

India Budget Statement 2023

The Tax Proposals

HEMANT ARORA & CO. LLP
Chartered Accountants

This document is a result of our study of the tax proposals forming part of the Finance Bill, 2023 and is intended to bring to you the salient proposals in a simple, condensed and comprehensible manner.

We would like to reiterate that what have been discussed in the following pages are the proposals pertaining to the tax laws. The said proposals are open to modifications and alterations during the course of discussion in the Parliament before they eventually become law upon receiving the assent of the President of India.

Disclaimer

This document is intended for use by Firm's personnel and clients only. It summarizes the direct and indirect tax proposals forming part of the Union Budget 2023.

While due care has been taken during the compilation of this document to ensure that the information is accurate to the best of our knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice. We do not assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this publication.



Direct Tax Proposals

This section summarizes significant proposals on direct taxes announced in Union Budget 2023. These proposals are generally effective from financial year commencing April 1, 2023 relevant to Assessment Year 2024-25. However, some of the proposals are effective either prospectively or retrospectively in which case the dates from which they become applicable have been mentioned against respective proposals.

Rate of Income Tax

Old tax regime

Individuals/HUF/AOP/BOI/AJP	Income tax rate
Upto 2,50,000	Nil
2,50,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Senior Citizens (60<Age<80)	Income tax rate
Upto 3,00,000	Nil
3,00,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Super Senior Citizens (Age>80)	Income tax rate
Upto 5,00,000	Nil
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

- Tax rates as applicable to co-operative societies, firms, LLPs and companies are to remain unchanged.

New Tax Regime(w.e.f. AY 2024-25)

Individuals/HUF/AOP/BOI/AJP	Income tax rate
Upto 3,00,000	Nil
3,00,001 to 6,00,000	5%
6,00,001 to 9,00,000	10%
9,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%
Above 15,00,000	30%

- New tax regime (without exemption/deductions) to be the default tax regime.
- Taxpayers can opt for the old (exemption/deduction based) tax regime.
- Rebate on tax now available on income upto Rs. 7 lacs (earlier Rs.5 lacs) under the new tax regime.
- Highest surcharge rate applicable to Individuals/ HUF/AOP/BOI/ AJP on income above Rs. 5 cr. lowered from 37% to 25% resulting in reduction in maximum marginal rate from 42.74% to 39%.

15% concessional tax to promote new manufacturing co-operative societies

- New cooperative societies set up for manufacturing activities are brought at par with new manufacturing domestic companies and to also be taxed at concessional rate of 15%.

**Effective from April 1, 2024*

Increasing threshold limits for presumptive taxation scheme

- Limits for presumptive taxation for eligible business and professionals is enhanced to Rs.3 cr.(from existing Rs.2 cr.) and Rs.75 lacs (from existing Rs.50 lacs) respectively, provided not more than 5% of total turnover is received in cash.
- Requirement to furnish tax audit report not to apply to persons who declare profits in accordance with the presumptive taxation scheme.

**Effective from April 1, 2024*

Conversion of Gold to Electronic Gold Receipt (EGR) and vice versa

- Conversion of physical form of gold held as capital asset into electronic gold receipt and vice versa by a SEBI registered vault manager to not attract capital gains tax.
- The cost of acquisition of EGR for the purpose of computing capital gains to be deemed to be the cost of gold in the hands of the person in whose name EGR is issued and holding period for the purpose of capital gains to include the period for which gold was held by assessee prior to its conversion into EGR

**Effective from April 1, 2024*

Amortisation of preliminary expenses

- Preliminary expenses on preparation of feasibility report, project report or market survey etc. are allowed to be amortised if such report/survey is prepared/carried out by the assessee or by a concern approved by the CBDT. The stipulation regarding activity by an approved concern is to be removed and assessee to be required to furnish particulars of such expenses in a prescribed statement.

**Effective from April 1, 2024*

Non-resident taxation under concessional deeming provisions

- Non-residents engaged in business of prospecting, extraction etc. of mineral oils or civil construction or in turnkey power projects are allowed to offer income to tax under concessional deeming provisions wherein their income is deemed at certain percentage of gross receipts. The said non-residents not to be entitled to set off unabsorbed depreciation or brought forward losses against income offered to tax under the deeming provisions in any previous year.

**Effective from April 1, 2024*

Relief to Startups

- Start-ups to be allowed carry forward of losses upto ten assessment years from the date of incorporation even if the continuity of shareholding pattern is not maintained
- The three year tax holiday available to eligible start-ups to apply even to companies incorporated by extended limitation i.e. before 1st April 2024 (existing limitation 1st April 2023).

Exemption to Development Authorities

- Incomes of Development Authorities constituted under Central or State Act engaged in providing housing accommodation or planning development or improvement of cities, towns and villages or providing benefit to general public to be exempt from tax.

**Effective from April 1, 2024*

Widening of tax base and Anti-avoidance provisions

- Any sums exceeding Rs. 50,000 received without consideration by a non-resident from a person resident in India is deemed to be taxable income in India. The scope of the said provision is expanded to apply to RNORs also.

**Effective from April 1, 2024*

Taxability on net winnings from online games

- The winnings from online games to be taxed at 30%.
**Effective from April 1, 2024*
- Further TDS rate on net winnings from online games to be @ 30%
**Effective from July 1, 2023*

TDS threshold on winnings from lotteries etc., and horse races

- The tax to be deducted on winnings from lotteries, crossword puzzle, card games and other games, horse races etc., on the amount or aggregate of the amounts exceeding Rs. 10,000 during the financial year.
**Effective from April 1, 2023*

Increased rate of TCS on certain remittances

- TCS on certain foreign remittances under LRS scheme (other than for education or medical purposes) and on sale of overseas tour packages is increased to 20% (from present 5%) without any threshold limit.
**Effective from July 1, 2023*

Agnipath Scheme, 2022

- It is proposed to insert new provisions to provide that any payment received from the Agniveer Corpus Fund by a person enrolled under the Agnipath Scheme, 2022, or the nominee of such person to be exempted from income tax.
- It is further proposed to insert a new deduction section to provide that an assessee, being an individual enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after the 1st day of November, 2022, to be allowed a deduction of the whole of the amount deposited by him and also the amount contributed by the Central Government to his account in the Agniveer Corpus Fund, from his total income.

Upper cap on exemption of capital gains by investment in residential property

- Capital gains arising on transfer of long term capital asset is deductible upon investment of sale proceeds/capital gains in a residential house property. The said deduction to now have an upper ceiling of Rs. 10 cr. if the cost of new residential house purchased is more than Rs. 10 cr.
- The provisions regarding deposit in CGAS to also be amended to provide an upper ceiling of Rs. 10 cr. for deposit of capital gains amount or net consideration in CGAS.

**Effective from April 1, 2024*

Preventing undervaluation of inventory

- AO during the course of proceedings to have the powers to direct an assessee for valuation of inventory by a cost accountant nominated by PCCIT/PCIT and furnish a report of inventory valuation.
- CBDT to have power to make rules in respect of form of such report and particulars which such report shall contain.

Rationalisation of exempt income under life insurance policies

- Income (including bonus) from life insurance policies having premium above Rs. 5 lacs per annum to be taxable as income from other sources. Deduction to be allowed for premium paid if such premium has not been claimed as a deduction earlier.
- Income to continue to be exempt if received upon death of the insured person.
- The above provisions to apply to policies issued after 1st April 2023.

**Effective from April 1, 2024*

Introduction of authority of Joint Commissioner (Appeals)

- To reduce pendency at CIT (Appeals), 100 Joint Commissioners to act as first appellate authority to adjudicate pending small appeals.
- Appeals against certain orders passed by authorities below the rank of Joint Commissioner to be filed before Joint Commissioner (Appeals)
- Powers of JCIT (Appeals) to be commensurate with that of a CIT(Appeals).
- Appeal against the order of JCIT (Appeals) to be filed before ITAT.

ITAT appeals against DRP's order

- An order passed by the Dispute Resolution Panel is binding on the tax department and is not appealable by the income tax department. If an assessee files an appeal before ITAT against the DRP order, the tax department to have a right to file cross objections before ITAT.

Reducing the time provided for furnishing TP report

- Time limit for furnishing TPSR in response to directions of the TPO/CIT(A) to be curtailed to 10 days (from existing 30 days) from the date of receipt of notice.
- The TPO/CIT(A) to have power to extend the said period of 10 days by a further period not exceeding 30 days.

Provisions relating to reassessment proceedings

- A return in response to reassessment notice to be filed within 3 months from the end of month in which such notice is issued.
- AO may allow tax return to be filed beyond 3 months, however for such returns certain consequential requirements may not apply.
- Limitation period on issue of notices in reassessment proceedings to be streamlined.

Penalty for failure to deduct tax

- Present provisions relating to penalty and prosecution for failure to deduct tax at source to be extended to apply to TDS on perquisite in respect of business or profession, TDS on payment on transfer of VDA and to the newly introduced TDS provisions relating to net winnings from online games.

Provisions relating to NBFCs

- Thin capitalization provisions impose a restriction on deduction of interest expense in certain circumstances in respect of debt issued by non-residents to an Indian company or a permanent establishment of a foreign company. The said restriction presently do not apply to banking and insurance companies. To bring about parity it is provided that NBFCs to also be outside the ambit of said restriction.

**Effective from April 1, 2024*

SEZ Units

- SEZ located units are entitled to tax benefits.
- Now said tax benefits to be available only if
 - such units bring their sale proceeds into India in convertible foreign exchange within 6 months from the end of year, and
 - file the tax returns within the prescribed time.

**Effective from April 1, 2024*

Tax incentives to IFSCs

- Exemption to be provided on distribution of any income on the offshore derivative instrument entered into with an offshore banking unit of an IFSC provided the same has been taxed in the hands of IBUs.

**Effective from April 1, 2024*

TDS credit gap/mismatch

- Presently credit for TDS is allowed in the year in which respective income is offered to tax. The issue of TDS credit gap/mismatches is now addressed as credit for TDS to be available even in a subsequent assessment year if the income is already offered to tax in a past year.

**Effective from October 1, 2023*

Tax treaty relief at the time of TDS

- TDS on income of non-residents in respect of mutual funds is to be made @ 20%. Now the said TDS to be made at the rate in respect of such income prescribed under the Tax Treaty or 20% whichever is lower.
- Furnishing of tax residency certificate to be mandatory for availing concessional TDS rate under the Treaty.

Investment by Non-residents in unquoted equity shares

- Presently investment by residents in unquoted equity shares of a company are required to be made at Fair Market Value of the said shares and any excess consideration paid by such resident investor is treated as income of the investee Company. The said provision was so far not applicable in respect of investments made by non-residents, however the same is now amended so as to provide that even investments by non-residents in unquoted equity shares to be made at FMV computed in prescribed manner.

**Effective from April 1, 2024*

Rationalisation of provisions relating to perquisites provided to employees by way of residential accommodation

- The provisions relating to computation of perquisite value of rent free accommodation and accommodation provided at concessional rent by an employer to its employee are being rationalized.

**Effective from April 1, 2024*

Rationalisation of provisions relating to set off and withholding of refund

- Where a refund is due to an assessee the AO/ PCCIT/ PCIT may set off the amount of such refund against any tax demand remaining payable by such assessee after giving notice of such adjustment.
- The AO with previous approval of PCIT may withhold any refund due to the assessee in cases where assessment or reassessment proceedings are pending before him and he is of the opinion that grant of refund is likely to adversely affect the revenue.

Alignment of timeline provisions for completion of assessment

- It has been proposed that the time available for completion of assessment relating to the AY commencing on or after 1st April, 2022 to be 12 months (previously 9 months) from the end of the assessment year in which the income was first assessable.
- Similarly, the time available for completion of assessment proceedings in the case of an updated return is also proposed to be increased to 12 months from the end of the financial year in which such return is furnished.

TDS on payment of accumulated balance under EPF Scheme due to an employee

- It has been proposed to amend provisions relating to TDS on payment of accumulated balance due to an employee to provide that in case of failure to furnish PAN by the person relating to payment of accumulated balance due to him, tax to be deducted at the rate of 20% as in other non-PAN cases, instead of at the maximum marginal rate.

Increasing threshold limit for co-operatives to withdraw cash without TDS

- It is proposed to provide that where the recipient is a co-operative society, the threshold limit for deduction of tax on payments made by a banking company or a co-operative society engaged in carrying on the business of banking or a post office to be increased from Rs.1 Crore to Rs.3 Crores.

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

- It is proposed to provide that interest income of non-resident unit holders on which tax is required to be deducted by business trust @ 5% to also be eligible for certificate for deduction at lower rate.

Provisions for taxation of Capital gains in case of Market linked Debentures.

- Market Linked Debentures are listed securities. They are currently being taxed as long term capital gain at the rate of 10% without indexation.
- In order to tax the capital gains arising from the transfer or redemption or maturity of these securities as short-term capital gains at the applicable rates, it is proposed to insert a new section in the Act to treat the full value of the consideration received or accruing as a result of the transfer or redemption or maturity of the “Market Linked Debentures” as reduced by the cost of acquisition of the debenture and the expenditure incurred wholly or exclusively in connection with transfer or redemption of such debenture, as capital gains arising from the transfer of a short term capital asset.

**Effective from April 1, 2024*

Miscellaneous provisions

- Next generation ITR to be rolled out
- Any sum payable to micro or small enterprises beyond the time limit specified in MSMED Act to be allowed as a deduction only upon actual payment*

**Effective from April 1, 2024*

- Removal of exemption from TDS on payment of interest on listed debentures to a resident.

- In order to prevent double deduction, it is proposed to provide that the cost of acquisition or the cost of improvement to not include the amount of interest on loan taken for the purpose of house property if the same has been allowed as deduction while calculating income from House Property.

**Effective from 1st April, 2024*

- It is proposed that to align and amend the provisions relating to capital gain arising to an assessee (individual and HUF) from the transfer of a land or building or both under a JDA and corresponding TDS therein so as to provide that the full value of consideration to include any consideration received in cash or by a cheque or draft or by any other mode.

**Effective from 1st April, 2024*

- It is proposed to amend section relating income chargeable to tax under the head PGBP to clarify that provisions of said section also apply to cases where benefit or perquisite provided is in cash or in kind or partly in cash and partly in kind.

**Effective from 1st April, 2024*



Indirect Tax Proposals

Customs Duty

Customs Act, 1962

- Section 25 (4A) of CA modified to remove exemption validity period of two years for specified trade agreements, activities and entities
- Section 127C of CA amended to stipulate time limit of 9 months (extendable by 3 months) for disposal of application filed before Settlement Commission

Customs Tariff Act, 1975

- Section 9, 9A and 9C of CTA amended to amplify the intent and scope of these provisions
**Effective from January 1, 1995*
- Various notifications issued under (Custom Tariff) for rationalizing CD rates on various products in addition to providing exemption, concession and increasing period of validity of exemption to specified products
**Effective from February 2, 2023*
- First Schedule to the CTA amended to modify Tariff lines/introduce new Tariff lines and change of Tariff Rates. Solar power plant/projects excluded from CH 9801 of CT
**Effective from May 1, 2023*

Goods and Service Tax

CGST Act, 2017

- Retrospective amendment giving over-riding effect of exemption from GST registration for specified persons*
 - Retrospective amendment in Schedule III, specifying certain activities not to be treated as supply of goods/services. Refund not available for tax paid earlier on such supplies*
- *Effective from July 1, 2017*
- Composition scheme for person supplying goods through ECO
 - ITC provisions aligned with current process of GST return filing
 - Exempt supply to include value of in-bond sale for ITC reversal
 - Subject to consent, information on GST portal to be shared by Government with specified systems. Government not liable for any liability arising due to sharing of such information
 - 3 year limit prescribed for filing GSTR-1, GSTR-3B, GSTR-8 & GSTR-9, beyond due date. Conditions to be prescribed for filings beyond 3 years
 - Provisional ITC refund aligned with current scheme of self assessed ITC
 - Conditions/restrictions to be prescribed for computation of interest on delayed refund
 - ITC not available for goods/services, used/intended for CSR activities

Goods and Service Tax

CGST Act, 2017

- Penalty prescribed for ECO under specified situations
- Specified offences decriminalized & monetary threshold enhanced for launching prosecution, except offence of issuing fraudulent invoices
- Option for compounding not available to offence of issuing fraudulent invoices
- Minimum and maximum limit for compounding of offences prescribed

IGST Act, 2017

- Place of supply for transportation of goods:-
 - Registered person- location of such person
 - unregistered person- location where goods handed over for transportation
- Definition of non-taxable online recipient amended to include OIDAR services received by unregistered person

Glossary

Act	Income Tax Act, 1961 (except as otherwise stated)
AJP	Artificial Juridical Person
AO	Assessing Officer
AOP	Association of Persons
AY	Assessment Year
BOI	Body of Individuals
CA	Customs Act
CD	Custom Duties
CBDT	Central Board of Direct Taxes
CIT	Commissioner of Income Tax
CIT(A)	Commissioner of Income Tax (Appeals)
CGAS	Capital Gains Account Scheme
CGST	Central Goods & Service Tax

CH	Chapter Heading
CSR	Corporate Social Responsibility
CT	Customs Tariff
CTA	Customs Tariff Act
DRP	Dispute Resolution Panel
ECO	Electronic Commerce Operator
EGR	Electronic Gold Receipt
FMV	Fair Market Value
GST	Goods & Services Tax
GSTR	Goods & Services Tax Return
HUF	Hindu Undivided Family
IBU	IFSC Banking Unit
IFSC	International Financial Services Centre

Glossary

IGST	Integrated Goods & Services Tax
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITR	Income Tax Return
JCIT	Joint Commissioner of Income Tax
JDA	Joint Development agreement
LLP	Limited Liability Partnership
LRS	Liberalised Remittance Scheme
MSME	Micro, Small & Medium Enterprises
MSMED	Micro, Small and Medium Enterprises Development (MSMED) Act, 2006
NBFC	Non-Banking Financial Companies

OIDAR	Online Information and Database Access or Retrieval Services
PAN	Permanent Account Number
PCCIT	Principal Chief Commissioner of Income Tax
PCIT	Principal Commissioner of Income Tax
PGBP	Profits and gains of business or profession
RNOR	Resident but Not Ordinarily Resident
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TPSR	Transfer Pricing Study Report
VDA	Virtual Digital Asset

Offices

- Gurgaon

1117-19, 11th Floor, DLF Galleria Tower
DLF Phase IV, Gurgaon 122002
Tel.: +91 124 257 8088
Fax.: +91 124 257 0888

- Dehradun

1, Tyagi Road, Dehradun 248001, &
3rd Floor, Soshil Tower, 1 Curzon Road, Dehradun 248001
Tel.:+ 91 135 2626795
Fax: + 91 135 2627795

- Roorkee

354B, 30 Civil Lines, Roorkee 247667
Tel.:+ 91 1332 273343
Fax: + 91 1332 277272

www.hemantarora.in

Partners

- Hemant K Arora
- Jeetan Nagpal
- Sanjay Arora
- Prabhat Rastogi
- Kamal Nagpal
- Pallavi
- Khusboo Kinger

Contacts

Hemant K. Arora

hemant.arora@hemantarora.in

+ 91 98370 39666

Jeetan Nagpal

jeetan.nagpal@hemantarora.in

+ 91 98370 28795

Sanjay Arora

sanjay.arora@hemantarora.in

+ 91 97562 08586

Pavitra H. Arora

pavitra.arora@hemantarora.in

+ 91 97604 07774

THANK YOU