDP



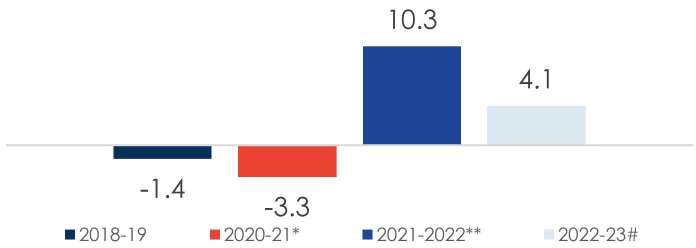
Inflation
Avg. in %



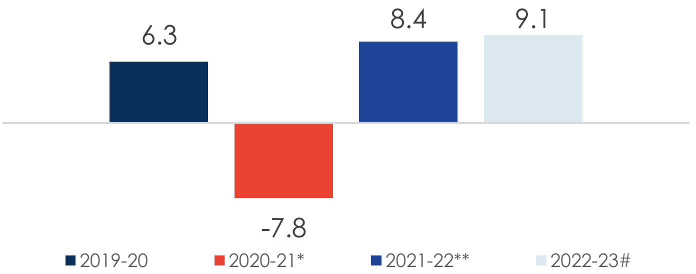
Foreign Exchange Reserves
(In US $ billion, year end)



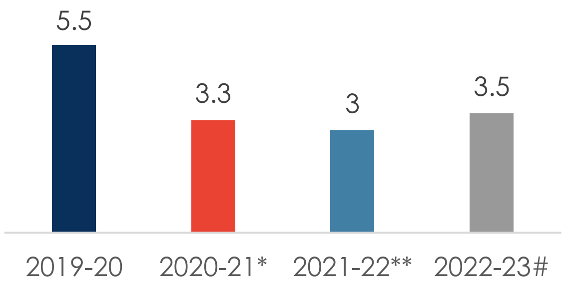
Industrial Growth
At constant prices, in %



Services
Growth Rate of GVA at Basic Prices, in %



Agriculture and Allied Activities
Growth Rate of GVA at Basic Prices, in %



State of Economy

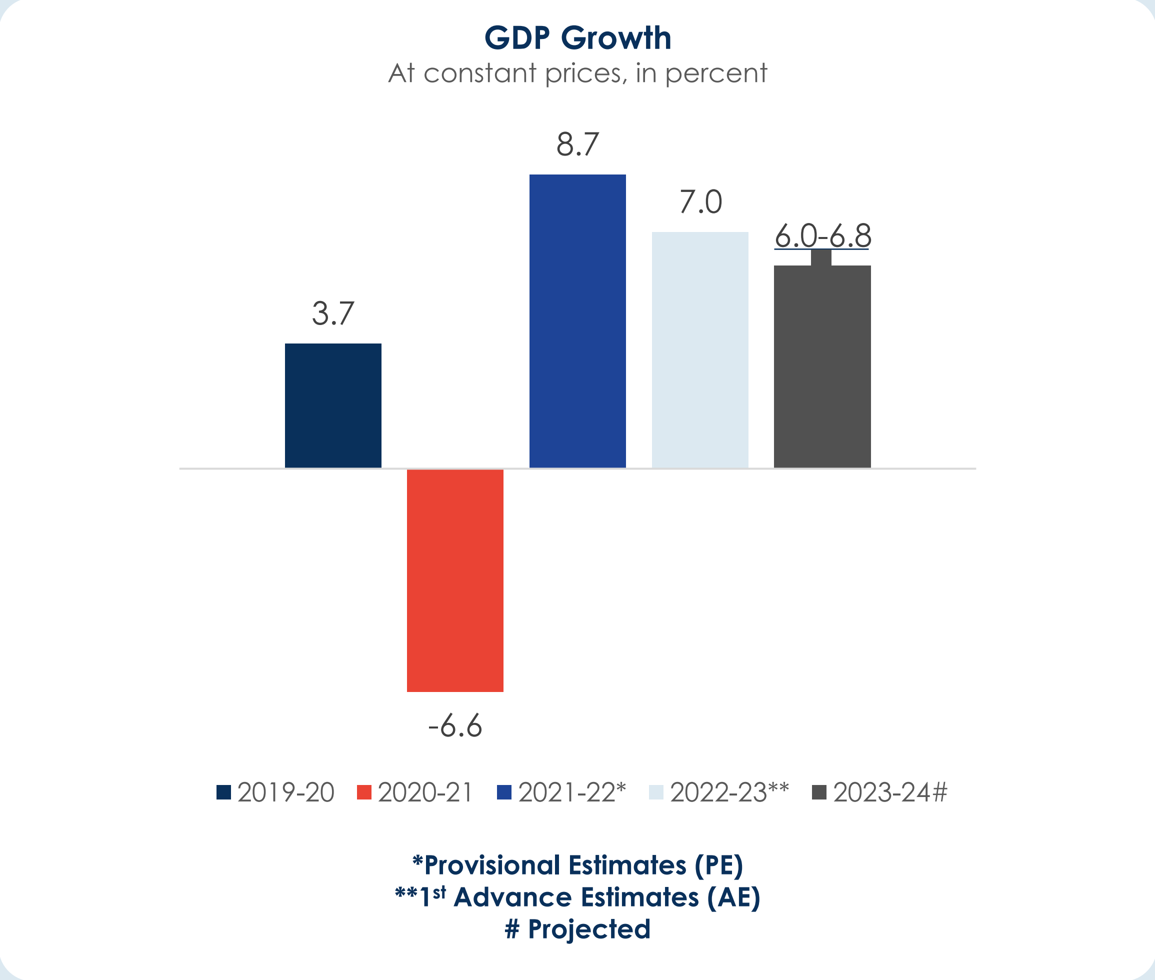
The economy is expected to grow at 7% in real terms for the year ending March 2023.

Broad-based recovery over sectors :

- Private Consumption across H1 highest since FY2015
- GDP is expected to remain robust in FY24.
- Boost production activity
- Pickup in private capex
- Indian Rupee performs well compared to other EMEs
- Retail inflation is back within RBI'S target range.

The economy positioning itself to ascend to pre-pandemic growth path in FY23.

GDP forecast for FY 23-24 is in the range of 6-6.8% whereas estimated growth in real terms for FY 22-23 is 7%.



GDP Growth

2023-24

6-6.8%

GDP growth is projected to grow 6-6.8% in real terms in FY 23-24.

2.5%

Capital Expenditure (Capex) has increased to 2.5% of GDP.

2022-23

7%

Indian economy is estimated to grow by 7% in real terms in FY 22-23.

6.4%

Fiscal Deficit is budgeted to reach 6.4% of GDP in FY 22-23.

External Sectors

- April-December 2022 saw US$ 332.8 billion in merchandise exports.
- Exports from India to Brazil, South Africa, and Saudi Arabia have increased.
- In 2022, India is expected to receive US$ 100 billion in remittances.
- Besides services export, remittances are a major source of external financing.
- Forex reserves touched US$ 63 Billion as of December 2022 covering 9.3 months of export.
- India was 6th largest forex exchange reserves holder in the world as of November 2022.

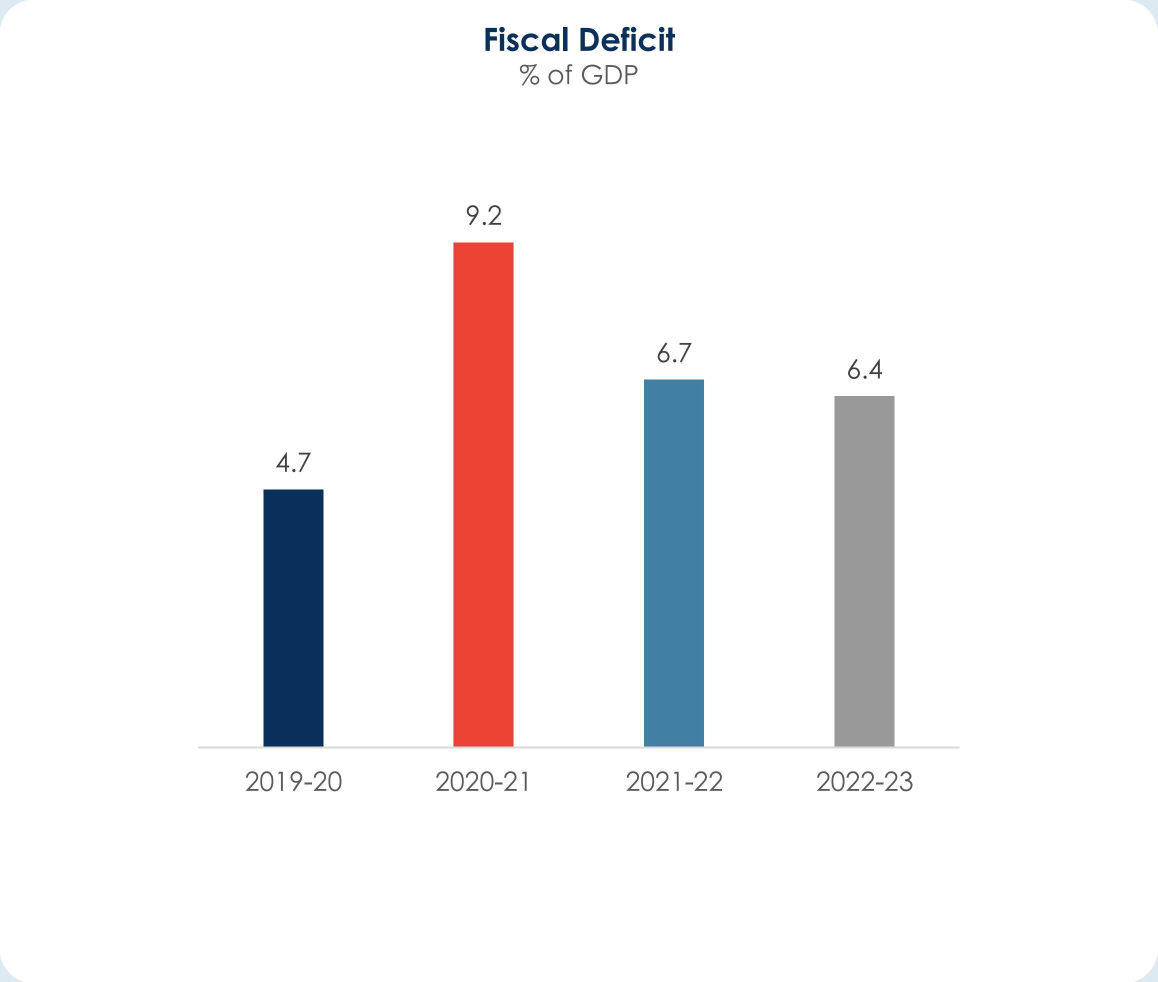
Fiscal Developments

- Union Government has shown a resilient performance during the FY 22-23.
- Capex has steadily increased from a long-term average of 1.7% of GDP (FY 2008-09 to FY 2019-20) to 2.5% of GDP in FY 21-22 PA.
- The gross tax revenue from April to November 2022 has registered a growth of 15.50% in YoY terms.
- Growth in direct taxes during the first eight months of the year was much higher than their corresponding longer-term averages.
- Gross GST collections increasing at 24.8% on a YoY basis from April to December 2022.
- The Government’s Capex-led growth strategy will enable India to keep the growth-interest rate differential positive, leading to a sustainable debt to GDP in the medium run.

Fiscal Deficit

Three developments supports the fiscal deficit which is as follows:

- Significant increase in the Capex Budget in FY 22-23 as well as its high rate of spending.
- Direct tax revenue collections have been highly buoyant as well as GST collection which ensure full expending of Capex Budget.
- Pick up in private sector investment since January- March quarter of 2022.



Physical and Digital Infrastructure (1/3)

Government's vision for Infrastructure development

Public Private Partnerships

- Approval has been granted to 56 projects worth cost of INR 57,870 crore (US$ 109.71 billion) under Viability Gap Funding (VGF) Scheme from 2014-15 to 2022-23.
- During FY 23-25, the government plans to spend INR 150 crore (US$ 0.18 billion) on IPDF Scheme.

National Infrastructure Pipeline

- 1009 projects worth INR 5.5 lakh crore (US$ 670.48 billion) are completed.
- 89,151 projects costing INR 141.4 lakh crore (US$ 17237 billion) are under different stages of implementation.

GatiShakti

- As part of PM GatiShakti National Master Plan, a comprehensive database is developed for integrated planning and synchronized implementation.
- Ensures seamless movement of people and goods by improving multimodal connectivity and logistics efficiency.

National Monetization Pipeline

- Estimated cumulative investment potential is INR 9 lakh crore (US$ 1097.16 billion).
- INR 90,000 crore (US$ 109.716 billion) monetization target achieved against expected INR 0.8 lakh crore in FY22.
- Approximately INR 1.6 lakh crore (US$195.05 billion) which is 27 percent of the overall NMP target, is anticipated for FY23.

Physical and Digital Infrastructure (2/3)

Electricity Sector and Renewables

- For the development of 59 solar parks in 16 states, government has sanctioned the target capacity of 40 GW as on30th September 2022.
- 17.2 lakh GWh electricity generated during the year FY22 against 15.9 lakh GWh during FY21.
- Total installed power capacity has been increased from 460.7 GW on 31 March 2021 to 482.2 GW on 31 March 2022 for industries having demand of 1 Mega Watt (MW) and above.

Making Indian Logistics Globally Competitive

- For accelerated and inclusive growth, National Logistics Policy to develop a technologically enabled, integrated, cost-efficient, and trusted logistics ecosystem in the country.
- 10457 km National Highways/roads constructed in FY22 as compared to 6061 km in FY16.
- Capital Expenditure increased from INR 1.4 lakh crore in FY20 to INR 2.4 lakh crore in FY23.
- 2359 Kisan rails transported approximately 7.91 lakh tonnes of perishables, as of October 2022.
- More than one crore air passengers availed the benefit of the UDAN scheme since its inception in 2016.
- Capacity of major ports almost doubled in 8 years.
- To ensure hassle free movement of Vessels, Inland Vessels Act 2021 replaced 100-year-old Act promoting Inland Water Transport.

Physical and Digital Infrastructure (3/3)

India's Digital Public Infrastructure

Unified Payment Interface (UPI)

- UPI-based transactions grew in value (121%) and volume (115%) terms, between 2019-2022.

Telephone and radio – For Digital Empowerment

- 44.3% of subscribers as of September 2022 are in rural area out of total subscriber base of 117.8 crore in India.
- 98% of the total telephone subscribers are connected wirelessly.
- Overall tele-density in India stood at 84.8 per cent in March 22.
- 200 per cent increase in rural internet subscriptions between 2015 and 2021.
- Prasar Bharati (India's autonomous public service broadcaster) - broadcasts in 23 languages, 179 dialects from 479 stations and reaches 92 per cent of the area and 99.1 per cent of the total population.

Digital Public Goods

- Achieved low-cost accessibility since the launch of Aadhaar in 2009.
- Consent-based data sharing framework is currently live across over 110 crore bank accounts.
- National AI portal has published 1520 articles, 262 videos, and 120 government initiatives.
- Legislations are being introduced for enhanced user privacy and creating an ecosystem for standard, open, and interoperable protocols.

Monetary Management and Financial Intermediation

Repo rate has raised by **225 bps** leading to moderation of surplus monetary conditions.

Scheduled Commercial Bank's (SCBs) **non-food credit** offtake has **grown** in **double digits**.

The Gross **Non-Performing Assets** ratio of SCBs **falls** to **5**.

The Capital to Risk-Weighted Assets Ratio remains at 16.

The growth in credit offtake combined with pick-up in private capex.

India outperformed its peers in **domestic stock market** in FY 22-23.

Social Infrastructure and Employment

- Central and State Government budgeted expenditure on the health sector touched 2.1% of GDP in FY22-23 (BE) and 2.2% in FY21-22 (RE) against 1.6% in FY20-21
- Multidimensional Poverty Index, which shows that 41 crore people exit poverty in India between FY05-06 and 19-20
- eShram portal was developed for creating a National database of unorganized workers, as on 31 December 22, a total of over 28.5 crore unorganized workers have been registered on eShram portal.
- Aadhaar played a vital role in developing the Co-WIN platform and in the transparent administration of over 2 billion vaccine doses.
- Labour markets have recovered beyond pre-Covid levels, in both urban and rural areas, with unemployment rates falling from 5.8 % in FY18-19 to 4.2% in FY 20-21.
- Due to several steps taken by the government on health, out-of-pocket expenditure as a percentage of total health expenditure declined from 64.2% in FY14 to 48.2% in FY19.
- More than 220 crore COVID vaccine doses administered as on 06 January, 23.
- Nearly 22 crore beneficiaries have been verified under the Ayushman Bharat Scheme as on 04 January, 23.

Climate Change and Environment

- India got investments of US$ 78.1 billion in renewable energy in the past 7 years.
- National Green Hydrogen Mission will enable India to be energy independent by 2047.
- Sovereign Green Bond Framework (SGrBs) has been issued in November 2022.
- National Green Hydrogen Mission:
  - Will result in over 6 Lakh jobs by 2030 and
  - Reduction in fossil fuel imports of over INR 1 lakh crore (US$121 billion).
- Green Hydrogen production capacity with an annual capacity of 5 MMT (Million Metric Tonne) will be developed by 2030.
- India has successfully attained its aim of having 40 percent of its total installed electric capacity sourced from non-fossil fuels prior to the 2030 target date.

Service Sector

The service sector is expected to grow at 9.1% in FY23-24

- Credit to the service sector grew by over 16%.
- FDI equity inflow of US$ 7.1 billion in the service sector in FY 21-22.
- Hotel occupancy rate improved from 30-32% to 68-70% in November 2022.
- Digital platforms are transforming India's financial services.
- India's e-commerce market projected to grow at 18% through 2025.
- Sustained growth in the real estate sector witnesses a 50% rise between FY 2021-22 and FY 2022-23

Sources of Strength of Service Sector

- PMI services witnessed the strongest expansion since July 2022.
- Credit growth to services above 16% since July 2022.
- For transforming financial services,75 Digital Banking units are announced.
- Fashion, grocery, and general merchandise to capture 2/3rd of Indian e-commerce market by 2027.

Price and inflation

1

Government adopted multi-pronged approach to tame inflation.

2

Private investment in agriculture increases to 9.3% in FY 20-21.

3

Import duty on major input is zero, tax on iron ores export increases to 50%.

4

Prohibition on exports of wheat products under HS Code 1101.

5

Policy intervention by Government with low home loan interest rates.

6

A moderate increase in Housing Price Indices offers confidence to homeowners in terms of retained value of assets.

7

India's retail inflation peaked at 7.8% in April 2022.

8

Waive custom duty on import of cotton from 14 April 2022 to 30 September 2022.

Agriculture and Food Management

1. The Agriculture sector experienced bright growth in the past several years.

2. Reduction in export duty of petrol & diesel.

3. MSP for all mandated crops fixed at 1.5 times of all India weighted average cost of production since FY18.

4. Institutional Credit to the Agricultural Sector continued to grow to 18.6 lakh crore in 2021-22.

5. Foodgrains production in India saw a sustained increase and stood at 315.7 million tonne in FY 21-22.

6. Free foodgrains to about 81.4 crore beneficiaries under the National Food Security Act for one year from 1 January, 2023

7. About 11.3 crore farmers were covered under the Scheme in its April-July 22-23 payment cycle.

8. Organic Farming being promoted through Farmer Producer Organisations (FPO) under the Paramparagat Krishi Vikas Yojana (PKVY).

Industry Steady Recovery

1

Overall Gross Value Added (GVA) by the Industrial Sector (for the first half of FY 22-23) rose 3.7 per cent, which is higher than the average growth of 2.8 per cent achieved in the first half of the last decade

2

PMI manufacturing has remained in the expansion zone for 18 months since July 21, and the Index of Industrial Production (IIP) has grown at a healthy pace.

3

Over 39,000 compliances have been reduced and more than 3500 provisions decriminalized as of January 23.

4

Electronics exports rise nearly threefold, from US$ 4.4 billion in FY19 to US $11.6 Billion in FY22.

5

Foreign Direct Investment (FDI) flows into the Pharma Industry has risen four times, from US$ 180 million in FY19 to US$ 699 million in FY22.

6

The Production Linked Incentive (PLI) schemes introduced across 14 categories, with an estimated capex of INR 4 lakh crore over the next five years, to plug India into global supply chains.

02.

Non-Tax Proposals

Agriculture and Cooperation

Digital Public Infrastructure for Agriculture

A digital public infrastructure for agriculture will be open source, open standard, and interoperable. The program will provide six inclusive, farmer-centric solutions through improved farm input access, credit, insurance, crop estimation, market intelligence, and support for agricultural tech and start-up growth.

Agriculture Accelerator Fund

For bringing innovative and affordable solutions for challenges faced by farmers and for bringing modern technologies for transforming agricultural practices, an agriculture Accelerator Fund will be set-up to encourage agri-startups by young entrepreneurs in rural areas.

Enhancing Productivity of cotton crop

Collaboration between farmers, state and industry for input supplies, extension services, and market linkages will be initiated to enhance the productivity of extra-long staple cotton.

Atmanirbhar Horticulture Clean Plant Program

With an outlay of USD 2.67 billion, the Atmanirbhar Clean Plant Program will increase availability of disease-free, high quality planting materials.

Agriculture and Cooperation

Global Hub for Millets: 'Shree Anna'

The Indian Institute of Millet Research, Hyderabad, will now serve as the international hub for sharing best practices, research and technologies in the 'Shree Anna' project.

Agriculture Credit

The agriculture credit target will be increased to USD 24.33 billion with focus on animal husbandry, dairy and fisheries.

Fisheries

To further enable activities of fishermen, fish vendors, and micro & small enterprises, improve value chain efficiencies, and expand the market, a new sub-scheme of PM Matsya Sampada Yojana with targeted investment of USD 7.3 billion will be launched.

Cooperation

To realize this vision of 'Sahakar Se Samriddhi', the government has initiated computerisation of 63,000 Primary Agricultural Credit Societies (PACS) with an investment of USD 3.06 billion. Within the next five years, the government will facilitate setting up of cooperative societies in uncovered villages and panchayats.

Health, Education and Skilling

Nursing Colleges

The Indian Institute of Millet Research, Hyderabad, will now serve as the international hub for sharing best practices, research and technologies in the 'Shree Anna' project. One hundred and fifty-seven new nursing colleges will be established in co-location with the existing 157 medical colleges established since 2014.

Sickle Cell Anaemia Elimination Mission

Universal screening of 7 crore people in the age group of 0-40 years in affected tribal areas, and counselling through collaborative efforts of central ministries and state governments to eliminate Sickle Cell Anaemia by 2047.

Medical Research

For encouraging collaborative research and innovation, facilities in select ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams.

Pharma Innovation

Encouragement to pharmaceutical industry to invest in research and development in specific priority areas.

Health, Education and Skilling

Teachers Trainings

District Institutes of Education and Training will be developed as vibrant institutes of excellence for the purpose of teachers' trainings.

National Digital Library for Children and Adolescents

Children and adolescents will have access to quality books across geography, language, genre, and level through a National Digital Library.

Multidisciplinary courses for medical devices

The availability of skilled manpower will be ensured by the establishment of dedicated multidisciplinary courses for medical devices in existing institutions.

Reaching the Last Mile

Aspirational Districts and Blocks Programme

Aspirational Blocks Programme covering 500 blocks for saturation of essential government services across multiple domains such as health, nutrition, education, agriculture, water resources, financial inclusion, skill development, and basic infrastructure has been launched.

Pradhan Mantri PVTG Development Mission

USD 18.25 billion will be made available to implement the Pradhan Mantri PVTG (particularly vulnerable tribal groups) in the next three years under the Development Action Plan for the Scheduled Tribes.

Eklavya Model Residential Schools

Over the next 3 years, centre will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students.

Water for Drought Prone Region

In the drought prone central region of Karnataka, central assistance of USD 6.44 billion will be given to Upper Bhadra Project to provide sustainable micro irrigation and filling up of surface tanks for drinking water.

Reaching the Last Mile

PM Awas Yojana

The outlay for PM Awas Yojana is being enhanced by 66 per cent to over USD 96.13 billion.

Bharat Shared Repository of Inscriptions (Bharat SHRI)

'Bharat Shared Repository of Inscriptions' will be set up in a digital epigraphy museum, with digitization of one lakh ancient inscriptions in the first stage.

Support for Poor Prisoners

For poor persons who are in prisons and unable to afford the penalty or the bail amount, required financial support will be provided.

Infrastructure and Investments

Capital Investment as driver of growth and jobs

The Central Government is committed towards increasing the Capital Investment Outlay for third year in a row to USD 1216.34 billion. This will be almost 3.3% of the GDP and thrice of the amount of outlay during 2019-20.

This indicates government's continuous efforts to enhance growth potential and job creation, crowd in private investments and provide a support against the global challenges.

Effective Capital Expenditure

The direct capital investment by the Central Government is aimed at USD 1667.07 billion for capital assets creation by Grants in aid to the States. This is approximately 4.5% of the GDP.

Support to State Governments for Capital Investment

The Central Government has extended 50 years interest free loans to state for one more year so as to support infrastructure development and incentivize them for complimentary policy actions.

Enhancing opportunities for private investment in Infrastructure

The newly established Infrastructure Finance Secretariat will assist all stakeholders for more private investment in infrastructure, including railways, roads, urban infrastructure and power, which are predominantly dependent on public resources.

Infrastructure and Investments

Harmonized Master List of Infrastructure

The Harmonized Master List of Infrastructure will be reviewed by an expert committee for recommending the classification and financing framework suitable for Amrit Kaal.

Railways

A capital outlay of USD 292.04 billion has been provided for the Railways. This highest ever outlay is about 9 times the outlay made in 2013-14.

Logistics

One hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified. They will be taken up on priority with investment of USD 91.26 billion, including USD 18.25 billion from private sources.

Regional Connectivity

Fifty additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.

Infrastructure and Investments

Sustainable Cities of Tomorrow

Government to undertake efforts to encourage states and cities to build more on urban planning and actions to transform cities into ‘sustainable cities for tomorrow’. It will employ the efficient use of land resources, transit-oriented development, enhanced availability and affordability of urban land, and opportunities for all.

Urban Infrastructure Development Fund

UIDF will be setup and managed by the National Housing Bank. This fund will be used by the public agencies for creation of urban infrastructure in Tier 2 and Tier 3 cities. States will be encouraged to leverage resources from grants of the 15th Finance Commission and, as well as the existing schemes.

The Central Government expects to make available USD 12.16 billion per annum for this purpose.

Urban Sanitation

Government to undertake efforts to enable for 100 per cent mechanical desludging of septic tanks and sewers to transition from manhole to machine-hole mode in all the cities and towns. More focus will be provided for scientific management of dry and wet waste.

Unleashing the Potential

Mission Karmayogi

The government has launched an integrated platform, i.e., iGOT Karmayogi for providing training to all the government employees for skills enhancement and offering new learning opportunities. The Centre, along with States and Uts is working to make and implement capacity building plans for the civil servants.

Enhancing ease of doing business

The government has reduced more than 39,000 compliances and decriminalized more than 3,400 legal provisions in direction of ease of doing business. For furthering the trust based governance, Jan Vishwas Bill to amend 42 Central Acts.

Centers of Excellence for Artificial Intelligence

The government is working to realize "Make AI in India and Make AI work for India", it is going to set up three centers of excellence in top educational institutions. Leading industry players will partner in conducting interdisciplinary research, develop cutting edge applications and scalable problem solutions in the areas of agriculture, health, and sustainable cities.

Unleashing the Potential

National Data Governance Policy

To unleash innovation and research by start-ups and academia, a National Data Governance Policy will be brought out. This will enable access to anonymized data.

Simplification of Know Your Customer (KYC) process

The KYC process will be simplified adopting a 'risk-based' instead of 'one size fits all' approach. The financial sector regulators will also be encouraged to have a KYC system fully amenable to meet the needs of Digital India.

One stop solution for identity and address updating

A one stop solution for reconciliation and updating of identity and address of individuals maintained by various government agencies, regulators and regulated entities will be established using DigiLocker service and Aadhaar as foundational identity.

Common Business Identifier

The PAN will be used as the common identifier for all the business establishments. This will bring ease of doing business; and it will be facilitated through a legal mandate.

Unleashing the Potential

Unified Filing Process

For obviating the need for separate submission of same information to different government agencies, a system of 'Unified Filing Process' will be set-up. Such filing of information or return in simplified forms on a common portal, will be shared with other agencies as per filer's choice.

Vivad se Vishwas I – Relief for MSMEs

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

Vivad se Vishwas II – Settling Contractual Disputes

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

Unleashing the Potential

State Support Mission

The State Support Mission of NITI Aayog will be continued for three years for our collective efforts towards national priorities.

Result Based Financing

To better allocate scarce resources for competing development needs, the financing of select schemes will be changed, on a pilot basis, from 'input-based' to 'result-based'.

E-Courts

For efficient administration of justice, Phase-3 of the E-Courts project will be launched with an outlay of USD 8.51 billion.

Fintech Services

Fintech services in India have been facilitated by our digital public infrastructure including Aadhaar, PM Jan Dhan Yojana, Video KYC, India Stack and UPI. To enable more Fintech innovative services, the scope of documents available in DigiLocker for individuals will be expanded.

Unleashing the Potential

Entity Digilocker

An Entity DigiLocker will be set up for use by MSMEs, large business and charitable trusts. This will be towards storing and sharing documents online securely, whenever needed, with various authorities, regulators, banks and other business entities.

5G Services

One hundred labs for developing applications using 5G services will be set up in engineering institutions to realise a new range of opportunities, business models, and employment potential. The labs will cover, among others, applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications.

Lab Grown Diamonds

Lab Grown Diamonds (LGD) is a technology-and innovation-driven emerging sector with high employment potential. These environment friendly diamonds which have optically and chemically the same properties as natural diamonds. To encourage indigenous production of LGD seeds and machines and to reduce import dependency, a research and development grant will be provided to one of the IITs for five years.

Green Growth

Vision for LiFE

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

Green Hydrogen Mission

The recently launched National Green Hydrogen Mission, with an outlay of USD 23.97 billion, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector. Our target is to reach an annual production of 5 MMT by 2030.

Energy Transition

This Budget provides USD 42.58 billion for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.

Green Growth

Energy Storage Projects

To steer the economy on the sustainable development path, Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with Viability Gap Funding. A detailed framework for Pumped Storage Projects will also be formulated.

Renewable Energy Evacuation

The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of USD 25.18 billion including central support of USD 10.09 billion.

Green Credit Programme

For encouraging behavioral change, a Green Credit Programme will be notified under the Environment (Protection) Act. This will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities.

PM-PRANAM

"PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth" will be launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.

Green Growth

GOBARdhan scheme

500 new 'waste to wealth' plants under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting circular economy. These will include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants at total investment of USD 12.16 billion. I will refer to this in Part B. In due course, a 5 per cent CBG mandate will be introduced for all organizations marketing natural and biogas. For collection of bio-mass and distribution of bio-manure, appropriate fiscal support will be provided.

Bhartiya Prakritik Kheti Bio-Input Resource Centres

Over the next 3 years, we will facilitate 1 crore farmers to adopt natural farming. For this, 10,000 Bio-Input Resource Centres will be set-up, creating a national-level distributed micro-fertilizer and pesticide manufacturing network.

MISHTI

Building on India's success in afforestation, 'Mangrove Initiative for Shoreline Habitats & Tangible Incomes', MISHTI, will be taken up for mangrove plantation along the coastline and on salt pan lands, wherever feasible, through convergence between MGNREGS, CAMPA Fund and other sources.

Green Growth

Amrit Dharohar

Wetlands are vital ecosystems which sustain biological diversity. In his latest Mann Ki Baat, the Prime Minister said, “Now the total number of Ramsar sites in our country has increased to 75. Whereas, before 2014, there were only 26...” Local communities have always been at the forefront of conservation efforts. The government will promote their unique conservation values through Amrit Dharohar, a scheme that will be implemented over the next three years to encourage optimal use of wetlands, and enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.

Coastal Shipping

Coastal shipping will be promoted as the energy efficient and lower cost mode of transport, both for passengers and freight, through PPP mode with viability gap funding.

Vehicle Replacement

Replacing old polluting vehicles is an important part of greening our economy. In furtherance of the vehicle scrapping policy mentioned in Budget 2021-22, I have allocated adequate funds to scrap old vehicles of the Central Government. States will also be supported in replacing old vehicles and ambulances.

Youth Proposal

Amrit Peedhi

To empower our youth and help the 'Amrit Peedhi' realize their dreams, we have formulated the National Education Policy, focused on skilling, adopted economic policies that facilitate job creation at scale, and have supported business opportunities.

Pradhan Mantri Kaushal Vikas Yojana 4.0

Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years. On-job training, industry partnership, and alignment of courses with needs of industry will be emphasized. The scheme will also cover new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills. To skill youth for international opportunities, 30 Skill India International Centres will be set up across different States.

National Apprenticeship Promotion Scheme

To provide stipend support to 47 lakh youth in three years, Direct Benefit Transfer under a pan-India National Apprenticeship Promotion Scheme will be rolled out.

Unity Mall

States will be encouraged to set up a Unity Mall for the promotion and sale of their products and also provide a space for products of other states.

Youth Proposal

Skill India Digital Platform

The digital ecosystem for skilling will be further expanded with the launch of a unified Skill India Digital platform for:

- enabling demand-based formal skilling,
- linking with employers including MSMEs, and
- facilitating access to entrepreneurship schemes.

Tourism

At least 50 destinations will be selected and various developmental aspects such as physical connectivity, virtual connectivity, tourist guides, all the relevant aspects would be made available on an App to enhance the tourist experience.

Dekho Apna Desh- A Government Initiative

An appeal made by the Prime Minister r to the middle class to prefer domestic tourism over international tourism. Its objective is achieve the sector specific skilling and entrepreneurship development.

Financial Sector

Credit Guarantees for MSMEs

Revamping the credit guarantee scheme from 1st April 2023 through the infusion of USD 10.95 billion in the corpus. Further, the cost of the credit will be reduced by about 1%.

National Financial Information Registry

It will serve as the central repository of financial and ancillary information facilitating the efficient flow of credit, promoting financial inclusion, and fostering financial stability.

Financial Sector Regulations

Public Consultation will also be brought to the process of regulation-making and issuing subsidiary directions.

To simplify, ease and reduce compliance costs, financial sector regulators will be requested to examine existing regulations comprehensively.

Gift IFSC

To enhance business activities multiple measures are taken as delegating powers, setting up a single window, permitting acquisition financing, etc.

Financial Sector

Data Embassy

For countries looking for digital continuity solutions, the government will facilitate setting up Data Embassies in GIFT IFSC.

Improving Governance and Investor Protection in Banking Sector

To improve bank governance and enhance investors’ protection, certain amendments to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act are proposed.

Capacity Building in Securities Market

SEBI will be empowered to develop, regulate, maintain, and enforce norms and standards for education in the National Institute of Securities Markets and to recognize awards of degrees, diplomas, and certificates.

Central Data Processing Centre

A Central Processing Centre will be set up for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.

Financial Sector

Reclaiming of shares and dividends

For investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease, an integrated IT portal will be established.

Digital Payments

Digital Payments show an increase of 76 % in transactions and 91% in value. Fiscal support for this digital public infrastructure will continue in 2023-24.

Mahila Samman Bachat Patra

Mahila Samman Savings Certificate is introduced for a two-year period up to March 2025. This will offer a deposit facility up to 2 lakhs in the name of women or girls for a tenor of 2 years at a fixed interest rate of 7.5% with a partial withdrawal option.

Senior Citizens

The maximum deposit limit for Senior Citizen Savings Scheme will be enhanced from 15 lakhs to 30 lakhs.

The maximum deposit limit for Monthly Income Account Scheme will be enhanced from 4.5 lakhs to 9 lakhs for a single account and from 9 lakhs to 15 lakhs for a joint account.

Financial Sector

Fifty-year interest-free loan to States

SEBI will be empowered to develop, regulate, maintain, and enforce norms and standards for education in the National Institute of Securities Markets and to recognize awards of degrees, diplomas, and certificates.

Fiscal Deficit of States

States will be allowed a fiscal deficit of 3.5 % of GSDP of which 0.5 % will be tied to power sector reforms.

Revised Estimates 2022-23

The Revised Estimate of the total receipts other than borrowings is USD 2956.9 billion , of which the net tax receipts are USD 2543.2 billion. The Revised Estimate of the total expenditure is USD 5098.6 billion, of which the capital expenditure is about USD 883.3 billion.

The Revised Estimate of the fiscal deficit is 6.4% of GDP, adhering to the Budget Estimate.

Financial Sector

Budget Estimates 2023-24

The total receipts other than borrowings and the total expenditure are estimated at USD 3309.8 billion and USD 5475.8 billion respectively. The net tax receipts are estimated at USD 2835.24 billion.

The fiscal deficit is estimated to be 5.9% of GDP.

To finance the fiscal deficit in 2023-24, the net market borrowings from dated securities are estimated at USD 1435.87 billion.

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03.

Tax Proposals

Income Tax

Personal Tax Proposal

Increased scope of New Tax Regime under Section 115BAC and change in Income Slab and Tax Rates.

- It has been proposed to amend the section 115BAC which is of New Tax Regime with lower tax rates and fewer deductions.
- Benefit of new tax regime has been extended to Association of persons (other than a co-operative society), or body of individuals, whether incorporated or not, or an artificial juridical person from AY 2024-25.
- Proposed Income-tax slab and tax rates is reproduced below:

S. No.	Total Income	Rate of Tax
1.	Up to INR 3,00,000	Nil
2.	From INR 3,00,001 to INR 6,00,000	5%
3.	From INR 6,00,001 to INR 9,00,000	10%
4.	From INR 9,00,001 to INR 12,00,000	15%
5.	From INR 12,00,001 to INR 15,00,000	20%
6.	Above INR 15,00,000	30%

- It has been proposed to allow deduction of the government contribution to an individual's Seva Nidhi under section 80CCH(2) if he is enrolled in the Agnipath Scheme and has subscribed to the Agniveer Corpus Fund.
- Proposal is to make the New Tax Regime as default method of computing income and tax thereon.
- It is pertinent to note that in case, any individual business class taxpayers has decided to opt-out from the new regime, he/she was barred to opt for the scheme again. This has also been liberalized and one more opportunity is provided to opt for this scheme.
- Additionally, in case a person has income from a business or profession who had earlier decided to opt-out, may again opt in for the new tax scheme only once.

Income Tax

Personal Tax Proposal

Proposed changes to Provisions relating to salary and perquisites

Amendment in section 17

- It is proposed to add sub-clause (ix) in terms of contribution made by the Central Government to Agniveer Corpus Fund account of an individual enrolled in the Agnipath Scheme referred to in section 80CCH.
- Further proposed rationalisation of provisions relating to residential accommodation provided to employees by prescribing a uniform methodology for private sectors and government employees.
- Further, specified explanations have been deleted to rationalise the section to specify the method of computation for the value of the accommodation provided to employee by his employer through proper prescription of the Rules.

Preventing of Double Deduction claimed on interest on borrowed capital for acquisition , renewing or reconstruction of house property (Section 48)

- It is proposed to provide that the interest payable on borrowed capital, for the purpose of acquiring , renovating and reconstructing the house property shall not be considered the cost of acquisition or cost of improvement while computing the capital gain on transfer of capital asset.
- This amendment will take effect from 1st April 2024 and shall apply accordingly for AY 2024-25 and subsequently.

Income Tax

Personal Tax Proposal

Removal of certain funds under Sec 80G

- Removal of certain funds such as Jawahar Lal Nehru Memorial Fund, the Indira Gandhi Memorial Trust and the Rajiv Gandhi Foundation. In other words, the deduction for the donation provided to these funds shall not be provided to the taxpayer.
- This amendment will take effect from 1st April 2024.

Deduction for contribution made to Agniveer Corpus Fund

- The Union Budget 2023 proposes to introduce a new section 80CCH to provide deduction to the persons enrolled in Agnipath Scheme.
- The deduction shall be allowed for any amount of contribution made to the Agniveer Corpus Fund by the person during the period after 1st November 2022.
- If any contribution is made by the Central Government, then the person enrolled shall be allowed deduction for that amount also.
- It is pertinent to note that there is no minimum threshold prescribed, hence the assessee shall be allowed a full deduction for the contribution made while computing the total income.
- Similarly, a new clause i.e., 12C is proposed to be inserted in section 10 to provide exemption to the persons enrolled under the Agnipath Scheme, for any sum received from the Agniveer Corpus Fund.

Removal of exemption from TDS on payment of interest on securities to a resident

- Section 193 provides for TDS on payment of interest on securities to the resident. Further, clause (ix) provides that no tax shall be deducted in case of any interest payable by the company on the security which is in dematerialized form and listed on recognized stock exchange in India.
- Therefore, It is proposed that the above clause is no longer applicable with effect from 1st April 2023. Hence, tax shall be deducted on the payment of any interest on dematerialized or listed securities at the rates in force.

Income Tax

Personal Tax Proposal

Widening of scope of the deeming provisions of Section 9 in case of Not Ordinary Residents

- Section 9(1)(viii) provides for deemed provisions which provides that any receipt of INR 50,000 or more by a non-resident without any consideration from a resident in India, shall be his income deemed to accrue/arise in India.
- Now, the said provision is proposed to be further amended to include its applicability on not-ordinary residents in India with effect from 01st April 2023.
- It would certainly impact such not-ordinary residents those are receiving gifts from the person resident in India and not paying tax on it.

Exemption of income of non-resident on account of distribution of income on offshore derivative Instruments by the offshore IFSC Banking Unit 9IBU)

- The Section 10(4E) provides for exemption of income accrued or arise to non-residents from the transfer of non-deliverable forward contracts or offshore derivate instruments.
- The Bill provides for inclusion of exemption of receipts of non-residents on account of distribution of income by the offshore derivative instruments by the offshore IBU.
- The Bill proposes to include references to the IFSCA (Fund Management) Regulations, 2022 by amending the definitions of 'Specified Fund', 'Resultant Fund' and 'Investment Fund' to include IFSCA (Fund Management) Regulations therein.

Income Tax

Personal Tax Proposal

Disallowance of exemption if premium paid for Life Insurance Policy is more than INR 5,00,000/-

- The Union Budget 2023 proposes to amend the sixth proviso to the Section 10(10D), which provides exemption for the receipts of sum assured in a Life Insurance Policy other than a Unit Linked Insurance Plan.
- The exemption shall not be available in any such policy issued on or after 01st April 2023 wherein the amount of premium paid during any previous year was more than INR 5,00,000.
- If a person has paid premium for more than one of such policies issued on or after 01st April 2023, the benefit of exemption shall be available in respect of those policies only wherein the amount of premium paid was less than INR 5,00,000/-.
- However, the exemption under this clause shall be available if the sum assured is received in the event of death of the person insured.
- Similarly, it will be treated as an income under section 56 of the Act.
- This amendment will take effect from 1st April 2024 and shall apply accordingly for AY 2024-25 and subsequently.

Proposed changes to the provisions related to the Rebate under Section 87A

- The Union Budget 2023 brings the rationalization to increase the benefit of rebate under section 87A to the individual taxpayers opting for the new tax regime under section 115BAC. The Budget proposes to extend a rebate of 100% of the amount of total income tax payable to the taxpayers having total income not exceeding INR 7,00,000/-.
- This amendment has been effective from 1st April,2023 and shall apply for AY 2024-25 and subsequently.

Income Tax

Personal Tax Proposal

Increasing rate of TCS on certain remittances and overseas tour package

- Section 206C (1G) provides for TCS on foreign remittance under Liberalised Remittance Scheme (LRS) and on sale of overseas tour program package. The existing TCS rate on overseas tour package is 5% without any threshold limit.
- It is proposed that 20% TCS will be levied on sale of overseas tour packages as well as on transfer of funds without any threshold limit. This change would come into effect from 1st July 2023.
- However, the hike in TCS rate would pose challenges who wishes to undertake foreign travel or invest overseas as it will increase their immediate outlay for them.

Limiting the benefit for claiming deduction on the purchase of house property upto 10 crore rupees (Sec 54 and 54F)

- It is proposed to amend Sec 54 and 54F to allow maximum deduction that can be claimed by assessee on transfer of certain capital assets upto 10 crore rupees.
- The restriction imposed on Sec 54 and 54 F for investment in property upto 10 crores will certainly discourage the High Net-Worth Individuals(HNIs) in buying the residential properties.
- This amendment will take effect from 1st April 2024 and shall apply accordingly for AY 2024-25 and subsequently.

Income Tax

Corporate Tax Proposal

Amendment in Section 28

- Section 28 of the Income-tax Act ("Act") is the charging section for the Income derived from "Profits and gains of business or profession".
- Section 28(iv) imposes tax on the benefit or perquisite, whether convertible into money or not, arising during the course of carrying on any business or profession.
- It is proposed to amend section 28(iv) with effect from 1st April 2024. The newly amended section includes benefit or perquisites , whether convertible into money or not, or in cash or in kind or partly in cash and partly in kind.
- Earlier in the absence of "cash or in kind or partly in cash and partly in kind" the Courts have interpreted that if the benefits or perquisites are in cash, it is not covered within the scope of this clause of the section 28 of the Act.

Ease in claiming deduction on amortisation of Preliminary Expenses

- Section 35D of the Act provides for amortisation of certain preliminary expenses incurred by an Indian company. The expenditure should be incurred before the commencement of business or after the commencement of his business, in connection with the extension of his undertaking or in connection with his setting up a new unit.
- To ease the process of claiming amortization, the activity condition in connection with the approved expenses has been proposed to be removed now.
- The assessee shall be required to furnish a statement containing the particulars of the expenditure within the prescribed period. The respective form shall be prescribed.

Amendment in cost of improvement and cost of acquisition under Sec 55

- It is proposed for cost of improvement in relation to capital asset being goodwill or "any other intangible asset" of a business shall be included herein.
- Similarly, It is proposed for cost of improvement in relation to capital asset being right to carry on any business or profession or "any other right" shall be included herein.

Income Tax

Corporate Tax Proposal

Disallowance under section 43B on payment to Micro and Small Enterprises

- Section 43B of the Act provides certain deductions which are allowed only on payment basis.
- A new clause (h) is proposed to be inserted in section 43B. It provides that deduction of payment to MSME shall be allowed on payment basis to the assessee if the payment is made beyond the time limit prescribed under Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 Act (i.e., 45 days in case of written agreement else within 15 days). The deduction shall only be allowed on accrual basis if the payment is made within time frame of 45/15 days. Further, benefit shall not be allowed even if the payment is made before the due date of filing return.

Non-Banking Financial Company Categorisation

- Section 43D of the Act provides that Interest Income in relation to certain categories of bad and doubtful debts received by deposit taking Non-Banking Financial Company and Systematically Important Non-Deposit taking Non-Banking Financial Company shall be chargeable to tax in the previous year in which it is credited to its profit and loss Account for that year or actually received, whichever is earlier.
- It is proposed to substitute the words "a deposit non-banking financial company or systematically important non-deposit taking non- banking financial company" with the words "such class of non-banking financial companies as may be notified by the Central Government in the Official Gazette in this behalf" shall be substituted.
- Similar changes would be made to Section 43B which provides for deduction of interest on loan or borrowings by such financial companies.
- This amendment will take effect from 1st April 2024 and will apply to the assessment years 2024-25 and subsequent assessment years.

Income Tax

Corporate Tax Proposal

Insertion of explanation in relation to the payment of benefits or perquisites

- Section 194R of the Act imposes withholding taxes on the payment of benefits or perquisites provided to a person resident in India arising from business or exercise of a profession. Explanation 2 has been proposed to be inserted in the section clarifying that the provisions of this section shall apply to benefits or perquisites in cash or in kind or partly in cash or partly in kind.
- It will align the provisions of section 28(4) and 194R which was not earlier there and remove the ambiguities regarding the same.

Amendment in provisions relating to deduction of withholding taxes at a lower rate

- Section 197 of the Act allows an assessee a deduction of taxes at rates lower than rates specified in the sections. Provided that the assessee has obtained a lower deduction certificate from the assessing officer.
- It is proposed to insert Section 194LBA which states that non-resident investors of Business trusts in India can go for a lower withholding tax cert under section 197 of the domestic tax law of India. This option was not available earlier.

Income Tax

Corporate Tax Proposal

Special economic zones - Insertion of Additional conditions for claiming benefits under Section 10AA

- Section 10AA of the Act provides special provisions with respect to newly established units in Special Economic Zone (SEZs).
- Any unit located in SEZ who derive profit or gains from export of articles or things or providing any service shall be allowed a deduction of such profits and gains for 15 consecutive assessment years, subject to fulfillment of certain conditions.
- It has been proposed to insert a proviso in section 10AA which states that as per the new proviso, no deduction shall be allowed to the assesses if it fails to file Income-tax return before due date specified under section 139(1). Hence, it becomes mandatory to file the income-tax return before due date for claiming exemption under section 10AA.
- Earlier, condition of filing Income-tax return was not there in the section.
- A new subsection (4A) is also proposed to be inserted in section 10AA which contains additional condition for claiming deduction. It states that deduction shall be available if the proceeds from the sale of goods or provision of services is received in, or brought into, India by the assesses in convertible foreign exchange, within a period of six months from the end of previous year or, within such period as the RBI may allow in this behalf..
- Export proceeds shall be deemed to have been received in India when such proceeds are credited to a separate account maintained for the purpose by the assesses with any bank outside India with the approval of the Reserve Bank of India.
- The above amendments will be effective from 1st day of April 2024 and shall apply in relation to assessment year 2024-25 and subsequently.
- **Limitation on setting off of unabsorbed depreciation and brought forward business loss by non-residents engaged in business with respect to mineral oils (Section 44BB), civil construction and turnkey power projects (Section 44BBB)**
- The Union Budget 2023 proposes to insert a proviso in section 44BB and 44BBB to restrict the set-off of unabsorbed depreciation and brought forward business loss by the non-resident assessee, if they declare their income at the rate of 10% as provided in the presumptive provisions under the afore-mentioned sections.

Income Tax

Start-ups

Increase in time limit for claiming set off & carry forward of losses for the eligible startups (effective from AY 2023-24)

- The Union Budget 2023 proposes to amend Section 79 and extend the time limit for claiming set off and carry forward of losses incurred up to the period of ten years from the year of its incorporation.
- Previously, the said time limit was up to seven years only.

Extension of time limit to avail benefit of exemption for the Startups

- The Section 80-IAC provides for a deduction of amount equal to 100% of the profits or gains derived from an eligible business by an eligible startup incorporated during 01st April 2016 to 31st March 2023. The Union Budget proposes to increase the said time limit by one more year (1st April, 2024).

Angel tax scope widened

- In order to discourage resident shareholders from investing in privately held companies above FMV, section 56(2)(viib) has been proposed to be amended.
- There is now a proposal to expand the same to non-residents who hold shares in privately held Indian companies.
- An Indian company would consider any shares subscribed for a value higher than FMV as income from other sources.
- Start-ups should keep this aspect in mind when dealing with international investors.
- FDI in startups may be impacted due to this proposal.

ESOP taxation

- No change in the ESOP taxation regime.

Income Tax

Business Trust

Removal of pass-through status in respect of certain income of unit holder from business trust

- Income of unit holder from the business trust in the nature of repayment of debt or redemption of unit, such income shall now be taxable in the hands of the unit holder. This will prevent dual non taxation of distribution on any distribution made by the business trust i.e; which is exempt in the hands of the business trust as well as the unit holder.

Widened the scope of income of investment fund and its unit holders

- Section 115UB deals with any income received by the unit holder from the investment fund shall be taxable in the hands of the unit holder as if the investment is made by the unit holder himself.
- It has been proposed to widened the meaning of investment fund to now include investment fund regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022.

Income Tax

Tax on winnings from lotteries, puzzles, online gaming

Winnings from online games outside the purview of Section 115BB (Effective from AY 2024-25)

- Section 115BB provides for the tax rate on winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature.
- It has been proposed to exclude winnings from online games from the ambit of taxation under section 115BB.

Tax on winnings from Online Games under section 115BBJ (Effective from AY 1st April 2024)

- It has been proposed to insert a new section 115BBJ which will provide for the taxability of winnings from online games.
- Winnings from online games shall be taxable at the rate of 30%.
- Online games means game offered on internet and is accessible through a computer resource including any telecommunication device.

Amendment related to Income from Lottery and Horse Race

- Section 194B and 194BB impose withholding tax on the income of a person from the winnings from any lottery or crossword puzzle or card game and horse race respectively in an amount exceeding INR 10,000.
- It has been proposed to amend the provisions of the above-specified sections to attract the withholding tax for aggregate winning more than INR 10,000.
- Now aggregate transactions would be counted instead of individual transaction. This shall curb the practice of avoiding the TDS by splitting a winning into multiple transactions which was against the intent of law.
- Further, the gambling and betting of any form shall come under the ambit of Section 194B and exclude online gaming.
- Winnings from online games will now be excluded from 194B.

TDS on net winnings from online games

- A new section 194BA is proposed to be introduced for deduction of tax at source on winnings from online games with effect from 1st July 2023.
- Hence, any income arising from online gaming shall be subject to TDS without any threshold limit at the rate of 30% being the rate in force.
- The tax shall be deducted at the time of withdrawal of amount during the financial year and on the remaining amount, tax shall be deducted at the end of the financial year.
- In case the winnings are partly in cash or partly in kind, but the part of cash is not sufficient to cover the tax liability, the deductor shall ensure that tax has been paid for respective winnings before releasing them.

Income Tax

Provisions related to Co-operative Societies

Concessional Tax Rate for Manufacturing Co-operative Societies under section 115BAE.

- It has been proposed to insert Section 115BAE for new manufacturing co-operative societies, which are set up on or after 01.04.2023, and commences manufacturing or production on or before 31.03.2024.
- Such Co-operative societies may opt to pay tax at a concessional rate of 15% for the assessment year 2024-25 onwards. Surcharge would be at 10% on such tax.
- The above section is applicable on Co-operative societies that does not avail any specified incentive or deductions, to compute the taxable income.

Amendment in provisions for co-operative societies under section 115BAD.

- Section 115BAD provides for the concessional rate of 22% for the cooperative societies
- It has been proposed to amend Section 115BAD to provide that it shall not be applicable on cooperative societies falling under the purview of Section 115BAE.

Amendment in the provisions of cash withdrawal for co-operative societies

- Section 194N of the Act provides for the deduction of TDS on payments of certain amounts in cash where payment is made by banks, co-operative societies, or post offices to any person for an amount or aggregate of amount INR 1 crores or above.
- It has been proposed that in case, where the recipient of the withdrawal amount is a co-operative society the amount limit of INR 1 crore will extend to INR 3 crore. Thus, withholding tax will attract only when the withdrawal amount or aggregate of amounts exceeds INR 3 crore.
- This provision will be effected from the 1st of July 2023.

Non-Applicability of Alternate Minimum Tax (AMT) and Non-Availability of AMT Credit to manufacturing cooperative societies

- It is also worth noting, similar to another tax regime, AMT and AMT credit is not applicable on cooperative society exercises concessional tax regime option as mentioned u/s 115BAE.

Income Tax

Provisions related to Co-operative Societies

Relief to sugar co-operatives from past demand

- It has been proposed to insert clause (xvii) under Section 36(1) for claiming the deduction of amount paid for purchase of sugarcane by co-operative factories engaged in the manufacturing of sugar.
- Deduction can be claimed for amount at a price which is equal to or less than the price fixed by or fixed with the approval of the Government
- The above amendment is applicable on Co-operative factories retrospectively from AY 2016-17 onwards.

Increase in limit for cash transactions in case of Primary Cooperatives

- The Union Budget 2023 proposes to increase the limit for cash transactions under section 269SS and 269T for payment/repayment of loans/deposits to the Primary Agricultural Credit Societies ("PACS") and Primary Co-Operative Agricultural and Rural Development Bank ("PCARD").
- Previously, the limit was INR 20,000/- only however the new proposed limit for cash transactions is INR 2,00,000/-.
- The proposed change shall be effective from 01st April 2023.

Income Tax

Transfer Pricing

Reduction in Time limit for Furnishing Transfer Pricing Documentation to Tax Authorities

Earlier Provision- Section 92D of the Income Tax Act

Section 92D of the Income Tax Act, 1961 (“Act”) read with Rule 10D of the Income-tax Rules, 1962 (“Rules”) prescribed transfer pricing documentation to be kept and maintained by every person in regard to an international transaction or a specified domestic transaction entered. Furthermore, section 92D also requires such a person to furnish the above-prescribed information/document to the Assessing Officer (AO) or the Commissioner (Appeals) during the course of any proceedings under the Act, within a period of 30 days from the date of receipt of a notice issued in this regard. The time period of 30 days can be further extended by 30 days on an application made by such a person.

Proposed Amendment

In the given Finance Bill 2023, it has now been proposed that the person mentioned above is now required to furnish the above-prescribed information/document to the AO or the Commissioner (Appeals) under section 92D (3) of the Act within a period of 10 days from the date of receipt of a notice issued in this regard. The time period of 10 days may be extended by a tax authorities but not exceeding to 30 days.

Implication on Taxpayers

The introduction of the proposed amendment is that now the taxpayers would have to prepare TP documentation (TP report, master file and CBCR file) at the earliest so that the same is readily available upon receipt of notice from tax authorities and it could be submitted within amended time limit of 10 days.

The scope of Section 92BA is enhanced due to the new insertion of entities covered under section 115BAE

Previously, Section 92BA of the Income Tax Act, 1961 (Act), covered Specified Domestic Transactions between two domestic entities one or more of which is/are enjoying special tax exemptions/ tax holiday units as provided under sections 80A, 80IA, 10AA, etc of the Act.

However, due to the proposed insertion of section 115BAE which lay down a concessional tax regime for the new manufacturing cooperative societies, the scope of specified domestic transactions has been enhanced. Now, it shall propose to cover the transaction between the cooperative society and the other person with a close connection within the purview of ‘specified domestic transaction’ subject to fulfillment of conditions.

Income Tax

Transfer Pricing

Exclusion of Non-Banking Financial Companies (NBFC) from the restriction on interest deductibility under section 94B

Earlier Provision- Section 94B

Section 94B of the Act was inserted by Finance Act, 2017 in order to implement the recommendation on Action Plan 4 of the Base Erosion and Profit Shifting (BEPS) to put a cap on the entities resorting to base erosion and profit shifting (BEPS) by way of excess interest deductions. The aforesaid provisions are not applicable to Banking and Insurance Companies.

Proposed Amendment

In the proposed amendment, it is provided that NBFCs shall be excluded from the purview of Section 94B i.e., nothing contained in section 94B of the Act shall apply to such class of NBFC as may be notified by the government in this regard alongside other banking or insurance companies.

This amendment will take effect from 1st April 2024 and will accordingly apply to the assessment year 2024-25 and subsequent assessment years.

Implication on Taxpayers

The insinuation of this amendment is that If such NBFCs incur any interest expense or similar nature of expense exceeding one crore rupees which are deductible in computing income chargeable under the head PGBP, it shall not be limited to the extent of 30% of its EBITDA.

Bringing the non-resident investors within the ambit of section 56(2)(viib) to eliminate the possibility of tax avoidance

Section 56 (2)(viib) is proposed to be amended to include the consideration against sale of shares received from non-resident also under the ambit of this section.

Earlier shares issued by Indian company to their non-resident associated enterprises would not come under the ambit of Transfer Pricing due to the same being a capital transaction and tax neutrality stand taken by taxpayers .

However, having regard to this amendment, the Indian companies issuing shares to their non-resident associated enterprises might have to comply with arm's length provisions under the transfer pricing regulations.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Introduction of another first Appellate Authority

As per the current appeal scheme, the first appeal authority for taxpayer is commissioner (Appeals) before whom taxpayers aggrieved by order passed by Assessing officer can file appeal.

In Budget 2023, Section 246 is proposed to be inserted which would setup another first appellate authority for taxpayers parallel to commissioner (Appeals).

The new appeal authority would be Joint Commissioner (Appeals) which aims to reduce the existing burden of pending cases on Commissioner (Appeals). Further the power, responsibility and accountability of Joint Commissioner (Appeals) would be similar to that of Commissioner (Appeals).

Joint Commissioner (Appels) would handle certain class of appeals involving small amount of disputed tax demand. Only those appeals would be entertained by Joint Commissioner (Appeals) which will be filed against the assessment order passed by assessing officer not beyond the rank of Deputy Commissioner.

Further, existing pending appeals with Commissioner (Appeals) may also be transferred to Joint Commissioner (Appeals) by CBDT or vice-versa after providing an opportunity of being heard to taxpayer

With the introduction of new appellate authority, taxpayers now can expect faster resolution of their appeals which presently consumes multiple years. Further, it will also allow much needed bandwidth to Commissioner (Appeals) who will now be able to handle the taxpayers' appeals much more judiciously due to reduction in volume of cases.

This amendment will take effect from 01 April 2023.

Amendment in section 153 with respect to time limit for completion of assessment under section 143 and section 144

Presently, time limit for completion of assessment under section 143 and 144 is 9 months from the end of relevant assessment year for AY 2021-22 and subsequent years.

It is now proposed to enhance said time limit to 12 months for assessment relating to period of AY 2022-23 and subsequent years.

Consistently, the time limit for completion of assessment in case of updated return has also been increased to 12 months (from 9 months) from the end of financial year in which updated return is filed.

The amendment is aimed towards allowing adequate time to assessing officer to pass rational and speaking order. Also, this amendment would address the taxpayers' grievances of not being given enough time to explain themselves or provide evidences in their favour.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Amendment in section 153 with respect to time limit for completion of assessment or reassessment in case of search or requisition

Sub section 3A is proposed to be added in section 153 to provide that if the 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 completion of assessment or reassessment shall be extended by 12 months

This amendment is aimed towards enabling the assessing officer to use the material or information gathered during the search procedure in assessment proceedings.

This amendment will take affect from 01 April 2023.

Amendment in section 271C

Section 194R and 194S were introduced in finance Act 2022 to widen the TDS applicability on certain payments. Under these sections, the person providing the benefit or perquisite and transfer of Virtual Digital Asset ('VDA') to Indian resident needs to ensure that TDS has been deducted. Additionally, section 194BA has also been proposed to apply TDS provisions on winnings from online games in Budget 2023.

However, under certain circumstances, when the benefit or perquisite is wholly in kind or partly in kind, it is not possible for payer to deduct the taxes due to absence of cash value. Hence, these sections contain the provisions that payer will make sure payment is made before providing benefit or transferring VDA as the case may be.

While section 271C imposes the penalty for not deducting the TDS wholly or partly but it did not state how the penalty would be levied under section 194R and 194S if cash value is missing or not sufficient to deduct TDS.

In the Budget 2023, section 271C is proposed to be amended to provide that penalty would be imposed even if the person responsible to ensure the payment has failed to do so. In other words, scope of section 271C is not limited to just non-deduction of TDS but also failure to ensure the payment of TDS.

In other words, it has been now proposed to include the scenarios in section 271C where person has to ensure that the payment of tax is made due to absence of sufficient cash value in benefit or perquisite and VDA.

The introduction of penalty provisions in case of persons providing benefits, VDA in kind or partly in kind would trigger stricter compliance with provisions of section 194R, 194S and proposed section 194BA.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Amendment in section 276B

Section 276B provides for the rigorous imprisonment for the person who has failed to pay the TDS deducted by him under various provisions. The term of imprisonment may range from three months to seven years.

In the Budget 2023, scope of section 276B is proposed to be enhanced in line with the amendment made in section 271C to include the cases under section 194R, 194S and 194BA.

Insertion of time limit to file return in response to notice u/s 148 of the Act w.r.t reassessment proceedings

Section 148 of the Act provides that before making the assessment, reassessment or recomputation under section 147 of the Act and subject to provisions of Section 148A,, the Assessing Officer shall serve on the taxpayer a notice, requiring him to furnish a "return of his income" or the income of any other person in respect of which he is assessable. However, there was no uniformity as to the time limit for furnishing the return upon receipt of notice and such time limit used to be specified in that notice itself.

However, In order to conduct assessment and reassessment proceedings in seamless manner and to provide sufficient time to the taxpayer to comply with notice issued, the union Budget 2023, has proposed to amend such section that **"such return" shall be furnished in a period of three months from the end of the month in which such notice is issued, or such further period as may be allowed by the Assessing Officer based on an application made in this regard by the taxpayer**.

Further, the return furnished beyond the period specified above shall not be deemed to be a return under section 139 of the Act. Therefore, as a result, requirement of issuance of notice under sub-section (2) of section 143 etc. would not be mandatory for such returns."

This amendment will take effect from 1st April, 2023

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Amendment in Section 151 for clarification on Specified authority for sanction of approval for issue of notice under section 148

There had been confusion regarding the specified authority for sanction of approval for issue of notice under section 148 and 148A of the Act, in cases where re-opening was being done after three years.

Clause(ii) of Section 151 states that-

- If more than three years have elapsed from the end of the relevant assessment year then specified authority shall be Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General.
- The Budget proposes to amend clause (ii) of Section 151 , where the words "where there is no Principal Chief Commissioner or Principal Director General," shall be omitted. Therefore, the specified authority under clause (ii) of section 151 of the Act shall be Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General.
- Further, a proviso is proposed to be inserted after clause (ii), namely:— "Provided that the period of three years for the purposes of clause (i) shall be computed after taking into account the period of limitation as excluded by the third or fourth or fifth provisos or extended by the sixth proviso to sub-section (1) of section 149.
- These amendments will take effect from the 1st day of April, 2023.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Modification of directions related to faceless schemes and e-proceedings

The Central Government has undertaken a number of measures to make the processes under the Act, electronic, by eliminating person to person interface between the taxpayer and the Department to the extent technologically feasible, and provide for optimal utilisation of resources and a team-based assessment with dynamic jurisdiction.

Accordingly, various e-proceeding and faceless scheme like Faceless Appeal/penalty Scheme, e-Verification scheme, e-Dispute Resolution Scheme and E-Advance ruling scheme were introduced to make direct tax administration seamless and faceless.

Certain time limits were also prescribed under the Income-tax Act for issuing directions for implementation of these schemes. However, there was a lack of express power to amend these directions once the prescribed time limit is expired.

Relevant sections have been proposed to be amended **by inserting a proviso so as to provide that the Central Government may amend any direction issued to facilitate these schemes at any time**.

This amendment will take effect retrospectively from 1st April, 2022 for sections 135A, 250 and 274. and for sections 245MA and 245R, these amendments will take effect from the 1st April, 2023.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Insertion of section 170A for business reorganization

It has been proposed to amend the section 170A which provides that the in the case of business reorganisation (merger or amalgamation or demerger) where the entity has already filed the return u/s 139, the successor shall furnish the modified return in the Form ITR A within six months from the end of the month in which the order related to reorganisation was passed by the tribunal or the High court, or Adjudicating Authority as defined in clause (1) of section 5 of the Insolvency and Bankruptcy Code, 2016.

Previously there was no provision for the procedure to be followed by Assessing Officer after the filing of modified return by the successor.

Therefore, it is provided that where any assessment or re-assessment was completed before filing of modified return, Assessing Officer shall modify pass an order modifying the total income of the relevant assessment year in accordance with the order of the business reorganisation and taking into account the modified return so furnished.

And where any assessment or reassessment is ongoing/pending on the date of furnishing the modified return, the Assessing Officer shall pass an order assessing or reassessing the total income of the relevant assessment year in accordance with the order of the business reorganisation and taking into account the modified return so furnished.

It is also proposed to define ‘business organisation’ and ‘successor’ for the purpose of this section.

Business reorganisation means the reorganisation of business involving the amalgamation or demerger or merger of business of one or more persons.

Successor means all resulting companies in a business reorganisation, whether or not the company was in existence prior to such business reorganisation.

Further the tax shall be chargeable at the rate applicable to such assessment year.

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

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Amendment in Section 276A for decriminalization of offence

Section 276A of the Act contains provision for prosecution with rigorous imprisonment up to two years in the case of a person, being a liquidator who fails to give notice in accordance with sub-section (1) of section 178, or fails to set aside the amount as required by subsection (3) of the said section or parts with any of the assets of the company or the properties in contravention of the provisions of the said section.

In order to remain aligned with stated policy of the Government to decriminalize minor offenses as a step towards improving ease of business, section 276A has been proposed to be amended by providing a sunset clause on the section with effect from 31.03.2023. Hence, it is proposed that no fresh prosecution shall be launched under this section on or after 1st April, 2023. The earlier prosecutions will however continue.

This amendment may bring a sigh of relief for liquidators who are sometimes prone to unnecessary prosecution for the minor offences

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

Amendment in provisions related to Special Audit under section 142

Earlier, If a taxpayer is subject to the special audit by tax department, there was no specific provision regards to the power of assessing officer to get the inventory valued through an independent professional

In order to ensure that inventory is valued at fair price and to avoid the permanent deferral of income taxes through undervaluation of inventory , section 142 is proposed to be amended to enable the assessing officer to get the inventory of taxpayer valued through cost accountant

The period required for conducting such valuation would also be excluded while computing the period of limitation under section 153.

These amendments will take effect from 1st April, 2023 and will, accordingly, apply in relation to the assessment year 2023-2024 and subsequent assessment years.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Expansion of scope of appealable orders before ITAT

Vide Finance Act, 2022, CIT(A) was empowered to impose penalties under Sections 271AAB, 271AAC, and 271AAD relating to the search, unexplained expenditures, undisclosed credits, etc., and false entry or an omission of any entry in the books of account. Similarly, vide Finance Act, 2021, the PCCIT and PCIT were enabled to pass an order of revision under Section 263 or an order of rectification under Section 154.

These orders were not allowed to be appealed against under Section 253 before Income-tax Appellate Tribunal (ITAT). Thus, Section 253 has proposed to be amended to allow the taxpayers to appeal against such orders passed under aforesaid sections.

Amendment in relation to cross objections before ITAT

The existing Section 253(4) puts a restriction in filing the cross objection against certain orders which are not passed by Commissioner (Appeal). Instances of such cases are orders passed by Assessing Officer pursuant to the directions of Dispute Resolution Panel or any order under Section 263 by a Principal Chief Commissioner or Chief Commissioner or an order under Section 154 rectifying such order, among others.

This causes grievances among both Assessee and the Revenue by reducing fair and equitable dispensation of justice in such cases.

Finance Bill, 2023 proposes to amend Section 253(4) to enable filling the memorandum of cross-objections in all classes of cases against which appeal can be made before ITAT.

This amendment will take effect from April 1, 2023.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Relief to sugar co-operatives from past demand

Relief to cooperative societies engaged in the business of the manufacture of sugar has been proposed to be provided by the insertion of sub-section (19) under section 155 with effect from 01st April 2023.

It has been proposed to allow the deduction of any expenditure incurred for the purchase of sugarcane by the aforesaid cooperative societies which has been disallowed wholly or partly, for any previous year commencing on or before the 01st April 2014.

To allow the deduction, the AO shall recompute the total income of the assessee to the extent such expenditure was incurred at a price that is equal to or less than the price fixed or approved by the Government for that previous year.

No relief shall be allowed by passing any rectification order after the expiry of four years from 31st March 2023.

Allowance of TDS credit on incomes offered to tax in the past period

Sub-section (20) has been proposed to be inserted under section 155, with effect from 01st October 2023, which would direct the AO to allow the taxpayer the credit of TDS of any past periods.

The sub-section shall apply where any income has been included in the return of income of the taxpayer for any assessment year and tax has been deducted at source on such income and paid to the credit of the Central Government in a subsequent financial year

To get the benefit of the above provisions, the taxpayer can make an application to the AO, in the prescribed form, within two years from the end of the financial year in which such tax was deducted at source.

To allow the tax credits of past periods, the AO shall amend the assessment or intimation order of such prior assessment year allowing credit of such TDS in accordance to the provisions of section 154.

No such credit shall be allowed by passing any rectification order after the expiry of four years from the end of the financial year in which such tax has been deducted.

Consequential, Interest on refunds due to such tax credit shall also be allowed for the period commencing from the date of the application to the date of grant of refund.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Amendment of Section 132 regarding assistance to Authorised officer for requisition of services in case of Search & Seizure

Sub-section (2) of section 132 provides that during the course of search, the authorised officer may requrst services of any police officer or any officer of the Central Government to assist him for any of the action required to be performed during such search and it shall be duty of such officer to comply.

Considering the complexity in procedure of search and seizure due to increasing use of technology and digitization of maintenance of accounts and storage of data, advance domain expert skills were required for proper analysis and decoding of data.

Therefore in order to overcome the difficulty, the Budget proposes to substitute sub-section (2) of the said section so as to provide that the authorised officer, during the course of search, the authorised officer, may requisition the services of any other person or entity, on obtaining approval from the Principal Chief Commissioner or the Chief Commissioner, the Principal Director General or the Director General, in accordance with the procedure prescribed by the Board in this regard, to assist him for the purposes of the search.

This amendment will take effect from the 01 April 2023.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Amendment of Section 132 regarding reference to valuation officer for determining the fair market value of property

Sub section (9D) of Section 132 provides that the authorised officer during the search or within 60 days from the date of executing the last authorisation for search may make a reference to a valuation officer for estimating the fair market value of the property.

In current scenario, there is an increasing trend among the taxpayer to hold undisclosed income in a vast variety of forms of assets or investments in addition to immovable property. Valuation of such assets and decryption of information often require skills of specific experts like digital forensic professionals, valuers, archive experts etc. In addition to this, services of other professionals like locksmiths, carpenters etc. are also required in most of the cases, due to typical nature of the operations.

Therefore, similar amendment was proposed in sub section 9(D), wherein Sub Section 9D was substituted to provide that the authorised officer may make reference to any person or entity or any valuer registered by or under any law for the time being in force, who shall estimate the fair market value of the property in the manner prescribed and submit a report of the estimate to the authorised officer or the Assessing Officer within sixty days from the receipt of such reference.

This amendment will take effect from the Ist day of April, 2023.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Extension of time for disposing pending rectification applications by Interim Board for Settlement

Section 245D provides for timelines to be followed with respect to settlement or disposal of pending applications and the procedures to be followed in this regard. Vide Finance Act, 2021 (with retrospective effect from 01.02.2021), Interim Boards for Settlement (IBS), were constituted as an interim measure, for settlement of applications pending with Settlement Commission as on 31.01.2021.

If the pending applications before Settlement Commission only relate to rectification or amendment of mistake apparent from the record, it is proposed that the time-limit available to IBS for passing such orders may be extended in order to dispose the pendency and to avoid any further litigation.

Therefore, in order to address the grievances to the stakeholders and to avoid litigation, it is proposed to extend the time available to Interim Board for settlement for passing of rectification/amendment order by substituting clause (iv) of sub-section (9) of section 245D with a new clause to provide that where the time-limit for amending an order or for making an application under sub-section (6B) expires on or after 01.02.2021 but before 01.02.2022, such time-limit shall stand extended to 30.09.2023.

This amendment will take effect retrospectively from the 1st day of February, 2021.

Power of Joint Commissioner (Appeals) co-terminus with that Commissioner (Appeals)

The union Budget has proposed to consequentially amend section 133,134,154,158A,158AB,177,189,264,267,270A,271,271A,271AAC, 271AAD, 271J,275,279,287 and 295 of the Act to substitute the expression “the Commissioner (Appeals)” with “the Joint Commissioner (Appeals) or the Commissioner (Appeals)”.

Income Tax

Proposed changes to provisions concerning Assessment, Reassessment, Appeal and Penalty

Exclusion of Time in case of Search, Requisition or Survey conducted after 15th March of any financial year

Finance Act, 2021 amended the procedure for assessment or reassessment of income which, inter alia, effect to the introduction of a new section 148A and relevant modification in sections 147, section 148, and section 149.

Section 149 provides the period of limitation for issuance of notice under section 148 and where a search is initiated under section 132 or requisition is made under section 132A, there is no requirement to conduct proceedings under section 148A prior to re-opening the cases in these cases.

In cases where a survey is conducted under section 133A, the AO is deemed to have information for the purposes of issuing notice under section 148 after conducting the due proceedings under section 148A prior to the issuance of such notice.

It has been proposed to insert a proviso under section 149 to provide that in cases where the aforesaid search is initiated or requisition is made after 15th March of any financial year, a period of fifteen days shall be excluded for the purpose of computing the period of limitation for issuance of notice under section 148 and the notice so issued shall be deemed to have been issued on the 31st March of such financial year.

It has been also proposed to insert a proviso under section 149 to provide that in cases where the information deemed to be with the AO is shown from a statement recorded or documents impounded under summons or survey, as the case may be, on or before the 31st March of a financial year, in consequence of, a search initiated or a requisition made after 15th March of such financial year, a period of fifteen days shall be excluded for the purpose of computing the period of limitation for issuance of notice under section 148 or show cause notice under section 148A(b) and the notice so issued shall be deemed to have been issued on the 31st March of such financial year.

The aforesaid amendments have been proposed to allow an extended time limit due to there being extremely little time to collate information related to search, requisition, or survey and issue a notice under section 148 or show cause notice under section 148A(b) as the search is conducted by the Investigation Wing, and the notice is required to be issued by the AO.

Income Tax

Rationalisation of the provisions of Charitable Trust and Institutions

Depositing back of corpus and repayment of loans or borrowings

The Union Budget has proposed many amendments in regard to Depositing back of corpus and repayment of loans or borrowings. The same are highlighted in below-mentioned points:

- insert a second proviso to clause (i) of Explanation 2 to the third proviso of clause (23C) of section 10 of the Act so as to provide that the provisions of the first proviso shall apply only if there was no violation of the conditions specified in the twelfth, thirteenth and twenty- first proviso to, and Explanation 2 and Explanation 3 of, clause (23C) of section 10 of the Act, at the time the application was made from the corpus;
- insert third proviso to clause (i) of Explanation 2 to the third proviso of clause (23C) of section 10 of the Act so as to provide that the amount invested or deposited back shall not be treated as application for charitable or religious purposes under the first proviso unless such investment or deposit is made within a period of five years from the end of the previous year in which such application was made from corpus;
- insert a fourth proviso to clause (i) of Explanation 2 to the third proviso of clause (23C) of section 10 of the Act to provide that so as to provide that nothing contained in the first proviso shall apply where application from corpus is made on or before the 31st day of March, 2021;
- insert a second proviso to clause (ii) of Explanation 2 to the third proviso of clause (23C) of section 10 of the Act so as to provide that the provisions of the first proviso shall apply only if there was no violation of the conditions specified in the twelfth, thirteenth and twenty- first proviso to, and Explanation 2 and Explanation 3 of, clause (23C) of section 10 of the Act, at the time the application was made from loan or borrowing;
- insert a third proviso to clause (ii) of Explanation 2 to the third proviso of clause (23C) of section 10 of the Act to provide that the amount repaid shall not be treated as application for charitable or religious purposes under the first proviso, unless such repayment is made within a period of five years from the end of the previous year in which such application was made from loan or borrowing;
- insert a fourth proviso to clause (ii) of Explanation 2 to the third proviso of clause (23C) of section 10 of the Act to provide that nothing contained in the first proviso shall apply where application, from any loan or borrowing is made on or before the thirty first day of March, 2021;
- insert a second proviso to clause (i) of Explanation 4 to sub-section (1) of section 11 of the Act so as to provide that the provisions of the first proviso shall apply only if there was no violation of the conditions, specified in clause (c) of, and Explanations 2, 3 and 5 of, sub-section (1) and Explanation to section 11 of the Act and clause (c) of sub-section (1) of section 13 of the Act, at the time the application was made from the corpus;
- insert a third proviso to clause (i) of Explanation 4 to sub-section (1) of section 11 of the Act so as to provide that the amount invested or deposited back shall not be treated as application for charitable or religious purposes under the first proviso unless such investment or deposit is made within a period of five years from the end of the previous year in which such application was made from corpus;
- These amendments will take effect from 1st April, 2023 and will accordingly apply to the assessment year 2023-24 and subsequent assessment years.

Income Tax

Rationalisation of the provisions of Charitable Trust and Institutions

Treatment of donation to other trusts

The following amendments has been proposed in this regard:

- insert clause (iii) in Explanation 2 to the third proviso of clause (23C) of section 10 of the Act to provide that any amount credited or paid out of income of any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 of the Act, other than the amount referred to in the twelfth proviso, to any other fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 of the Act or trust or institution registered under section 12AB of the Act, as the case may be, shall be treated as application for charitable or religious purposes only to the extent of eighty-five per cent. of such amount credited or paid
- insert clause (iii) in Explanation 4 to sub-section (1) of section 11 of the Act to provide that any amount credited or paid, other than the amount referred to in Explanation 2 to the said sub-section, to any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 of the Act or other trust or institution registered under section 12AB of the Act, as the case may be, shall be treated as application for charitable or religious purposes only to the extent of eighty-five per cent. of such amount credited or paid.
- These amendments will take effect from 1st April, 2024 and will accordingly apply in relation to the assessment year 2024-25 and subsequent assessment years.

Omission of redundant provisions related to roll back of exemption

Omission of redundant provisions related to roll back of exemption

- The following amendments has been proposed in this regard:
- Second, third and fourth proviso to sub-section (2) of section 12A of the Act have become redundant after the amendment of section 12A of the Act by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020. Now the trusts and institutions under the second regime are required to apply for provisional registration before the commencement of their activities and therefore there is no need of roll back provisions provided in second and third proviso to sub-section (2) of section 12A of the Act.
- With a view to rationalise the provisions, it is proposed to omit the second, third and fourth proviso to sub-section (2) of section 12A of the Act.
- These amendments will take effect from 1st April, 2023.

Income Tax

Rationalisation of the provisions of Charitable Trust and Institutions

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

The following amendments has been proposed in this regard:

- In order to rationalise the provisions, it is proposed to, a) insert clause (g) in Explanation 2 to the fifteenth proviso of clause (23C) of section 10 of the Act to provide that the "specified violation" shall also include the case where the application referred to in the first proviso is not complete or it contains false or incorrect information. b) similarly, it is proposed to insert clause (g) in Explanation to sub-section (4) of section 12AB of the Act to provide that "specified violation" shall also include the case where the application referred to in clause (ac) of sub-section (1) of section 12A of the Act is not complete or it contains false or incorrect information.
- These amendments will take effect from 1st April, 2023

Trusts or institutions not filing the application in certain cases

The following amendments has been proposed in this regard:

- All the existing trusts and institutions under the first and second regime are required to apply for re-registration/approval on or before 31.03.2021. The due date for re-registration/approval has been extended by the Central Board of Direct Taxes till 25.11.2022 vide Circular No. 22 of 2022 dated 01.11.2022. Such re-registration/approval shall be valid for a period of 5 years.
- New trusts and institutions under the first and second regime are required to apply for the provisional registration/approval at least one month prior to the commencement of the previous year relevant to the assessment year from which the said registration/approval is sought. Such provisional registration/approval shall be valid for a period of 3 years.
- Provisionally registered/approved trusts and institutions under the first and second regime will again need to apply for regular registration/approval at least six months prior to expiry of the period of the provisional registration/approval or within six months of the commencement of activities, whichever is earlier.
- The trusts and institutions under the first and second regime are required to apply at least six months prior to the expiry of re-registration/approval.
- These amendments will take effect from 1st April, 2023 and will accordingly apply to the assessment year 2023-24 and subsequent assessment years.

Income Tax

Rationalisation of the provisions of Charitable Trust and Institutions

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

In order to In order to rationalise the provisions, it is proposed to provide for filing of Form No. 10A/9A at least two months prior to the due date specified under sub-section (1) of section 139 for furnishing the return of income for the previous year. Necessary amendments in this regard are proposed in,

- a) clause (c) of Explanation 3 to third proviso of clause (23C) of section 10 of the Act;
- b) clause (2) of Explanation 1 sub-section (1) of section 11 of the Act;
- c) clause (c) of sub-section (2) of the said section 11 of the Act.
- These amendments will take effect from 1st April, 2023 and will accordingly apply to the assessment year 2023-24 and subsequent assessment years.

Denial of exemption where return of income is not furnished within time

The following amendments has been proposed in this regard:

- Amend the twentieth proviso of clause (23C) section 10 of the Act to provide that the fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) shall furnish the return of income for the previous year in accordance with the provisions of sub-section (4C) of section 139 of the Act, within the time allowed under sub-section (1) or sub-section (4) of that section.
- amend clause (ba) of sub-section (1) of section 12A of the Act to provide that the person in receipt of the income shall furnish the return of income for the previous year in accordance with the provisions of sub-section (4A) of section 139 of the Act, within the time allowed under sub-section (1) or sub-section (4) of that section.
- These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

Income Tax

Other Tax Proposal

Strategic Disinvestment (Section 72A)

Strategic Disinvestment (Section 72A)

- As per Section 72A, the modification has been made in the definition of strategic disinvestment which states that sale of shareholding by the Central Government, the State Government or Public Sector Company in a public sector company or a company which results in
  - i. reduction of its shareholding below fifty-one per cent, and
  - ii. transfer of control to the buyer.

Condition (i) applies only in case where shareholding is more than 51% of either central, state government or public sector company (or any two of them or all of them).

- This amendment will take place with effect from AY 2023-24.
- This relaxation has come to facilitate certain strategic disinvestments including that of IDBI bank.

Carry forward of losses and unabsorbed depreciation (Section 72AA)

- It is proposed to amend section 72AA of the Act to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking company with any other banking institution or a company subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of strategic disinvestment.
- This amendment will take place with effect from AY 2023-24.

Income Tax

Other Tax Proposal

Insertion of new section 50AA related to Market Linked Debenture in the income tax act with effective from AY 23-24.

The Union budget proposes to add a new Section 50AA which states that in case of Market Linked debenture, the full value of consideration received at the time of redemption or maturity after reducing the cost of acquisition and any expenditure ancillary to it shall be considered as short-term capital gain.

For the purpose of this section, the market linked debenture means a listed security and its return linked with market on other underlying securities or indices.

Exemption to development authorities etc.

It is proposed to provide exemption to any income arising to a body or authority or board or trust or commission, (not being a company) which has been established or constituted by or under a Central or State Act with the purposes of satisfying the need for housing or for planning, development or improvement of cities, towns and villages or for regulating any activity or matter, irrespective of whether it is carrying out commercial activity. Earlier the restriction was there on undertaking a commercial activity.

Income Tax

Other Tax Proposal

Clarification regarding advance tax while filing updated return

Section 140B was inserted in the Act in order to determine the amount of additional tax on updated return which is mentioned under section 139(8A).

It is proposed that interest under section 234B in case of updated return, shall be computed on the amount equal to the assessed tax reduced by the credit of advance tax which has been claimed in earlier return, if any .

This has been a clarificatory change but can still be relevant as it has a retrospective effect from 01-April-2022.

TDS on payment of the accumulated balance due to an employee (Amendment in section 192A)

Section 192A provides for TDS at the rate of 10% on payment of the accumulated EPF balance due to the employee. The existing proviso provides that in the case of non-furnishing of PAN to the diductor, TDS would be deducted at the maximum marginal rate.

Hence, it is proposed to omit the existing proviso. Resultantly, in case any person failure to furnish PAN, TDS will be deducted as per Section 206AA of the Act instead of applying maximum marginal rate in every such case.

Common Omission of certain provisions of Sec 88 from the income tax act

It is proposed to remove Section 88 from the income tax act which has certain implications of rebate on life insurance premia, contribution to provident fund etc.

Further, the same provision has been parallelly excluded from the Section 54EA/EB/EC/ED, Sec 111A/112 and Section 80C/CCC/CCD of the income tax act.

This amendment will take effect from 1st April 2024 and shall apply accordingly for AY 2024-25 and subsequently.

Income Tax

Other Tax Proposal

Amendment of Section 44AD

Section 44AD provides for presumptive taxation scheme for person who is engaged in business having turnover or gross receipt of INR 2 crore rupees or less. Sum equal to 8% or 6% of the turnover or gross receipt shall deemed to be the profits or gains from business for the purpose of taxation.

It is proposed that the threshold limit of INR 2 crores is increased to INR 3 crores where the amount or aggregate of amount received in cash does not exceed 5% of total turnover/gross receipt with effect from 1st April 2024 and shall apply to subsequent assessment years.

Amendment of Section 44ADA

Section 44ADA provides the presumptive taxation scheme for person who is engaged in any profession under Section 44AA and whose total gross receipts do not exceed INR 50 lakh, 50% of the gross receipts would be taxable income.

It is proposed that the threshold limit of INR 50 lakh is increased to INR 75 lakhs where the amount or aggregate of amount received in cash does not exceed 5% of gross receipt with effect from 1st April 2024 and shall apply to subsequent assessment years.

Amendment in section 44AB

Section 44AB of the Act provides that every person carrying on business/profession is required to get its accounts audited on exceeding prescribed thresholds.

It is proposed that the provisions of section 44AB shall not apply to the person who opts for presumptive taxation under section 44AD and section 44ADA. The said amendment will take effect from 1st April 2024 and will apply to the assessment year 2024-25 and subsequent assessment years.

Income Tax

Other Tax Proposal

Relief from higher rates of tax for non-filers of Income-tax returns

Section 206AB of the Act provides higher rates of withholding taxes for the specified persons who have not filed income tax returns. Similarly, Section 206CCA provides for special provisions for higher TCS for non-filers of income tax returns for the specified persons.

A specified person in relation to the above sections is a person who has not furnished the return of income for the assessment year for which the time limit of filing the return has expired and the aggregate of TDS and TCS is INR 50,000 or more.

It is proposed to amend the definition of specified person in relation to the aforementioned sections to exclude persons who are not required to furnish income tax returns in India and are notified by the Central Government and non-resident who does not have a permanent establishment in India.

Proposed Tax treaty relief for TDS under section 196A of the Act

Section 196A of the Act provides for the deduction of TDS on the payment of certain income to a non-resident or a foreign company at the rate of 20%, in respect of income from the units of Mutual Fund specified under clause 23D of section 10 of the Act.

It is proposed to insert a proviso to the Section allowing the benefit of the tax treaty to be considered at the time of deduction of TDS.

Further, it will allow impacting the tax to be charged on such income at the rate lower of 20% mentioned in the section or the rate specified in the tax treaty.

This amendment will take effect from 1st April 2023.

Income Tax

Other Tax Proposal

Withdrawal of exemption available to the News Agencies

The Union Budget 2023 proposes for withdrawal of exemption available to the news agencies in respect of their income from the assessment year beginning from 01st April 2023.

Determination of time period for which Electronic Gold Receipts are held and insertion of provision related to transfer of Electronic Gold Receipts

The Union Budget 2023 proposes to insert provisions in Section 2(42A) for determining the period of holding of Electronic Gold Receipts. There shall be included the period prior to which the gold was held before its conversion into Electronic Gold Receipts and vice-versa.

The Budget also provides for insertion of a clause in Section 47 to include conversion of gold to Electronic Gold Receipts and vice-versa in "transactions not to be considered as transfer".

Additional Penal Provisions relating to SFT Return:

Section 285BA of the Act makes it mandatory for a specified person containing a record of any specified financial transaction or any reportable account as may be prescribed. This is popularly known as SFT return.

A new penalty in case of non-self-declaration by a reportable person holding any reportable account to the extent of INR 5,000. It is proposed to be levied in cases where the reportable account holder has submitted a false self-declaration.

This amendment will take effect from AY 2023-24.

The Cost of Acquisition to be considered of the person on whose name the Electronic Gold receipt has been transferred (Section 49)

A change has been proposed in section 49 of the Income-tax Act (“Act”) which states that where any capital asset, being an Electronic Gold receipt has been transferred to another person, the cost of acquisition of the asset for the purpose of transfer, shall be deemed to be cost of golds in the hand of the person in whose name, the same has been issued.

This shall be proposed to be inserted with effect from 1st day of April,2024.

04.

Indirect Tax Proposals

Goods and Services Tax

Proposed Amendments related to E-Commerce Operators and supplies through it

- Amendment in Section 10 of the CGST Act, 2017 shall remove the restriction imposed on the registered taxpayers who are engaged in the supply of goods through ECO (Electronic Commerce Operator) and pay the tax through composition scheme. Hence, even if taxpayer has opted for composition scheme, he can supply the goods through Electronic Commerce Operator.
- A sub-Section (1B) in Section 122 of the CGST Act, 2017 is proposed to be inserted to impose penalty on electronic commerce operator on the following offenses, if electronic commerce operator:
  - **a. allows a supply of goods or services or both through it by an unregistered person other than a person exempted from registration by a notification issued under this Act to make such supply;**
  - **b. allows an inter-State supply of goods or services or both through it by a person who is not eligible to make such inter-State supply; or**
  - **c. fails to furnish the correct details in the statement to be furnished under sub-section (4) of section 52 of any outward supply of goods effected through it by a person exempted from obtaining registration under this Act.**
- In case of such offence, a penalty of INR ten thousand or an amount equivalent to the amount of tax involved had such supply been made by a registered person other than a person paying tax under section 10, whichever is higher.

Goods and Services Tax

Proposed Amendments related to Input Tax Credit

- The second and third Proviso to Section 16(2) of the CGST Act, 2017 to be amended to line up with the return filing system provided under the Act.
- It seeks to amend explanation to Section 17(3) of the CGST Act. 2017 to restrict the availment of Input Tax Credit in respect of paragraph 8(a) of Schedule III to CGST Act, 2017. Thus, now supply of warehouse goods to any person before clearance for home consumption would be covered under the definition of exempt supply.
- Further, Section 17(5) is proposed to be amended to block the amount of input tax credit on the supplies relating to corporate social responsibility as defined under Section 135 of the Companies Act, 2013. The input tax credit shall not be available on the supplies which are covered in corporate social responsibility.

Proposed Amendments related to Registration under GST

- The second and third Proviso to Section 16(2) of the CGST Act, 2017 to be amended to line up with the return filing system provided under the Act.
- Section 23 of the CGST Act, 2017 is proposed to amend retrospectively w.e.f. 1st July 2017 to clarify that the person is not required to take registration under Section 22 or compulsory registration under Section 24 of the CGST Act, 2017 if the same is exempt under Section 23(1) of the said Act.

Goods and Services Tax

Proposed Amendments relating to Refunds under GST

- Section 54 of the CGST Act, 2017 is proposed to be amended to align with the current scheme of claim of input on self assessment basis.
- Section 56 of the CGST Act, 2017 is proposes to be amended to provide the manner of calculation of time period for computing the interest on delay payment of refund in case where the proper officer failed to pay the amount of refund from the date of application of refund.

Proposed Amendments relating to OIDAR Services and Non-Taxable Online Recipient

- The definition of Non-Taxable Online Recipient which is defined under Section 2(16) of the IGST Act, 2017, is proposed to be amended to restricts the meaning of receiving online information and database access or retrieval services located in taxable territory.
- The definition of OIDAR Services which is defined under Section 2(17) of the IGST Act, 2017 is proposed to be amended to remove the condition of use of essentially automated interventions in the services, to tax the services which are being provided with the significant human interventions.

Goods and Services Tax

Proposed Amendments relating to Compounding of Offenses

- Section 132 of the CGST Act, 2017 is proposes to decriminalize the offences such as:

    a. **obstructs or prevents any officer in the discharge of his duties under this Act;**

    b. **tampers with or destroys any material evidence or documents;**

    c. **fails to supply any information which he is required to supply under this Act or the rules made thereunder or (unless with a reasonable belief, the burden of proving which shall be upon him, that the information supplied by him is true) supplies false information.**

- However, it excludes the offenses related to issuances of invoice without supply of goods or service or both. Thus, for fake invoices prosecution shall continue as is.
- First proviso of Section 138 proposed to be substituted to exclude persons involved in the offense relating to issuance of invoice without supply of goods or services or both. Also clause (b) and clause (e) of the said proviso has been removed.
- Further, Section-138 of sub section (2) is proposed to be amended by reducing minimum as well as maximum amount for compounding to 25% and 100% of the tax amount respectively from 50% or INR 10000 and 150% or INR 30000 of the tax involved, whichever is higher.

Goods and Services Tax

Proposed Amendments related to furnishing of returns

Registered taxpayer has a time limit of 3 years from the due date up to which he can furnish the statement of outward supplies i.e., GSTR-1. This means that if a taxpayer misses the original due date for furnishing of outward supplies, they have a window of 3 years to file the Statement. Beyond this period, the taxpayer shall not be able to furnish the outward statement. It is important for taxpayers to be aware of this time limit and to furnish their statement within the specified timeframe in order to avoid any potential legal consequences. Similar time limit of 3 years from the due date is notified for monthly returns under section 39 (GSTR-3B, GSTR-4, GSTR-5, GSTR-6, GSTR-7 etc.), Annual return under section 44 , TCS Return under section 52.

Other Proposed Amendments under GST

- A new Section 158A is to be inserted which states that information furnished by registered person at the time of application of registration, furnishing of certain returns, information furnished at the time of generation of e-way bill or electronic invoice on common portal will be shared with other systems after the consent of such person. Further, the government shall not be held liable for any consequence arising due to sharing of information.
- Paragraph 7 and 8 to the Schedule III of the CGST Act, 2017 was inserted vide CGST (Amendment) Act, 2018, w.e.f. 1st February 2019. It is proposed to deemed to have been inserted therein with effect from the 1st day of July 2017. Further No refund shall be made of all taxes so collected.
- A proviso to Section 12(8) of the IGST Act, 2017 to be removed to specify that irrespective of the destination of the goods, the place of supply of services in case, supply of service by way of transportation of goods shall be the location of recipient of goods.

Customs

Customs Act, 1962

- A proviso has been inserted to the effect that the validity period of two years for grant or variation under the Section 25 (4A) of the Customs Act, 1962 shall not apply to:
    1. Any multilateral or bilateral trade agreements.
    2. Obligation under international agreements, and treaties, such as United Nation agencies.
    3. Constitutional authorities
    4. The scheme under Foreign Trade policy
    5. Central Govt scheme with a validity of more than 2 years
    6. Re-imports, temporary imports, goods imported as gifts or personal baggage.
- A new sub-section (8A) to Section 127 C of the Customs Act, 1962 is being inserted so as to specify a time limit of 9 months from the date of application, for disposal of the application filed before the Settlement Commission.

Customs Tariff Act, 1975

- In order to remove the ambiguity and to clarify the meaning of determination and review Sub-section (6) and (7) of Section 9 of the Customs Tariff Act, 1975 for countervailing duties, Sub-section (5) and sub-section (6) of section 9A of the Customs Tariff Act, 1975 for anti-dumping duty has been prescribed.
- Section 9C has been amended to remove the ambiguity and clarify that appeals under this section lie against the determination and review thereof and it also seeks to provide the meaning of review and determination.

Customs Tariff Act, 1975

Tariff rate changes (with changes to the effective rate of Customs Duty)

S. No.	Description of Goods	From (%)	To (%)
1.	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	12.5%	10%

Proposed Amendment in Tariff Rates (w.e.f. 02.02.2023)

S. No.	Description of Goods	From (%)	To (%)
1.	Chemicals like Styrene, Vinyl Chloride Monomer	2%	2.5%
2.	Compounded rubber	2%	2.5 or Rs. 30 per KG whichever is lower
3.	Articles of Precious metals	20%	25%
4.	Imitation Jewelry	20% or Rs. 400 per Kg; whichever is higher	25% or Rs. 600 per Kg; whichever is higher
5.	Electric Kitchen Chimneys	7.5%	15%
6.	Bicycles	30%	35%
7.	Toys and parts of toys (other than parts of electronic toys	60%	70%

Customs Tariff Act, 1975

Tariff rate changes (without any changes to the effective rate of Customs Duty)

S. No.	Description of Goods	From (%)	To (%)
1.	Tariff rate changes (without any changes to the effective rate of Customs Duty)	3%	2.5%
2.	Base metals clad with silver, are not further worked than semi-manufactured	12.%	10%
3.	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	12.5%	10%
4.	Base metals or silver, clad with gold, are not further worked than semi-manufactured	12.5%	10%
5.	Platinum, unwrought or in semi-manufactured form, or in powder form	12.5%	10%
6.	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	12.5%	10%

Customs Tariff Act, 1975

Changes in Basic Customs Duty (to be effective from 02.02.2023)

S. No.	Description of Goods	From (%)	To (%)
1.	Specified parts for manufacture of open cell of TV panel	5%	2.5%
2.	Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20%	15%
3.	Vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form	30%	35%
4.	Vehicle in Completely Built Unit (CBU) form, other than with CIF more than USD 40,000 or with engine capacity of more than 3000 ccs for petrol-run vehicles and more than 2500 cc for diesel-run vehicles, or with both	60%	70%
5.	Electrically operated Vehicle in Completely Built Unit (CBU) form, other than with CIF value of more than USD 40,000	60%	70%
6.	Naphta (Petrochemicals)	1%	2.5%
7.	Camera lens and its inputs/parts for use in the manufacture the of the camera module of cellular mobile phone	2.5%	NIL
8.	Vehicles, specified automobile parts/components, sub-systems and tyres when imported by notified testing agencies for the purpose of testing and/or certification, subject to conditions	As Applicable	NIL
9.	Specific Capital goods/ machinery for the manufacture of Lithium-ion cells for use in the battery of electrically operated vehicle (EVs).	As Applicable	NIL
10.	Pecan nuts	100%	30%
11.	Denatured ethyl alcohol for use in the manufacture of industrial chemicals	5%	NIL
12.	Denatured ethyl alcohol for use in the manufacture of industrial chemicals	5%	NIL
13.	Silver Dore	6.1%	10%

Customs Tariff Act, 1975

Changes in BCD (without change in the effective rate of Customs Duties i.e., BCD+AIDC+SWS)

S. No.	Description of Goods	From (%)	To (%)
1.	Coal, peat, lignite	1%	2.5%
2.	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	12.5%	10%
3.	Gold Dore	11.85%	10%
4.	Platinum, unwrought or in semi-manufactured form, or in powder form other than those used in the manufacture of noble metal compounds, noble metal solutions and catalytic converters	12.5%	10%

Change in the end date of the exemption (No change in effective rate of duty)

S. No.	Description of Goods	From (%)	To (%)
1.	Lithium-ion cells for use in the manufacture of batteries or battery packs of cellular mobile phone	5%	5% (Up to 31.03.2024)
2.	Lithium-ion cells for use in the manufacture of batteries or battery pack of electrically operated vehicles (EVs) or hybrid motor vehicle	5%	5% (Up to 31.03.2024)
3.	Raw materials for use in the manufacture of CRGO steel	NIL	NIL (Up to 31.03.2024
4.	Specified inputs for use in the manufacture of EVA sheets or back sheets which are used in the manufacture of solar cells or modules	NIL	NIL (Up to 31.03.2024
5.	Raw material and parts (including Dredger) for use in the manufacture of ships/vessels	NIL	5%
6.	Specified Drugs, medicines, diagnostics kits or equipment, bulk drugs used in the manufacture of drugs or medicines	5%	5 (Up to 31.03.2025)

Customs Tariff Act, 1975

The BCD exemption for the goods covered under the notification No. 50/2017 – Customs is being extended for a period of one year i.e., up to 31st March 2024, unless specified otherwise:

S. No.	Description of Goods
1.	Gold ores and concentrates for use in manufacture of Gold
2.	Specified bunker Fuel for use in ships or vessels
3.	Excess Liquefied petroleum gases (LPG) returned by DTA unit to SEZ unit
4.	Drugs and Materials
5.	Calendared plastic sheet for manufacturing of Smart Card
6.	Foreign currency coins when imported into India by a Scheduled Bank
7.	Pipes and tubes for use in manufacture of boilers
8.	Specified raw material for sports goods
9.	Capital goods and spares, raw materials, parts, material handling equipment and consumables for repairs of ocean-going vessels by a ship repair unit

The BCD exemption for the goods covered under notification no. 50/2017-Customs is being extended for a period of five years i.e., up to 31st March 2028:

S. No.	Description of Goods
1.	Used bonafide personal and household effects of a deceased person

Customs Tariff Act, 1975

The BCD exemptions for the goods covered under the following notifications are being extended for a period of one year i.e., up to 31st March 2024

Notification No.	Description of Goods
16- Customs dated 23.01.65	Exemption to goods exported to foreign countries for display in show rooms of Govt of India
80/1970- Customs	Exemption to articles supplied free under warranty as replacement for defective ones
148/94- Customs	Exemptions to specified free gifts, donations, relief and rehabilitation material imported by charitable trusts, Red Cross, CARE and Govt of India
50/96- Customs	Exemption to specified equipment, instruments, raw material etc imported for R&D projects
102/2007- Customs	Exemption from Special CVD to all goods imported for subsequent sale when IGST, CGST, SGST or UTGST paid by importers.
26/2011- Customs	Exemption to work of art, antiques in museum or art gallery imported for public exhibition
23/2016- Customs	Effective rates for parts of aircraft imported under the Standard Exchange Scheme
05/2017- Customs	Exemption to machinery, components for setting up fuel cell-based power generation plant
37/2017- Customs	Imports relating to defense & internal security forces
16/2017- Customs	Exemption to specified drugs & medicines supplied free of cost to patients under Patient Assistance program of Pharma Companies
30/2017- Customs	Exemption to motion picture, music, gaming software for use in gaming console printed or recorded on media

Customs Tariff Act, 1975

The BCD exemptions for the goods covered under following notifications are being extended for a period of five years i.e., upto 31st March 2028

Notification No.	Description of Goods
41/2017- Customs	Exemption to import of cups, trophies to be awarded to winning teams in international tournament /world cup to be held in India.
33/2017- Customs	Exemption to import of challenge cups and trophies won by a unit of Defense Force or its members.
146/94- Customs	Exemption to imports by specified sports goods imported by National Sports Federation or by a Sports person of outstanding eminence for training.
90/2009- Customs	Exemption to imports from Antarctica of goods used for or related to Indian Antarctic Expedition or Indian Polar Science Programme.

Customs Tariff Act, 1975

AIDC Rate changes
(with changes to the effective rate of Custom Duty)

S. No.	Description of Goods	From (%)	To (%)
1.	Silver (including silver plated with gold or platinum), unwrought or in semi manufactured forms, or in powder form	2.5%	5%
2.	Silver Dore	4.5%	4.35%

AIDC Rate changes
(without changes to the effective rate of Custom Duty)

S. No.	Description of Goods	From (%)	To (%)
1.	Coal, peat, lignite	1.5%	NIL
2.	New pneumatic tyres, of rubber, of a kind used on aircraft as mentioned in Entry 280 A of Notification No. 50/2017-Cus	NIL	0.5%
3.	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	2.5%	5%
4.	Gold Dore	2.5%	4.35%
5.	Platinum other than rhodium and goods covered under S. Nos. 415(a) and 415A of the Table in notification No. 50/2017-Customs, dated the 30th June, 2017	1.5%	5.4%
6.	Aero planes and other aircraft covered under S.No. 543A of Notification No. 50/2017-Cus	NIL	0.5%

Customs Tariff Act, 1975

Social Welfare Surcharge (SWS)

List of goods being exempted from the levy of social welfare surcharge vide amendment to notification no. 11/2018 – Customs, Dated 02.02.2018 (w.e.f. 02.02.2023)

- Silver, Gold, and Imitation Jewellery.
- Platinum other than rhodium and goods covered under S. No. 415(a) and 415A of the Table in notification No. 50/2017-Customs.
- All goods falling under HSN 7113, other than the goods covered under S. Nos. 356, 357, and 364C of the Table in notification No. 50/2017-Customs
- All goods falling under HSN 7114, other than the goods covered under S. Nos. 356 and 357 of the Table in notification No. 50/2017-Customs.
- Bicycles
- Motor vehicles including electrically operated vehicles falling under HSN 8703 covered under S. No. 526 (1)(b), 526 (2)(b), 526A(1)(b), and 526A(2)(b) of Table in Notification No. 50/2017-Customs
- Aero plane and other aircraft falling under tariff items 8802 2000, 8802 3000, and 8802 4000 are covered under S. No. 543 A of the Table in Notification No. 50/2017-Customs
- Toys and parts of toys (HSN 9503) other than goods covered under S. No. 591 of the Table in Notification No. 50/2017-Customs.

Rescinding of notification relating to social welfare surcharge

- Notification No 13/2021-Customs dated 1st February 2021
- Notification No. 34/2022-Customs, dated 30th June 2022.

Excise

Amendments in NCCD Duty on specified Cigarettes:

Tariff Item	Units	NCCD Rates (From)	NCCD Rates (To)
2402 20 10	Tu	200	230
2402 20 20	Tu	250	290
2402 20 30	Tu	440	510
2402 20 40	Tu	440	510
2402 20 50	Tu	545	630
2402 20 90	Tu	735	850
2402 90 10	Tu	600	690

Excise Duty on blended Compressed Natural Gas (CNG) has been exempted as per Notification No. 05/2023- Central Excise equal to GST paid on biogas /compressed biogas contained in such blended CNG subject to specified conditions.

Central Sales Tax Act, 1956

- Customs, Excise, and Service Tax Appellate Tribunal (CESTAT) has been appointed as the Authority to settle inter-state disputes falling under sections 6A and 9. Thereby, omits section 24 which appoints Authority for Advance Rulings as “Authority” under the CST Act
- A new provision is introduced relating to the transfer of pending proceedings to provide that all appeals pending u/s 20 and pending before the erstwhile Authority for Advance Rulings as on the date on which the Finance Bill, 2023 receives the assent of the President shall stand transferred to CESTAT

About US

Headquartered in Gurgaon (India), AKM Global is a leading Tax, Advisory, and Regulatory service partner for both domestic and MNCs across industries. With a team of over 350 professionals operating out of 7 locations, we serve a wide range of clients, from Fortune 500 corporations & closely held businesses to startups and high net-worth individuals.

Our industry experience spans over 41 years, and we now provide our expertise & services in a wide spectrum of cross-border transactions which include, but are not limited to, tax structuring, due diligence, foreign exchange controls, audit, corporate law, valuations, litigation, transfer pricing, expatriate tax matters, etc.

AKM Global has been consistently rated as one of the leading tax and transfer pricing firms in India by 'International Tax Review – Comprehensive Guide to the World's Leading Tax and Transfer Pricing Firms' for the years 2016-2023.

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