

# INDIA BUDGET 2023

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For any information / assistance

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## 1. Key Aspects - Personal Taxation

- 1) Changes in new tax regime
  - a. New Tax Regime is It is proposed to widen the scope to cover AOP, BOI and artificial judicial persons.
  - b. The threshold for tax rebate for resident individuals is proposed to be increased to INR 7 lakh from INR 5 lakh.
  - c. Introduction of Standard deduction of INR 50,000 for the salary and INR 15,000 deduction for family pension are proposed to be allowed under the new tax regime.
  - d. New tax regime proposed to be treated as the default tax regime. However, taxpayers would continue to have the option to select the old tax regime. Below is the changed tax structure under new regime:

Income slabs in INR	Old tax rate	Proposed tax rate
Up to 2,50,000	0%	0%
2,50,001-3,00,000	5%	0%
<b>3,00,001-5,00,000</b>	<b>5%</b>	<b>5%</b>
5,00,001-6,00,000	10%	5%
6,00,001-7,50,000	10%	10%
7,50,001-9,00,000	15%	10%
9,00,001-10,00,000	15%	15%
10,00,001-12,00,000	20%	15%
12,00,001-12,50,000	25%	20%
Above 15,00,000	30%	30%

- 2) It is proposed that contributions to the Agniveer Corpus Fund be allowed as deduction while computing taxable income.
- 3) It is proposed to reduce the rate of surcharge on income exceeding INR 5 crore from 37% to 25%.
- 4) It is proposed to tax income received from life insurance policies issued on or after 1 April 2023 if the aggregate annual premium exceeds INR 5 lakh, except if received on death of the assured.
- 5) It is proposed to raise the exemption limit for leave encashment received on retirement by non-government salaried employees to INR 25 lakh from the current INR 3 lakh. This change is mentioned in the Budget speech, but a separate notification is awaited.

- 6) Currently, any sum of money exceeding INR 50,000 received without consideration by Resident but not an ordinary Resident from a person resident in India is deemed to be income accruing or arising in India.

## 2. Key Aspects in Corporate Taxation

- 1) Payment to micro and small enterprises to be allowed on payment basis
- 2) The restriction for interest deduction at 30% of EBITDA in respect of debts and guarantees issued by non-resident AEs is not applicable to banking or insurance companies. This benefit is now proposed to be extended to NBFCs
- 3) In case of a change in shareholding of an eligible start-up, it is proposed to extend the relaxation for carry forward and set-off of losses to 10 years from the date of incorporation (currently 7 years).
- 4) Concessional tax regime introduced for new cooperative societies which commences manufacturing or production before 31 March 2024 and does not avail of any specified incentive or deductions, may opt to pay tax at concessional rate of 15% (plus surcharge of 10%) for tax year 2023-2024 onwards
- 5) Last date of incorporation for claiming start up incentives is extended by another year i.e., up to 31 March 2024

### 3. Capital Gains Tax

- 1) Long term capital gains arising from market linked debentures are currently taxed at a concessional rate of 10%. It is proposed to tax such gains as short-term capital gains at normal rates. (The said Amendment is applicable from 01-April-2024)
- 2) Deduction from capital gains on reinvestment in new residential property is currently available to individuals and HUFs without any monetary limit. The deduction is now proposed to be capped at INR 10 crore. (The said Amendment is applicable from 01-April-2024)
- 3) Conversion of gold into EGR (issued by a vault manager) or vice versa is proposed to be exempt from capital gains tax.
- 4) Concessional tax rate of 22% is proposed to be applicable to short term capital gains derived from transfer of a capital asset on which no depreciation is allowable.

#### Clarificatory Points:

- 5) Cost of acquisition/improvement of any intangible asset for which no consideration has been paid is proposed to be nil w.e.f. April 1, 2024.
- 6) Consideration received on transfer of land or building under a JDA will also include amounts received in cheque or any other mode.
- 7) Interest on housing loan claimed as deduction while computing taxable income shall not be included in cost of acquisition/improvement for purposes of capital gains. This amendment comes in effect from 1 April 2024.

#### 4. Presumptive Taxation

- 1) The threshold of total turnover or gross receipts for availing the presumptive taxation is proposed to be enhanced from INR 2 crore to INR 3 crore in case of eligible business enterprises and from INR 50 lakh to INR 75 lakh in case of specified professional services.
- 2) The limit is proposed to be increased where cash receipts do not exceed 5% of the total turnover or gross receipts.
- 3) Tax audit not applicable for eligible business enterprises or professionals opting for presumptive taxation.

## **5. Taxability of Charitable Trusts/Institutions**

It is proposed that any existing charitable trust/institution which fails to make an application for registration within the prescribed timelines shall be subject to tax on accreted income and will be liable to tax at MMR thereafter.



## 6. Key Tax Proposals for IFSC

Extension of tax exemption to offshore funds and its unit holders / shareholders on relocation of the fund into IFSC undertaken on or before 31 March 2025.

### **Tax exemption to derivative holders:**

- 1) Currently, tax exemption is available to NRs on gains from transfer of non-deliverable forward contract, offshore derivative instruments or over the counter derivatives, entered into with an IBU.
- 2) To avoid double taxation of income distributed by IBU to NR derivative holders, it is proposed that the aforesaid exemption be extended to distribution of income to the extent such income has been taxed in the hands of the IBU.

## 7. Taxation of Co-operative Societies

- 1) Co- operative societies set up and registered on or after 1 April 2023 and commencing manufacturing or production on or before 31 March 2024 are proposed to be eligible for concessional tax rate of 15%.
- 2) Specified Domestic Transaction - insertion of clause - The provision of Specified Domestic Transaction (ST) has been expanded to cover transactions undertaken between any taxpayer with a new manufacturing cooperative society availing a concessional tax rate of 15%

## 8. TDS and TCS and Penalty Provisions

- 1) Penalty provisions: Penalty of INR 5,000 is proposed for furnishing every inaccurate reportable account in SFT.
- 2) Removal of exemption on TDS on payment of interest on listed debentures issued by a Company, to a resident, w.e.f. 1 April 2023
- 3) New provision inserted to tax income from winnings from online games. Income tax to be aggregate of 30% on net winning and income-tax which would have been chargeable on remaining income of taxpayer (after reducing new winnings above). This will be effective from 1 April 2024. TDS to be done on net winnings from any online games at rates in force w.e.f. 1 July 2023.
- 4) TCS rate increased to 20% (as against 5%) with effect from 01 July 2023 on remittances for foreign remittances under Liberalized Remittance Schemes (including overseas tour packages) other than for medical and education purposes without any threshold.
- 5) Penalty and prosecution for default in TDS on "in kind" payments for transfer of virtual digital assets and business benefit or perquisite or online game winnings made explicit with prospective effect (1 April 2023/1 July 2023)

## 9. Miscellaneous changes

- 1) It is proposed to extend the last date of incorporation for claiming tax holiday by an eligible start up by one year to 31 March 2024
- 2) It is proposed that the tax benefits for SEZ units will be allowed only if the export proceeds are repatriated to India within 6 months from the end of FY or as allowed by RBI.
- 3) To ensure valuation of inventory as per law and prevent permanent deferral of taxes through undervaluation, tax officer may ask direct taxpayer to get inventory valuation done by a cost accountant and furnish valuation report as prescribed. Such period for inventory valuation is excluded for computing time limitation.
- 4) Payment to MSME beyond time limits specified in MSMED Act will be allowed as deduction only on actual payment. Deduction allowed on accrual basis only if payment is within due date of MSMED Act.
- 5) To reduce the pendency of appeals pending with Commissioner (Appeals), it is proposed to introduce an authority, Joint Commissioner (Appeals), to handle cases assessed by an officer below the rank of a Joint Commissioner.
- 6) Reduced timeline to submit TP documentation - The time limit to furnish TP documentation and other information as required by transfer pricing officer (TPO) has been reduced from 30 days to 10 days.
- 7) The time limit for completion of assessment proceedings from Assessment Year (AY) 2022-23 onwards is proposed to be increased to 12 months from the end of the AY.

## 10. Indirect Taxes – Customs Duty

### 1) Changes in customs tariff from a specified date

Various duty rationalization measures have been proposed in continuation of the government's vision of Make in India, creating domestic value addition and providing a thrust to green energy.

### 2) Timelines for Settlement Commission orders

A nine-month period has been prescribed for the Settlement Commission to pass orders (extendable by three months), failing which the settlement proceedings will stand abated. In such cases, the Adjudicating Authority shall dispose of the matter

### 3) Validity of conditional exemptions

The following exceptions are proposed for computing the two-year validity period:

- Multilateral or bilateral trade agreements
- Obligations under international agreements, treaties, conventions and privileges of constitutional authorities
- Schemes under Foreign Trade Policy (FTP)
- Central Government schemes having a validity of more than two years
- Re-imports, temporary imports, goods imported as gifts or personal baggage

**11. Indirect Taxes - GST**

- 1) It is proposed that ITC will not be available on GST paid for CSR activities.
- 2) It is proposed to include the value of warehoused goods cleared before home consumption to compute exempted turnover for ITC reversal.
- 3) GST registration is not required for persons exclusively involved in effecting exempt/non-taxable supplies (applicable retrospectively w.e.f. 1 July 2017).
- 4) As a beneficial measure, it is proposed to change the place of supply of goods transportation services from destination of goods to location of exporter.
- 5) It is proposed to widen the scope of OIDAR services by removing the condition of supply being essentially automated and involving minimum human intervention.
- 6) It is proposed to extend the composition scheme to persons supplying goods through Electronic Commerce operator subject to TCS.
- 7) Time limit for filing GST returns is restricted to three years from the due date.
- 8) It is proposed that offences such as tampering with evidence, failure to supply information and obstructing GST officials be decriminalized.
- 9) It is proposed to increase the threshold for initiating prosecution proceedings to INR 2 crore from INR 1 crore.
- 10) Slabs for compounding of offences are reduced to 25% 100% from 50% 150%.

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