ashwani & associates
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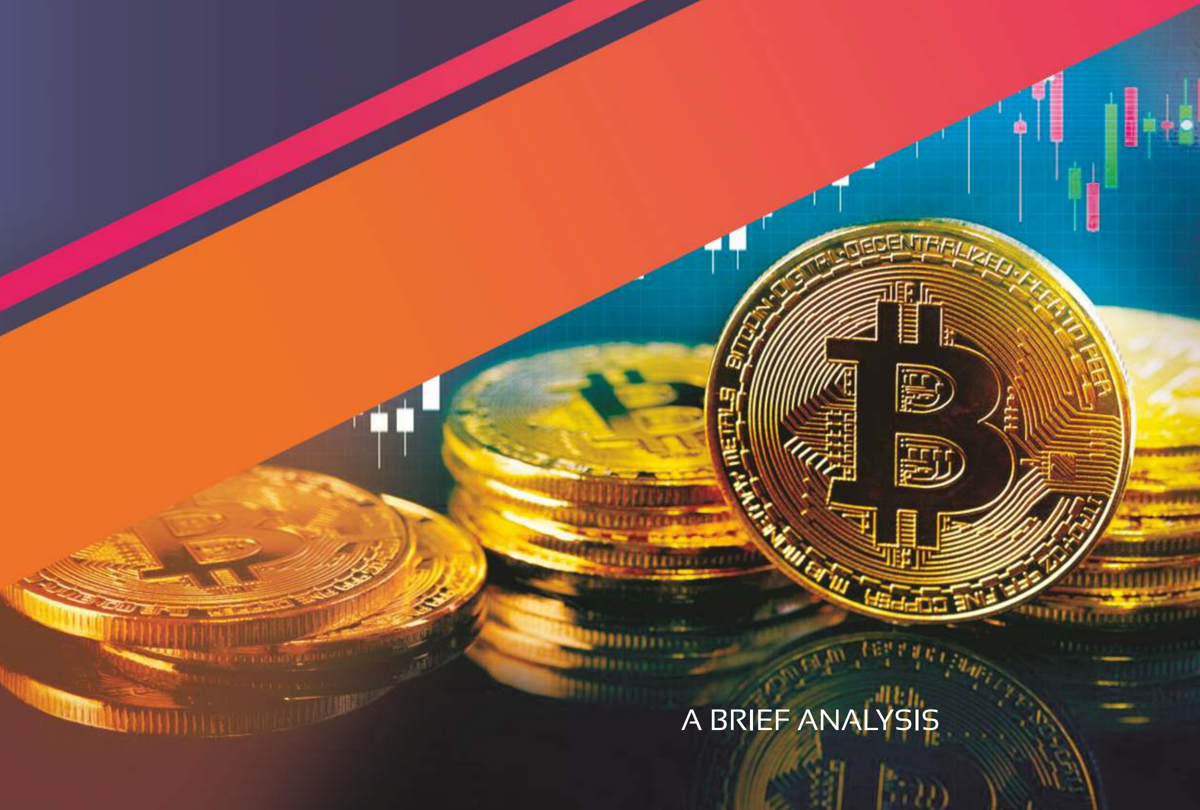
UNION BUDGET 2023-24



A BRIEF ANALYSIS

Comments on Budget 2023-24

"The balanced budget, with its long-awaited relief for individual taxpayers, is a pleasant surprise. The rationalization of certain provisions of the Income Tax Act is also welcome. However, the lack of attention to the need for more effective alternate dispute resolution mechanisms is disappointing."

CA. ASHWANI KUMAR, FOUNDING PARTNER

The gradual path towards fiscal consolidation is reflective of prudent economic, fiscal and monetary policies. In any case the risks posed by global headwinds a burgeoning current account deficit and currency fluctuation will have to be continuously monitored. The setting up of facilities for Entity Digi Lockers will substantially enhance ease of doing business.

CA. SANJEEVA NARAYAN, MANAGING PARTNER

The focus on harnessing the potential of the youth as India enters a new era will help the country capitalize on its demographic dividend. In regards to indirect taxes, it is hoped that the transition to a uniform or lower rate of GST will be smoother and that the establishment of GST Tribunals for quicker dispute resolution will be expedited

CA. ADITYA KUMAR, CEO & PARTNER

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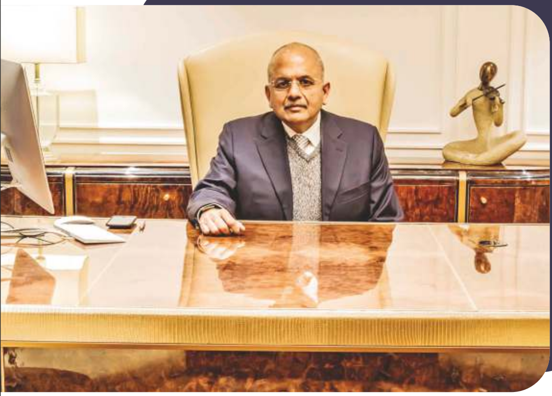

FOREWORD

The Economic Survey 2022-23, a precursor to the Union Budget, highlights the triple whammy of the COVID pandemic, Russia-Ukraine conflict and the looming worldwide surge in inflation as factors which have hit the global economy since 2020. In this scenario, the survey forecasts a somewhat muted 6% to 6.8% economic growth for India in real terms for F/Y 24 despite which it is still set to retain its status as the world's fastest growing economy. It further highlights inflationary pressures, a widening current account deficit, monetary tightening in developed markets, currency pressures and India's perennial bugbear - an uncertain monsoon as areas of concern.

In this background, while the annual Union Budgetary exercise may have lost some of its sheen in terms of the Indirect Tax proposals (with the introduction of the Goods and Services Tax), it is still looked forward to with heightened expectation for the polity's world-view of the economy, policy initiatives, the general political direction and for the fiscal, monetary and economic initiatives all of which combined do intimately affect the lives of the citizens of what is arguably the biggest democracy and now the most populated country in the world with the added complexity arising out of the merging of the Rail and Union Budgets thrown in for good measure. The suspenseful excitement only got magnified given the fact that this was the last Budget before the General Elections 2024 and expected to deliver a strong political message.

Being the first budget of India's "Amrit Kaal", the seven priorities – Inclusive Development, Reaching the last mile, Infrastructure and Investment, Unleashing the potential, Green Growth, Youth Power and the Financial Sector akin to the "Saptarishi" (the seven sages of ancient India who guide humanity on the path of Dharma) seems to blend societal balance and needs, financial stability, economic growth and environmental sustainability thereby guiding India to a brighter future. Talking about specifics, the gradual reduction of the fiscal deficit and the reiteration of the intention to bring it below 4.5% of the GDP in 2025-26 is a welcome commitment to fiscal prudence, of course, suitably calibrated with the constantly churning dynamics of both the domestic and external environment.

The expectations of this Budget being populist, keeping in view the general elections have been thankfully belied and an attempt made to marry good economics and prudent politics to deliver a package which can be termed pragmatic. The increased capital investment outlay and the gentle prod to the private sector to do likewise is bound to have a multiplier effect on employment generation, increased disposable incomes and wholesome economic growth with inclusivity as its fulcrum. The various initiatives while reaffirming the federal structure of the country also aim at capacity augmentation by providing opportunities for skilling, upskilling and reskilling. The digitization process dovetails with the focus on ease of doing business and finds expression in initiatives such as setting up of three Centres for Artificial Intelligence, bringing out a National Data Governance policy, setting up of Entity Digi Lockers, a Unified filing process etc.

On the taxation front, the tweaks in the customs duty rates seems to be intended to serve broader social purposes (increases in taxes on cigarettes for instance) or to deal with items of conspicuous consumption and, of course, in some, yet critical, cases to encourage domestic value addition/production, import substitution and export competitiveness. The real action is on the Direct Taxes front, specially personal income-tax with reliefs both under the old and new regimes of taxation, reduction in the highest rates of surcharge and a more than eight fold increase in the exemption available for receipts from leave encashment. The proposal to bring payment to entities falling within the definition of "MSME" within the ambit of s.43B, it is hoped, will substantially mitigate the recovery issues and liquidity problems faced by this sector, of course with the accompanied baggage of increased compliance and record keeping.

Economists, politicians and lay persons may debate endlessly on the pros and cons of this budgetary exercise but it seems to have the unrequited potential to lead India into the "Amrit Kaal" while unleashing the prospects of sustained economic growth.

KEY POLICY Announcements

This is the first Budget in ***Amrit Kaa***l, this Budget hopes to build on the foundation laid in the previous Budget, and the blueprint drawn for India@100, Hon'ble Finance Minister laid the vision around "SAPTARISHI"-

PRIORITY 1: INCLUSIVE DEVELOPMENT- "SABKA SATH SABKA VIKAS"

- The agriculture credit target will be increased to ₹ 20 lakh crores with focus on animal husbandry,dairy and fisheries.
- States will be encouraged to set up physical libraries at panchayat and ward levels and to provide infrastructure for accessing the National Digital Library resources.
- A scheme to supply free food grain to all Antyodaya and priority households for the next one year, under 'PM Garib Kalyan Anna Yojana' (PMGKAY). The entire expenditure of about ₹. 2 lakh crores will be borne by the Central Government.
- To inculcate financial literacy, financial sector regulators and organizations will be encouraged to provide age-appropriate reading material to these libraries.

PRIORITY 2: REACHING THE LAST MILE

- To improve basic facilities such as safe housing, clean drinking water and sanitation, improved access to education, health and nutrition, road and telecom connectivity, and sustainable livelihood opportunities of the particularly vulnerable tribal groups (PVTGs), Pradhan Mantri PVTG Development Mission will be launched with an outlay of ₹ 15,000 crores.
- In drought-prone central regions of Karnataka, central assistance of ₹ 5,300 crore to be given to upper 'Badra Project' to provide sustainable micro-irrigation.
- The outlay for 'PM Awas Yojana' is being enhanced by 66 per cent to over ₹ 79,000 crores.
- Bharat Shared Repository of Inscriptions' will be set up in a digital epigraphy museum, with digitization of one lakh ancient inscriptions.
- For poor persons who are in prisons and unable to afford the penalty or the bail amount, required financial support will be provided.

PRIORITY 3: INFRASTRUCTURE & INVESTMENT

- Provision being made for creation of capital assets through Grants-in-Aid to States. The 'Effective Capital Expenditure' of the Centre is budgeted at ₹13.7 lakh crore, which will be 4.5 per cent of GDP.
- To spur investment in infrastructure and to incentivize the state government, 50-year interest free loan is decided to continue for one more year with a significantly enhanced outlay of ₹ 1.3 lakh crore.

PRIORITY 4: UNLEASHING THE POTENTIAL - "TRUST BASED GOVERNANCE"

- Government has launched an integrated online training platform, iGOT Karmayogi, to provide continuous learning opportunities for lakhs of government employees to upgrade their skills and facilitate people-centric approach.
- To unleash innovation and research by start-ups and academia, a National Data Governance Policy will be brought out.
- A one stop solution for reconciliation and updating of identity and address of individuals maintained by various government agencies, regulators and regulated entities will be established using DigiLocker service and Aadhaar as foundational identity.
- A voluntary settlement scheme with standardized terms will be introduced to settle contractual disputes of government and government undertakings, wherein arbitral award is under challenge in a court.
- For efficient administration of justice, Phase-3 of the E-Courts project will be launched with an outlay of ₹ 7,000 crores.

PRIORITY 5: GREEN GROWTH

- "PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth"-PM PRANAM will be launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.
- 500 new 'waste to wealth' plants under 'GOBARdhan' (Galvanizing Organic Bio-Agro Resources Dhan) scheme will be established for promoting circular economy at total investment of ₹ 10,000 crores. 5% compressed bio gas mandate to be introduced for all the organizations marketing natural and bio gas.
- MISHTI' -Mangrove Initiative for Shoreline Habitats & Tangible Incomes, will be taken up for mangrove plantation along the coastline and on salt pan lands.
- To encourage optimal use of wetlands, and enhance bio-diversity, the government has introduced 'Amrit Dharohar' scheme to promote their unique conservation values.

PRIORITY 6: YOUTH POWER -'AMRIT PEEDHI'

- Pradhan Mantri Kaushal Vikas Yojana 4.0' will be launched to skill lakhs of youth for international opportunities by covering various courses like coding, AI, Robotics, 3D printing etc.
- The focus of development of tourism would be on domestic as well as foreign tourists at least 50 destinations will be selected through challenge mode to be developed as a complete package. Along with that sector specific skilling and entrepreneurship development will be dovetailed to achieve the objectives of the 'Dekho Apna Desh' initiative.
- For promotion of ODOPs (one district, one product), GI products and other handicraft products, and for providing space for such products, states will be encouraged to set up a Unity Mall in their state capital or most prominent tourism center or the financial capital.

PRIORITY 7: FINANCIAL SECTOR

- A national financial information registry will be set up to serve as the central repository of financial and ancillary information.
- To build capacity of functionaries and professionals in the securities market, SEBI will be empowered to develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets.
- To enhance business activities in GIFT IFSC, few measures have been introduced such as, delegating powers under the SEZ Act to IFSCA, setting up a single window IT system, permitting acquisition financing by IFSC Banking Units, establishing a subsidiary of EXIM Bank etc.
- A Central Processing Centre will be setup for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.
- For investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease, an integrated IT portal will be established

Fiscal and Economic Overview

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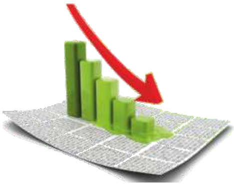


ESTIMATED FISCAL DEFICIT

FOR 2032-24 – 5.9%

FOR 2022-23 – 6.4% (RE)

"Union Budget 2023-24 is in line with the Government's focus and commitment to Four I's - Infrastructure, Investment, Innovation and Inclusion in the next 25 years,

KEY ECONOMIC INDICATORS

- Growth in Nominal GDP for the BE 2023-24 is estimated at 10.5%.
- Revenue deficit in BE 2023-24 is estimated to be 2.9% of GDP as against 4.1% in RE 2022-23.
- Fiscal deficit in BE 2023-24 is estimated to be 5.9% of GDP as against 6.4% in RE 2022-23, 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 2023-24 is estimated to be 2.3% of GDP as against 3.0% in RE 2022-23.
- Gross Tax Revenue (GTR) is projected to grow at 10.4 per cent in BE 2023-24 over RE 2022-23. Both,the Direct and Indirect Tax receipts are individually estimated to grow at 10.5 per cent and 10.4 per cent, respectively.
- Tax Revenue (gross) as a percentage of GDP is estimated at 11.1 per cent in BE 2023-24 which is at par with the RE of 2022-23.
- The Revenue Receipts is estimated at ₹26.32 lakh crore in BE 2023-24as against ₹23.48 lakh crore in RE 2022-23.
- The Capital Receipts is estimated at ₹18.7 lakh crore in BE 2023-24as against ₹18.4 lakh crore in RE 2022-23.

- Total expenditure in BE 2023-24 is pegged at ₹ 45.03 Lakh Crore as against ₹ 41.87 Lakh Crore in RE 2022-23.
- A sharp increase in capital expenditure is proposed i.e.₹10 lakh crore in BE 2023-24 over ₹ 7.28 lakh crore of RE 2022-23. The budgeted capital expenditure is almost 3 times of the capital expenditure in FY 2019-20.
- Expenditure on revenue account has been estimated at about ₹ 35.02 lakh crore (11.6 per cent of GDP) in BE 2023-24 recording a growth of 1.2 per cent over ₹ 34.59 lakh crore of RE 2022-23.
- The total resources being transferred to the States including the devolution of State's share, Grants/ Loans and releases under Centrally Sponsored Schemes etc in BE 2023-24 is ₹ 18,62,874 crore, which shows an increase of ₹ 1,57,264 crore over Actual (2021-22).
- 50 year interest free loan to States to be spent on Capital Expenditure within 2023-24.
- The Gross and Net Borrowing is expected to go down to 5.1 per cent and 4.1 per cent, respectively, in BE 2023-24 as compared to 5.2 per cent and 4.4 per cent, respectively, in RE 2022-23.

BUDGETARY ALLOCATION

MINISTRY WISE

-
- ₹ 1,23,393 Crore for Ministry of Communications.
- ₹ 1,78,482 Crore for Ministry of Chemicals and Fertilizer.
- ₹ 1,25,036 Crore for Ministry of Agriculture and Farmers' Welfare.
- ₹ 1,59,964 Crore for Ministry of Rural Development.
- ₹ 2,41,268 Crore for Ministry of Railways.
- ₹ 1,96,035 Crore for Ministry of Home Affairs.
- ₹ 2,70,435 Crore for Ministry of Road Transport and Highways.
- ₹ 2,05,765 Crore for Ministry of Consumer Affairs, Food and Public Distribution.
- ₹ 5,93,538 Crore for Ministry of Defense.
- ₹ 1,12,899 Crore for Ministry of Education
- ₹ 16,89,719 Crore for Ministry of Finance

ALLOCATION TO MAJOR SCHEMES:

- ₹ 36785 Crore towards National Health Mission.
- ₹ 70,000 Crore towards Jal Jeevan Mission.
- ₹ 38953 Crore towards National Education Mission.
- ₹ 19000 Crore towards Pradhan Mantri Gram Sadak Yojana.
- ₹ 60000 Crore towards PM Kisan.
- ₹ 5,943 Crore towards Eklavya Model Residential Schools
- ₹ 79,590 Crore towards Pradhan Mantri Awas Yojana
- ₹ 60,000 Crore towards Mahatma Gandhi National Rural Employment Guarantee Program.
- ₹ 23,000 Crore towards Modified Interest Subvention Scheme (MISS)
- ₹ 1,250 Crore towards Development of Pharmaceutical Industry
- ₹ 15,069 Crore towards Remission of Duties and Taxes on Imported Products.
- ₹ 8,405 Crore towards Rebate on State and Central Taxes and Levies.
- ₹ 14,100 Crore towards Guarantee Emergency Credit Line (GECL)

Direct Tax Proposals

TAX RATES

- The new regime of tax under section 115BAC shall become the default tax regime for individual/ HUFs / AOPs/ BOI with revised tax slabs and tax rates as under, w.e.f. AY 2024-25:

Slabs of Total Income	Rate of Tax
Upto ₹ 3,00,000/-	Nil
From ₹ 3,00,001/- to ₹ 6,00,000/-	5 per cent
From ₹ 6,00,001/- to ₹ 9,00,000/-	10 per cent
From ₹ 9,00,001/- to ₹12,00,000/-	15 per cent
From ₹ 12,00,001/- to ₹15,00,000/-	20 per cent
Above ₹15,00,000/-	30 per cent

- Further, following changes are proposed in taxation as per new regime under section 115BAC:
  - Limit of rebate under section 87A of the Act to be increased from the existing limit of ₹ 5,00,000/- to ₹ 7,00,000/-;
  - Standard Deduction under the head salary, deduction of family pension income & deposit in Agniveer Corpus Fund under section 80CCH shall be allowed;
  - Maximum rate of surcharge to be restricted to 25% and resultantly the Maximum marginal rate to be reduced from existing 42.74% to 39%.
- There are no changes proposed in tax rates in the old tax regime. In order to claim benefit of old regime, option will have to be exercised in return of income or by filing specified form before filing of return in case of income under the head profits and gains from business or profession

SALARY

Valuation of residential accommodation provided to employees

- It is proposed to prescribe uniform methodology in the rules (to be notified later) for computing the value of rent-free accommodation and accommodation provided at concessional rate to the assessee by its employer. Further, it is proposed to provide that the accommodation shall be deemed to have been provided at concessional rate if the value of the accommodation computed in the prescribed manner exceeds the rent recoverable from the assessee.

  This amendment will be applicable w.e.f. AY 2024-25.

BUSINESS

Taxability of perquisites in Cash

- It is proposed to amend clause (iv) of section 28 of the Act to clarify that benefits or perquisites received fully or partially in cash will be chargeable under the head profits and gains from business or profession. This amendment will be applicable w.r.e.f. AY 2023-24.

Claim of Preliminary Expenditure

- It is proposed to amend section 35D to provide that for purpose of preparation of feasibility report or project report etc., the assessee shall be required to furnish a statement containing the particulars of said expenditure and there is no need to get the said work done from a person approved by the Board. This amendment will be applicable w.e.f. AY 2024-25.

Disallowance of late payments to MSMEs

- It is proposed to insert clause (h) to section 43B to provide that delayed payments in accordance with MSME Act shall be allowed only on actual payment basis i.e., in the Assessment Year in which the delayed payment is actually paid. This amendment will be applicable w.e.f AY 2024-25.

Presumptive Taxation

- It is proposed to increase the threshold for presumptive taxation scheme u/s 44AD and 44ADA from existing Rupees two crores to three crores and from rupees fifty lakhs to seventy-five lakhs, respectively, provided that receipts in cash do not exceed five percent of total receipts. This amendment will be applicable w.r.e.f AY 2023-24.

Start-up

- The time limit for set off and carried forward of loses of eligible Start-ups is proposed to be increased from seven years to ten years from date of incorporation. This amendment will be applicable w.r.e.f. AY 2023-24.

- In order to extend the tax holidays provided to eligible Start-ups, the limitation date for incorporation of a start-up is proposed to be extended for another one year, upto 31.03.2024.

CAPITAL GAINS

Limit of exemption claimable under section 54 or 54F

- It is proposed to impose a limit on the maximum exemption that can be claimed by the assessee under section 54 and section 54F to Rs. 10 crores. This amendment will be applicable w.e.f. AY 2024-25.

COST OF ACQUISITION

Interest on Borrowed Capital

- In order to avoid double deduction of interest on borrowed capital for acquiring/renewing/reconstruction of property under head house property and as cost of acquisition/improvement under capital gains, it is proposed to insert a proviso to section 48 to exclude that amount of interest claimed under section 24 under head house property shall not be allowed as cost of improvement. This amendment will be applicable w.e.f. AY 2024-25.

Cost of Acquisition of Intangible Assets

- It is further proposed to provide that cost of acquisition or improvement of intangible assets or any sort of right for which no consideration has been paid shall be taken as NIL. This amendment will be applicable w.e.f. AY 2024-25.

INCOME FROM OTHER SOURCES

Income from Business Trusts

- It is proposed to levy tax on amount received by unit holders in form of repayment of debt or redemption of unit under section 56(2)(xii). However, in case of redemption of unit, the tax shall be levied on amount received as reduced by cost of acquisition. This amendment will be applicable w.e.f. AY 2024-25.

Deemed income on issuance of shares by unlisted company (Angel Tax on investments by Non-Residents)

- It is proposed to include non-residents for the purpose of taxation u/s 56(2)(viib) of the Act.

  This amendment will be applicable from A.Y. 2024-25 onwards.

Taxation of Proceeds of High Premium Insurance Policies (other than ULIP)

- Exemption under Clause (10D) of Section 10 of the Act, for sum received under a Life Insurance Policy will not be available with respect to insurance policies issued on or after 01.04.2023, if the amount of premium payable or aggregate amount of premium payable for any of the previous year during the term of the policy(s) exceeds ₹ 5 Lakhs. However, the said amount shall not be taxed if the same is received on death of a person. This amendment will be applicable w.e.f. AY 2024-25.

Income Deemed to accrue or arise in India

- It is proposed to amend section 9(1)(viii) to provide that a sum of money received in excess of ₹ 50,000/- by a person not ordinarily resident in India without consideration shall be deemed to accrue or arise in India, earlier the said income was taxed in the hands of only Non residents. This amendment will be applicable w.e.f. AY 2024-25.

TDS/TCS PROVISIONS

TDS on Online Gaming

- It is proposed to insert new section 194BA to provide TDS on net winning from online games at the time of withdrawal from online account or on the remaining amount of net winning in the user account as on last date of previous year, at the rate of 30% in accordance with provisions of section 115BBJ of the Act. This amendment will be applicable w.e.f. 01.07.2023.

TCS on foreign remittance

- It is proposed to increase rate of TCS on foreign remittance under section 206C(1G) of the Act from existing 5 % to 20 % on sale of overseas tour package and foreign remittance through LRS other than for the purpose of education or medical treatment. This amendment will be applicable w.e.f. 01.07.2023.

Levy of TDS on payment of interest on Listed Debentures

- It is proposed to levy TDS on interest payments by a listed entity on listed debentures @10% under section 193 of the Act. This amendment will be applicable w.r.e.f. AY 2023-24.

TDS on accumulated balance due to employee

- It is proposed to reduce rate of deduction of TDS on lumpsum payment of accumulated balance due to employee under Employees' Provident Fund Scheme, 1952, in case of non furnishing of PAN from Maximum marginal rate to 20 per cent. This amendment will be applicable w.r.e.f. AY 2023-24.

Higher rate of TDS/TCS in case of non-filers

- It is proposed to provide relief of non-levy of higher rate of TDS/TCS under section 206AB and 206CCA in case of persons who are not required to file return of income and is notified by central government in the official gazette. This amendment will be applicable w.r.e.f. AY 2023-24.

TDS Credit Mismatch

- It is proposed to insert section 155(20) to provide facility to claim TDS in case where income has been offered to tax in earlier year and TDS has been deducted in subsequent year by way of an application to AO in two years from end of financial year in which TDS was deducted. The resultant refund, if any shall be provided with interest under section 244A from date of application to date of refund. This amendment will be applicable w.e.f. 01.10.2023.

Valuation of Inventory 142(2A)

- It is proposed to substitute section 142(2A) of the Act to provide that in case where proceedings are pending before AO, he may get the inventory valued of the assessee by a cost accountant nominated by PCIT/CCIT or PCIT/CIT. This amendment will be applicable w.r.e.f. AY 2023-24.

Reassessment Proceeding

- It is proposed to streamline the time limit for furnishing of return in response to notice under section 148 to provide that such return can be furnished within three months from end of month in which notice is issued and in case return is not furnished within such time, it shall not be deemed to be a return filed under section 139.

- It is proposed to exclude a period of 15 days for the purpose of computation of period of limitation for issuance of notice to be issued under section 148 where search or requisition takes place after 15th March of Financial Year or in case of proceedings emanating from such search or requisition.

  These amendments will be applicable w.r.e.f. AY 2023-24.

Time Limits

- It is proposed to reduce time limit for providing information with regard to international transactions or specified domestic transaction called for during course of assessment from existing 30 days to 10 days from receipts of notice. This amendment will be applicable w.r.e.f. AY 2023-24.

Appeal before Joint Commissioner (Appeals)

- It is proposed to substitute section 246 to provide for filing or adjudication of appeal by Joint Commissioner (Appeals) with respect to specified orders restricted up to a specified disputed demand. This amendment will be applicable w.r.e.f. AY 2023-24.

Appeals to Appellate Tribunal

- It is proposed to amend section 253 to provide that appeals against orders of CIT(A) u/s 271AAB, 271AAC or 271AAD and order of PCCIT or CCIT u/s 263 or 154 r.w.s. 263 may be filed before the Income Tax Appellate Tribunal.

- It is also proposed to amend section 253 to enable filing of memorandum of cross objection in all classes of cases against which appeal can be made to the Appellate Tribunal.

  These amendments will be applicable w.r.e.f. AY 2023-24.

SEARCH & SEIZURE

- It is proposed to provide that authorised officers may seek assistance of any other person or entity during the course of search with prior approval of PCCIT or PDGIT, to assist him during search. Also, assistance of any such person may be sought for the purpose of estimation of fair market value of property and submit a report in sixty days to the concerned officer.

- It is proposed to increase time limit for completion of assessment from existing 9 months to 12 months from end of relevant assessment year.

- It is also proposed to increase time limit for completion of assessment which is pending on the date of search by a further period of twelve months.

  These amendments will be applicable w.r.e.f. AY 2023-24.

Set off and withholding of refund

It is proposed to amend section 245 to provide as under:

- PCIT or CCIT may in lieu of payment of the refund, set off the amount to be refunded or any part of that amount, against any sum remaining payable under this Act by the person to whom the refund is due, after giving an intimation in writing to such person of the action proposed to be taken under this section.

- Where a part of the refund has been set off under sub section (1) or where no amount is set off, and refund becomes due to a person, then, the Assessing Officer, having regard to the fact that proceedings are pending in such case and grant of refund is likely to adversely affect the revenue, and for reasons to be recorded in writing, may withhold the refund till the date on which such assessment or reassessment is made.

- In case where refund has been withheld, the additional interest shall not be payable to the assessee, from the date on which such refund is withheld, till the date of the assessment.

  These amendments will be applicable w.r.e.f. AY 2023-24.

Rationalisation of provisions of Charitable Trust and Institutions

Following amendments are proposed for taxation of Charitable Trusts :

- Application out of corpus or loans before 01.04.2021 not to be allowed as application when such amount is deposited back, invested in corpus or at the time of repayment of loan; (w.r.e.f. AY 2023-24)

- Only 85% of amount paid as donations to other trust or institutions shall be treated as application; (w.e.f. AY 2024-25)

- Form 9A/10 for accumulation or set off to be furnished two months prior to due date of filing of return of income u/s 139(1); (w.r.e.f. AY 2023-24)

Indirect Tax Proposals

CENTRAL GOODS AND SERVICES TAX ACT, 2017

Doors of E-Commerce opened for Composition Dealers:

- Section 10 of the Act is being amended to remove the restriction imposed on Composition Dealers engaged in supplying goods through electronic commerce operators. Resultantly, Composition dealers can now opt in to make its supplies through e-commerce portal.

Aligning Section with the amended rules:

- Second and Third proviso to Section 16(2) is being amended to align them with Rule 37 of the rules and return filing system under the Act.

In-Bond Sales to be considered 'Exempt' for ITC Reversal:

- The definition of "Exempt Supply" has been amended in Explanation to section 17(3) of the Act to restrict the availment of ITC in respect of In-Bond Sales (para 8(a) of Schedule III). Therefore, said incomes shall be considered in the calculation of common input reversal.

ITC on CSR Activities-"Ineligible"

- It has been clarified vide amendment in section 17(5) to provide that ITC shall not be available in respect of goods/services received used for activities relating to corporate social responsibility u/s 135 of the Companies Act, 2013. As a result of said amendment, companies making CSR Expenditure are now not eligible to claim ITC for such expenditures.

No Compulsory Registration if exempted u/s 23:

- Section 23(1) & 23(2) of the Act are being amended retrospectively from 01st July, 2017, to provide that persons requiring compulsory registration u/s 22(1) or 24 of the Act need not register if exempt u/s 23(1) of the Act.

Specifying the time limit for filing returns

- New sub sections have been inserted u/s 37,39, 44 & 52 of the Act to restrict the taxpayer from filing of returns beyond the time limit of 3 years.
- Further, it also seeks to provide an enabling provision for extension of the said time limit, subject to certain conditions and restrictions.

Concept of Provisional ITC given away

- Section 54(6) of the Act has been amended to remove the concept of provisionally accepted input tax credit to rationalise the scheme of ITC and to remove the ambiguity in aforesaid section w.r.t the scheme of self-assessed ITC.

Penal Consequences for ECOs:

- A new sub-section (1B) in Section 122 of the Act is being inserted to make E-Commerce Operators liable for penal consequences for defaults pertaining to supplier/supply of goods on their portal.
- As a result, ECOs shall be liable to pay a penalty equivalent to:
  - o ten thousand rupees, or
  - o an amount equivalent to the amount of tax involved

  whichever is higher.

Manner of Computation for Delayed Refunds specified:

- Section 56 of the Act is being amended to provide for the manner of computation of period of delay for calculation of interest on delayed refunds.

Retrospective applicability of Sch-III:

- Schedule III of the Act is being amended to give retrospective applicability on treatment of Merchanting, In-Bond and High Seas Sale. The same shall be treated as 'Neither Supply of Goods nor Supply of Services' w.e.f 01st July, 2017. Where tax has already been paid during the period, no refund of such tax paid shall be available.

Provisions for sharing information by GST Portal:

- Manner & Conditions for sharing information such as registration details, GSTR-1/3B particulars, E-Invoice details etc. has been prescribed.

Amendments w.r.t various penal/prosecution provisions:

Rationalisation of provisions such as:

- threshold increased from ₹ 1 crore to ₹ 2 crores
- simplification of compounding provisions
- no prosecution in specified cases

INTEGRATED GOODS AND SERVICES TAX ACT, 2017

Definition of OIDAR amended:

- Section 2(16) of the Act is being amended to revise the definition of "non-taxable online recipient" by removing the condition of receipt of services for purposes other than commerce, industry or any other business or profession.
- Also, clause (17) of the said section is being

amended to revise the definition of "online information and database access or retrieval services" to remove the condition of rendering of the said supply being essentially automated and involving minimal human intervention.

Place of Supply provisions w.r.t goods amended

- Proviso creating an exception to POS provisions w.r.t Transportation of Goods where the goods are exported out of India and Supplier & Recipient are located in India has been omitted.

CUSTOMS ACT, 1962

- A new sub section (8A) to section 127 C is being inserted so as to specify a time limit of 9 months from the date of application, for disposal of the application filed before the Settlement Commission.

- The heading 9801 of the first schedule of Customs Tariff Act, 1975 is being amended to exclude solar power plant/solar power project from the purview of Project Imports with effect from the date of assent.

- The change in rates of Basic Custom Duty and other allied duties is on the following page

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

Product	Duty change in w.e.f 02.02.2023	
	Now (%)	Proposed (%))
Compounded Rubber	10	25% or Rs. 30 / kg whichever is lowers
Articles of precious metals	20	25
Imitation Jewellery	20% or Rs. 400	25% or Rs. 600 whichever is higher
Electric Kitchen Chimney	7.5	15

AMENDMENTS IN THE BASIC CUSTOM DUTY RATES

Denatured ethyl alcohol for use in manufacture of industrial chemicals	5	Nil
Seeds for use in manufacturing of rough lab-grown diamonds	5	Nil
Silver (including silver plated with gold or platinum), unwrought or in semi- manufactured forms, or in powder form	7.5	10
Silver Dore	6.1	10
Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder	7.5	Nil
Palladium Tetra Amine Sulphate for manufacture of parts of connectors	7.5	Nil
Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone	2.5	Nil
Specified parts for manufacture of open cell of TV panel	5	2.5
Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20	15

AMENDMENTS IN THE NCCD RATES OF SPECIFIED CIGARETTES IN RS. PER THOUSANDS

Product	NFROM	TO
Other than filter cigarettes, of length not exceeding 65 mm	200	230
Other than filter cigarettes, of length exceeding 65 mm but not exceeding 70 mm	250	290
Filter cigarettes of length (including the length of the filter, the length of filter being 11 mm or its actual length, whichever is more) not exceeding 65 mm	440	510
Filter cigarettes of length (including the length of the filter, the length of filter being 11 mm or its actual length, whichever is more) exceeding 65 mm but not exceeding 70 mm	440	510
Filter cigarettes of length (including the length of the filter, the length of filter being 11 mm or its actual length, whichever is more) exceeding 70 mm but not exceeding 75 mm	545	630
Cigarettes of tobacco substitutes	600	690

SECTORAL ANALYSIS

INFRASTRUCTURE

Emphasising the importance of infra structural needs, the Hon'ble Finance Minister (FM) announced establishment of new Infrastructure Finance Secretariat for time-bound creation of world class infrastructure in the country, prioritising more private investment in railways, roads, urban infrastructure and power, which are predominantly dependent on public resources. Upholding the mission of Sabka Saath & Sabka Vikas, capital investment outlay is raised by 33% to Rs. 10 Crores, which will amount to 3.3 % of GDP, with Rs. 2.40 lakh crore provisioned for the Railways (highest ever outlay). Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending, being managed by the National Housing Bank to create urban infrastructure in Tier 2 and Tier 3 cities. Through property tax governance reforms and ring-fencing user charges on urban infrastructure, cities will be given incentives to improve their credit worthiness for municipal bonds. One hundred critical transport infrastructure projects, for ports, coal, steel, fertilizer, and food grains sectors have been prioritised with investment of Rs.75,000 crores.

100 labs to be set up in engineering institutions for developing applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications, using 5G Services to realize a new range of opportunities, business models, & employment potential.

Clearly, the Union Budget in FY 2023-24 proposes to boost thrust on infrastructure development through enhanced capital expenditure. It also seeks to ensure equity and equality of such investments across the country. This is in line with the Government's focus and commitment to Four I's – Infrastructure , Investment , Innovation and Inclusion in the next 25 years.

AGRICULTURE & RURAL

Agriculture has remained an intrinsic part of India's economy for years. The agriculture sector in India has grown at an average annual growth rate of 4.6% during the last six years. To increase profitability & productivity, it is proposed that, Agriculture Accelerator Fund will be set up with the aim to bring innovative and affordable solutions and to encourage agriculture start-ups. To enhance the productivity of cotton, collaboration through Public Private Partnership (PPP) as value chain approach to be adopted by the government. FM announced an outlay of ₹2,200 crore for launch of Atam Nirbhar Clean Plant Programme to boost production of high value horticultural crops. FM has also focussed on making India a global hub for millets (named 'Shree Anna'), in the view of which the Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for promoting research at the international level. Dwelling on welfare measures for farmers, Agriculture credit target increased to ₹ 20 Lakh crore focusing on animal husbandry, dairy and fisheries. New sub-scheme PM Matsya Sampada Yojana targeting investment of ₹ 6,000 crore is proposed to be launched, enabling activities of fishermen, fish vendors, and micro & small enterprises. Realising the vision of 'Sahakar Se Samriddhi' the government has already initiated computerisation of 63,000 Primary Agricultural Co-operative Societies (PACS) investing ₹ 2,516 crore. To help farmers store their produce and realize remunerative prices through sale at appropriate times, a plan to set up massive decentralised storage capacity will be implemented and will facilitate setting up of many multipurpose cooperative societies in the next five years. The above proposed measures will help to promote farmer-producer organisations, encourage crop diversification, and increase productivity in agriculture.

AUTOMOTIVE AND MANUFACTURING

A slew of measures have been announced to boost manufacturing in the country. To further deepen domestic value addition in manufacture of mobile phones, relief in customs duty on import of certain parts and inputs like camera lens has been given and the concessional duty on lithium-ion cells for batteries for another year has been continued. Similarly, to promote value addition in manufacture of televisions, the basic customs duty on parts of open cells of TV panels has been reduced. To rectify inversion of duty structure and encourage manufacturing of electric kitchen chimneys, the basic customs duty on electric kitchen chimney is being increased and that on heat coils is proposed to be reduced. To facilitate availability of raw materials for the steel sector, exemption from Basic Customs Duty on raw materials for manufacture of CRGO Steel, ferrous scrap and nickel cathode is being continued. Lab Grown Diamonds (LGD) is a technology-and innovation-driven emerging sector with high employment potential. To encourage indigenous production of LGD seeds and machines and to reduce import dependency, a research and development grant will be provided to one of the IITs for five years. Basic customs duty on seeds used in their manufacturing has been reduced. The execution of various path-breaking policies will strengthen the infrastructural and manufacturing base while bringing down costs in the value chain. This will lay a strong foundation for sustained economic growth and improved resilience.

BANKING AND FINANCIAL SECTOR

The Banking and the Financial sector of India play a major role in the growth of the economy. Focusing the highlights in Banking & Financial sector, the major reforms initiated/proposed are as follows

The maximum deposit limit for Senior Citizen Savings Scheme proposed to be enhanced from ₹ 15 lakhs to ₹ 30 lakhs whereas maximum deposit limit for Monthly Income Account Scheme to be enhanced from ₹ 4.5 lakh to ₹ 9 lakh for single account and from ₹ 9 lakh to ₹ 15 lakh for joint account. To make a KYC system fully amenable to meet the needs of Digital India, the KYC process will be simplified by adopting a 'risk-based' instead of 'one size fits all' approach. It is further proposed that PAN will be used as the common identifier for all digital systems of specified government agencies thereby bringing ease of doing business; and it will be facilitated through a legal mandate. Mahila Samman Savings Certificate to be introduced as a one-time new small savings scheme for a 2-year period with a deposit facility of up to ₹ 2 Lakh for women or girls at fixed interest rate of 7.5 per cent with partial withdrawal option. To facilitate efficient flow of credit, promote financial inclusion, and foster financial stability National Financial Information Registry will be set up which will serve as the central repository of financial and ancillary information. The reforms introduced in the banking and finance industry will lead to ease of doing business for MSMEs and will also promote digitalisation. The budget further focused on groups those ranging in lower income. To simplify, ease and reduce cost of compliance and to meet the needs of ***Amrit Kaal***, financial sector regulators will consider suggestions from public and regulated entities.

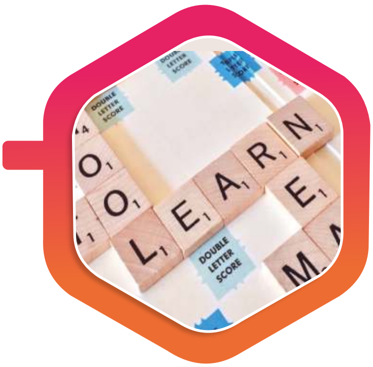
HEALTHCARE

After the advent of Covid-19 in India, Healthcare Sector has gained significant importance as is evident from the fact that there has been a considerable increase in the expenditure on the health sector which being 1.4% of the total GDP in FY 2019 has increased to 2.1% of the total GDP in FY 2023.

Continuing the trend, a Mission to eliminate Sickle Cell Anaemia by 2047 will be rolled out which will involve screening of 7 crore people in 0-40 years age group in affected tribal areas With an eye on the future, facilities in select ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams to encourage collaborative research and innovation.

Dedicated multidisciplinary courses for medical devices will be supported in existing institutions to ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing and research.Furthermore, there is an increase in the allocation for Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) to ₹ 7200 crore, while ₹ 646 crore has been allocated for the Ayushman Bharat Health Infrastructure Mission (PM-ABHIM). ₹ 1250 Crores have been allocated towards development of pharmaceuticals industry thereby focusing and giving importance to health care as well as research and development through centers of excellence that support growth and innovation in the sector.

EDUCATION



One of the highest ever budget allocation made to education sector has been made through National Education Mission ₹38,953 crores and Education Empowerment ₹ 1,689 crores.

Wherein, 157 new nursing colleges will be established in co-location with the existing medical colleges established since 2014. National Education Policy has been formulated to empower our youth and help the '*Amrit Peedhi*', to facilitate job creation at scale, and to support business opportunities. Encouragement to tribal literacy through recruitment of 38,800 teachers and support staff in 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students. Revamped Teachers' training via District Institutes of Education and Training. National Digital Library to be set up for children and adolescents. States will be encouraged to set up physical libraries at Panchayat and ward levels. To realize the vision of "***Make AI in India*** and ***Make AI work for India***", three specialized AI (Artificial Intelligence) centres to be set up in top educational Institutes to facilitate AI based solutions in agriculture, health and sustainable cities. Skill Digital India Platform enables demand-based formal skilling, linking with employers and facilitating access to entrepreneurship schemes. Thus, prioritisation of expenditure towards the key developmental sector i.e. education, etc. is to boost sustainable growth and employment.

For more details on the impact on your industry, please feel free to email us at

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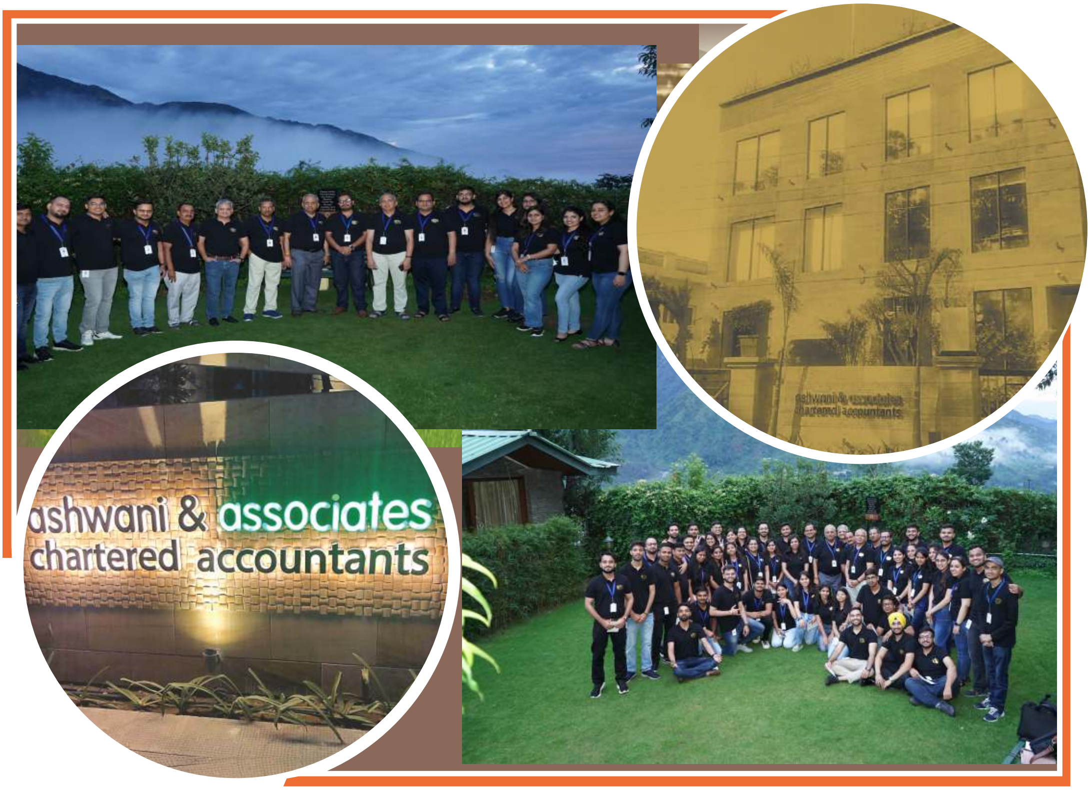

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