

UNION BUDGET 2023



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The Union Minister for Finance & Corporate Affairs, **Smt. Nirmala Sitharaman** presented the Budget for 2023-24 in the parliament today. The fundamentals of the Indian economy are sound as it enters its Amrit Kaal, the 25-year journey towards its centenary as a modern, independent nation.

This Budget hopes to build on the foundation laid in the previous Budget, and the blueprint drawn for India @ 100. The Budget envisions a prosperous and inclusive India, in which the fruits of development reach all regions and citizens, especially our youth, women, farmers, OBCs, Scheduled Castes and Scheduled Tribes.

In the 75th year of Independence, the world has recognised the Indian economy as a 'bright star'. The current year's economic growth is estimated to be at 7 per cent. It is notable that this is the highest among all the major economies. This is in spite of the massive slowdown globally caused by Covid-19 and a war. The Indian economy is therefore on the right track, and despite a time of challenges, heading towards a bright future.

The focus is on wide-ranging reforms and sound policies, implemented through Sabka Prayas resulting in Jan Bhagidari and targeted support to those in need, helped us perform well in trying times. India's rising global.

Vision for Amrit Kaal – an empowered and inclusive economy

Economic Empowerment of Women - Deendayal Antyodaya Yojana National Rural Livelihood Mission has achieved remarkable success by mobilizing rural women into 81 lakh Self Help Groups. We will enable these groups to reach the next stage of economic empowerment through formation of large producer enterprises or collectives with each having several thousand members and managed professionally.

PM Vishwakarma Kaushal Samman (PM VIKAS) - For centuries, traditional artisans and craftspeople, who work with their hands using tools, have brought renown for India. They are generally referred to as Vishwakarma. The art and handicraft created by them represents the true spirit of Atmanirbhar Bharat. For the first time, a package of assistance for them has been conceptualized. The new scheme will enable them to improve the quality, scale and reach of their products, integrating them with the MSME value chain. This will greatly benefit the Scheduled Castes, Scheduled Tribes, OBCs, women and people belonging to the weaker sections.

Priorities of this Budget

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

- 1) Inclusive Development
- 2) Reaching the Last Mile
- 3) Infrastructure and Investment
- 4) Unleashing the Potential
- 5) Green Growth
- 6) Youth Power
- 7) Financial Sector

Highlights from the Economic Survey 2023

- ❖ India's economy to grow 6.5% in 2023-24, compared to 7% this fiscal and 8.7% in 2021-22. Gross domestic product (GDP) in nominal terms to be 11% in next fiscal.
- ❖ Growth driven by private consumption, higher capex, strengthening corporate balance sheet, credit growth to small businesses and return of migrant workers to cities
- ❖ Real GDP growth to be in the range of 6-6.8% next fiscal depending on global economic, political developments
- ❖ Challenge to rupee depreciation persists with the likelihood of further interest rate hikes by the US Fed
- ❖ Current account deficit (CAD) may continue to widen as global commodity prices remain elevated, economic growth momentum stays strong. If CAD widens further, rupee may come under depreciation pressure
- ❖ India has sufficient forex reserves to finance CAD and intervene in forex market to manage rupee volatility
- ❖ The growth in exports has moderated in second half of current fiscal; the surge in growth rate in 2021-22 and first half of current fiscal led to production processes shifting gears from 'mild acceleration' to 'cruise mode'
- ❖ Slowing world growth, shrinking global trade led to loss of export stimulus in the second half of current year
- ❖ Bank credit growth likely to be brisk in FY24 on back of benign inflation, moderate credit cost
- ❖ Credit growth to small businesses high at over 30.6% in January-November, 2022
- ❖ Central Govt capex grew 63.4% in April-November of current fiscal
- ❖ Stock market gave positive returns in calendar year 2022 unfazed by FPI withdrawal
- ❖ Private consumption, capital formation led economic growth in current fiscal has helped generate employment; urban employment rate declined, while Employee Provident Fund registration rose
- ❖ The Survey said that 'entrenched inflation' may prolong the tightening cycle and therefore borrowing costs may stay higher for longer

DIRECT TAXES

Changes in Slab Rates for Income Tax

For the Assessment Year 2024-25 (Financial Year 2023-24)

A. Individuals Resident (< 60Years), HUF, AOP, BOI & Artificial Juridical Person – under the old regime

Income	Rate of Tax
Up to ₹ 2,50,000	NIL
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20% + ₹ 12,500/-
Above ₹ 10,00,000	30% + ₹ 1,12,500/-

B. Individuals Resident (Senior and Super Senior Citizens) – under the old regime

Income	Above 60 and below 80 years	Above 80 years
Up to ₹ 3,00,000	Nil	Nil
₹ 3,00,001 to ₹ 5,00,000	5%	Nil
₹ 5,00,001 to ₹ 10,00,000	20% + ₹ 10,000/-	20%
Above ₹ 10,00,000	30% + ₹ 1,10,000/-	30% + ₹ 1,00,000/-

C. Individuals Resident & HUF

Under the new regime – For AY 2021-2022 to AY 2023-2024	
Income	Rate of Tax
Up to ₹ 2,50,000	NIL
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 7,50,000	10% + ₹ 12,500/-
₹ 7,50,001 to ₹ 10,00,000	15% + ₹ 37,500/-
₹ 10,00,001 to ₹ 12,50,000	20% + ₹ 75,000/-
₹ 12,50,001 to ₹ 15,00,000	25% + ₹ 1,25,000/-
Above ₹ 15,00,000	30% + ₹ 1,87,500/-

Proposed New Regime – From AY 2024-25	
Income	Rate of Tax
Up to ₹ 3,00,000	NIL
₹ 3,00,001 to ₹ 6,00,000	5%
₹ 6,00,001 to ₹ 9,00,000	10% + ₹ 15,000/-
₹ 9,00,001 to ₹ 12,00,000	15% + ₹ 45,000/-
₹ 12,00,001 to ₹ 15,00,000	20% + ₹ 90,000/-
Above ₹ 15,00,000	30% + ₹ 1,50,000/-

D. Partnership firms, LLP and Local Authorities

Income	Rate of Tax
Tax on Total Income	30%

E. Companies

Turnover/Income	Type of Company	Rate of Tax
Turnover up to ₹ 400 Crores in PY 2020-21	Domestic Company	25%
Turn over Exceeding ₹ 400 Crores in PY 2020-21	Domestic Company	30%
Tax on Total Income	Foreign Company	40%

- ❖ Domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB of the Act on fulfilment of conditions. The tax rate is 22% under section 115BAA and 15% in section 115BAB.

F. Surcharge for Individual, HUF or AOP

Sr. No	Particulars	Rate of surcharge for Assessment Year 2022 - 23	Rate of surcharge Proposed for new tax regime (115BAC)
1	If the total income of the person exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore	10% of income Tax	10% of income Tax
2	If the total income of the person exceeds Rs. 1 crore but does not exceed 2 crores	15% of income Tax	15% of income Tax
3	If the total income of the person exceeds Rs. 2 crores but does not exceed 5 crores (excluding the income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act)	25% of income Tax	25% of income Tax
4	If the total income of the person exceeds Rs. 5 crores (excluding the income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act)	37% of income Tax	25% of income Tax

Notes:

- For the income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act, the maximum surcharge would be restricted to 15%.
- For the persons who has opted tax slab under section 115BAC (new tax regime) of the Act, the maximum surcharge on the income other than income from dividend and capital gain would be restricted to 25% as against 37%.
- Domestic Company whose income is chargeable u/s 115BAA or 115BAB Surcharge rate is 10%.
- In case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.

MODIFICATION OF CONCESSIONAL TAX SCHEMES U/S 115BAD AND 115BAE

The proposed new section 115BAE of the Act, a new manufacturing co-operative society set up on or after 01.04.2023 which commences manufacturing or production on or before 31.03.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for assessment year 2024-25 onwards.

Surcharge would be at 10% on such tax.

INDIVIDUAL TAXATION

INCENTIVES TO INDIVIDUALS AND HUF

Option to Individuals and HUF to opt for New Regime under section 115BAC

On satisfaction of certain conditions, an individual or HUF shall, from **assessment year 2021-22** onwards, have the option to pay tax in respect of the total income at following rates:

INCOME	RATE OF TAX
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 7,50,000	10%
₹ 7,50,001 to ₹ 10,00,000	15%
₹ 10,00,001 to ₹ 12,50,000	20%
₹ 12,50,001 to ₹ 15,00,000	25%
Above ₹ 15,00,000	30%

On satisfaction of certain conditions, an individual or HUF shall, from **assessment year 2024-25** onwards, have the option to pay tax in respect of the total income at following rates:

Income	Rate of Tax
Up to ₹ 3,00,000	NIL
₹ 3,00,001 to ₹ 6,00,000	5%
₹ 6,00,001 to ₹ 9,00,000	10% + ₹ 15,000/-
₹ 9,00,001 to ₹ 12,00,000	15% + ₹ 45,000/-
₹ 12,00,001 to ₹ 15,00,000	20% + ₹ 90,000/-
Above ₹ 15,00,000	30% + ₹ 1,50,000/-

The option shall be exercised for every previous year where the individual or the HUF has no business income, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years.

Some of the Exemptions/ Deductions that the Individual or HUF opting for the newly inserted section 115BAC of the Act, **will be entitled to from AY 2024-25** are as follows:

1. Standard Deduction under section 16
2. Income in Nature of Family Pension U/s 57(ia)
3. Amount paid or deposited in the Agniveer Corpus Fund U/s 80CCH.

INCLUSION OF SEC 115BAC (6)

The option is required to be exercised,

- On or before the due date specified under section 139(1) of the Act **for furnishing the return of income for such assessment year, in case of a person having income from business or profession, and such option once exercised shall apply to subsequent assessment years; or**
- Along with the return of income to be furnished under section 139(1) of the Act for such assessment year, in case of a person not having income referred to in clause (i).

OPTION OF SHIFTING OF REGIME

A person having income from business or profession who has exercised the above option of shifting out of the regime provided under the proposed section 115BAC(1A) shall be able to exercise the option of opting back to the regime under proposed subsection 115BAC(1A) only once. However, a person not having income from business or profession shall be able to exercise this option every year.

REVISED REBATE – U/S 87A

Rebate U/s 87A – Old Provision	Rebate U/s 87A – From AY 2024-25
An individual resident in India, having total income not exceeding Rs. 5 lakh, will get a rebate of 100% of the amount of income-tax payable	An individual resident in India whose income is chargeable to tax under the proposed new regime (under section 115BAC(1A)), shall now be entitled to a rebate of 100% of the amount of income-tax payable on a total income not exceeding Rs. 7 lakh .

RATIONALISATION OF EXEMPT INCOME UNDER LIFE INSURANCE POLICIES

Money received on maturity of a policy was exempt if the premium paid for the policy is < 10% of the sum received.

In order to prevent the upper-class people from claiming more exemptions the following amendments have been made:

- the sum received under a ULIP (barring the sum received on death of a person), issued on or after the 01.02.2021 shall not be exempt if the amount of premium payable for any of the previous years during the term of such policy exceeds Rs 2,50,000.
- If premium is payable for more than one ULIPs, issued on or after the 01.02.2021, the exemption under shall be available only with respect to such policies where the aggregate premium (of 1 ULIP) does not exceed Rs 2,50,000 for any of the previous years during the term of any of the policy.

All other kinds of life insurance policies are still eligible for exemption irrespective of the amount of premium payable.

W.R.T income from insurance policies (other than ULIP for which provisions already exists), if the premium or aggregate of premium above Rs 5,00,000 in a year, income shall be taxable under the head “income from other sources”. Income is proposed to be exempt if received on the death of the insured person.

Deduction shall be allowed for premium paid if such premium has not been claimed as deduction earlier.

- No deduction if Premium or Aggregate premium exceeds 5,00,000 p.a.
- Applicable on policies issued after 01/04/2023.
- If there are 2 policies, the exemption under the said clause shall be available only with respect to such policies where the aggregate premium does not exceed Rs 5,00,000 for any of the previous years during the term of any of the policy.

COMPARISON BETWEEN OLD REGIME & NEW REGIME OF TAXATION

Particulars	New Regime of Taxation (AY 24-25)	New Regime of Taxation (AY 23-24)	Old Regime of Taxation (With HRA)
Gross Salary	14,00,000	14,00,000	14,00,000
Less: HRA	-	-	1,50,000
Less: Standard Deduction	50,000	-	50,000
	13,50,000	14,00,000	12,00,000
Fixed Deposit Interest Income	1,50,000	1,50,000	1,50,000
Total Income	15,00,000	15,50,000	13,50,000
Less: 80 C Deductions:			
LIC	-	-	1,00,000
PPF	-	-	50,000
Taxable Income	15,00,000	15,50,000	12,00,000
Tax on above income	1,50,000	2,02,500	1,72,500
Add: Education Cess @ 4%	6,000	8,100	6,900
Total Tax Liability	1,56,000	2,10,600	1,79,400

BUSINESS RELATED AMENDMENTS

PROMOTING TIMELY PAYMENTS TO MICRO AND SMALL ENTERPRISES:

Section 43B provides for certain deductions to be allowed only on actual payment.

Further, the proviso of this section allows deduction on accrual basis, if the amount is paid by due date of furnishing of the return of income.

It is proposed to insert section 43B(h) of the Act – Payment payable by the assessee to a micro or small enterprise beyond the time limit, shall be allowed as deduction only on actual payment.

However, it is also proposed that the **proviso to section 43B** of the Act shall not apply to such payments.

Thus, the proposed amendment to section 43B of the Act will allow the payment as deduction only on payment basis.

Credit guarantee for MSMEs: Expand corpus under a revamped scheme to enable additional collateral free guarantee credit of Rs. 2 Lakh Crore.

EASE IN CLAIMING DEDUCTION ON AMORTIZATION OF PRELIMINARY EXPENDITURE

In order to ease the process of claiming amortization of these preliminary expenses :

It is proposed to amend section 35D of the Act to remove the condition of activity in connection with these expenses to be carried out by a concern approved by the Board.

Instead, the assessee shall be required to furnish a statement containing the particulars of this expenditure within prescribed period in the prescribed form and manner.

INCREASING THRESHOLD LIMITS FOR PRESUMPTIVE TAXATION SCHEMES

<u>Section 44AD - Old Provision</u>	<u>Section 44AD - Proposed Provision</u>
This scheme applies to certain resident assessee carrying on eligible business having turnover or gross receipt of Rs. 2 Crores or less	This scheme applies to certain resident assessee carrying on eligible business having turnover or gross receipt of Rs. 3 Crores or less and amounts received in cash does not exceed 5% of total turnover or gross receipt
<u>Section 44ADA - Old Provision</u>	<u>Section 44ADA - Proposed Provision</u>
This scheme applies to certain resident assessee carrying on profession having turnover or gross receipt of Rs. 50 lakhs or less	This scheme applies to certain resident assessee carrying on profession having turnover or gross receipt of Rs. 75 lakhs or less and amounts received in cash does not exceed 5% of total turnover or gross receipt

STIPULATES THE TIME PERIOD FOR SEZ UNITS TO BRING FOREX IN INDIA FOR CLAIMING SECTION 10AA DEDUCTION

The Bill proposes to insert a new sub-section (4A) to Section 10AA –

To provide that the deduction shall be available if the proceeds from sale of goods or provision of services is received in, or brought into, India in convertible foreign exchange within 6 months from the end of the previous year or, within such further period as the 'competent authority' may allow.

Competent Authority is Reserve Bank of India or such authority as authorized under any law for regulating payments and dealings in foreign exchange.

SEZ – 10AA

Benefits to SEZ under section 10AA applicable only where tax return is filed within the due date. Export proceeds of goods/services required to be repatriated **within 6 months** from the end of previous year.

AMENDMENTS OF SECTION 72A, 72AA TO FACILITATE STRATEGIC DISINVESTMENT

The Bill proposes to amend the definition of 'strategic disinvestment' in Section 72A-

Currently, strategic disinvestment is defined as sale of shareholding by the Central Govt. or or any State Govt. or a public sector company, in a public sector company or in a company, which results in –

(a) reduction of its shareholding to below 51%

(b) transfer of control to the buyer

The Bill proposes to amend the definition to provide that:

(a) the condition of reduction of Govt.'s or PSU's shareholding below 51% shall apply in case the shareholding is above 51% prior to sale of shareholding and

(b) transfer of control may be carried out by the Central Govt. or the State Govt. or the public sector company or any two of them or all of them.

Also proposes to amend Section 72AA 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.

DOUBLE NON-TAXATION OF CERTAIN DISTRIBUTION MADE BY REIT & INVIT

The bill inserts clause (xii) in Section 56(2) –

To tax any sum received by a unit holder from a business trust which is neither dividend nor interest nor rental income and also not chargeable to tax under Section 115UA(2).

However, if the sum received is for redemption of unit(s) it shall be reduced from the cost of acquisition of the unit(s) to the extent such cost does not exceed the sum received.

Also proposes corresponding amendments in Sections 2(24) and 115UA- The proposed amendment intends to tax the repayment of debt made by business trusts to unit holders which is actually an income of unit holder and does not suffer taxation either in the hands of business trust or in the hands of unit holder, thus, against the intent of the special taxation regime applicable to business trusts.

REDUCING THE TIME PROVIDED FOR FURNISHING TRANSFER PRICING REPORT

The bill proposes to amend section 92D(3) that instead of the current period of 30 days, a period of 10 days (from the date of receipt of a notice issued in this regard, either by the AO or CIT(A)) will be available for an assessee to furnish the TP report during the course of proceedings of the Act.

Assessee may, on application, extend the period of 10 days by a further period not exceeding 30 days.

OTHER AMENDMENTS TO BUSINESS:

PENALTY FOR CASH LOAN TRANSACTION AGAINST PRIMARY CO-OPERATIVES

To provide relief to the low-income groups and facilitate easier conduct of business operations in certain areas it has been proposed that an amendment may be made in the section 269SS of the Act by raising the limit of Rs. 20,000 to Rs. 2 lakh for Primary Agricultural Credit Societies (PACS) and Primary Co-Operative Agricultural and Rural Development Bank (PCARD).

Penalty shall be imposable if the amount of such loan or deposit exceeds Rs. 2 lakh

RELIEFS TO START UPS IN CARRYING FORWARD AND SETTING OFF OF LOSSES

Section 79 of the Act restricts carrying forward and setting off of losses in cases of companies, other than the companies in which the public is substantially interested. It prohibits setting off of carried forward losses if there is change in shareholding. The carried forward loss is set off only if at least 51% shareholding (as on the last date of the previous year) remains same with the company on the last date of the previous year to which the loss belongs.

However, some relaxation has been provided in case of an eligible start-up as referred to in section 80-IAC of the Act. The condition of continuity of at least 51% shareholding is not applicable to the eligible start-up, if all the shareholders of the company as on the last day of the year, in which the loss was incurred, continue to hold those shares on the last day of the previous year in which the loss is set off.

In order to align this period of 7 years with the period of 10 years contained in section 80-IAC(2) of the Act, the time period for loss of eligible start-ups to be considered for relaxation is proposed to be increased from 7 years to 10 years from the date of incorporation.

CONVERSION OF GOLD TO ELECTRONIC RECEIPT AND VICE VERSA

Pursuant to the introduction of a regulatory framework EGR, the following tax amendments are being proposed:

- Conversion of gold into EGR and vice versa shall not be regarded as a taxable transfer and shall be exempt from levy of capital gains tax.
- Conversion of gold into EGR and vice versa shall not be regarded as a taxable transfer and shall be exempt from levy of capital gains tax.

The cost of acquisition of the asset for the purpose of the said transfer, shall be deemed to be the cost of gold in the hands of the person in whose name Electronic Gold Receipt is issued and vice versa.

INSERTION OF NEW CLAUSE TO SECTION 56

Provides that where any sum received by the unit holder from a business trust on the redemption of units held as reduced by the cost of acquisition of such units will now be taxable under the head Income from Other Sources.

CAPITAL GAIN

LIMITING THE ROLL OVER BENEFIT CLAIMED UNDER SECTION 54 AND SECTION 54F

It is proposed to impose –

Limit on the **maximum deduction** that can be claimed by the assessee under **section 54 and 54F to Rs. 10 Crores**.

It has been provided that if the cost of the new asset purchased is more than Rs. 10 crores, the cost of such asset shall be deemed to be 10 crores. This will limit the deduction under the two sections to ten crore rupees.

EXPANDS SCOPE OF CAPITAL GAINS W.R.T INTANGIBLE ASSETS/RIGHTS WITH INDETERMINATE COST

The bill proposes to amend Section 55 to provide for cost of acquisition or improvement of ‘any other intangible assets’ and ‘any other right’ as Nil.

The amendment is proposed because there are intangible assets or any sort of right for which no consideration is paid for acquisition and the Courts have held that for taxability as capital gains there has to be a definite cost of acquisition or it should be deemed to be Nil under the Act.

In absence of specific provision providing the cost as Nil, the transfer of such assets has been held to be not taxable.

MARKET LINKED DEBENTURES TRANSFER AS STCG

The Bill proposes to insert Section 50AA –

to tax the transfer redemption or maturity of Market Linked Debentures as short term capital gain.

‘Market linked Debenture’ is to be defined as a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any securities classified or regulated as a Market Linked Debenture by SEBI.

The amendment is proposed because ‘Market Linked Debentures’ are listed securities and are currently being taxed as long-term capital gain at the rate of 10% without indexation whereas these securities are in the nature of derivatives that also give variable interest linked with the performance of the market.

ALIGNMENT OF PROVISIONS OF SECTION 45(5A) WITH THE TDS PROVISIONS OF SECTION 194-IC

For computing the capital gains amount on this transaction, the full value of consideration shall be taken as the stamp duty value of his share, as increased by the consideration received in ‘cash’

Tax shall be deducted on any sum by way of consideration (other than in kind), under the agreement referred to in of section 45(5A), paid to the deductee in cash or by way of issue of a cheque or draft or any other mode.

Therefore, amendment of section 45(5A), provides that, the full value of consideration shall be taken as the stamp duty value of his share as increased by any consideration received in cash or by a cheque or draft or by any other mode.

PREVENTION OF DOUBLE DEDUCTION CLAIMED ON INTEREST ON BORROWED CAPITAL FOR ACQUIRING, RENEWING OR RECONSTRUCTING A PROPERTY

The amount of any interest payable on borrowed capital for acquiring renewing or reconstructing a property is allowed as a deduction under the head Income from house property.

The income chargeable under the head Capital gains shall be computed, by deducting the cost of acquisition of the asset and the cost of any improvement. It has been observed that some assessee have been claiming double deduction of interest paid on borrowed capital for acquiring renewing or reconstructing a property and while transferring the asset.

To prevent this double deduction, it is proposed to insert a proviso after clause (ii) of the section 48 so as to provide that the cost of acquisition or the cost of improvement shall not include the amount of interest claimed under section 24 or Chapter VI A.

TRUST TAXATION

DEPOSITING BACK OF CORPUS AND REPAYMENT OF LOANS OR BORROWINGS

- Due to the changes vide the Finance Act, 2021 to the provisions related to corpus and loan or borrowing, the application from corpus or loan or borrowings have been claimed as application prior to 01.04.2021. Allowing such amount to be application again as investment or reposting back in corpus or repayment of loan or borrowing will amount to double deduction.
- A trust may invest or deposit back the amount in to corpus or repay the loan after many years of application from the corpus or loan and claim such repayment of loan or investment/depositing back in to corpus as application for charitable or religious purposes. Availability of indefinite period for the investment or depositing back to the corpus or repayment of loan will make the implementation of the provisions quite difficult.
- In order to ensure proper implementation of the exemption, it is proposed to provide that application out of corpus or loans or borrowings before 01.04.2021 should not be allowed as application for charitable or religious purposes when such amount is deposited back or invested in to corpus or when the loan or borrowing is repaid.
- It is further proposed to provide that if the trust or institution invests or deposits back the amount in to corpus or repays the loan within 5 years of application from the corpus or loan, then such investment/depositing back in to corpus or repayment of loan will be allowed as application for charitable or religious purposes.
- It is also proposed to provide that where the application from corpus or loan did not satisfy the required conditions, the repayment of loan or investment/depositing back in to corpus of such amount will not be treated as application.
- These amendments will take effect from 1st April, 2023 and will accordingly apply to the assessment year 2023-24 and subsequent assessment years.

TREATMENT OF DONATION TO OTHER TRUSTS:

- In order to ensure intended application toward charitable or religious purpose, it is proposed that only 85% of the eligible donations made by a trust or institution to another trust shall be treated as application only to the extent of 85% of such donation.
- 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.

- 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

COMBINING PROVISIONAL AND REGULAR REGISTRATION IN SOME CASES

- New trusts or institutions need 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 or institutions will again need to apply for regular registration/approval at least six months prior to expiry of period of the provisional registration/ approval or within six months of the commencement of activities, whichever is earlier. Regular registration/approval shall be valid for a period of 5 years.
- In order to ensure rationalisation of the provisions, the following amendments are proposed:
 - a) The trusts and institutions shall be allowed to make application for the provisional approval only before the commencement of activities.
 - b) The trusts and institutions, which have already commenced their activities, shall make application for a regular approval.
- These amendments will take effect from 1st October 2023.

SPECIFIED VIOLATIONS UNDER SECTION 12AB AND FIFTEENTH PROVISO TO CLAUSE (23C) OF SECTION 10

- In some cases, the form furnished by the trusts or institutions for provisional approval/registration and for re-registration/approval are defective and since the process of registration/approval/provisional registration/approval is automated, registration has been granted by the CPC. At present the approval/registration and the provisional approval/registration of the trusts can be cancelled by the PCIT/CIT for certain specified violations.

- In order to rationalise the provisions, it is proposed that, “specified violation” shall also include the case where the application 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

- Certain trusts and institutions may not apply for the regular registration after taking the provisional registration. Further, some trusts and institutions may not apply for the re-registration/approval. By not applying for re-registration/approval or registration/approval, the trust gets an easy route to exit without payment of the tax on accreted income.
- It is proposed that trusts or institutions not applying or renewing registration within specified time frame is liable for exit tax.
- These amendments will take effect from 1st April, 2023 and will accordingly apply to the assessment year 2023-24 and subsequent assessment years.

DUE DATE FOR FILING FORM 10 UNDER SECTION 11(2)(C)

Where 85% of the income is not applied for charitable purposes, the charitable trusts are required to accumulate or set apart such income for future application. The incomes so accumulated will not be included in the total income. The entity has to file Form 10 with the Assessing officer.

Particulars	Existing Provision	Amended Provision
Form 10 Due Date	On or before the due date for filing the return of income u/s 139(1).	Amended to 2 months prior to due date specified for filing returns of income u/s 139(1)

DENIAL OF EXEMPTION WHERE RETURN OF INCOME (ROI) IS NOT FURNISHED WITHIN TIME

It is clarified that exemption to trusts or institutions is available only if the ROI is furnished within due date of furnishing the return of income. It is clarified that such exemption to trusts would not be available where they furnish updated ROI.

DEDUCTIONS

REMOVAL OF CERTAIN FUNDS FROM SECTION 80G

Donations made to certain relief funds and charitable institutions mentioned under section 80G (2) can be claimed as deduction to the extent of 50% or 100% of the amount so donated.

It is now proposed to exclude donations made to the following funds from claiming 80G:

- Jawaharlal Nehru Memorial Fund
- Indira Gandhi Memorial Trust
- Rajiv Gandhi Foundation
- The proposed amendment is applicable from financial year beginning 01 April 2024

OTHER AMENDMENTS

ALIGNMENT OF TIMELINE PROVISIONS UNDER SECTION 153 OF THE ACT

Section 153 of the Act Provides for the time limit for completion of assessment\reassessment.

Section provides the time limit for order of assessment for 21 months from the end of the assessment year in which the income was first assessable. By subsequent Finance Acts the time period of 21 months was reduced to 9 months.

Section 143 of the Act can be served on the assessee up to 3 months from the end of the relevant assessment year. It has been proposed that the time available for completion of assessment relating to the assessment year commencing on or after the 1st April 2022 shall be 12 months from the end of the assessment year in which the income was first assessable.

PROVISIONS RELATING TO REASSESSMENT PROCEEDINGS

It has been proposed that the section 148 of the Act may be amended to provide that a return in response to a notice under section 148 of the Act shall be furnished within 3 months from the end of the month. Any return which is furnished beyond the period allowed in the section 148 to furnish such return of income shall not be deemed to be a return.

It has been seen that in the cases where the aforementioned search requisition or survey proceedings are conducted after 15th March of a financial year. Important information related to revenue leakage cannot be proceeded on due to the paucity of time for searched conducted and information obtained as a consequence of these searches in the last few days of any financial year.

After the 15th March of any financial year a period of 15 days shall be excluded for the purpose of computing the period of limitation for issuance of notice.

The said section provided that the authority would be the Principal Chief Commissioner and where there is no Principal Chief Commissioner, the Chief Commissioner shall give approvals beyond a period of 3 years.

SECTION 142 - POWER TO THE ASSESSING OFFICER TO DIRECT AUDIT/INVENTORY VALUATION

As per the amended Section 142 sub-section (2A), the Assessing Officer may, at any stage of the proceedings before him, direct the assessee to get either or both of the following where he doubts the correctness of the accounts, multiplicity of transactions in the accounts or specialised nature of business activity of the assessee:

- (i) to get the accounts audited by an accountant,
- (ii) to get the inventory valued by a cost accountant.

Earlier, the Assessing Officer could only direct audit of Accounts.

SECTION 155 - CLAIMING OF TDS CREDIT SUBSEQUENT TO FILING OF RETURN

Where TDS has been paid to the credit of assessee in subsequent financial year after filing the return of Income, new sub-section (20) of section 155 effective from 1st day of October 2023 allows the assessee to make an application to claim the TDS credit within a period of 2 years from the end of the financial year in which such tax was deducted at source.

The Assessing Officer may rectify the same within four years from the end of the financial year in which such tax has been deducted as per section 154(7). Effective date: 1st October 2023.

EARLY DISPOSAL OF INCOME TAX APPEALS

It is proposed to reduce the pendency of appeals by deploying 100 Joint commissioners for disposal of small appeals and be more judicious in taking up cases for scrutiny of returns already received this year.

OTHER AMENDMENTS:

- Maximum deposit limit for Senior Citizens Savings Scheme will be enhanced from Rs. 15 Lakh to Rs. 30 Lakh.
- Maximum deposit limit for Monthly Income Account Scheme will be enhanced from Rs. 4.5 Lakh to Rs. 9 Lakh for single account and from Rs. 9 Lakh to Rs. 15 Lakh for Joint Account.
- A one-time small savings scheme "Mahila Samman Savings Certificate" will be made available for a 2-year period up to March 2025. This will offer deposit upto Rs. 2 Lakh in the name of women or girls for a tenor of 2 years at fixed interest rate of 7.5% with partial withdrawal option.

WITHHOLDING TAXES

Section	Nature of Payment	Threshold Limit	Rate
192	Salary	As per the Slab rates applicable to Individual & Senior Citizens	
192A	Premature withdrawal of Provident Fund	₹ 50,000/-	10%
193	Interest on securities	₹ 10,000/-	10%
194	Dividend	₹ 5,000/-	10%
194A	Interest Other than Securities	₹ 40,000/- for Banks and ₹ 5,000/- for Others	10%
194B	Winning from Lottery & Puzzles	₹ 10,000/- p.a.	30%
194C	Contractors, Sub-Contractors and Advertising	₹ 30,000/- per contract or ₹ 1,00,000/- p.a. in aggregate	1% (Individual/HUF) & 2% (Company /Firm)
194D	Insurance Commission	₹ 15,000/- p.a.	5%
194DA	Payment in respect of Life Insurance Pay-out on net basis	₹ 1,00,000/-	5%
194H	Commission & Brokerage	₹ 15,000/- p.a.	5%
194I(a)	Rent - Plant & Machinery	₹ 2,40,000/- p.a.	2%
194I(b)	Rent - Land & Building	₹ 2,40,000/- p.a.	10%
194IA	Transfer of Immovable Property other than Agricultural Land	₹ 50,00,000/-	1%
194IB	Rent paid by Individual/HUF	₹ 50,000/- p.m.	5%
194IC	Payment under Joint Development Agreement	-	10%
194J	Professional Fees	₹ 30,000/- p.a.	10%
194J	Technical Services	₹ 30,000/- p.a.	2%
194K	Payment of income for units of a mutual fund, example- dividends	₹ 5,000/- p.a.	5%
194M	Payment by Individual or HUF to Contractors or Professionals	₹ 50,00,000/- p.a.	5%
194N	Cash Withdrawal	₹ 1,00,00,000/- p.a. for banking and ₹ 3,00,00,000/- p.a. for Co-operative societies	2%
194LA	Compensation on Acquisition of Immovable Property	₹ 2,50,000/- p.a.	10%
194O	E – Commerce	₹ 5,00,000/- p.a.	1% or 5% in case of Non PAN/Aadhar
194Q	Purchase of Goods Exceeding ₹ 50,00,000	₹ 50,00,000/- or more	0.1%
194S	Payment on transfer of Virtual Digital Asset	-	1%

REMOVAL OF EXEMPTION FROM TDS ON PAYMENT OF INTEREST ON LISTED DEBENTURES TO A RESIDENT

Section 193 – TDS on income to a resident by way of interest on securities.

The proviso to section 193 of the Act provides exemption from TDS in respect of payment of interest on certain securities. Clause (ix) of the proviso to the aforesaid section provides that no tax is to be deducted in the case of any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India.

It is seen that there is under reporting of interest income by the recipient due to above TDS exemption. Hence, it is proposed to omit clause (ix) of the proviso to section 193 of the Act.

TAX TREATY RELIEF AT THE TIME OF TDS UNDER SECTION 196A OF THE ACT

Section 196A of the Act provides for TDS on payment of certain income to a non-resident (not being a company) or to a foreign company, at the rate of 20%. The income is required to be in respect of units of a Mutual Fund specified under clause (23D) of section 10.

It is proposed to insert a proviso to section 196A(1) of the Act.

This proviso seeks to provide that the *TDS would be at the rate which is lower of the rate of 20% and the rate or rates provided in agreement referred to in section 90(1) or section 90A(1) of the Act, in case of a payee to whom such agreement applies and such payee has furnished the tax residency certificate referred to in section 90(4) or section 90A(4) of the Act.*

TDS ON PAYMENT OF ACCUMULATED BALANCE DUE TO AN EMPLOYEE

Section 192A of the Act provides for TDS on payment of accumulated balance due to an employee – at the rate of 10% of the taxable component of the lump sum payment due to an employee.

Further, no deduction of tax is to be made where the amount of such payment or the aggregate amount of such payment to the payee is less than Rs. 50,000/-.

The second proviso to section 192A of the Act provides that any person entitled to receive any amount on which tax is deductible shall furnish his Permanent Account Number (PAN) to the person responsible for deducting such tax, failing which tax shall be deducted at the maximum marginal rate.

So that in case of failure to furnishing of PAN by the person relating to payment of accumulated balance due to him, tax will be deducted at the rate of 20% as in other non-PAN cases in accordance with section 206AA of the Act, instead of at the maximum marginal rate.

AMENDMENTS IN CONSEQUENCE TO NEW PROVISIONS OF TDS

Section 271C of the Act has provisions for penalty for failure to deduct tax at source.

Presently, the provisions for penalty and prosecution do not clearly mandate a penalty or prosecution for a person who does not pay or fails to ensure that tax has been paid in a situation where the benefit or perquisite is passed in kind.

Therefore, to enable such penalty and prosecution, it is proposed to amend section 271C inserting two new sub-clauses under clause (b) in sub-section (1) providing reference to the first proviso to section 194R and the first proviso to section 194S. Similar amendments are also proposed in section 276B.

Drafting changes are also proposed in the section to align the language with the parent provisions.

TDS AND TAXABILITY ON NET WINNINGS FROM ONLINE GAMES

The Act provides that the person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort in an amount exceeding Rs. 10,000/- shall at the time of payment deduct TDS. However, It is seen that deductors are deducting tax under section 194B and 194BB of the Act by applying the threshold of Rs 10,000/- per transaction and avoiding tax deduction by splitting a winning into multiple transactions each below Rs 10,000/-. This is against the intention of legislature. Therefore, the bill proposes to amend the section to provide that deduction of tax under these sections shall be **on the amount or aggregate of the amounts exceeding** Rs. 10,000/- during the financial year.

The Bill also proposes to exclude online games from the purview of the said section from the 1st July 2023. With effect from 1st July 2023 to provide for deduction of tax at source on net winnings in the user account at the end of the financial year.

If there is withdrawal from user account during the financial year the income-tax shall be deducted at the time of such withdrawal on net winnings Income-tax shall also be deducted on the remaining amount of net winnings in the user account at the end of the financial year.

The amount of income-tax calculated on net winnings from such online games during the previous year computed in the prescribed manner at the rate of 30% percent.

INCREASING RATE OF TCS ON FOREIGN REMITTANCE THROUGH THE LIBERALISED REMITTANCE SCHEME AND ON SALE OF OVERSEAS TOUR PACKAGE

S.No	Type of remittance	Present rate*	Proposed rate*
1	For the purpose of any education, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E	0.5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakhs.	No change
2	For the purpose of education, other than (i) or for the purpose of medical treatment.	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakhs	No change
3	Overseas tour package	5% without any threshold limit.	20% without any threshold limit
4	Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakhs	20% without any threshold limit

EXTENDING DEEMING PROVISION UNDER SECTION 9 TO GIFT TO NOT-ORDINARILY RESIDENT

Under the Act income which inter alia is deemed to accrue\arise in India during a year is chargeable to tax.

To provide that the any sum of money exceeding Rs. 50,000/- received by a non-resident without consideration from a person resident in India on or after the 5th day of July 2019 shall be income deemed to accrue or arise in India.

It has come to notice that certain persons being not ordinarily residents are receiving the gifts from persons resident in India and not paying tax on it.

In view of the above, it is proposed to amend section 9(1)(viii) of the Act so as to extend this deeming provision to sum of money exceeding Rs. 50,000/- received by a not ordinarily resident, without consideration from a person resident in India.

DTAA BENEFIT PROPOSED TO BE APPLIED ON RECEIPT OF TRC FOR INCOME ON MUTUAL FUNDS

The DTAA beneficial provisions is proposed to be made applicable to a non-resident in case of receipt of any income from Mutual funds provided TRC is furnished by him. TRC is Tax Residency Certificate issued by the Government of a Foreign Country in which the non-resident would be a resident.

REMOVAL OF DOUBLE TAXATION ON DISTRIBUTION INCOME OF NON-RESIDENT ODI HOLDERS

It is proposed to remove double taxation on distribution of income to NR ODI holders by providing exemption to any income distributed on the offshore derivative instruments, entered into with an offshore banking unit of an IFSC (subject to the conditions prescribed). Such exempted income shall include only that amount which has been charged to tax in the hands of the IFSC Banking Unit under section 115AD.

SET OF LOSS PROPOSED TO BE DISALLOWED ON PRESUMPTIVE TAXATION SCHEME OF SECTION 44BB AND SECTION 44BBB

In order to prevent the misuse of the opt-in and opt-out of the presumptive scheme of taxation applicable for non-residents engaged in business of exploration etc of mineral oils and civil construction in certain turnkey power projects, it is proposed that where an assessee declares profits and gains of such business for any previous year in accordance with these sections, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the assessee for such previous year.

EXTENDING THE SCOPE FOR DEDUCTION OF TAX AT SOURCE TO LOWER OR NIL RATE

Section 194LBA of the Act, inter-alia, provides that business trust shall deduct and deposit tax at the rate of 5% on interest income of non-resident unit holders.

It is proposed to amend sub-section (1) of section 197 of the Act to provide that the sums on which tax is required to be deducted under section 194LBA of the Act shall also be eligible for certificate for deduction at lower rate.

GOODS AND SERVICES TAX AMENDMENTS

Amendments related to Central Goods and Service Tax (CGST)

1. Amendment of Section 10 of the CGST Act, 2017 (Opting for Composition Levy):

The benefit of composition scheme extended to the dealers who supplies goods through an E-commerce operator (ECO) who is required to collect tax under section 52. However, the restriction is continued for service providers.

2. Amendment of Section 17 of the CGST Act, 2017 (Blocked Credit):

Input tax credit shall not be available in respect of goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under Corporate Social Responsibility.

3. Retrospective substitution of Section 23 of the CGST Act 2017 (relating to persons not liable for registration):

The amendment provides agriculturists and the dealer who is engaged exclusively in the supply of exempted goods/ services shall not be liable for registration irrespective of the compulsory registration requirement (even if supplies received by him attract RCM and he is engaged in Inter-State supply) with effect from July 1, 2017.

4. Amendment of Section 37, 39, 44 and 52 of the CGST Act, 2017 (GSTR 1, GSTR 3B, Annual Return and TCS collector):

GSTR-1, GSTR-3B, GSTR-8, and GSTR-9 cannot be filed after 3 years from the respective due dates.

5. Amendment of Section 54 of the CGST Act, 2017 (Refund of Taxes):

Removing the reference to the provisionally accepted input tax credit in order to align it with the current scheme of availing self-assessed input tax credit as per section 41(1).

6. Amendment of Section 56 of the CGST Act, 2017 (Interest on delayed refunds):

The method of calculating the period of delay for the calculation of interest on delayed refunds through the CGST Rules.

The words “from the date immediately after the expiry of 60 days from the date of receipt of application till the date of refund of such tax”, the words “for the period of delay beyond 60 days from the date of receipt of such application till the date of refund of such tax, to be computed in such manner and subject to such conditions and restrictions as may be prescribed” shall be substituted.

7. Amendment of Section 122 of the CGST Act, 2017 (Penalty for ECO):

In case of contravention of provisions relating to supplies of goods made through ECO by unregistered persons.

The following Penalty will be applicable:

- ten thousand rupees, 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 whichever is higher.

8. Amendment of Section 132 of the CGST Act, 2017 (Punishment for Certain Offences):

The following offences have been decriminalized:

- Obstructs or prevents an officer from discharging his duties.

- Tamper with or destroys material evidence or documents.
- Fails to supply any information which he is required to supply or supplies false information.

Further, it increases the monetary threshold for launching prosecution for the offences under the Act from 1 crore to 2 crores except for offences related to fake invoices.

9. Amendment of Section 138 of the CGST Act, 2017 (Compounding of offences):

- Option of compounding of offences has been completely withdrawn for a person accused of issuing fake invoices to enable wrongful availment of ITC.
- Minimum amount to be paid for compounding has been reduced to 25% from the existing 50%. Section 138 has been suitably amended.

10. Insertion of new Section 158A of the CGST Act, 2017:

The manner and conditions for sharing the information furnished by the registered person in his return, application, statement of details uploaded by him including E-way bill, E-invoice or any other document on the common portal with such other systems as may be notified. The sharing of information shall be made after obtaining the consent of the registered person in all the cases and of the recipient in where his identity is involved.

11. Amendment of Schedule III of the CGST Act, 2017:

The following Transactions will be considered as a non-taxable supply retrospectively from 1st July 2017:

- Supply of goods from a non-taxable territory to a non-taxable territory,
- Supply of warehoused goods before clearance of home consumption and high seas sales

However, no refund of such tax paid on the above transaction shall be available. It was considered a non-taxable supply only from 2019. In order to remove the confusion, it is proposed to make a retrospective amendment from 2017. Any refund of tax paid during the interim period will not be allowed.

12. The value of exempted supply includes the activities or transactions related to the supply of warehoused goods to any person before clearance for home consumption for the limited purpose of input tax restriction. Prior to this proposal, such transactions were considered as non-GST transactions. Thereby the proposal restricts the Input Tax Credit on transactions like high sea sales.

Amendments related to IGST:

13. Amendment of Section 2(16) of the IGST Act, 2017:

The definition of Non-taxable online recipient has been simplified by removing the condition of recipient of OIDAR for purposes other than commerce, industry and any other business or profession.

Thus, OIDAR service shall be taxable when it is provided by any person located in a non-taxable territory to an unregistered person receiving the said service and located in the taxable territory.

Further, it also clarifies that the person registered solely in terms of the requirement of TDS provisions under GST Act shall be treated as an unregistered person for the purpose of the said clause. Further, it proposes to amend OIDAR to remove the condition of rendering of a said supply being essentially automated and involving minimal human intervention.

14. Amendment of Section 12 of the IGST Act, 2017:

The place of supply of services by way of transportation of goods, including by mail or courier based on the location of the supplier of service and recipient of service, irrespective of the destination of goods. As such, now the place of supply will have to be decided as per general provision.

CUSTOMS

1. The basic customs duties, cesses, and surcharges on items like toys, bicycles, automobiles, and naphtha have been slightly modified.
2. The customs duty exemption on the import of specified capital goods and machinery required for the manufacture of lithium-ion cells used in the batteries of electrically powered vehicles (EVs) has been extended until March 31, 2024.
3. Vehicles, specified automobile parts and components, sub-systems, and tyres proposed to be exempt from customs duty when imported for testing and/or certification by notified testing agencies, subject to conditions.
4. Reduction in customs duty on certain parts and inputs, such as camera lenses. Customs duties on camera lenses and their parts that are used to make camera modules for cell phones have been cut to zero, and the reduced duty on lithium-ion cells used in batteries has been extended for another year.
5. The basic customs duty on parts of open cells in TV panels has been reduced to 2.5 percent.
6. The basic customs duty on electric kitchen chimneys has been raised from 7.5 percent to 15 percent.
7. The basic customs duty on heat coils used to make electric kitchen chimneys has gone down from 20% to 15%.
8. Denatured ethyl alcohol used in the chemical industry is set to be duty-free.
9. The basic customs duty on acid grade fluorspar (containing more than 97% calcium fluoride by weight) has been reduced from 5% to 2.5%.
10. The basic customs duty on seeds that are used to make diamonds in a lab has been cut.
11. Import duties on silver jewellery, bars, and articles have been raised to match those on gold and platinum.
12. The basic customs duty exemption on raw materials used in the production of CRGO steel, ferrous scrap, and nickel cathode was maintained.
13. The 2.5 percent BCD on copper scrap is maintained.
14. The basic customs duty rate on compounded rubber was raised to 25% from 10% or Rs. 30 per kg, whichever is lower.

EXCISE

1. National Calamity Contingent Duty (NCCD) on cigarettes have been increased so as to result in additional duty of excise.
2. Central excise duty exemption is being provided on blended Compressed Natural Gas (CNG) from so much of the amount as is equal to the GST paid on Bio Gas /Compressed Bio Gas contained in such blended CNG

About Santhappa & Co.,

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Late Sri S Santhappa strives to achieve professional excellence in the field of Chartered Accountancy.

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