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# Union BUDGET
## 2022-23

# Comments on Budget 2022-23

The Union Budget 2022-23 is note-worthy for the series of changes in the field of Direct Taxes reflecting a thought-process which keeps pace with ground realities while also harnessing the tools of artificial intelligence and information technology. However, the absence of any steps to bring back an effective dispute resolution mechanism is something that rankles and ignores the needs of the hour more so when various changes have been made just to override judicial pronouncements.

***CA. ASHWANI KUMAR, FOUNDING PARTNER***

An ability to take the bulls by the horns, willingness to take risks to fuel the process of a sustained economic recovery and a willingness to think out of the box are the key take-aways of the Union Budget. In particular, the continued thrust on infrastructure and the introduction of a digital currency are some noteworthy initiatives deserving special mention.

***CA. SANJEEVA NARAYAN, MANAGING PARTNER***

The Finance Minister has rightly recognized the challenges in the implementation of the GST and in particular the need to arrive at the right balance "between facilitation and enforcement". As a further step there is an emergent need to review the compliance regime and make a reasonable attempt to recalibrate the returns checklist and reduce the compliance burden.

***CA. ADITYA KUMAR, CEO & PARTNER***



# Contents

# FOREWORD

Over the years with fiscal economic initiatives being rolled out at regular intervals and the introduction of the Goods and Services Tax, the excitement traditionally associated with the annual Budgetary exercise of the Central Government has somewhat dissipated. Nevertheless, it still remains the most exciting event on India's economic calendar, more so in the background of the pandemic (which, as a wag put it is now endemic) and is keenly watched for the gentle tweaks in policy, sectoral initiatives and most importantly for the amendments in tax laws, which particularly in the recent past, have surprised one and all no end.

For starters, the Economic Survey 2021-22 (principally authored by the Principal Economic Adviser with the Chief Economic Advisor being just a couple of days into the job) stuck a note of optimism by revising the contraction for the financial year 2020-21 to a 6.6% decline from the 7.3% forecast earlier which (not surprisingly, and by a statistical quirk) would dampen the growth estimate for FY 2022 to 8.8% from 9.2%, because of the base effect. In a departure from the traditional benchmarks of fiscal prudence, the decision makers do not seem to be in a hurry to target pre-pandemic levels of fiscal deficit and suggest the availability of sufficient head space to raise capital expenditure and expand welfare measures (of course, without excessive resort to profligacy) which could and hopefully will steamroll the process of rapid economic recovery. However an erratic monsoon, unpredictable behaviour of crude prices, global economic trends and, of course, how the pandemic pans out could prove to be red-herrings and spoil the party.

As for the fall out and status of earlier policy initiatives and directional shifts, in what has now become routine, the disinvestment receipts fell way short of the target with the Asset Monetization Plan yet under formulation (may be something to be expected given the underlying complexity and sensitivity attached to the exercise). However the recent setting up of the National Asset Reconstruction Company of India Ltd ( tad euphemistically referred to as the "Bad Bank") will help in clearing up Bank Balance Sheets and free up resources to feed the credit needs of the Industry and Business.

The Union Budget pegs the Economic Growth for the F/Y 2022-23 at 9.27% and in an attempted move back to traditional economic prudence hopes to limit fiscal deficit for F/Y 2022-23 to 6.4% of the GDP. Never short on rhetoric (something which has became a regular feature of the Union Budgets in the recent past and a welcome one at that) the Budget coinciding with the culmination of the "Azadi Ka Amrit Mahotsav", hopes to lay the foundation for "Amrit Kaal" from India at 75 to India at 100 by focussing on inclusive development, productivity enhancement, energy transition, climate action and financing of investment as the key drivers of the process. As for specific initiatives, there is the expected renewed thrust on infrastructure, including by a push to the construction of Highways, modernisation of the rail network, introduction of 400 new Vande Bharat trains and the development of efficient logistics by the Railways to augment the supply chain and cement last mile connectivity for small farmers and local products.

The decision to extend the Emergency Credit Line Guarantee Scheme till March 2023 and to revamp the Credit Guarantee Trust for Micro Small Enterprises, which would facilitate additional credit for ₹ 2 lakh crore, would be particularly welcomed by the MSME sector, which has suffered the most severe brunt of the pandemic, by augmenting their income and employment generating potential. Setting up a fund to finance agriculture and rural start-ups together with the direct payment of MSP of ₹ 2.37 lakh crores is perhaps a reflection of the desire of the Government to mend fences with the farmers, given the somewhat rocky nature of their relationship in the recent past. The Introduction of a new digital currency powered by blockchain technology, while widely expected, is a recognition of the rapid developments world-wide in the field of digitization. However, the proposal to tax transactions in digital currency at 30% with an additional transaction tax has indeed acted as a dampener.

In terms of the social sector while there are several initiatives, the decision to roll-out a national tele-mental health programme to be operated under a network of 23 mental health centres of excellence is a particularly landmark step considering the rapid rise in mental health issues post Covid -19.

On the direct taxes front, in particular, the salaried middle class, in what has become some kind of a routine for them, will definitely feel short-charged if not wronged for want of any reliefs in the tax slabs or deductions. The lack of reliefs to this economically and strategically crucial segment dents the aspirations and hopes of a large swathe of the tax paying population already reeling from devastating after effects of the pandemic, dramatically reduced job security and of course the inflationary factors which have severally affected their spending capacity and who suffer the highest real effective rates of taxation. Of course, on the tax administration side, the increased time frame of two years available to assessees to file updated returns (the fine print reveals several limitations to the process), reduction of corporate surcharge and calibration of rates for taxation of Long Term Capital Gains are welcome moves.

An over view of the Finance Bill reveals the devil in the details with a systematic effort at overturning effects of judicial decisions, revamp of the Faceless Assessment Scheme in the light of actual experience and feedback received, tweaking of certain provisions to plug loopholes and a drastic overhaul of the provisions relating to the taxation of Institutions engaged in charitable activities which could have wide ranging repercussion in compliance as well as actual working. The absence of any steps to develop an effective alternate dispute resolution mechanism will only lead to burdening a judicial system already creaking at the seams while increasing compliance costs for assessees.

In a nutshell, the Budget attempts fiscal consolidation and seeks to accelerate the process of rapid economic recovery by taking several remarkable initiatives in tune with the changing times, the needs of populace with the fond hope of a rapid deliverance from the scourge of and a rise from embers of the pandemic.

## KEY POLICY Announcements

Marking the beginning of Amrit Kaal, the 25-year long leadup to India@100, Hon'ble Finance Minister laid the vision around 4 pillars:

### PM GATISHAKTI

- A transformative approach for economic growth and sustainable development
- Driven by seven engines, namely, Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure
- Supported by the complementary roles of Energy Transmission, IT Communication, Bulk Water & Sewerage, and Social Infrastructure
- Mobilization of finances worth ₹ 20,000 crore for the expansion of National Highways network by 25,000 km in 2022-23.
- Efficient movement of goods through different modes by bringing the data on Unified Logistics Interface Platform (ULIP), designed for Application Programming Interface (API)
- Implementation of Multimodal Logistics Parks at four locations through Public Private Partnership mode to be awarded in 2022-23.
- Popularization of 'One Station-One Product' concept to help local businesses & supply chains.
- 2,000 km of network to be brought under Kavach, the indigenous world-class technology for safety and capacity augmentation in 2022-23.
- 400 new-generation Vande Bharat Trains to be developed and manufactured during the next three years
- 100 PM GatiShakti Cargo Terminals for multimodal logistics facilities to be developed during the next three years.
- National Ropeways Development Programme to take up 8 ropeway projects for a length of 60 km in 2022-23 on PPP mode.

## INCLUSIVE DEVELOPMENT

- Alignment of National Skill Qualificaton Framework (NSQF) with dynamic industry needs to promote continuous skilling avenues, sustainability,and employability.
- DESH-Stack e-portal to empower citizens to skill,reskill or upskill through on-line training.
- Facilitation of 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS).
- For promoting supplementary education in regional languages for classes 1-12, programme of PM e-VIDYA will be expanded from 12 to 200 TV channels.
- Setting up of 750 virtual labs in science and mathematics, and 75 skilling e-labs for simulated learning environment.
- Establishment of Digital University to provide access to world-class quality universal education.
- Launching of Ayushman Bharat Digital Mission to provide for the National Digital Health Ecosystem.
- Launching of National Tele Mental Health Programme including a network of 23 tele-mental health centres with NIMHANS being the nodal centre and International Institute of Information Technology-Bangalore (IIITB).
- Launching of Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0 to provide integrated benefits to women and children.
- Allocation of ₹60,000 crore has been made with an aim to cover 3.8 crore households in 2022-23 under 'Har Ghar, Nal Se Jal' scheme.
- 80 lakh houses to be completed for the identified eligible beneficiaries of PM Awas Yojana, both rural and urban in 2022-23.
- Allocation of ₹1,500 crore will be made for, PM-DevINE, Prime Minister's Development Initiative for Northeast to fund infrastructure and social development projects. Thus, enabling livelihood activities for youth and women.
- Launching of Vibrant Villages Programme for development of border villages with sparse population, limited connectivity, and infrastructure.

## PRODUCTIVITY ENHANCEMENT & INVESTMENT, SUNRISE OPPORTUNITIES, ENERGY TRANSITION AND CLIMATE ACTION

- Promoting Ease of Doing Business 2.0 & Ease of Living, 25,000 compliances were reduced, and 1486 Union laws were repealed, continuing the commitment for 'minimum government & maximum governance'.
- Expansion of single window portal, PARIVESH to enable application for all four approvals through a single form and tracking of the process through Centralized Processing Centre-Green (CPC-Green).
- Issuance of e-Passports using embedded chip and futuristic technology in 2022-23.
- Adoption of Unique Land Parcel Identification Number to facilitate IT-based management of records. .
- Promotion of National Generic Document Registration System (NGDRS) with the 'One-Nation One-Registration Software' as an option for uniform process for registration and 'anywhere registration' of deeds & documents.Promotion of National Generic Document Registration System (NGDRS) with the 'One-Nation One-Registration Software' as an option for uniform process for registration and 'anywhere registration' of deeds & documents.
- Necessary amendments in the Insolvency and Bankruptcy Code will be carried out to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.
- Establishment of Centre for Processing Accelerated Corporate Exit (C-PACE) to facilitate and speed up the voluntary winding-up of these companies from the currently required 2 years to less than 6 months.
- The use of surety bonds as a substitute for bank guarantee to be made acceptable in government procurement.
- Setting up Animation, visual effects, gaming, and comic (AVGC) promotion task force to build domestic capacity for serving our markets and the global demand.
- Spectrum auctions for 5G technology will be conducted in 2022 by private telecom providers.
- 5% of annual collections under the Universal Service Obligation Fund will be allocated to promote R&D and commercialization of technologies and solutions.
- The contracts for laying optical fibre in all villages, including remote areas, to be awarded under the Bharatnet project through PPP in 2022-23.
- A new legislation enabling the states to become partners in 'Development of Enterprise and Service Hubs' will be replacing the Special Economic Zones Act.
- ∑ Reducing imports and promoting *Atma Nirbharta* in equipment for the Armed Forces, 68 per cent of the capital procurement budget will be earmarked for domestic industry in 2022-23.
- Opening the doors of Defence R&D for industry, start-ups and academia with 25 per cent of defence R&D budget, private industry will be encouraged to take up design and development of military platforms and equipment in collaboration with DRDO and other organizations through SPV model.

## FINANCING OF INVESTMENTS

- Outlay of about ₹ 7.50 Lakh crore for capital expenditure in 2022-23.
- Issue of sovereign Green Bonds for mobilizing resources for green infrastructure in 2022-23.
- Providing support for the development of World-class foreign universities and institutions at the GIFT-IFSC to facilitate availability of high-end human resources.
- Promotion of thematic funds for blended finance with the government share being limited to 20 per cent and the funds being managed by private fund managers for encouraging important sunrise sectors such as Climate Action, Deep-Tech, Digital Economy, Pharma and Agri-Tech.
- Inclusion of Data Centres and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems in harmonized list of infrastructure ensuring credit availability for digital infrastructure and clean energy storage.
- Introduction of Digital Rupee i.e. Central Bank Digital Currency (CBDC) using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23.
- ₹1 lakh crore to assist the states in catalysing overall investments in the economy to be used for PM GatiShakti related and other productive capital investment of the states.
- A fiscal deficit of 4% of GSDP of which 0.5% will be tied to power sector reforms, to be allowed to the states in accordance with the recommendations of 15th Finance Commission.

# Fiscal and Economic Overview

**0.5%**

***ESTIMATED FISCAL DEFICIT***

FOR 2022-23 – 6.4%

FOR 2020-21 – 6.9% (RE)

*"The current economic indicators are pointing towards the need to nurture growth, through public investment, to become stronger and sustainable.".*"

## KEY ECONOMIC INDICATORS

- Growth in Nominal GDP for the BE 2022-23 is estimated at 11.1%.
- Revenue deficit in BE 2022-23 is estimated to be 3.8% of GDP as against 4.7% in RE 2021-22.
- Effective Revenue deficit in BE 2022-23 is estimated to be 2.6% of GDP as against 3.7% in RE 2021-22.
- Fiscal deficit in BE 2022-23 is estimated to be 6.4% of GDP as against 6.9% in RE 2021-22, which is consistent with the broad path of fiscal consolidation to reach a fiscal deficit level below 4.5 per cent by 2025-26.
- Primary deficit in BE 2022-23 is estimated to be 2.8% of GDP as against 3.3% in RE 2021-22.
- Total expenditure in BE 2022-23 is pegged at ₹ 39.45 Lakh Crore as against ₹ 37.70 Lakh Crore in RE 2021-22.
- The revised estimate of Capital Expenditure is ₹ 6.03 Lakh Crore, which includes settlement of outstanding guaranteed liabilities of Air India and its other sundry commitments amounting to ₹ 51,971 Crore.

## BUDGETARY ALLOCATION

### MINISTRY WISE

- ₹ 105,406.82 Crore for Ministry of Communications.
- ₹ 107,715.38 Crore for Ministry of Chemicals and Fertilisers.
- ₹ 132,153.62 Crore for Ministry of Agriculture and Farmers' Welfare.
- ₹ 138,203.63 Crore for Ministry of Rural Development.
- ₹ 140,367.13 Crore for Ministry of Railways.
- ₹ 185,776.55 Crore for Ministry of Home Affairs.
- ₹ 199,107.71 Crore for Ministry of Road Transport and Highways.
- ₹ 217,684.46 Crore for Ministry of Consumer Affairs, Food and Public Distribution.
- ₹ 525,166.15 Crore for Ministry of Defence.

### ALLOCATION TO MAJOR SCHEMES

- ₹ 37,800 Crore towards National Health Mission.
- ₹ 60,000 Crore towards Jal Jeevan Mission.
- ₹ 39,553 Crore towards National Education Mission.
- ₹ 19,000 Crore towards Pradhan Mantri Gram Sadak Yojana.
- ₹ 68,000 Crore towards PM Kisan.
- ₹ 6,400 Crore towards Atamnirbhar Bharat Rojgar Yojana.
- ₹ 10,000 Crore towards Pradhan Mantri Swasthya Suraksha Yojana.



# Direct Tax Proposals


## TAX RATES

- There are no changes proposed in the tax rates.

## REDUCTION IN AMT ON CO-OPERATIVE SOCIETIES

- It is proposed to reduce the AMT rate at which co-operative societies are liable to pay income-tax to 15% from existing 18.5% and applicable surcharge from existing 12% to 7% if income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.

## CAPPING OF SURCHARGE ON INCOME TAX

- It is proposed to restrict the surcharge @15% on taxes in case of income earned by the way of dividend or sale of listed equity shares. However, the same not be applicable in case if the income is taxable under section 115A, 115AB, 115AC, 115ACA and 115E.
- It is proposed to restrict the surcharge @15% on taxes in case of an association of persons consisting of only companies as its members.

## BUSINESS/PROFESSION

**Clarification regarding treatment of Cess and Surcharge**

- It is proposed to amend section 40(a)(ii) to define the term tax to include and deemed to have already included any surcharge or cess by whatever name called. The said amendment has been proposed to overrule the judgements of Bombay High Court in Sesa Goa Ltd. and Rajasthan High Court in Chambal Fertilizers and Chemicals Ltd. This amendment will apply retrospectively w.e.f. 01.04.2005

**Deduction of Interest only on actual payment – Section 43B**

- It is proposed to amend section 43B so as to clarify that conversion of interest payable on loan or borrowing into debentures or any other instrument by which liability to pay is deferred to a future date, shall also not be deemed to have been actually paid. This amendment will be applicable w.e.f. AY 2023-24.

**Extension of the last dates for Commencement of Business for beneficial tax rates**

- It is proposed to extend limitation period for commencement of **Manufacturing or Production**, under section 115BAB, from 31.03.2023 to 31.03.2024
- It is proposed to amend the provisions of section 80-IAC of the Act to extend the period of incorporation of **Eligible Start-Ups** from 01.04.2022 to 31.03.2023.

**Clarifications on allowability of expenditure under section 37**

- It is proposed to insert another explanation to section 37(1) to bring into ambit following expenditures as incurred by the assessee for any purpose which is an offense or which is prohibited by law:
  i. for any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or
  ii. to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guidelines, as the case may be, for the time being in force, governing the conduct of such person; or
  iii. to compound an offence under any law for the time being in force, in India or outside India.

**Disallowance u/s 14A**

- It is proposed to clarify that provisions of section 14A shall apply and shall be deemed to have always applied in a case where exempt income has not accrued or arisen or has not been received during the previous year relevant to an assessment year and the expenditure has been incurred during the said previous year in relation to such exempt income. This amendment will be applicable w.e.f. 01.04.2022.

## CAPITAL GAINS

**Scheme for Taxation of Virtual Digital assets/VDA (including Virtual Currencies and Non-Fungible Tokens)**

In order to tax VDAs, following amendments are proposed:

- **Tax Rate [Section 115BBH]-** Transfer of VDA to be taxed at the rate of 30% without any deduction in respect of any expenditure (except Cost of acquisition) or allowance or set off of any loss.
- **Set off/Carry Forward [Section 115BBH]-** Loss on sale of VDA shall not be allowed to be set off and not be allowed to be carried forward.∑ .
- **Tax on gift of VDA [Section 56(2)(x)] –** Transfer of a VDA without consideration (FMV exceeding Rs. 50,000/-) or for a consideration (less than FMV), the same to be taxed u/s 56(2)(x).T**ax on gift of VDA [Section 56(2)(x)] –** Transfer of a VDA without consideration (FMV exceeding Rs. 50,000/-) or for a consideration (less than FMV), the same to be taxed u/s 56(2)(x).

**Bonus and Dividend stripping**

- It is proposed to amend section 94(8), pertaining to the prevention of tax evasion through bonus stripping and dividend stripping, so as to make the said provision applicable to securities as well including units of business trusts such as InvIT, REIT and AIF by including the same within the definition of units. This amendment will be applicable w.e.f. AY 2023-24.

## SEARCH AND SURVEY

**Set-off of loss/depreciation in search/survey cases**

- It is proposed to insert a section 79A to provide that no set off, against such undisclosed income, of any loss, whether brought forward or otherwise, or unabsorbed depreciation shall be allowed to the assessee under any provision of this Act in computing his undisclosed income (which is defined separately) for such previous year consequent to a search or a survey action. This amendment will be applicable w.e.f. 01.04.2022.

## COVID'19 RELIEF

**Exemption of amount received for medical treatment and on account of death due to Covid-19**

It is proposed that –

- Money received by an individual in respect of any expenditure actually incurred by him on his medical treatment or of any member of his family, in respect of any illness related to COVID-19, shall not form part of income of such person
- If the sum of money received from the employer of the deceased person (without limit), or from any other persons to the extent that such sum does not exceed ten lakh rupees**,** where the cause of death is illness due to COVID-19, same shall not form part of income of such person

The amendment will take effect retrospectively from 1st April,2020

## TDS / TCS

**TDS on benefit or perquisite of a business or profession**

- It is proposed to insert a new section 194R to the Act to provide that the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of ten per cent of the value or aggregate of value of such benefit or perquisite. For the purpose of this section, the expression 'person responsible for providing' has been proposed to mean a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof. This amendment will be applicable w.e.f. 01.07.2022

**TDS/TCS on non-filer at higher rates**

- It is proposed to amend that higher TDS/TCS in sections 206AB/206CCA shall apply in case of a person who has not filed its return of income for immediately preceding financial year in which TDS/TCS is to be deducted/collected and the amount of tax collected and deducted at source is Rs. 50,000/- or more in the said previous year. Earlier the higher rates would have applied in case of non-filing of return of last two years. Also, provisions shall not apply in case TDS/TCS is required to be deducted u/s 194I, 194IA, 194IB and 194M. This amendment will be applicable w.e.f. 01.04.2022.

**TDS on purchase of Immovable Property**

- It is proposed to amend section 194-IA of the Act to provide that in case of transfer of an immovable property (other than agricultural land), TDS is to be deducted at the rate of one per cent of such sum paid or credited to the resident or the stamp duty value of such property, whichever is higher. In case the consideration paid for the transfer of immovable property and the stamp duty value of such property are both less than fifty lakh rupees, then no tax is to be deducted under section 194-IA. This amendment will be applicable w.e.f. 01.04.2022.

**TDS on payment for Transfer of Virtual Digital Asset (VDA)**

- In order to widen tax base to include the transfer of VDA within TDS provisions, it is proposed to insert section 194S to provide that TDS shall be deducted on payment for transfer of VDA to a resident @1% of amount to be transferred. However, in case where payment is not in form of cash or is partly in cash which is insufficient to meet the tax liability, the person shall ensure that tax on such consideration has been paid by recipient before making the payment. This amendment will be applicable w.e.f. 01.07.2022.

## CASH CREDITS

- It is proposed to amend provisions of section 68 so as to provide that the nature and source of loan or borrowing, or any other liability credited in the books of an assessee shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider.

This amendment will be applicable w.e.f. 01.04.2023.

## ASSESSMENTS / APPEALS

**Faceless Assessment Scheme**

It is proposed to amend section 144B to include the following:

- Assessment Unit (AU)/Technical Unit (TU)/Review Unit (RU)/Verification Unit (VU) to mean an Assessing Officer (AO) with the powers specified by the Board.
- Notice(s) and order(s) to be signed by the respective Assessing Officer.
- Virtual Hearing to be mandatorily allowed.
- Eradication of a new Assessment Unit. In case of variation proposed by Review Unit, Assessment Unit (AO) to prepare the final order in accordance with the review received by the Review Unit.
- Powers given to AU(AO) to make a reference to NaFAC for special audit under Section 142(2A).

This amendment will take effect from 01.04.2022.

**Amendments in Reassessment proceedings**

It is proposed to amend the reassessment proceedings as under:

- The information available with the Assessing Officer to enable him to make a reassessment u/s 147 shall include any audit objections, any information available u/s 90/90A, information received u/s 135A, any information requiring action in consequence of an order of tribunal or a court.
- Mandatory assessment for 3 immediately preceding financial years in case of search survey done away with.
- Reassessment can be done for relevant assessment year after 3 years but before 10 years, if AO has in possession evidences that income chargeable to tax in form of asset/expenditure, in form of transaction or event or occasion or an entry, which has escaped assessment exceeds Rs. 50 Lakhs or more.

These amendments will be applicable w.e.f. 01.04.2022

**Assessment in case of Succession other than by way of Death**

- It is proposed to insert a sub-section (2A) to section 170, to provide that the assessment or other proceedings pending or completed on the predecessor in the event of a business reorganization, shall be deemed to have been made on the successor.

**Amendment in section 245MA**

- It is proposed to insert sub-section (2A) to section 245MA to enable AO to pass an order giving effect to resolution by DRC in case of eligible assessee. This amendment will be applicable w.e.f. 01.04.2022

**Power of revision u/s 263 extend to TPO Order passed u/s 92CA**

- It is proposed to extend the powers of section 263 to enable PCIT/CIT to pass an order of revision u/s 263 in respect of an order passed by TPO u/s 92CA. This amendment will be applicable w.e.f. 01.04.2022

**Levy of penalty by Commissioner (Appeals)**

- It is proposed to amend sections 271AAB, 271AAC and 271AAD by enabling the Commissioner (Appeals) to levy penalty under these sections to penalise actions pertaining to undisclosed income, unexplained credits or expenditures, or deliberate falsification or omission in books of accounts. This amendment will be applicable w.e.f. 01.04.2022

## RETURN FILING

**Updated Return**

- It is proposed to insert section 139(8A) to enable a person to file an updated return within 24 months from the end of the relevant assessment year. However, an updated return cannot be filed if the updated return is a loss return or has effect of decreasing the liability, or search or survery action has been undertaken, or updated return for that year has already been filed, or AO has information under PMLA, Black Money, PBPT, 90/90A, prosecution has been initiated, etc. This amendment will be applicable w.e.f. 01.04.2022

**Modified Return in case of Business Re-organisation**

- It is proposed to insert a new section 170A to the Act, to enable entities going through business reorganization, for filing of modified returns for the period between the date of effectivity of the order and the date of issuance of final order of the competent authority. This amendment will be applicable w.e.f. 01.04.2022.

## MISCELLANEOUS

**Section 80 CCD- Contribution to National Pension Scheme (NPS)**

- It is proposed to increase the limit of deduction under section 80CCD of the Act from the existing ten per cent to fourteen per cent in respect of contribution made by the State Government to the account of its employee to incline the same with deduction available for central government employees. This amendment will take effect retrospectively from 1st April, 2020.

**Liability of Directors**

- It is proposed to title of section 179 to "Liability of directors of private company" so as to clarify that the liability of directors of a private company for recovery of tax dues from directors of company under certain circumstances where such tax cannot be recovered from the company itself is not conditional upon the company being in liquidation. This amendment will be applicable w.e.f. 01.04.2022.

**Avoidance of Repetitive Appeals**

- It is proposed to insert a new section 158AB in the Act, to provide that where the collegium is of the opinion that any question of law arising in the case of an assessee for any assessment year ("relevant case") is identical with a question of law already raised in his case or in the case of any other assessee for an assessment year, which is pending before the Jurisdictional High Court or the Supreme Court, against the order of the Appellate Tribunal or the jurisdictional High Court, as the case may be, in favour of such assessee ("other case"), it may, decide and intimate the Commissioner or Principal Commissioner not to file any appeal, at this stage, to the Appellate Tribunal or to the High Court, as the case may be. This amendment will be applicable w.e.f. 01.04.2022.

**Rationalisation of provision of Charitable/Religious Institutions**

- It is being clarified by inserting Explanations "[Explanation 3 to clause (23C) of section 10 and Explanation to section 11] to provide that any sum payable by any trust under the first or second regime shall be considered as application of income in the previous year in which such sum is actually paid by it irrespective of the previous year in which the liability to pay such sum was incurred by such trust according to the method of accounting regularly employed by it.
- It is proposed to make changes in provisions of section 10(23C) or 11 and 12 to allign the provisions relating to taxability and procedure of said institutions as governed by the respective section(s). *(Detailed note on amendments for charitable/religious institutions will be shared in a separate communique).*



# Indirect Tax Proposals


- The record collection of ₹ 1,40,986 crore GST revenues in January 2022 was the highest since GST inception. GST revenues are buoyant despite the pandemic – Taxpayers deserve applause for this growth.
- A new clause (ba) to sub section 2 of section 16 has been inserted to provide that ITC w.r.t to supply can be availed only when such credit has not been restricted in the details communicated to the registered person u/s 38 (2)
- Section 41 has been substituted to remove the concept of "credit on provisional basis" and restriction on availment of ITC only when the supplier has paid the taxes on the same. Non payments of taxes by supplier shall result in reversal of ITC with applicable interest and can be re-availed on the payment of taxes by supplier thereof.
- The two-way communication process in filing GST returns under section 42, 43 & 43A providing the matching, reversal and reclaim of input tax credit/reduction in output tax liability & procedure for furnishing return and availing of input tax credit has been scrapped.
- Sub section 10 of Section 49 has been substituted to add the facility of enabling the option of transfer of amount standing in e-cash ledger of IGST & CGST to the e-cash ledger of the distinct person as defined in the Act. This is subject to the condition that the transferee must not have any unpaid liability in e-liability ledger.
- Sub section 12 of section 49 has been inserted to empower the central government to specify rules for deciding the maximum proportion of output tax liability which may be discharged through electronic credit ledger.
- **Refunds**

  a. Section 54 (2) has been amended to extend the time limit for claiming refund of tax paid on inward supplies prescribed u/s 55 to 2 year from the last day of the quarter in which the said supply is received. The time limit for application of refund was earlier prescribed to expiry of six month from the last day of such quarter.

  b. Section 54 (10) has been amended to extend the scope of withholding/recovery of refund to all types of refund applications.

  c. Explanation to section 54 has been amended to provide the clarity regarding the relevant date for filing of refund application in respect of supplies made to SEZ.
- Respective notifications Central Tax, State Tax & Integrated Tax dt. 28.06.2017 has been amended retrospectively w.e.f. 01.07.2017, to notify the rate of interest u/s 50 (3) as 18% in place of 24%.
- The Retrospective effect to various notification under CGST/SGST/IGST Acts has been given to prescribe that license fee/ application fee paid for grant of alcoholic liquor license shall be neither treated as supply of goods nor supply of services. It further seeks to provide that no refund shall be made of tax which has already been collected.
- Section 29(2) clause (b) and (c) have been amended to provide the continuous tax periods for which the return has not been furnished which would make a registration liable for

cancellation. Therefore, section 10 composition taxpayers' registration can be cancelled Suo-moto if they have not filed their GSTR-4 return beyond 3 months from the due date.

- Sub-section (1) of section 37 has been amended so as to provide for prescribing conditions and restrictions for furnishing the details of outward supply and the conditions and restrictions as well as manner and time for communication of the details of such outward supplies to concerned recipients. It further seeks to omit sub-section (2) and first proviso to sub-section (1) so as to do away with two-way communication process in return filing. It also seeks to insert sub-section (4) so as to provide for tax period-wise **sequential filing** of details of outward supplies under sub-section (1).
- Sub-section (5) of section 39 has been amended so as to provide that the non-resident taxable person shall furnish the return for a month within thirteen days after the end of the month or within seven days after the last day of the period of registration specified under sub-section (1) of section 27, whichever is earlier. It further seeks to substitute the first proviso to sub-section (7) so as to provide an option to the persons furnishing return under proviso to sub-section (1) to pay either the self-assessed tax or an amount that may be prescribed.
- Various amendments have been made for extending the time lines from 30th September to 30th November:
  a. **Section 16(b)(4):** Availing ITC against any Invoice or Debit Note pertaining to previous Financial Year
  b. **Section 34(2):** Issuance of Credit Note in respect of any supply made in previous Financial Year
  c. **Section 52(6):** Rectification of errors in the statement furnished for collection of tax at source
  d. **Section 39(9):** Rectification of errors in return furnished for Non-Resident Taxable Person.

- Section 38 has been substituted with a new section which empowers the central government to make rules to specify supplies as well as the manner, time, conditions and restrictions by means of an auto generated system. It has also removed the two-way communication process in the return filing mechanism.

*(Note: The amendments so iterated above shall be applicable from the dates as and when notified under the GST Act except for point 7 & 8 above)*

## EXCISE DUTY

- In order to promote blending of Motor Spirit (commonly known as Petrol) with ethanol/methanol and blending of High-Speed Diesel with biodiesel, an additional Basic Excise Duty of ₹ 2 per liter on Petrol and Diesel, intended to be sold to retail consumers without blending, would be levied with effect from the 1st day of October 2022.

## CUSTOM DUTY

- Additional obligations for the importer have been specified in section 14 in those cases where the value has not been declared correctly etc. this amendment seeks to address the issue of undervalued imports.
- Section 28J has been amended to provide that the advance ruling shall remain valid for a period of 3 years or till there is change in law whichever is earlier.
- Changes in the Basic Customs Duty (BCD) os as depicted on the next sheet

:



## AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

| Product | Duty change in BCD w.e.f 02.02.2022 | |
|---|---|---|
| | Now (%) | Proposed (%) |
| Microbial fats and oils and their fractions | 30 | 100 |
| Umbrellas | 10 | 20 |
| Imitation Jewellery | 20 | 20 or Rs.400/kg. whichever is higher |
| Solar Cells (other than those exclusively used with ITA-1 items) | 20 | 25 |
| *Note: Effective BCD rate on these goods would continue to be 'Nil' till 31.03.2022* | | |
| Solar Modules (other than those exclusively used with ITA-1 items) | 20 | 40 |
| *Note: Effective BCD rate on these goods would continue to be 'Nil' till 31.03.2022* | | |
| Pure-bred breeding horses | 30 | Free |
| Ethyl alcohol and other spirits, denatured | 30 | 5 |
| Salt, Sulphur, Earth and stone, lime etc. | 10 | 5 |
| Crude or unrefined sulphur | 10 | 2.5 |
| Zinc slag, ash or residue | 10 | 5 |
| Copper slag, ash or residue | 10 | 5 |
| Coal, Lignite, Peat | 10 | 5 |
| *[These items would continue to attract Basic Customs Duty at the rate of 1% through notification No. 50/2017-Cus]* | | |
| Coke, coal gas and Tar | 10 | 5 |
| Oil (other than crude petroleum) obtained from Bituminous Crude | 5 | Free |
| Petroleum oils and oils obtained from bituminous minerals (excluding Naphtha), petroleum gases, petroleum jelly, petroleum bitumen and other residues of petroleum oil, asphalt. | 10 | 5 |
| Motor Spirit commonly known as petrol | 10 | 2.5 |
| High speed diesel (HSD) | 10 | 2.5 |
| Liquefied natural gas (LNG) | 10 | 2.5 |
| Liquefied petroleum gases (LPG) | 10 | 5 |
| Natural Gas in gaseous state | 10 | 5 |
| Cotton, not carded or combed | 25 | 5 |
| Cotton waste | 25 | 10 |
| Cotton sewing thread, Cotton yarn (not put up for retail sale) | 20 | 10 |
| Cotton yarn (put up for retail sale) | 25 | 10 |
| Methyl alcohol (methanol) | 10 | 2.5 |
| *[The current applicable Basic Customs Duty is 5% vide S. No. 200 of notification No. 50/2017- Customs]* | | |
| Acetic acid | 10 | 5 |
| *[The current applicable Basic Customs Duty is 7.5% vide S. No. 185 of notification No. 50/2017- Customs]* | | |

# SECTORAL ANALYSIS

## INFRASTRUCTURE

Infrastructure can be referred to as the basic systems that undergird the structure of the economy, for instance transportation facilities, telecommunication networks, water supplies etc.The infrastructure is important for faster economic growth and alleviation of poverty in the country. The adequate infrastructure in the form of road and railway transport system, ports, power, airports and their efficient working is also needed for integration of the Indian economy with other economies of the world. Considering the aforesaid needs, the Hon'ble Finance Minister (FM) announced the launch of 'PM Gatishakti' programme'. This is driven by seven engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure. Hopefully, it might address the need of all the major limbs of the infrastructure sector in the economy. The government in this budget aimed at providing big public investment for Modern Infra to raise productivity and render multi modal connectivity. To implement this, ₹ 20,000 crores allocated to boost Transport Infra. Talking about the major outcomes of this Budget, Hon'ble FM announced formulation of a Master Plan for Expressways, targets completion of 25000 km National Highways in 2022-23 and 400 new generation Vande Bharat Trains in a span of 3 years. Apart from this Rail network is proposed to be increased by 2,000 kms 100 Gatishakti Cargo in 3 years 2000 kms new rail network by 2023, Unified Logistics Interface Platform allowing data exchange among all mode operators. Clearly, the government is aiming to strengthen this sector by best possible means in the prevailing conditions. Government is trying hard to revive the economy and nullify the post COVID'19 impacts but only time knows whether these steps will suffice the need of the hour.

## AGRICULTURE & RURAL

**Major Changes :** The history of agriculture in India dates back to the Indus Valley Civilization. India ranks second worldwide in farm outputs. In past years, agriculture employed more than 50% of the Indian work force and contributed 17–18% to the country's GDP. Hon'ble FM engrossed finance startups for agriculture & rural enterprises which will be facilitated by NABARD through activities which includes support for Farmer Producers Organizations, machinery for farmers on rental basis at farm level, and technology including IT-based support. This will indeed serve as a beneficial trait for the Indian agriculture sector in the times to come. Taking the digitisation a step further, the FM spoke about 'Digitisation of Land Records' and use of 'Kisan Drones' for Crop Assessment. These digitalisation techniques will definitely prove a remarkable step in the current scenario as it will enable us to get rid of cumbersome paper records and will render a time saving approach for crop assessment. A scheme in Public Private Partnership (PPP) mode will be launched for delivery of digital and hi-tech services to farmers. This will lead to far better reach for the latest technical innovations for the farmers of our country resulting in better cultivation.Government provided an outlay towards Minimum Support Price (MSP). FM announced that there will be ₹ 2.37 lakh crore direct payment of MSP to the accounts of the farmers and Chemical-free Natural Farming will be promoted throughout the country. The Union Minister laid emphasis on transition to a Carbon Neutral Economy. 5-7% biomass pellets will be co-fired in thermal power plants resulting in $CO2$ savings of 38MMT annually. This will result in extra Income to farmers and job opportunities to locals and help them avoid stubble burning in the fields. Hopefully, these steps of the government in the agriculture sector uplifts the social and financial status of farmers in the current prevailing scenario.



## AUTOMOTIVE AND MANUFACTURING

Arguably one of the biggest announcements for the automobile sector in this budget was the new battery swapping policy. The move will allow the major Electronic Vehicles players, Original Equipment Manufacturers and charging infra companies to set up battery-swapping stations and technology in the country, and in the process, allowing for a shift towards electric-powered vehicles from the Internal Combustion Engine-powered vehicles.The FM announced that it will encourage the implementation of clean & electric vehicles in the commercial vehicle sector. The move will help auto companies to produce and manufacture electric buses and electric commercial vehicles for public transport, thus reducing the toll on fossil-fuel-generated vehicles. The government has also proposed to open the R&D defence to the private auto component makers. Car manufacturers such as Tata Motors and Mahindra have been already working in the defence sector through their respective wings. They have been making vehicles for the Indian armed forces. Now, opening up the defence R&D for private players will help them with new revenue and growth areas for all stakeholders. However, this would be limited to certain players only .Further, there were few indirect benefits for the industry. The benefits announced to promote rural economic sentiment will eventually improve demand for vehicles in rural markets that contribute largely to the sales of two-wheelers, entry-level cars and SUV's along with small commercial vehicles and tractors. There was also an allocation of ₹ 20,000 crore in infrastructure projects, movement of people, and goods providing a major boost to the commercial vehicle segment. This investment will help the CV sector, especially at a time when the sector has been hit hard by the pandemic. As for the manufacturing sector, the Finance Minister has proposed to enhance the funding under the Performance Linked Incentive (PLI) scheme for domestic solar cells and module manufacturing to ₹24,000 crore from the existing ₹ 4,500 crore to make India an exporting nation. Custom duty rates are also calibrated to provide a graded rate structure to facilitate domestic manufacturing of wearable devices, hearable devices and electronic smart meters.

## BANKING AND FINANCIAL SECTOR

The importance of banking and insurance, as an important part of the financial system, has been well accepted in the growth literature. Acting as financial intermediaries they perform important functions that may contribute to economic growth. Additionally, Post Offices do play a major role in catering to the needs of financially weaker sections.By embracing Core Banking System, post offices can provide enhanced Customer services. In the Union Budget 2022, FM stated that 100% of 1.5 lakh post offices will come on the Core Banking System. This will result in access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post offices and bank accounts.In recent years, digital banking, digital payments and fintech innovations have grown at a rapid pace in the country. Taking forward this agenda, and to mark 75 years of Independence, the government proposed to set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks. The financial support for the digital payment ecosystem announced in the previous Budget will continue in 2022-23. This will encourage further adoption of digital payments. There will also be a focus to promote use of payment platforms that are economical and user friendly.

## HEALTHCARE

In terms of healthcare budget, India ranks 179 out of 189 countries in prioritisation accorded to health in its government budgets. As health is a state subject in India, spending on healthcare by the states matters the most when examining government healthcare spending.Keeping this thing in mind, a National Digital Health Ecosystem will be rolled out which will consist of digital registries of health providers and health facilities, unique health identity and universal access to health facilities according to the FM.There was also a focus on mental health as the government plans to launch the National Tele Mental Health program for which IIM Bangalore will provide the technological support. This will enable the general public a better access to quality mental health counseling and care services and will include a network of 23 tele mental health centres.

## EDUCATION

The cumulative effects of the pandemic could have a long term impact on an entire generation of students. To keep the children's learning, particularly those in rural areas, 'One Class-One TV Channel' Programme of PM e-vidya will be expanded from 12 to 200 TV Channels.The Union Minister, keeping in view the trouble faced by students during the COVID period, stated that Digital Universities will be established to provide access to students across the country for world-class quality universal education with personalised learning experience at their doorstep. In addition, the best public universities and institutions in the country will collaborate as a network of hub-spokes.

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