

BUDGET

2022

भारत की आजादी का  
समृत  
महात्सव

**shankarlal jain** & associates LLP  
Chartered Accountants

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The Union Budget for 2022-23 was presented on 01st February 2022 by the Finance Minister Ms. Nirmala Sitharaman in the backdrop of Gross Domestic Product (GDP) growth rate of 9.2 percent for the year, strong exports, robust increase in both direct and indirect revenues, robust vaccination programme, a tapering Omicron wave, favourable response to the Production Linked Incentive (PLI) schemes announced in the last few years, a vibrant start-up ecosystem with the third-highest number of unicorns in the world after the US and China and strong revenue collections.

With this backdrop, the budget announcements are largely continuing the Government's priorities in the last few years. The key themes in the budget are around - (i) capex and productivity enhancement with a focus on infrastructure projects, export promotion and start-ups, (ii) announcements on inclusive and sustainable growth through several initiatives for the micro, small and medium enterprise (MSME) sector, agriculture, skill development, affordable housing, EVs, solar power and carbon neutrality, (iii) ease of doing business with significant focus on digitisation of services, land record management, and accelerated corporate exits, and (iv) promoting social well-being with announcements in accessing health services, tap water, supplementary education in regional languages and a digital university.

### Economic Outlook

India is likely to reap the benefits of improved vaccination coverage in FY 2022-23 in the form of higher consumer confidence, improved labour supply and normalisation of supply chains. Government revenues are likely to improve based on economic recovery and tax efficiency gains. The government has done groundwork to initiate disinvestment in several public sector enterprises, including the LIC's IPO. This is likely to increase the government's disinvestment receipts for FY2023. The government's schemes to boost domestic manufacturing including the PLI scheme and the scheme to boost semiconductor and display manufacturing are likely to strengthen the industrial output and exports. Despite these upsides, there are several risks of which we need to be watchful, including rising input cost and volatility in food and oil prices, sluggish recovery in private consumption and investment, supply side constraints, geopolitical risks in certain hotspots such as Ukraine and the Middle East, and the likely repeat of taper tantrums with tightening of the global monetary policy.

### Indian economy

As per the first advance estimates (FAE) released by the National Statistical Office (NSO) that are used as the base for the budget making, India's GDP has declined by 7.3% in FY2021 due to the first COVID-19 wave and the accompanying lockdown restrictions. With accelerated vaccination and less stringent lockdowns during FY2022, India's GDP is estimated to grow by 9.2%, although over a lower base. GDP in FY2022 is expected to be 1.3% higher than that in FY2020, indicating a slight growth from the pre-pandemic level. Private consumption is expected to grow by 6.9% in FY2022 but is likely to remain below the FY2020 level, indicating that consumption recovery has not been broad based. Although there has been partial resumption of contact services during Q2 and Q3 of FY2022, muted rural demand and uncertainties caused by the second and third waves of the pandemic have prevented a substantial increase in private consumption. Government consumption is expected to increase by 7.6% in FY2022 with reliance on higher spending during the second half of the year crossing the pre-pandemic level by 10.7%. Investment is estimated to grow by 15% over FY2021 and by 2.6% over FY2020. This increase is largely to be driven by government capital expenditure, with significant spending generally taking place during Q4. The agriculture sector has shown resilience to the pandemic and is estimated to grow at 3.9% in FY2022, mainly due to a good monsoon, adequate availability of fertilisers and seeds, increased acreage, and efficient procurement of food grains. The manufacturing sector is expected to grow by 12.5% over FY2021 and by 4.4% over the pre-pandemic level owing to the boost in domestic and export demand. The services sector's output is estimated to remain 0.8% below the pre-pandemic level, although growing 8.2% over the FY2021 level. Trade, hotels, transport, communication and services related to broadcasting have witnessed a decline of 8.5% from the pre-pandemic level, indicating slow recovery in contact-based services and sensitivity to pandemic resurgence.

### Fiscal Position

As per the revised estimate (RE), fiscal deficit is estimated to be 6.9% of the GDP for FY2022, which is higher than the 6.8% budgeted for the year based on a rise in government expenditure, especially capital expenditure, despite revenue collections performing better than budgeted. For FY 2023, the Government has budgeted the fiscal deficit to be 6.4% of the GDP. The government has reiterated its

commitment to the earlier announced fiscal glide path of 4.5% fiscal deficit by FY 2026.

The government has budgeted an increase of 9.6% in the net tax revenue and a decline of 14.1% in the non-tax revenue as compared to FY 2022 RE. Disinvestment receipts are budgeted to be INR 780bn in FY 2023. Moreover, an increase of only 0.9% has been budgeted for revenue expenditure, while capital expenditure for FY2023 has been budgeted to rise by 24.5% over FY 2022 RE, thereby further improving the quality of deficit. Sectors that are to receive higher allocation in FY2023 include education, IT and telecom, and transport. Sectors that are to receive lower allocations compared to last year's revised budget include finance, subsidies, tax administration and rural development. Additionally, grants in aid to states for capital expenditure are budgeted to increase by 33.6% over FY 2022 RE.

#### Key announcements

The budget has announced the 'National Tele Mental Health Programme', which includes a network of 23 tele-mental health centres of excellence, with National Institute of Mental Health & Neurosciences being the nodal centre.

Under the Ayushman Bharat Digital Mission, an open platform consisting of digital registries of various health providers and facilities are to be rolled out. This National Digital Health Ecosystem also includes aspects of unique health identity and consent framework, and will assist in enabling universal access to health facilities.

Two hundred thousand Anganwadis (rural childcare centres) are to be upgraded to 'Saksham Anganwadis' to have better infrastructure and audio-visual aids, be powered by clean energy and thus provide improved environments for early child development.

There is additional spending of INR 600bn under the 'Har Ghar, Nal Se Jal' scheme to cover 38m households.

Custom duty rates are being calibrated to provide a graded rate structure to facilitate domestic manufacturing of wearable devices, hearable devices and 28 electronic smart meters.

Government is to contribute to R&D in sunrise opportunities such as in genomics and pharmaceuticals.

#### Taxation

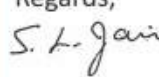
On the tax front, the Finance Minister has continued with the underlying theme of providing a stable and predictable

tax regime, promoting voluntary compliance and reducing litigation. To encourage participation from foreign players in the International Financial Services Centre (IFSC), certain tax exemptions have been provided to non-residents. With continued commitment to promote Atmanirbhar Bharat, beneficial tax rates for newly incorporated manufacturing companies and tax holiday benefit to start-ups is proposed to be extended by a year. Reduction in surcharge rate on long-term capital gains (LTCG) is a welcome move for investors. The extension of time limits for newly set-up manufacturing companies and start-ups to be eligible for a concessional tax regime are big positives, as these sectors have become crucial contributors to India's growth story. The provisions for taxation of virtual digital assets will provide much-needed tax certainty on such transactions. With minimal tax amendments, the budget focuses on providing tax clarifications in line with the legislative intent.

On the indirect tax front, the budget proposals aim at serving the Government's long-term vision of 'Make in India' and sustainable growth. In this direction, the Finance Minister has continued to rationalise various custom duty exemptions and has sought a gradual phase out of concessional rates on capital goods. Furthermore, as part of the Digital India initiative and promoting ease of doing business, reforms focusing on IT-driven customs administration of special economic zones (SEZs) have been proposed.

#### Conclusion

Whilst India is in the midst of its 75th year of independence, it is still among the youngest countries in the world in terms of its populace. With growth at its cornerstone, the budget has provided a booster dose for sustaining it in the short and medium term. It has also provided a blueprint for fueling India's aspirations and expectations as the country commences its journey towards India@100.

Regards,  
  
 (S. L. Jain)



### What is Economic Survey ?

The Economic Survey is an annual document that reviews the developments in the economy over the previous 12 months. Every year, the Economic Survey is tabled in the Parliament a day before the Union Budget.



The document summarises the performance on major development programmes, highlights the policy initiatives of the government and analysis the prospect of the economy in the short to medium term.

It is a detailed report card on the economic performance though the financial year. Two years into the COVID-19 pandemic, the global economy continues to be plagued by uncertainty, with resurgent waves of mutant variants, supply-chain disruptions, and a return of inflation in both advanced and emerging economies.

### Context

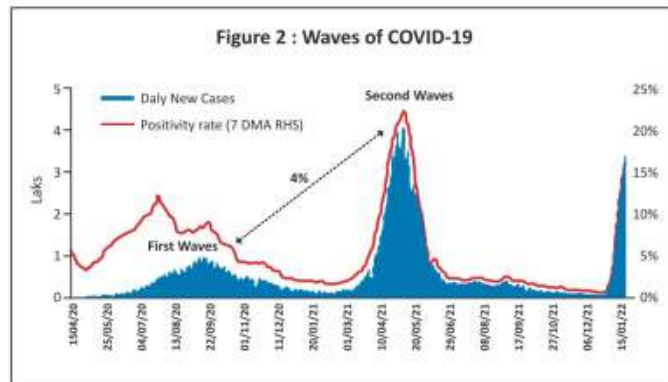
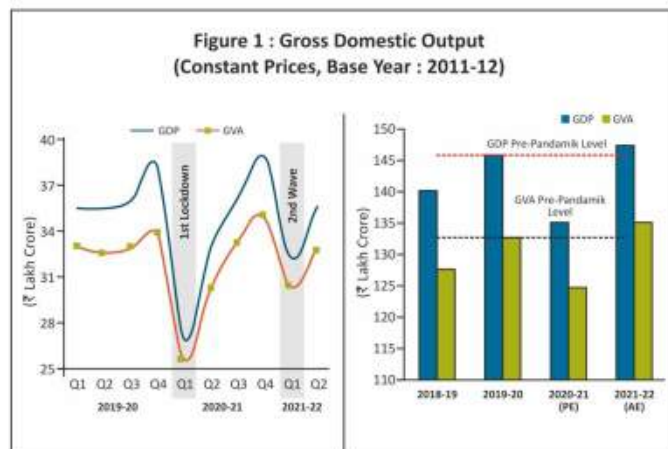
- ▶ Economic Survey 2021-22 expects the GDP to grow by 9.2% this year and 8% to 8.5% in 2022-23.
- ▶ Economic Survey also expressed concerns about the implications of hardening inflation and energy prices.
- ▶ When compared to pre-pandemic levels, recovery is most significant in exports followed by government consumption and gross fixed capital formation.

### Highlights

#### Economic Growth

Economic Survey 2021-22 expects the GDP to grow by 9.2% this year and 8% to 8.5% in 2022-23. This economic growth is based on the following assumptions -

- There will be no further debilitating pandemic related economic disruption,
- Monsoon will be normal,
- Withdrawal of global liquidity by major central banks will be back to order,
- Oil prices will be in the range of US\$70 - \$75/bbl, and
- Global supply chain disruptions will steadily ease over the course of the year



The year ahead poised for a pickup in private investment with the financial system in good position to provide support for economic revival.

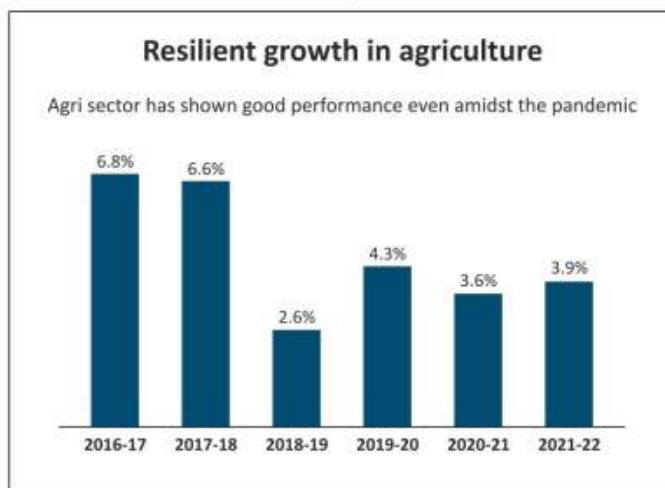
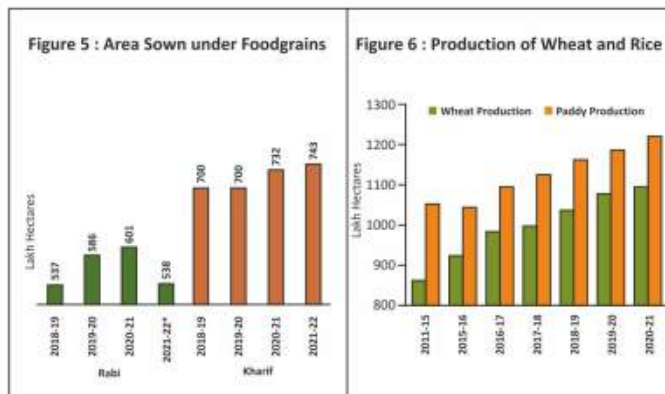
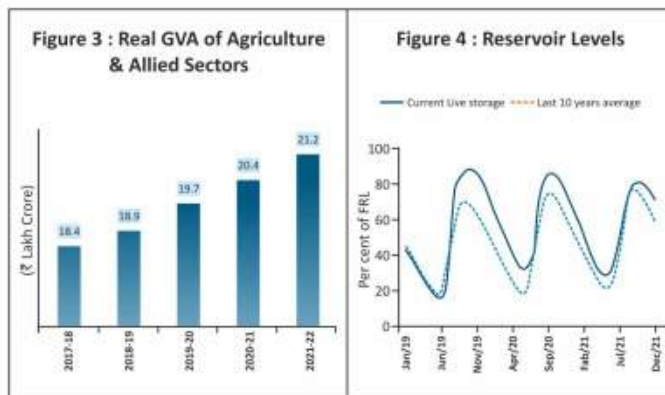
Projections comparable with World Bank and Asian Development Bank's latest forecast of real GDP growth of 8.7% and 7.5% respectively for 2022-23.

As per IMF's latest World Economic Outlook projections, India's real GDP to grow at 9% in 2021-22 and 2022-23 and at 7.1% in 2023-24, which would make India the fastest growing major economy in the world for all 3 years.

### Agriculture sector

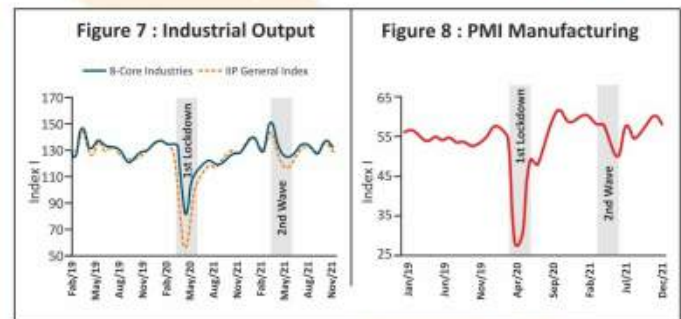
Economic Survey 2021-22 says that agriculture is least hit by pandemic, sector to grow by 3.9% in 2021-22 after growing 3.6% the previous year.

Crop diversification towards oilseeds, pulses and horticulture needs to be given priority.



### Industrial Sector

Industrial sector did go through a contraction and now it is about 4.1 per cent above pre-pandemic levels.

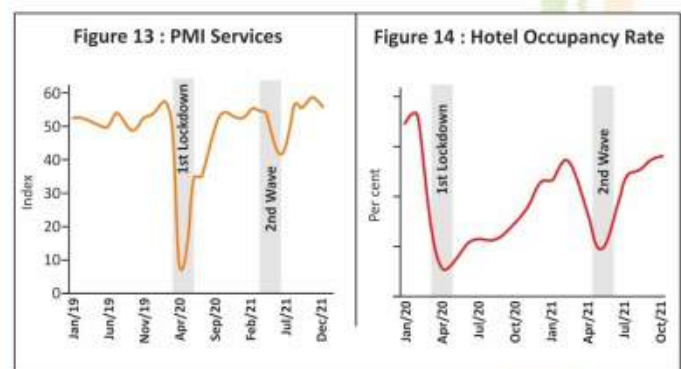


### Service Sector

Services account for more than half of the Indian economy and was the most impacted by the COVID-19 related restrictions, especially for activities that need human contact. Although the overall sector first contracted by 8.4 per cent in 2020-21 and then is estimated to grow by 8.2 per cent in 2021-22, it should be noted that there is a wide dispersion of performance by different sub-sectors.

Both the Finance/Real Estate and the Public Administration segments are now well above pre-COVID levels. However, segments like Travel, Trade and Hotels are yet to fully recover.

It should be added that the stop-start nature of repeated pandemic waves makes it especially difficult for these sub-sectors to gather momentum.



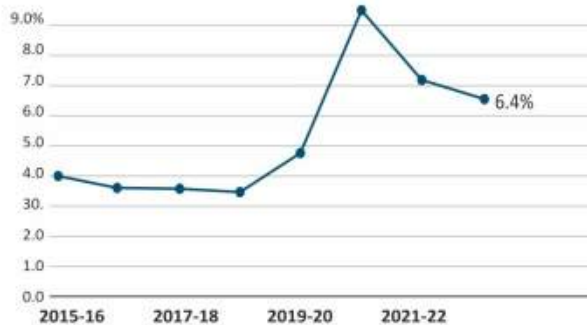
### Drivers of Economic growth

Economic Survey 2022 says that the Growth will be supported by-

- Widespread vaccine coverage,
- Gains from supply-side reforms and easing of regulations,
- Robust export growth, and
- Availability of fiscal space to ramp up capital spending.

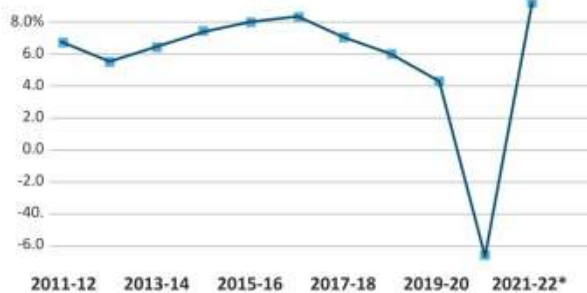
### Trends in fiscal deficit

Fiscal deficit projection has been escalated marginally



### Economic growth projection

In line with Economic Survey, govt estimated 9.2% growth in FY22 in budget as well



### Consumption

Government consumption has recovered well but the private consumption and segments such as travel, trade and hotels are yet to fully recover.

The stop-start nature of repeated pandemic waves makes it especially difficult for these sub-sectors to gather momentum.

Consumption has grown 7% in 2021-22 and is estimated to grow by a strong 7.6% surpassing pre-pandemic levels.

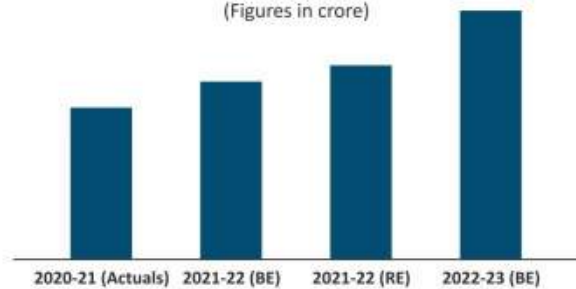
### Investment

Economic survey 2022 says that the country's investment to GDP ratio had hit 29.6% in 2021-22, the highest level in seven years.

This capital formation attributed is to the government's policy thrust on quickening the 'virtuous cycle of growth via capex and infrastructure spending'.

### Effective capital expenditure

Effective capital expenditure is estimated at 4.1 per cent of GDP (Figures in crore)

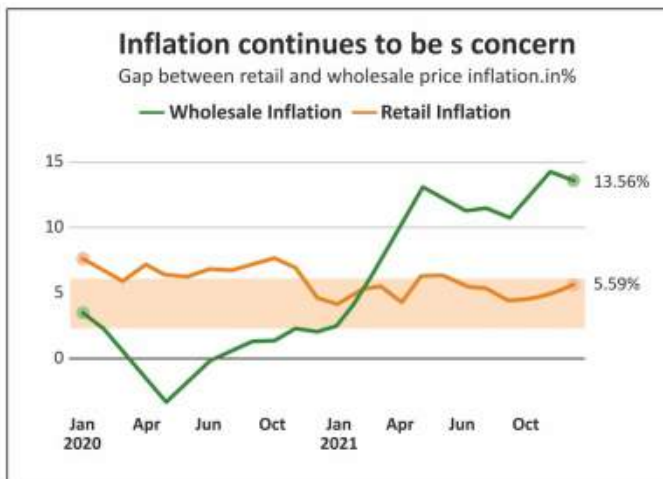


The year ahead is well poised for a pick-up in private sector investment with the financial system in a good position to provide support to the revival of the economy.

### Risks to economic growth

Economic Survey acknowledges following risks to global economy-

- New COVID-19 variant: Such as Omicron which is sweeping across the world.
- Shortage of inputs such as semi-conductors
- Inflation: Economic Survey acknowledges the inflation jumping up in most countries, and
- Cycle of liquidity withdrawal being initiated by major central banks.



### Start-up Capital

India has third largest startup ecosystem in the world after US and China.

India sees 44 unicorns in 2021, a new record.



According to the Economic Survey 2021-22, Delhi has replaced Bengaluru as the startup capital of India as the national capital added over 5,000 startups between April 2019 and December 2021.

With a total of 11,308 startups, Maharashtra has the highest number of recognised startups in the country.

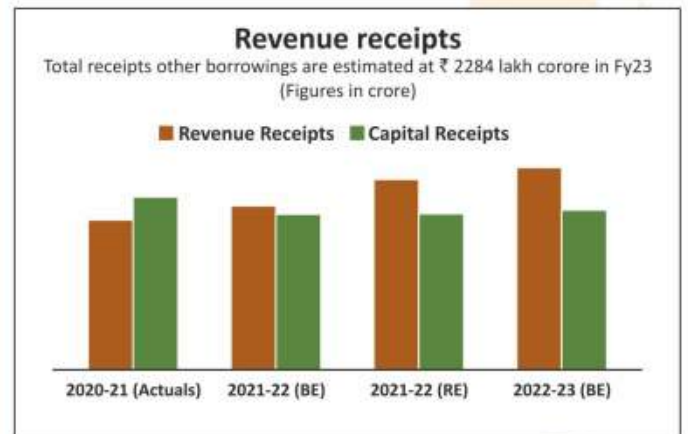
### MGNAREGA Job demand

An analysis of the latest data on demand for work under MGNREGS suggests the following trends in the rural labour market-

- MGNREGS employment peaked during the nation-wide lockdown in 2020
- The demand for MGNREGS work has stabilised after the second Covid wave;
- Aggregate MGNREGS employment is still higher than pre-pandemic level.

### Rise in Tax and Non-tax Revenue

Economic survey 2021-22 reports that there has been a sharp increase in both tax as well as non-tax revenue.



### Current Account

Economic Survey 2022 pointed out that a strong recovery was seen in imports, rendering India's net exports negative for the first half of the year, from a surplus in 2020-21.





India has thus recorded a modest current account deficit of 0.2% in the first half, but robust capital flows in the form of continued inflow of foreign investment were sufficient to finance it.

### Railways

Rs 65,157 crore capital expenditure from April to November 2021; capex outlay in the ongoing financial year is at ₹ 2.15 lakh crore, which is five times the 2014 level.

Railways capex will increase further in coming years and emerge as an engine of national growth.



### Miscellaneous

Disruptions in the global container market not yet over; will continue to impact the global sea trade.

The Survey also went into detail on the government's use of the Barbell approach to COVID-19, saying that this "helped make it possible to target the vulnerable sections/businesses better, keeping the pandemic's economic toll at much less than what could have been"

Expenditure on social services rises by 9.8% to ₹ 71.61 lakh crore in FY 22

India's total exports are expected to grow by 16.5% in 2021-22 surpassing pre-pandemic levels.

Imports are expected to grow by 29.4% in 2021-22.

Middle-class borrowing to own houses, well below the 21.1% growth year-on-year; also below the level of the last four years

Pandemic, job uncertainty continues to make people wary of EMIs, with home loans registering 8% growth in November 2021, 0.4% below 2020

In April-November 2021 ₹ 89,066 crore was raised via 75 IPO issues versus 29 companies which raised ₹ 14,733 crore in the same period in 2020.

Share of individual investors in total NSE turnover increases to 44.7 percent.

221 lakh individual Demat accounts added between April-November 2021.

UPI takes centre stage, with the country seeing 4.6 billion transactions worth ₹ 8.26 lakh crore in December 2021 alone. In April-November 2021, UPI processed more than 24.26 million One Time Mandate create transactions worth ₹ 44,381 crore.

₹ 1.81 lakh crore raised through equity issues

Rate transmission has been higher in public sector banks than in private sector banks in the current monetary easing cycle.

Housing sales expected to see a boost after COVID-19 slump on the back of reduced duties in multiple states

Five sectors capture around 83 percent of the aggregate pipeline value: Roads (27%), Railways (25%), Power (15%), Oil & Gas pipelines (8%) and Telecom (6%)

Government finances to witness consolidation in 2021-22, after uptick in deficit and debt indicators in the previous year

Climate finance will remain critical to successful climate action by developing countries, including India.

### Conclusion

Macroeconomic stability indicators suggest that the Indian economy is well placed to take on the challenges of 2022-23.

Combination of high foreign exchange reserves, sustained foreign direct investment and rising export earnings will provide adequate buffer against possible global liquidity tapering in 2022-23.

Economic impact of 'second wave' was much smaller than the full lockdown phase in 2020-21, though health impact was more severe.

Government of India's unique response comprised of safety-nets to cushion the impact on vulnerable sections

of the society and the business sector, significant increase in capital expenditure to spur growth and supply side reforms for a significant long term expansion.

Government's flexible and multi-layered response is partly based on an 'Agile' framework that uses feedback-loops and the use of eighty High Frequency Indicators (HFIs) in an environment of extreme uncertainty. Initiatives under Atma Nirbhar Bharat including

introduction of structural and procedural reforms, record vaccinations, various PLI schemes designed to attract investments in sectors of core competency and cutting edge technology, Make-in-India programme to boost domestic manufacturing capacity, reduction of corporate tax rate, etc and steps to improve operational efficiency have helped the industrial sector to keep up its ante.



Sector	Highlights	Effect
<b>Agriculture</b> 	<ul style="list-style-type: none"> <li>◆ ₹ 2.37 lakh crore direct payment of Minimum Support Price (MSP) to farmers</li> <li>◆ Allocation of ₹ 45,000 crores for scientific organic farming</li> <li>◆ Use of Kisan Drones for crop assessment, digitalization of land record, spraying insecticides and nutrients</li> <li>◆ Ken-Betwa project to be implemented for providing irrigation benefits and increased water supply</li> <li>◆ Launch of Anytime-Anywhere post office savings schemes</li> <li>◆ Chemical free natural farming to be promoted</li> <li>◆ Revision in syllabi of agricultural universities</li> <li>◆ Focus on carbon neutral economy</li> </ul>	F
<b>Defence</b> 	<ul style="list-style-type: none"> <li>◆ 12.82% increase in Capital Outlay allocation</li> <li>◆ Earmark 68% of the sector capex for local companies</li> <li>◆ Independent Nodal Body to be set up for testing and certification</li> <li>◆ Continuing the focus on defence imports and private participation</li> <li>◆ Encouraging private sector to participate with Defence Research and Development Organisation (DRDO)</li> </ul>	F
<b>Banking Sector</b> 	<ul style="list-style-type: none"> <li>◆ Rise in Capex (up 35% in FY23 to ₹ 7.5 Lakh Crs) to boost growth</li> <li>◆ Bid to push digitization</li> <li>◆ Bringing the country's 1.5 lakh post offices into the core digital banking realm</li> <li>◆ Setting up of 75 digital banking units by schedule commercial banks in 75 districts</li> <li>◆ Launch of a blockchain-based digital currency by RBI</li> </ul>	F
<b>Financial Services</b> 	<ul style="list-style-type: none"> <li>◆ RBI to issue digital rupee</li> <li>◆ Promoting Digital</li> <li>◆ Income from transfer of virtual digital asset (VDA) taxed to at 30%</li> <li>◆ Tax incentive for International Financial Services Centre (IFSC)</li> </ul>	F
<b>Infrastructure</b> 	<ul style="list-style-type: none"> <li>◆ ₹ 7.5 lakh crore allocated to CAPEX</li> <li>◆ Expansion of National Highway by 25,000 km over the next year</li> <li>◆ Public Private Partnership</li> <li>◆ Tech Platform PM Gati Shakti</li> <li>◆ Multimodal connectivity</li> <li>◆ Plans for investments in remote roads and mass transit in cities</li> </ul>	F
<b>Media &amp; Entertainment</b>	<ul style="list-style-type: none"> <li>◆ Government Regulation</li> <li>◆ Widening the scope of reporting by producers and inclusion of certain activities under the definition of 'specified activities'</li> </ul>	U
<b>Oil &amp; Gas</b>	<ul style="list-style-type: none"> <li>◆ Roadmap for energy transition</li> <li>◆ Unblended petrol to attract additional ₹ 2 per liter BED from October 2022</li> </ul>	U
<b>Life Sciences</b> 	<ul style="list-style-type: none"> <li>◆ 23 Tele-mental health centers to be set up</li> <li>◆ National Digital Health Ecosystem to consist : <ul style="list-style-type: none"> <li>• Digital registries of health providers and health facilities</li> <li>• Unique health identity</li> <li>• Consent framework</li> <li>• Universal access to health facilities</li> <li>• 100% exemption on amount received from employer for COVID-19 treatment or death</li> </ul> </li> </ul>	F

Sector	Highlights	Effect
<b>Start up</b> 	<ul style="list-style-type: none"> <li>✦ Incorporation period for eligible start-ups extended by one year from 31st March 2022 to 31st March 2023</li> <li>✦ Focus on start-ups to promote 'drone- shakti'</li> <li>✦ Executive committee to be set up for examination of regulatory framework to boost venture capital and private equity investments in start-up ecosystem</li> </ul>	F
<b>Telecom &amp; Data Centers</b> 	<ul style="list-style-type: none"> <li>✦ Spectrum auctions to be conducted to roll out 5G</li> <li>✦ Classification of data storage as infrastructure spending</li> <li>✦ Optical fiber network expected to be laid in every village by 2025</li> <li>✦ Affordable broadband and mobile services proliferation to be facilitated to be facilitated in rural and remote areas</li> </ul>	N
<b>Metal</b>	<ul style="list-style-type: none"> <li>✦ ₹ 600 billion rupee allocation for piped water to 38 million homes</li> <li>✦ Spending on logistics</li> </ul>	F
<b>Solar</b> 	<ul style="list-style-type: none"> <li>✦ Production linked incentives (PLI) worth ₹ 195 billion for solar modules to boost local manufacturing</li> </ul>	F
<b>Cement Constructio</b>	<ul style="list-style-type: none"> <li>✦ Plans to build more homes for low-income earners across cities</li> </ul>	F
<b>Education</b> 	<ul style="list-style-type: none"> <li>✦ Focused on digital education and setting up of a digital university</li> <li>✦ Extending the One Class One TV Channel scheme to 200 channels from the current 12</li> <li>✦ Setting up new e-learning content platforms for students in semi-urban and rural areas</li> <li>✦ Allowing foreign universities to set up shop in the Gujarat International Finance Tech-City</li> </ul>	F
<b>State-Run Banks</b> 	<ul style="list-style-type: none"> <li>✦ India plans to start a digital currency, shifting the rules for traditional banking in the country as it tries to keep pace with the global move toward virtual financial instruments will affect India's archaic lenders</li> </ul>	U
<b>Crypto Players</b> 	<ul style="list-style-type: none"> <li>✦ 30% tax on profits from digital asset transactions, including cryptocurrencies and non-fungible tokens, may rule out a blanket ban on such tokens for now but it will make trading in them less profitable</li> </ul>	N
<b>Coal and Thermal Power</b>	<ul style="list-style-type: none"> <li>✦ India's incentives for solar power and plans to use biomass pellets in thermal power plants in a bid to rely less on coal</li> </ul>	U
<b>Stainless Steel</b> 	<ul style="list-style-type: none"> <li>✦ Plans to revoke some anti-dumping and countervailing duties on stainless steel, coated steel flat products, bars of alloy steel and high-speed steel, given the rise in metal prices</li> </ul>	U
<b>Automotive</b> 	<ul style="list-style-type: none"> <li>✦ Revocation of anti-dumping and CVD on certain steel products</li> <li>✦ Car manufacturers, which received little attention from the finance minister, continue to reel under a global semiconductor crunch</li> <li>✦ Battery Swapping Policy for electric vehicles announced to give impetus to Electric Vehicle Industry</li> <li>✦ India's ambition to promote clean transport technology</li> </ul>	N
F - Favorable                      U - Unfavorable                      N - Neutral		

## Direct Tax Proposal

Provisions of Direct Taxes as per Finance Bill 2022-23 as presented by Hon. Finance Minister on Feb. 1st, 2022 are summarized below:

### ❖ Income tax slabs and rate of tax

The finance minister left the income tax slabs and tax rates unchanged in the budget.

Below is the income tax applicable for FY 2022-23.

#### Individuals & HUF

Income Tax Slab*	New Tax Regime
₹ 0.0 - ₹ 2.5 Lakhs	NIL
₹ 2.5 Lakhs - ₹ 3.00 Lakhs ₹ 3.00 Lakhs - ₹ 5.00 Lakhs	5% (tax rebate u/s 87A is available)
₹ 5.00 Lakhs - ₹ 7.5 Lakhs	10%
₹ 7.5 Lakhs - ₹ 10.00 Lakhs	15%
₹ 10.00 Lakhs - ₹ 12.50 Lakhs	20%
₹ 12.5 Lakhs - ₹ 15.00 Lakhs	25%
> ₹ 15 Lakhs	30%
Income Tax Slab	Old Tax Regime (Below the Age of 60 Years)
Up to ₹ 2.5 Lakhs *	NIL
₹ 2.5 Lakh - ₹ 5 Lakhs	5%
₹ 5.00 Lakh - ₹ 10 Lakhs	20%
> ₹ 10.00 Lakh	30%
* ₹ 3 Lakhs for 60-80 years & ₹ 5 Lakhs > 80 years	

Additional Health and Education cess at the rate of 4% will be added to the income tax liability in all cases. (increased from 3% since FY 18-19)

Surcharge applicable as per tax rates below in all categories mentioned above:

- 10% of Income tax if total income > ₹ 50 lakh but below ₹ 1 cr.
- 15% of Income tax if total income > ₹ 1 crore but below ₹ 2 cr
- 25% of Income tax if total income > Rs.2 crore but below ₹ 5 cr excluding income from dividend and capital gain.
- 37% of Income tax if total income > ₹ 5 crore excluding income from dividend and capital gain.

Rate of Surcharge is proposed to be amended to provide that in case where the total income includes any income by way of dividend or income chargeable

under section 111A and 112A of the Act (capital gains), the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed fifteen percent wef AY 2023-24.

#### Domestic companies

Particulars	Existing / Old regime Tax rates	New Regime Tax rates
Company opts for section 115BAB (not covered in section 115BA and 115BAA) & is registered on or after October 1, 2019 and has commenced manufacturing on or before 31st March, 2024.	---	15%
Company opts for Section 115BAA, wherein the total income of a company has been calculated without claiming specified deductions, incentives, exemptions and additional depreciation	—	22%
Company opts for section 115BA registered on or after March 1, 2016 and engaged in manufacture of any article or thing and does not claim deduction as specified in the section clause.	—	25%
Turnover or gross receipt of the company is less than ₹ 400 crore in the previous year 2019-20	25%	25%
Any other domestic company	30%	30%

- Additional Health and Education cess at the rate of 4% will be added to the income tax liability in all cases.
- Surcharge applicable for companies is as below:
  1. 7% of Income tax where total income > ₹ 1 crore but not exceeding ₹ 10 cr
  2. 12% of Income tax where total income > ₹ 10 crore
  3. 10% of income tax where domestic company opted for section 115BAA and 115BAB
- Note: Surcharge is capped at 15% in the case of an Association of Persons where the members are only companies.
- In the budget u/s 115BAB period of commencement of production extended to March 31st 2024 from March 31st 2023.

#### Partnership firm and LLP

A partnership firm/LLP is taxable at 30%.

12% Surcharge is levied on incomes exceeding ₹ 1 crore. Health and Education cess at the rate of 4%

**Co-operative Society**

Income Tax Slab	Existing rates
Up to ₹ 10,000	10%
Between ₹ 10,000 -20,000	20%
In excess of ₹ 20,000	30%

Under the provisions section 115BAD allows a Co-operative society to pay tax at 22%. subject to compliance of conditions as per sub sec (2) of said section.

**❖ Promoting Voluntary Tax Compliance BY FILLING UPDATED RETURN:**

Under provisions of Section 139 of the Act an additional time of approximately 5 months to an individual assessee, 2 months to a company/ auditable case and 1 month to an assessee who enters into an international transaction or specified domestic transaction respectively to file belated or revised return. Timeline for filing a revised/belated return not adequate. Hence, A new sub-section (8A) in section 139 is proposed to be introduced to provide for furnishing of updated return by Any person, whether or not he has furnished a return under sub-section (1), sub-section (4) or sub-section (5), for an assessment year within twenty four months from the end of the assessment year.



The proposed updated return not permitted for a loss or which has an effect of decreasing the total tax liability determined on the basis of return furnished by the assessee earlier under any provision of sec 139. Such updated return is prohibited if any proceeding for assessment or reassessment or revision is pending or completed or where information are received under PREVENTION OF MONEY LAUNDERING ACT 2002, BLACK MONEY ACT

2015, PROHIBITION OF BENAMI PROPERTY TRANSACTION ACT 1988 and certain other act or where information are received u/s sec 90 or 90A or any prosecution proceeding initiated or person falls in a prohibited category as may be prescribed.

The assessee filling updated return is required to pay 25% of additional tax, interest and fees payable on revision of income under updated return if filled within one year or 50% if filled within two years under provision of newly inserted sec 140B.

These amendments will take effect from 1st April, 2022.

**❖ Litigation management when in an appeal by revenue an identical question of law is pending before jurisdictional High Court or Supreme Court.**



Section 158AA of the Act provides that where the Commissioner or Principal Commissioner is of the opinion that any question of law arising in the case of an assessee in any earlier year is identical with a question of law arising in another assessment year which is pending in appeal by department before the Supreme Court against an order of High Court he may direct the Assessing Officer to make an application to the Appellate Tribunal stating that an appeal on the question of law in the relevant case may be filed when the decision on the question of law becomes final in the other year, subject to the acceptance of the same by the assessee.

it is proposed to insert a new section 158AB in the Act, to provide that where the collegium consisting of

Commissioner Of Income Tax or Principal Commissioner Of Income Tax 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 under section 260A or the Supreme Court in an appeal under section 261 or in a Special Leave Petition under article 136 of the Constitution, 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 under sub-section (2) of section 253 or to the High Court under sub-section (2) of section 260A against the order of the Commissioner (appeals) or the Appellate Tribunal, as the case may be.



Assessing officer on intimation from Commissioner Of Income Tax or Principal Commissioner Of Income Tax shall make an application accordingly to the concerned appellate authority or Court, after obtaining consent of assessee.

This amendment will take effect from 1st April, 2022.

#### ❖ **Amendment in section 245MA of the Act related to Dispute Resolution Committee**

Finance Act, 2021 introduced a new section 245MA for constituting Dispute Resolution Committee (“DRC”) if return filled is not exceeding ₹ 50 lakh and dispute does not exceed ₹ 10 lakh. Certain persons are prohibited to avail the scheme. The existing provisions of the said section do not contain any

provision to enable the Assessing Officer to pass an order giving effect to the order or directions of the Dispute Resolution Committee therefore, it is proposed to insert a new sub-section to this section to enable the Assessing Officer to pass an order giving effect to the resolution of dispute by the DRC.

This amendment will take effect from 1st April, 2022.



#### ❖ **Clarification regarding treatment of cess and surcharge**

Section 40 of the Act specifies that in computing the income under the head “Profits and gains of business or profession any sum paid on account of any rate or tax levied on the profits or gains of any business or profession shall not be deducted in computing the income chargeable under the head.

However, Courts held that ‘cess’ or ‘surcharge’ does not fall under section 40 of the Act and allowed deduction cess as expenditure.

Hon’ble Bombay High Court in the case of “Sesa Goa Limited Vs. JCIT” and Hon’ble Rajasthan High Court in the case of “Chambal Fertilizers & Chemicals Ltd Vs. JCIT” various tribunals followed the decisions. Finance Minister felt that interpretation placed by Courts and Tribunals are not as per intention of Income Tax Department.

Hence, in order to make the intention of the legislation clear, it is proposed to include an Explanation retrospectively to provide that the term “tax” includes and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax.

This amendment will take effect retrospectively from 1st April, 2005 and will accordingly apply in relation to the assessment year 2005-06 and subsequent assessment years.

❖ **Amendments related to successor entity subsequent to business reorganization**

Section 170, governs the procedure of taxation in case of succession to business in the event of reorganization or restructuring of the business . 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.

It is proposed to insert a new section 170A to the Act, to enable for the entities going through such 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.

It is proposed to insert a new section 156A to the Act to give effect to the orders of the competent authority and to modify such demands in accordance with such directions.

These amendments will take effect from 1st April, 2022.

❖ **Clarification in respect of disallowance under section 14A in absence of any exempt income during an assessment year**

Section 14A of the Act provides that no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to exempt income. Courts held that no disallowance under section 14A of the Act can be made in cases where no exempt income has accrued, arisen or received by the assessee during an assessment year.



It is proposed to insert an Explanation to section 14A of the Act to clarify that the 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 but the expenditure has been incurred during the said previous year in relation to such exempt income.

This amendment will take effect from 1st April, 2022

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

Explanation 1 of sub-section (1) of section 37 of the Act provides that if any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure.



It is proposed to insert another Explanation to sub-section (1) of section 37 to clarify that the expression “expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law”, under Explanation 1, shall include and shall be deemed to have always included the expenditure incurred by an assessee, —

- 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.

This amendment will take effect from 1st April, 2022.

#### ❖ Clarification regarding deduction on payment of interest only on actual payment

Explanation 3C, 3CA and 3D of section 43B provides that a deduction of any sum, being interest payable on loan or borrowing from specified financial institution/NBFC/scheduled bank or a co-operative bank shall be allowed if such interest has been actually paid and any interest which has been converted into a loan or borrowing or advance shall not be deemed to have been actually paid and not be allowable.



It is proposed to provide that conversion of interest payable into debenture or any other instrument by which liability to pay is deferred to a future date, shall not be deemed to have been actually paid and such unpaid interest be not allowable.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

#### ❖ Consequence for failure to deduct / collect or payment of tax - Computation of interest

Section 201 provides that if a person fail to deduct tax or after deducting, fail to deposit the same to the credit of the Central Government such person under Sub-section (1A) be liable to pay simple interest at the rates specified therein. Similarly, sub-section (7) of section 206C of the Act provides that if any person who is liable to collect tax at source does not collect it

or after so collecting fails to pay the same to the credit of the Central Government, then he shall be liable to pay interest at rates specified therein.



#### It is proposed to:

- i. amend sub-section (1A) of section 201 to provide that where any order is made by the Assessing Officer for the default under sub-section (1) of the said section, the interest shall be paid by the person in accordance with the order made by the Assessing Officer in this regard;
- ii. amend sub-section (7) of section 206C to provide that where any order is made by the Assessing Officer for the default under sub-section (6A) of the said section, the interest shall be paid by the person in accordance with the order made by the Assessing Officer in this regard.

These amendments will take effect from 1st April, 2022.

#### ❖ Extension of the last date for commencement of manufacturing or production, under section 115BAB, from 31.03.2023 to 31.03.2024

Sub-section (2) of section 115BAB of the Act provides that to avail low rate of tax new domestic manufacturing company is required to be set up and registered on or after 01.10.2019, and is required to commence manufacturing or production of an article or thing on or before 31st March, 2023.

In order to provide relief to such companies, it is proposed to extend the date of commencement of manufacturing or production of an article or thing, from 31st March, 2023 to 31st March, 2024.

This amendment will take effect from 1st April, 2022.

❖ **Extension of date of incorporation for eligible start up for exemption**

The existing provisions of the section 80-IAC of the Act provide for a deduction of an amount equal to one hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation, at the option of the assesses subject to the condition that,-

- i. the total turnover of its business does not exceed one hundred crore rupees,
- ii. it is holding a certificate of eligible business from the Inter-Ministerial Board of Certification, and
- iii. it is incorporated on or after 1st day of April, 2016 but before 1st day of April 2022.

It is proposed to amend the provisions of section 80-IAC of the Act to extend the period of incorporation of eligible start-ups to 31st March, 2023.

This amendment will take effect from 1st April, 2022.

❖ **Rationalization of provisions of the Act to promote the growth of co-operative societies**

Section 115JC of the Act, provides for the Alternate Minimum Tax (AMT) payable by a co-operative society at the rate of 18.5%. It is proposed to reduce the AMT rate at which co-operative societies are liable to pay income-tax to 15%.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

❖ **Tax Incentives to International Financial Services Centre (IFSC) (GIFT CITY)**

Over the past few years several tax concessions have been provided to units located in International Financial Services Centre (IFSC) under the Act to make it a global hub of financial services sector.

In order to further incentivise operations from IFSC, it is proposed to provide the following additional incentives:

- i. It is proposed to amend clause (4E) of section 10 of the Act to extend the exemption to the income accrued or arisen to or received by a non-resident as a result of transfer of offshore derivative instruments or over-the-counter derivatives entered into with an Offshore Banking Unit of an International Financial Services Centre, referred to in subsection (1A) of section 80LA.
- ii. It is proposed to amend clause (4F) of section 10 to extend the exemption to the income of a non-resident by way of royalty or interest, on account of lease of a ship paid by a unit of an International Financial Services Centre, if the unit has commenced its operations on or before the 31st March, 2024.

It is also proposed to define “ship” to mean a ship or an ocean vessel, an engine of a ship or an ocean vessel, or any part thereof.



- iii. It is proposed to insert clause (4G) to provide exemption to any income received by a non-resident from portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an Offshore Banking Unit, in any International Financial Services Centre,

For the purpose “portfolio manager” shall have the same meaning as assigned to it in clause (z) of sub-regulation (1) of regulation (2) of International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021 made under the International Financial Services Centres Authority Act, 2019;

- iv. Shares subscribed by certain specified funds as Venture Funds are not subject to provisions of Sec

56(2) (viib), It is proposed to amend the Explanation to clause (viib) of section 56 of the Act to provide that 'specified fund' shall also include Category I or a Category II Alternative Investment Fund which is regulated under the International Financial Services Centres Authority Act, 2019.

- v. Necessary amendment to section 80LA of the Act are proposed to be made to give effect to above concessions. A unit of the International Financial Services Centre shall be eligible for deduction under section (1A) of the said section, subject to the condition that the unit has commenced operation on or before the 31st day of March, 2024.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.



#### ❖ Incentives to National Pension System (NPS) subscribers for state government employees

Under the existing provisions of the Act, any contribution by the Central Government to the account referred to in section 80CCD of the Act (NPS account), shall be allowed as a deduction to the assessee's if it does not exceed 14% of his salary where such contribution is made by the Central Government. This limit in case of State Government or other employer is presently 10% of his salary.

In order to ensure that the State Government employees also get full deduction of the enhanced contribution by the State Government, it is proposed to increase the limit 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.

This amendment will take effect retrospectively from 1st April, 2020 and will accordingly apply in relation to the assessment year 2020-21 and subsequent assessment years.

#### ❖ Condition of releasing of annuity to a disabled person

The existing provision of section 80DD, inter alia, provide for a deduction to an individual or HUF of an amount paid to LIC or any other insurer or administrator or specified company in respect of a scheme for the maintenance of a disabled dependent, if under the scheme no payment is made in life time of subscriber.

In order to remove genuine hardship, it is proposed to allow the deduction under the section, even if a payment is also made during the lifetime, upon attaining age of sixty years or more of the individual or the member of the HUF in whose name subscription to the scheme has been made and where payment or deposit has been discontinued.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

#### ❖ Exemption of amount received for medical treatment and on account of death due to COVID-19

Clause (x) of sub-section (2) of section 56 of the Income-tax Act, 1961 (the Act) provides that where any person receives, any sum of money, without consideration, exceeding fifty thousand rupees, such sum shall be assessable as income of the person receiving subject to certain exceptions as provided therein.

The Finance Ministry released a press statement dated: 25.06.2021 announcing that income-tax shall not be charged on the amount received by a taxpayer/family member for medical treatment from employer or from any person for treatment of COVID-19 during FY 2019-20 and subsequent years.

It is proposed to amend clause (2) of section 17 and to

provide that any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to COVID-19 subject to such conditions, as may be notified by the Central Government, shall not be forming part of “perquisite”.

Further, it is proposed to amend the proviso to Clause (x) of sub-section (2) of section 56 to provide that-

- i. any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, in respect of any illness related to COVID-19 subject to such conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person;



- ii. any sum of money received by a member of the family of a deceased person, from the employer of the deceased person (without limit), or from any other person or persons to the extent that such sum or aggregate of such sums does not exceed ten lakh rupees, where the cause of death of such person is illness relating to COVID-19 and the payment is, received within twelve months from the date of death of such person, and subject to such other conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person.

These amendments will take effect retrospectively from 1st April, 2020 and will accordingly apply in relation to the assessment year 2020-21 and subsequent assessment years

#### ❖ Facilitating strategic disinvestment of public sector companies

Section 79 of the Act provides for carry forward and set-off of losses it provides that in event of a change in shareholding during the previous year in the case of a company, not being a company in which the public are substantially interested, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, unless on the last day of the previous year, the shares of the company carrying not less than fifty-one per cent of the voting power were beneficially held by persons who beneficially held shares of the company carrying not less than fifty-one per cent of the voting power on the last day of year or years in which the loss was incurred. Sub-section (2) of the said section provides certain circumstances in which the provisions of sub-section (1) shall not apply.

It order to facilitate the strategic disinvestment of public sector companies, it is proposed to amend section 79 of the Act to provide that the provisions of sub-section (1) of section 79 shall not apply to an erstwhile public sector company subject to the condition that the ultimate holding company of such erstwhile public sector company, immediately after the completion of strategic disinvestment, continues to hold, directly or through its subsidiary or subsidiaries, at least fifty one per cent of the voting power of the erstwhile public sector company in aggregate.

This amendment will take effect from 1st April, 2022.

#### ❖ Rationalization of provisions of section 206AB and 206CCA to widen and deepen tax-base.

Sections 206AB and 206CCA provide The persons in whose case significant amount of tax has been deducted should furnish their return of income. Sec 206AB and 206CCA catagorise such persons as “specified person” and define to mean as a person whose case the amount of tax collected and deducted at source is ₹ 50,000 or more in the said previous year and has not filed its return of income for two assessment year relevant to the previous year

immediately preceding the financial year, in case of such assesses tax be deducted at the twice the rate of TDS applicable or at 5%. IT is proposed to reduce the period of default to one year from two.

However, in order to reduce the additional burden on individual and Hindu undivided family (HUF) taxpayers covered under section 194-IA, 194-IB and 194M of the Act for whom simplified tax deduction system has been provided without requirement of TAN, it is proposed that the provisions of section 206AB will not apply in relation to transactions on which tax is to be deducted under the said sections of the Act.

These amendments will take effect from 1st April, 2022.

#### ❖ Rationalization of provisions of TDS on sale of immovable property

Section 194-IA of the Act provides for deduction of tax on payment on acquisition of immovable property other than agricultural land paying to a resident any sum by way of consideration for transfer of any immovable property (other than agricultural land) at the time of credit or payment of such sum to the resident at the rate of one percent if the consideration for the transfer of an immovable property is fifty lakh rupees or more.

it is proposed to amend section 194-IA of the Act to provide that 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.

This amendment will take effect from 1st April, 2022.

#### ❖ TDS on benefit or perquisite of a business or profession

Under clause (iv) of section 28 of the Act, the value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of profession is to be charged as business income in the hands of the recipient of such benefit or perquisite. Hence any payment as sales promotion in cash or kind is taxable under said section.

To ensure due payment of tax on such receipts , it is proposed to insert a new section 194R 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, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of 10% of the value or aggregate of value of such benefit or perquisite.

It is expected that tax department may consider payment of turnover discount, cash discount or similar other payments for sales promotion or any provision in kind as falling under sec 28(iv) and liable to TDS.

This amendment will take effect from 1st July, 2022.



#### ❖ Widening the scope of reporting by producers of cinematograph films or persons engaged in specified activities

Under section 285B requires the producer of cinematographic films to furnish within 30 days from the end of the financial year or from the date of completion of the film, whichever is earlier, a statement containing particulars of all payments over ₹ 50,000/- in the aggregate made by him or due from him to each person engaged by him in specified activities.

It is proposed to widen the scope of “Specified Activities” to include event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as the Central Government may, by notification in the Official Gazette, specify in this behalf.

This amendment will take effect from 1st April 2022.

### ❖ Provisions pertaining to bonus stripping and dividend stripping to be made applicable to securities and units

Section 94 of the Act contains anti avoidance provisions to deal with transactions in securities and units of mutual fund which, in respect of dividend stripping and bonus stripping.

However, the current provisions of sub-section (8) of section 94 of the Act do not apply to bonus stripping of units of Infrastructure Investment Trust (InvIT) or Real Estate Investment Trust (REIT) or Alternative Investment Funds (AIFs). The definition of the term "unit" is proposed to include REITs, InvITs etc. Further, the current provisions of sub-section (7) of section 94 of the Act, i.e. provisions pertaining to dividend stripping, are not applicable to the units of new pooled investment vehicles such as InvIT or REIT or AIFs, it is proposed to extend to the same.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

### ❖ Scheme for taxation of virtual digital assets- CRYPTO CURRENCY ETC

A new scheme to provide for taxation of such virtual digital assets has been proposed Under section 115BBH seeks to provide that where the total income of an assessee includes any income from transfer of any virtual digital asset, the income tax payable shall be the aggregate of the amount of income-tax calculated on income of transfer of any virtual digital asset at the rate of 30%.

However, no deduction in respect of any expenditure (other than cost of acquisition) or allowance or set off of any loss shall be allowed to the assessee under any provision of the Act while computing income from transfer of such asset.

Further, no set off of any loss arising from transfer of virtual digital asset shall be allowed against any income computed under any other provision of the Act and such loss shall not be allowed to be carried forward to subsequent assessment years.

Further, it is proposed to insert section 194S to the Act to provide for deduction of tax on payment for transfer of virtual digital asset to a resident at the rate of 1% of such sum. However, in case the payment for such transfer is -

- i. wholly in kind or in exchange of another virtual digital asset where there is no part in cash; or
- ii. partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such transfer,

the person before making the payment shall ensure that the tax has been paid in respect of such consideration.

However, no tax is to be deducted in case where the value or the aggregate of such value of consideration to a resident is less than ₹ 50,000 during the financial year. In any other case, the said limit is proposed to be ₹ 10,000 during the financial year.

It is also proposed to provide that if tax has been deducted under section 194S, then no tax is to be collected or deducted in respect of the said transaction under any other provision of Chapter XVII of the Act.



It is proposed to empower the Board to issue guidelines, with the prior approval of the Central Government, to remove any difficulty arising in giving effect to the provisions of the said section and every such guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the person responsible for paying the consideration on transfer of such virtual digital assets.

It is also proposed to provide that in case of a transactions where tax is deductible under section 194-O along with the proposed section 194S, then the tax shall be deducted under section 194S and not under section 194-O.

For the purposes of the said section, it is proposed to provide that 'specified person' means a person:-

- i. being an individual or Hindu undivided family whose total sales, gross receipts or turnover from the business carried on by him or profession exercised by him does not exceed one crore rupees in case of business or fifty lakh rupees in case of profession, during the financial year immediately preceding the financial year in which such virtual digital asset is transferred;



- ii. being an individual or Hindu undivided family having income under any head other than the head 'Profits and gains of business or profession'.

This amendment will take effect from 1st of July, 2022.

Further the gifting of virtual digital assets, it is also proposed to be taxable under clause (x) of sub-section (2) of section 56 of the Act.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

To define the term "virtual digital asset", a new clause (47A) is proposed to be inserted to section 2 of the Act. As per the proposed new clause, a virtual digital asset is proposed to mean any information or code or number or token (not

being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account and includes its use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically. Non fungible token and; any other token of similar nature are included in the definition.

Central Government may notify any other virtual digital asset as virtual digital asset by way of notification in the Official Gazette. The Non-fungible tokens means such digital assets as notified by the Central Government. Further, Central Government can notify such assets which shall not be considered as virtual digital assets for the purposes of the proposed section.

These amendments will take effect from 1st April, 2022.

#### ❖ **Withdrawal of concessional rate of taxation on dividend income under section 115BBD**

Section 115BBD of the Act provides for a concessional rate of tax of 15 % on the dividend income received by an Indian company from a foreign company in which such Indian company holds 26 % or more in nominal value of equity shares (specified foreign company).

It is proposed to provide that the provisions of this section shall not apply to any assessment year beginning on or after the 1st day of April, 2023 as a result concessional rate of taxation be inapplicable.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

#### ❖ **Withdrawal of exemption under clauses (8), (8A), (8B) and (9) of section 10 of the Income-tax Act, 1961.**

The exemptions provided under the above-mentioned clauses to certain individuals, consultants, their family members and persons engaged by them. Such persons are working for international organisations under technical assistance grant agreements between agency and foreign government.

It is proposed to amend clauses (8), (8A), (8B) and (9) of section 10 of the Act to provide that the provisions of the said clauses shall not apply to remuneration, fee or income of the previous year relevant to the assessment year beginning on or after the 1st day of April, 2023.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

#### ❖ Amendment in the provisions of section 248 of Income-tax Act and insertion of new section 239A

To obtain a refund of the tax deducted and paid by a person u/s 195, where it was not deductible, as per the provisions of section 248 of the Act, a taxpayer has to file an appeal before the Commissioner (Appeals).

It is proposed to amend the procedure by inserting a new section 239A to provide that such a person, who has made the deduction of tax under such an agreement or arrangement and borne the tax liability, when no tax deduction was required, may file an application for refund of such tax deducted before the Assessing Officer.

Such person may, if not satisfied with the order of the Assessing Officer, may file an appeal against such order before the Commissioner (Appeals), under section 246A of the Act. Accordingly, the provisions of section 248 of the Act will not apply in cases where the date of tax payment, to the credit of Central Government is on or after 01.04.2022.

These amendments will take effect from 1st April, 2022.

#### ❖ Cash credits under section 68 of the Act

Section 68 of the Act provides that where any sum is found to be credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year.



It is proposed to amend the provisions of section 68 of the Act so as to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of an assessee's shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider. However, this additional onus of proof of satisfactorily explaining the source in the hands of the creditor, would not apply if the creditor is a well regulated entity, i.e., it is a Venture Capital Fund, Venture Capital Company registered with SEBI.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

#### ❖ Alignment of the provisions relating to Offences and Prosecutions under Chapter XXII of the Act

Sections 269UC/UE/UL along with other provisions of Chapter XX-C have been made inapplicable in relation to, the transfer of any immovable property effected on or after 01.07.2002 which are no more applicable. The provisions are deleted.

Section 276B & sec 271C provides for prosecution for a term ranging from three months to seven years with



fine for failure to pay tax to the credit of Central Government or deduct tax under Chapter XII-D or XVII-B, certain amendment of technical nature is proposed.

Sections 278A and 278AA are related to punishment with prosecution against persons for failure to pay tax to the credit of Central Government under Chapter XVIIB for tax deducted at source. However, similar provisions for offence with respect to tax collected at source under Chapter XVII-BB, providing for punishment with prosecution against persons failing to pay tax collected at source is not there under sections 278A and 278AA. Therefore, it is proposed to include section 276BB under sections 278A and 278AA owing to the similar nature of offences that are punishable under section 276B and section 276BB.

These amendments will take effect from 1st April, 2022.

#### ❖ Faceless Schemes under the Act

Faceless schemes under sections 92CA, 144C, 253 and 264A were introduced in the Act through Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 with effect from 01.11.2020 and under section 255, was inserted through Finance Act, 2021 with effect from 01.04.2021

Section 92CA and section 144C relates to the transfer pricing functions and international taxation which are presently out of the regime of faceless assessment.

Appeals with Appellate Tribunal are under sec 255. Faceless scheme was to be implemented to the same wef 31st March 2022. However, necessary preparation is yet to be effected.

In light of the above limitations it is proposed to extend the date for issuing directions for the purposes of these sections 92CA, 144C, 253 and 255 till 31st March, 2024.



The new date of limitation would be as under:

Sr.	Section	Scheme	Date of Limitation
1.	92CA	Faceless determination of arm's length price	31st day of March, 2024
2.	144C	Faceless Dispute Resolution Panel	31st day of March, 2024
3.	253	Faceless appeal to Appellate Tribunal 2024	31st day of March, 2024
4.	255	Faceless procedure of Appellate Tribunal	31st day of March, 2024

#### ❖ Amendment in Faceless Assessment under section 144B of the Act

Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020, section 144B was inserted in the Act to provide the procedure for faceless assessment with effect from 01.04.2021 and the Faceless Assessment Scheme, 2019 ceased to operate from that date.

However, various difficulties are being faced in view of the same, it is proposed that the existing provisions of the section 144B be amended to substitute section 144B of the Act with new provisions proposed in the bill.

This amendment will take effect from 1st April, 2022.

Sub-section (9) of section 144B of the Act provides that the assessment proceedings shall be void if the procedure mentioned in the section was not followed. The said sub-section refers to violation of the procedure laid down by the law whereas a large number of disputes have been raised under this subsection involving technical issues arising due to use of information technology, leading to unnecessary litigation. It is, therefore, proposed to omit this subsection i.e., sub-section (9) of section 144B from its date of inception.

This amendment will take effect retrospectively from 1st April, 2021.

#### ❖ Set off of loss in search cases - Amendment in the provisions of section 79A of the Act

At present business income assessed as undeclared

business income as a result of search or survey can be set off against carry forward business loss or unabsorbed depreciation.

Therefore, it is proposed to insert a new section 79A in the Act to provide that notwithstanding anything contained in the Act, where consequent to a search initiated under section 132 or a requisition made under section 132A or a survey conducted under section 133A, the total income of any previous year of an assessee includes any undisclosed income, no set off, against such undisclosed income, of any loss, whether brought forward or otherwise, or unabsorbed depreciation under sub-section (2) of section 32 shall be allowed to the assessee .

This amendment will take effect from 1st April, 2022

#### ❖ Rationalization of provisions relating to assessment and reassessment

The Finance Act, 2021 amended the procedure for assessment or reassessment of income in the Act with effect from the 1st April, 2021. The said amendment modified sections 147, section 148, section 149 and also introduced a new section 148A in the Act. In cases where search is initiated under section 132 of the Act or books of account, other documents or any assets are requisitioned under section 132A of the Act, on or after 1st April, 2021, assessment or reassessment is now made under sections 143 or 144 or 147 of the Act after the Finance Act, 2021.

##### It is proposed to provide:

- (i) to insert a new provision to the effect that requirement for approval to issue notice under section 148 shall not be required, to be taken by the Assessing Officer, if he has passed an order under 148A(d) with prior approval, in that case stating that the income is escaping assessment.
- (ii) to omit the requirement of approval of specified authority in clause (b) of section 148A.

These amendments will take effect from 1st April, 2022.

(iii) In Explanation 2 of section 148 to omit the

reference to three assessment years preceding the assessment year relevant to the year of search;

- (iv) in section 153B by inserting sub-section (4) to provide that nothing contained in the said section shall apply to any search initiated under section 132 or requisition made under section 132A on or after the 1st day of April, 2021.



In the first provision of sub-section (1) of section 149 to provide that no notice under section 148 shall be issued at any time in a case for the relevant assessment year beginning on or before 1st day of April, 2021, if a notice under section 148 or section 153A or section 153C could not have been issued at that time on account of being beyond the time limit specified under the provisions of clause (b) of sub-section (1) of section 149 or section 153A or section 153C, as the case may be, as they stood immediately before the commencement of the Finance Act, 2021.

In order to align the scheme of search assessments with the intent of the Act, it is proposed to—

- (i) amend sub-section (8) of section 132 to make the provisions of that section also applicable to assessment or reassessment or recomputation under subsection (3) of 143 or section 144 or section 147, as the case may be,
- (ii) amend clause (i) of sub-section (1) and sub-section (4) of section 132B to provide that these provisions shall also apply to assessment or reassessment or recomputation.

These amendments will take effect from 1st April, 2022.

- (iii) insert a new section 148B to provide that no order of assessment or reassessment or recomputation

under the Act shall be passed by an Assessing Officer below the rank of Joint Commissioner, except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, in respect of assessments consequent to search, survey and requisition to reduce avoidable inaccuracies.

This amendment will take effect from 1st April, 2022.

- (iv) amend section 153, by inserting a new clause to provide for exclusion of the period of limitation for the purpose of assessment, reassessment or recomputation, (not exceeding one hundred eighty days) commencing from the date on which a search is initiated under section 132 or a requisition is made under section 132A and ending on the date on which the books of account or other documents, or any money, bullion, jewellery or other valuable article or thing seized under section 132 or requisitioned under section 132A, as the case may be, are handed over to the Assessing Officer having jurisdiction over the assessee, in whose case such search is initiated or such requisition is made or to whom any money, bullion, jewellery or other valuable article or thing seized or requisitioned belongs to or to whom any books of account or documents seized or requisitioned, pertains or pertain to, or any information contained therein, relates to ;



- (v) amend section 153B, by inserting a new clause to provide for exclusion of the period (not exceeding one hundred eighty days) commencing from the date on which a search is initiated under section 132 or a requisition is made under section 132A and ending on the date on which the books of

account or other documents, or any money, bullion, jewellery or other valuable article or thing seized under section 132 or requisitioned under section 132A, as the case may be, are handed over to the Assessing Officer having jurisdiction over the assessee, in whose case such search is initiated under section 132 or such requisition is made under section 132A.

These amendments will take effect retrospectively from 1st April, 2021.

- (vi) amend the definition of "specified date" in clause (a) Explanation to section 271AAB to make it also applicable to a notice issued under section 148 in case where search is initiated on or after 1st April, 2021.

This amendment will take effect from 1st April, 2022.

In order to bring clarification in the existing provisions and to align them with the intent of the Act, it is proposed to -

- (i) clarify what constitutes information under Explanation 1 to section 148 so as to include any audit objection, or any information received from a foreign jurisdiction under an agreement or directions contained in a court order, or information received under a scheme notified under section 135A etc.
- (ii) to amend the clause (b) of sub-section (1) of the section 149 to provide that a notice under section 148 shall be issued only for the relevant assessment year after three years but prior to ten years from the end of the relevant assessment year where the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented,
- in the form of an asset; or
  - expenditure in respect of a transaction or in relation to an event or occasion; or
  - an entry or entries in the books of account, which has escaped assessment amounts to or likely to amount to fifty lakh rupees or more.

(iii) insert a new sub-section (1A) in section 149 to provide that notwithstanding anything contained in sub-section (1) of the said section, where the income chargeable to tax represented in the form of an asset or expenditure in relation to an event or occasion of the value referred to in clause (b) of sub-section (1) of the said section, has escaped assessment and the investment in such asset or expenditure in relation to such event or occasion has been made or incurred, in more than one previous years relevant to the assessment years within the period referred to in clause (b) of sub-section (1) of the said section, notice under section 148 shall be issued for every such assessment year for assessment, reassessment or recomputation, as the case may be.

(iv) to provide that the provisions of the section 148A shall not apply in cases where the Assessing Officer has received any information regarding the scheme notified under section 135A, pertaining to income chargeable to tax escaping assessment for any assessment year in the case of the assessee.

These amendments will take effect from 1st April, 2022.

#### ❖ Rationalization of the provisions of sections 271AAB, 271AAC and 271AAD of the Act

Sections 271AAB, 271AAC and 271AAD of the Act contain provisions for levy of penalty in cases involving undisclosed income in cases where search has been initiated u/s 132 or otherwise, or for false entry etc. in books of account.

However the Commissioner (Appeals) has no power to levy penalty under sections 271AAB, 271AAC and 271AAD, with a view to enable the Commissioner (Appeals) to levy penalty under these sections are amended.

These amendments will take effect from 1st April, 2022.

#### ❖ Amendment in the provisions of section 272A of the Act

Section 272A of the Act provides for penalty for failure

to answer questions, sign statements, furnish information, returns or statements, allow inspections etc. At present, the amount of penalty for failures listed under sub-section (2) of section 272A is one hundred rupees for every day during which the failure continues. It is proposed to increase the amount of penalty for failures listed under sub-section (2) of section 272A to five hundred rupees from the existing sum of one hundred rupees.

This amendment will take effect from 1st April, 2022.



#### ❖ Amendment in the provisions of section 179 of the Act

Section 179 of the Act contains provisions which enables Income tax authorities to recover tax due from a private company from its directors, under certain circumstances where such tax cannot be recovered from the company itself. The section makes each director of the private company jointly and severally liable for the payment of such tax with certain conditions. However, the title of the section inadvertently refers to 'the liability of directors of private company in liquidation'. It is proposed to change 'the liability of directors of private company'

Further, Explanation to the section clarifies that the expression "tax due" in the section includes penalty, interest or any other sum payable under the Act. It is also proposed to insert the word "fees" in the scope of the expression "tax due" under Explanation to the section.

This amendment will take effect from 1st April, 2022.

#### ❖ Rationalisation of the provision of Charitable Trust and Institutions

Income of any fund or institution or trust or any university or other educational institution or any

hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 or any trust or institution registered u/s 12AA or 12AB of the Act is exempt subject to the fulfilment of the conditions provided under various sections. The exemption to these trusts or institutions is available under the two regimes either section 10(23c) or section 11. Some amendments are proposed :

Books of account to be maintained by the trusts or institutions under both the regimes

Where the total income of any trust or institution under the second regime, as computed under this Act without giving effect to the provisions of section 11 and section 12 of the Act, exceeds the maximum amount which is not chargeable to income-tax in any previous year, it is required to get its accounts audited. Similar provision exists for the trusts or institutions exempt under clause (23C) of section 10 of the Act.

However, there is no specific provision to maintain books by such trusts or institutions. It is proposed to amend clause (b) of sub-section (1) of section 12A of the Act and tenth proviso to clause (23C) of section 10 of the Act to provide that where the total income of the trust or institution under both regimes, without giving effect to the provisions of clause (23C) of section 10 or section 11 and 12, exceeds the maximum amount which is not chargeable to tax, such trust or institution shall keep and maintain books of account and other documents in such form and manner and at such place, as may be prescribed.

These amendments will take effect from 1st April, 2023 and will accordingly apply to the assessment year 2023-24 and subsequent assessment years.

#### **Penalty for passing on unreasonable benefits to trustee or specified persons**

Under section 13 of the Act, trusts or institutions are required not to pass on, any unreasonable benefit to the trustee or any other specified person. In order to discourage such misuse of the funds of the trust or institution, it is proposed to insert a new section

271AAE in the Act to provide for penalty on trusts or institution equal to amount of income applied by such trust or institution for the benefit of specified person where the violation is noticed for the first time during any previous year and twice the amount of such income, where the violation is noticed again in any subsequent year. The proposed section seeks to operate without prejudice to any other provision of chapter XXI.



The proposed new section seeks to provide that, if it is found that a person, being any trust or institution, has violated the provisions of twenty-first proviso to clause (23C) of section 10 (proposed to be inserted by the Finance Bill) or clause (c) of sub-section (1) of section 13, as the case may be, the Assessing Officer may direct that such person shall pay by way of penalty,

- i) a sum equal to the aggregate amount of income applied, directly or indirectly, by such person, for the benefit of any person referred to in sub-section (3) of section 13 where the violation is noticed for the first time during any previous year; and
- ii) a sum equal to two hundred percent of the aggregate amount of income of such person applied, directly or indirectly, by such person, for the benefit of any person referred to in sub-section (3) of section 13, where violation is noticed again in any subsequent previous year.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 & subsequent assessment years.

Reference to the Principal Commissioner or Commissioner (PCIT/CIT) for the cancellation of registration/approval:

it is proposed to amend the provisions of section 12AB and fifteenth proviso to clause (23C) of section 10 of the Act as follows:

- (I) Sub-section (4) of section 12AB of the Act is proposed to be substituted with a new sub-section (4) to provide that where registration or provisional registration of a trust or an institution has been granted under clause (a) or clause (b) or clause (c) of sub-section (1) of section 12AB or clause (b) of sub-section (1) of section 12AA, as the case may be, and subsequently,
- the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year proposed to be defined and referred hereinafter;
  - the Principal Commissioner or Commissioner has received a reference from the Assessing Officer under the second proviso to sub-section (3) of section 143 for any previous year, or
  - such case has been selected in accordance with the risk management strategy, formulated by the Board from time to time, for any previous year,

the Principal Commissioner or Commissioner shall -

- call for such documents or information from the trust or institution or make such inquiry as he thinks necessary in order to satisfy himself about the occurrence or otherwise of any specified violation;
- pass an order in writing cancelling the registration of such trust or institution, after affording a reasonable opportunity of being heard, for such previous year and all subsequent previous years, if he is satisfied that one or more specified violation have taken place;
- pass an order in writing refusing to cancel the

registration of such trust or institution, if he is not satisfied about the occurrence of one or more specified violation;

- forward a copy of the order under clause (ii) or (iii), as the case may be, to the Assessing Officer and such trust or institution.
- (II) The term "specified violation" is proposed to be defined by inserting an Explanation to sub-section (4) of section 12AB of the Act to mean the following violation :-

- where any income of the trust or institution has been applied other than for the objects for which it is established; or
- the trust of institution has income from profits and gains of business which is not incidental to the attainment of its objectives or separate books of account are not maintained by it in respect of the business which is incidental to the attainment of its objectives; or



- the trust or the institution has applied any part of its income from the property held under a trust for private religious purposes which does not ensure for the benefit of the public; or
  - the trust or institution established for charitable purpose created or established after the commencement of this Act, has applied any part of its income for the benefit of any particular religious community or caste;
  - any activity being carried out by the trust or the institution
- (i) is not genuine; or

- (ii) is not being carried out in accordance with all or any of the conditions subject to which it was registered; or
- (f) the trust or institution has not complied with the requirement of any other law, as referred to in item (B) of sub-clause (i) of clause (b) of sub-section (1) of section 12AB, and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality.
- III) Sub-section (5) of section 12AB of the Act is proposed to be substituted with a new sub-section (5) to provide that that the order under clause (ii) or (iii) of sub-section (4) shall be passed before expiry of the period of six months, calculated from the end of the quarter in which the first notice is issued by the Principal Commissioner or Commissioner, on or after the 1st day of April, 2022, calling for any document or information, or for making any inquiry, under clause (i) of sub-section (4);



Fifteenth proviso to clause (23C) of section 10 of the Act is proposed to be substituted to provide that where the fund or institution referred to in sub-clause (iv) or trust or institution referred to in sub-clause (v) or any university or other educational institution referred to in sub-clause (vi) or any hospital or other medical institution referred to in sub-clause (via) of clause (23C) of the said section 10 is approved under said clause and subsequently specified violation are noticed registration be cancelled following the procedure laid down. provisions are similar to provisions applicable in case of charitable trust.

Consequently sub-section (3) of section 143 of the Act is proposed to be amended by deleting the reference to trusts or institution in the first proviso and delete the existing third proviso.

It is also proposed to provide by inserting an Explanation (Explanation 3) to the fifteenth proviso to clause (23C) of section 10 of the Act that where a reference, under the first proviso to sub-section (3) of section 143, has been made on or before the 31st March, 2022 by the Assessing Officer for the contravention of certain provisions of clause (23C) of section 10 of the Act, such references shall be dealt with in the manner provided under the said Explanation.

#### Accumulation provisions

- A) It is proposed to amend the provisions of sub-section (3) of section 11 of the Act to provide that any income referred to in sub-section (2) which is not utilised for the purpose for which it is so accumulated or set apart shall be deemed to be the income of such person of the previous year being the last previous year of the period, for which the income is accumulated or set apart under clause (a) of subsection (2) of section 11, but not utilised for the purpose for which it is so accumulated or set apart.
- B) It is proposed to insert Explanation 3 to the third proviso to clause (23C) of section 10 of the Act to provide that for the purposes of determining the amount of application under this proviso, where eighty-five per cent of the income referred to in clause (a) of the third proviso, is not applied, wholly and exclusively to the objects for which the trust or institution is established, during the previous year but is accumulated or set apart, either in whole or in part, for application to such objects, such income so accumulated or set apart shall not be included in the total income of the previous year of the person in receipt of the income, provided the following conditions are complied with, namely:-
- (a) such person furnishes a statement in the

prescribed form and in the prescribed manner to the Assessing Officer, stating the purpose for which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed five years;

- (b) the money so accumulated or set apart is invested or deposited in the forms or modes specified in sub-section (5) of section 11; and
  - (c) the statement referred to in clause (a) of Explanation 3 is furnished on or before the due date specified under sub-section (1) of section 139 for furnishing the return of income for the previous year;
- C) It is proposed to insert a proviso to the proposed Explanation 3 to the third proviso to clause (23C) of section 10 of the Act to provide that in computing the period of five years referred to in sub-clause (a), the period during which the income could not be applied for the purpose for which it is so accumulated or set apart, due to an order or injunction of any court, shall be excluded.
- D) It is also proposed to insert an Explanation (Explanation 4) to third proviso to clause (23C) of section 10 to provide that any income referred to in the proposed Explanation 3 shall be deemed to be the income of the previous year in which the following takes place -
- (a) the income is applied for purposes other than wholly and exclusively to the objects for which the trust or institution under the first regime is established or ceases to be accumulated or set apart for application thereto, or
  - (b) the income ceases to remain invested or deposited in any of the forms or modes specified in sub-section (5) of section 11, or
  - (c) the income is not utilised for the purpose for which it is so accumulated or set apart during the period referred to in clause (a) of the proposed Explanation 3,

- (d) the income is credited or paid to any trust or institution under the first or second regime.

For the circumstances referred to in clause (c), it is proposed that the income shall be deemed to be the income of previous year which is the last previous year of the period, for which the income is accumulated or set apart under sub-clause (a) of clause (iii) of the proposed Explanation 3, but not utilised for the purpose for which it is so accumulated or set apart.



- E) It is proposed to insert an Explanation (Explanation 5) to third proviso to clause (23C) of section 10 of the Act to enable the Assessing Officer to allow trusts or institutions in circumstances beyond their control to apply such accumulated income for such other purpose in India as is specified in the application by such person subsequent to fulfilment of specified conditions. These other purposes are required to be in conformity with the objects for which the trust or institution under the first regime is established. If it is done, the provisions of Explanation 4 to third proviso to clause (23C) of section 10 shall apply as if the purpose specified by such person in the application under this Explanation were a purpose specified in the notice given to the Assessing Officer under clause (a) of the proposed Explanation 3 of the third proviso to clause (23C) of section 10.
- F) It is proposed to insert a proviso to proposed Explanation 5 to third proviso to clause (23C) of section 10 of the Act to provide that the Assessing Officer shall not allow the application of any accumulated income, as referred to in the proposed Explanation 3, to be credited or paid to



any trust or institution under the first or second regime, as referred to in clause (d) of proposed Explanation 4 to the third proviso to clause (23C) of section 10.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

Bringing consistency in the provisions relating to payment to specified person

Under section 13 of the Act, trusts or institutions are required not to pass on any unreasonable benefit to the trustee or any other specified person. It is proposed to insert twenty first proviso in clause (23C) of section 10 of the Act to provide that where the income or part of income or property of any trust or institution, has been applied directly or indirectly for the benefit of any person referred to in sub-section (3) of section 13, such income or part of income or property shall be deemed to be the income of such person of the previous year in which it is so applied. The provisions of sub-section (2), (4) and (6) of section 13 of the Act shall also apply to trust or institution.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

**The provisions of section 115TD to apply to any trust or institution under the first regime.**

- i) The provisions of the Chapter XII-EB have been made applicable to only the trusts or institutions under the second regime. However, the provisions are not applicable to any trust or institution under the first regime.
- ii) Hence, it is proposed to amend the provisions of section 115TD, 115TE and 115TF of the Act to make them applicable to any trust or institution under the first regime as well.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the

assessment year 2023-24 and subsequent assessment years.

**Filing of return by person claiming exemption under clause (23C) of section 10 of the Act**

It is proposed to insert twentieth proviso to clause (23C) of section 10 of the Act to provide that for the purpose of exemption under this clause, any trust or institution under the first regime is required to furnish the return of income for the previous year in accordance with the provisions of sub-section (4C) of section 139 of the Act, within the time allowed under that section.

This amendment will take effect from the 1st April, 2023, and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.



**Providing clarity on taxation in certain circumstances**

- i) There is presently lack of clarity on computation of taxable income in case of non-availability of exemption in these cases. For example, if the exemption is denied to the trust or institution for the late submission of the audit report, its entire receipts may be subjected to taxation and no deduction for any application may be allowed.
- ii) In order to bring clarity in the computation of the income chargeable to tax in such cases, the following amendments are proposed: -
  - (a) It is proposed to insert sub-section (10) in section 13 of the Act to provide that where the provisions of sub-section (8) are applicable to any trust or institution or such trust or institution violates the conditions prescribed

under clause (b) or clause (ba) of sub-section (1) of section 12A, its income chargeable to tax shall be computed after allowing deduction for the expenditure (other than capital expenditure) incurred in India, for the objects of the trust or institution, subject to fulfillment of the following conditions, namely :-

- (i) such expenditure is not from the corpus standing to the credit of such trust or institution as on the last day of the financial year immediately preceding the previous year relevant to the assessment year for which the income is being computed;
  - (ii) such expenditure is not from any loan or borrowing;
  - (iii) claim of depreciation is not in respect of an asset, acquisition of which has been claimed as application of income in the same or any other previous year; and
  - (iv) such expenditure is not in the form of any contribution or donation to any person.
- (b) It is also proposed to insert an Explanation to sub-section (10) to section 13 of the Act to provide that for the purposes of determining the amount of expenditure under this sub-section, the provisions of sub-clause (ia) of clause (a) of section 40 and sub-sections (3) and (3A) of section 40A, shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".
- (c) It is also proposed to insert sub-section (11) to section 13 of the Act to provide that for the purposes of computing income chargeable to tax, under sub-section (10), no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any other provision of the Act. Similarly, it is proposed to insert twenty second proviso to clause (23C) of section 10 of the Act to provide taxation of income in case of violations committed by institutions

exempt u/s 10(23C), the provisions are similar to trust as referred hereabove , hence not repeated.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

#### **Taxation of certain income of the trusts or institutions under both the regimes at special rate**

Following incomes of the trusts or institutions are chargeable to tax, under different provisions of the Act:-

- (a) The trusts or institutions under the first or second regime are required not to pass on any unreasonable benefit to the trustee or any other specified person. For the trusts or institutions under the second regime, clause (c) of sub-section (1) of section 13 of the Act provides that the entire exemption shall be denied to the trust irrespective of the amount of benefit passed on. For trusts or institutions under the first regime similar provisions is proposed by way of insertion of twentieth proviso to clause (23C) of section 10 of the Act.



- (b) It is mandatory for any trust or institution under the first regime, to keep their funds in the specified modes. Third proviso of clause (23C) of section 10 of the Act specifically provides that the funds of such trusts or institutions shall be maintained in these specified modes. For the trusts or institutions under the second regime, clause (d) of sub-section (1) of section 13 of the Act provides that the exemption shall be denied to the trust

irrespective of the amount of investment in non-specified modes.



- (c) Further, the trusts or institutions under both the regimes are required to apply at least 85% of their income during the year. Where the trust is not able to apply 85% of the income, it may accumulate such income for maximum 5 years. Sub-section (3) of section 11 of the Act specifically provides for the trusts or institutions under the second regime that such accumulated income, which could not be applied within the period of accumulation (maximum 5 years), shall be deemed to be the income of the trust. Similarly, for the trusts or institutions under the second regime, there is a specific provision under clause (2) of Explanation 1 to sub-section (1) of section 11 of the Act providing for the accumulation of income for a period of one year. Subsection (1B) of section 11 of the Act provides that if the income accumulated under clause (2) of Explanation 1 to sub-section (1) of section 11 of the Act could not be applied within the time allowed; it shall be deemed to be the income of the trust.
- (d) The trusts or institutions under the first regime are also required to apply at least 85% of their income during the year. Where such trust is not able to apply 85% of its income during the year and does not accumulate such income, entire income of such trust shall be subjected to tax where the trust is approved under the second proviso to clause (23C) of section 10 of the Act since third proviso to

clause (23C) of section 10 of the Act mandates minimum 85% application of income unless such income is accumulated.

Denying exemption to the trust, for small amount of income applied in violation to the provisions referred in clause (a) and (b) above creates difficulties to the trusts or institutions under both the regimes as there is ambiguity about the manner of taxation of such income. Further, there is need for special provision to ensure that the income applied in violation is taxed at special rate without deduction. Accordingly, in order to rationalise the provisions, the following amendments are proposed:-

- (a) It is proposed to amend clause (c) of sub-section (1) of section 13 of the Act to provide that only that part of income which has been applied in violation to the provisions of the said clause shall be liable to be included in total income.
- (b) It is also proposed to insert twenty first proviso in clause (23C) of section 10 to specifically provide that where the income of any trust under the first regime, or any part of the such income or property, has been applied directly or indirectly for the benefit of any person referred to in sub-section (3) of section 13, such income or part of income or property shall be deemed to be income of such person of the previous year in which it is so applied. The provisions of sub-section (2), (4) and (6) of section 13 of the Act shall also apply to it.
- (c) It is proposed to amend clause (d) of sub-section (1) of section 13 of the Act to provide that only the that part of income which has been invested in violation to the provisions of the said clause shall be liable to be included in total income.
- (d) It is proposed to insert Explanation 4 in third proviso to clause (23C) of section 10 of the Act to specifically provide that income accumulated which is not utilised for the

purpose for which it is so accumulated or set apart shall be deemed to be the income of such person of the previous year being the last previous year of the period, for which the income is accumulated or set apart.

- (e) All the above income are also required to be taxed at special rate. Hence, it is proposed to insert new section 115BBI in the Act providing that where the total income of any assessee being a trust under the first or second regime, includes any income by way of any specified income, the income-tax payable shall be the aggregate of -



- (i) the amount of income-tax calculated at the rate of thirty per cent on the aggregate of specified income; and
- (ii) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the aggregate of specified income referred to in clause (i).
- (f) The sub-section (2) of this new section seeks to provide that no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provision of the Act in computing specified income.
- (g) Explanation to the proposed section defines "specified income" to mean:-
- (i) income accumulated or set apart in excess of fifteen percent of the income where such accumulation is not allowed under any specific provisions of the Act; or

- (ii) deemed income referred to in Explanation 4 to third proviso to clause (23C) of section 10 or sub-section (3) of section 11 or sub-section (1B) of section 11; or
- (iii) any income which is not exempt under clause (23C) of section 10 on account of violation of the provisions of clause (b) of third proviso of clause (23C) of section 10 or not to be excluded from total income under the provisions of clause (d) of sub-section (1) of section 13; or
- (iv) any income which is deemed to be income under the twenty first proviso to clause (23C) of section 10 or which is not excluded from total income under clause (c) of sub-section (1) of section 13; or
- (v) any income which is not excluded from total income under clause (c) of sub-section (1) of section 11.

These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 & subsequent assessment years.

Voluntary Contributions for the renovation and repair of temples, mosques, gurudwaras, churches etc notified under clause (b) of sub-section (2) of section 80G

- i) In order to provide clarity, it is proposed to insert Explanation 3A in sub-section (1) of section 11 of the Act to provide that where the property held under a trust or institution includes any temple, mosque, gurdwara, church or other place notified under clause (b) of sub-section (2) of section 80G, any sum received by such trust or institution as a voluntary contribution for the purpose of renovation or repair of such temple, mosque, gurdwara, church or other place, may, at its option, be treated by such trust or institution as forming part of the corpus of the trust or the institution, subject to the condition that the trust or the institution,
- (a) applies such corpus only for the purpose for which the voluntary contribution was made;

- (b) does not apply such corpus for making contribution or donation to any person; and
- (c) maintains such corpus as separately identifiable;
- (d) invests or deposits such corpus in the forms and modes specified under sub-section (5) of section 11.

- ii) It is also proposed to insert Explanation 3B in sub-section (1) of section 11 of the Act to provide that for the purposes of Explanation 3A, where any trust or institution has treated any sum received by it as forming part of the corpus and subsequently any of the conditions specified in clause (a), (b), (c) or clause (d) thereof are violated, such sum shall be deemed to be the income of such trust or institution of the previous year during which the violation takes place.



- iii) It is also proposed to insert Explanation 1A in the third proviso to clause (23C) of section 10 of the Act to provide that where the property held under a trust or institution referred to in sub-clause (v), includes any temple, mosque, gurdwara, church or other place notified under clause (b) of sub-section (2) of section 80G of the Act, any sum received by such trust or institution as a voluntary contribution for the purpose of renovation or repair of such temple, mosque, gurdwara, church or other place, may be treated by such trust or institution, at its option, as forming part of corpus of the trust or institution, subject to the condition that the trust or institution,
- (a) applies such corpus only for the specific purpose for which the voluntary donation was made;

- (b) does not apply such corpus for making contribution or donation to any person;
- (c) maintains such corpus as separately identifiable; and
- (d) invests or deposits such corpus in the forms and modes specified under subsection (5) of section 11.



- iv) It is also proposed to insert Explanation 1B in the third proviso to clause (23C) of section 10 of the Act providing that for the purposes of Explanation 1A, where any trust or institution referred to in sub-clause (v) has treated any sum received by it as forming part of the corpus and subsequently any of the conditions specified in clause (a), (b), (c) or clause (d) thereof are violated, such sum shall be deemed to be the income of such trust or institution of the previous year during which the violation takes place.

These amendments will take effect retrospectively from 1st April, 2021 and will accordingly apply in relation to the assessment year 2021-22 and subsequent assessment years.

#### **Clarifying that application will be allowed only when its actually paid**

Trust or institution under both the regimes are required to apply 85% of their income for the purposes specified. As is evident from the word "application", it means actually paid. This is the position which has been held by different courts also. Accordingly 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 further proposed to insert proviso to the proposed Explanations [Explanation 3 to clause (23C) of section 10 and Explanation to section 11] to provide that where during any previous year, any sum has been claimed to have been applied by such trust, such sum shall not be allowed as application in any subsequent previous year.

These amendments will take effect from 1st April, 2022.

#### ❖ Amendment to sub-section (1A) of section 35

It is proposed to amend sub-section (1A) of section 35 of the Act to provide that the deduction claimed by the donor with respect to the donation given to any research association, university, college or other institution referred to in clause (ii) or clause (iii) or the company referred to in clause (iia) of sub-section (1) of section 35 of the Act shall be disallowed, if, such research association, university, college or other institution or company do not file the statement of donations.

This amendment will take effect retrospectively from 1st April, 2021.



#### ❖ Amendment in the provisions of section 263 of the Act

It is proposed to amend the provisions of section 263 of the Act so as to provide that the Principal Chief

Commissioner or the Chief Commissioner or the Principal Commissioner or Commissioner who is assigned the jurisdiction of transfer pricing may call for and examine the record of any proceeding under this Act, and if he considers that any order passed by the TPO, working under his jurisdiction, to be erroneous in so far as it is prejudicial to the interests of revenue, he may pass an order directing revision of the order of TPO. Consequential changes are also be made in the provisions of section 153 of the Act inter alia to provide two months' time to the Assessing Officer to give effect to the order of TPO consequent to the directions in the revision order.

Further, in section 153 of the Act, it is proposed to



- a. provide that the provisions of sub-sections (3) and (5) of that section shall also be applicable to order passed by Transfer Pricing Officer under section 92CA,
- b. to insert sub-section (5A) to provide that where the Transfer Pricing Officer gives effect to an order or direction under section 263 by means of an order under section 92CA and forwards such order to the Assessing Officer, the Assessing Officer shall proceed to modify the order of assessment or reassessment or recomputation, in conformity with such order of the Transfer Pricing Officer, within two months from the end of the month in which such order of the Transfer Pricing Officer is received by him,
- c. provide that the said provisions of the sub-section (6) shall also be applicable to orders referred to in the sub-section (5A) inserted in the Act.

These amendments will take effect from 1st April, 2022.

#### ❖ Amendment in the provisions of section 119 of Income-tax Act

Considering the genuine hardships faced by certain classes of persons in filing return of income and not to impose a fee for a default which is beyond their control, it is proposed to insert section 234F and include it in the list of sections mentioned in clause (a) of sub-section (2) of section 119 of the Act, so as to enable the Board to issue such orders or instructions, as deemed fit.

This amendment will take effect from 1st April, 2022



#### ❖ Income-tax authorities for the purposes of section 133A of the Act

Section 133A of the Act enables an income-tax authority to enter any place of business or profession or charitable activity within his jurisdiction to verify the books of account or other documents, cash, stock or other valuable article or thing, which may be useful for or relevant to any proceeding under this Act. Explanation to section 133A provides the definition of an income tax authority for the purposes of this section.

It is proposed to amend the Explanation to section 133A of the Act to provided that income tax authority shall be sub-ordinate to Principal Director General or Director General or Principal Chief Commissioner or Chief Commissioner, as the case may be, specified by the Board.

This amendment will take effect from 1st April, 2022.

#### ❖ Reduction of Goodwill from block of assets to be considered as 'transfer'

From the assessment year 2021-2022, goodwill of a business or profession is not considered as a depreciable asset and there would not be any depreciation on goodwill of a business or profession in any situation. In case where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be considered as cost of acquisition for the purpose of computation of capital gains under section 48 of the Act subject to the condition that in case depreciation was obtained by the assessee in relation to such goodwill prior to the assessment year 2021-22, then the depreciation so obtained by the assessee shall be reduced from the amount of the purchase price of the goodwill.

When the amendment was carried out through the Finance Act 2021, consequential amendment was carried out in section 50 of the Act by insertion of a proviso to clause (2) of that section. A further consequential amendment required is being proposed now.

Accordingly, it is proposed to clarify that for the purposes of section 50 of the Act, reduction of the amount of goodwill of a business or profession, from the block of asset in accordance with sub item (B) of item (ii) of sub-clause (c) of clause (6) of section 43, shall be deemed to be transfer



Since the amendment to the effect that, goodwill of a business or profession is not a depreciable asset has been made applicable from assessment year 2021-2022 the above amendment will take effect retrospectively from 1st April 2021 and will accordingly apply in relation to the assessment year 2021-22 and subsequent assessment years.

❖ **Definition of the term “slump sale”:**

It is proposed to change definition of 'slump sale' by amending the provision of clause (42C) of section 2 of the Act, to substitute the word “sales” with the word “transfer”.

Courts has taken the view that if whole or any part of consideration for transfer of an undertaking as 'slump

sale' is other than cash, such transaction cannot be termed as 'sales' and not be subjected to tax u/s 50B. Hence proposed amendment.

This amendment will take effect retrospectively from the 1st April, 2021 and will accordingly apply in relation to the assessment year 2021-22 and subsequent assessment years.





## Goods & Services Tax

### Legislative changes

#### Input tax credit

- ▶ ITC shall not be eligible unless the outward supply details are auto-generated (in GSTR-2B).
- ▶ Increased restrictions on availment of credit (on the basis of auto-generated GSTR-2B) in case of :-
  - Newly registered persons for a period as may be specified.
  - Persistent default in payment of tax by a vendor.
  - Liability disclosed in GSTR 1 exceeds GSTR 3B.
  - Credit availed in excess of the prescribed limit.
  - Credit beyond the maximum proportion of output tax liability, which may be discharged through the ECL.
  - Any other prescribed class of persons.

#### Time limit for ITC availment

Statutory time limit for availing ITC extended to 30 November from the current time limit of due date of September return.

#### Time limit for issuance of credit notes

Statutory time limit for issuing credit notes extended to 30th November.

#### Payment of tax by vendor

Self-assessed ITC availed in return to be reversed, along with interest where tax is not paid by the supplier; re-availment permissible in cases where a supplier is paying tax.

### Procedural changes

#### Cancellation of GST registration on non-filing of returns

- For composition dealers : Where the return required to be filed annually is delayed beyond three months from the due date of furnishing of the said return.
- For others : When there is a delay for a “continuous tax period” as maybe prescribed; earlier it was six months.

#### Electronic cash ledger

- Enabling provisions for transferring cash ledger balance under the CGST Act of a registered person to the electronic cash ledger under the said Act or the IGST Act of a distinct person.
- Amendment to provision to Section 54(1) to prescribe a form for claiming any balance in the electronic credit ledger.

#### Late fee

It has been prescribed for delayed filing of TCS returns.

#### GST refunds

Relevant date for filing a refund claim of ITC now includes supplies made to a SEZ developer/unit – due date of filing of return in GSTR-3B for the period in which supplies is made.

#### GST returns

- GSTR-1 not allowed to be filed where returns of any past tax period has not been furnished.
- Rectification of already filed GSTR-1/3B extended to 30 November.
- Filing of GSTR-1 pre-condition to file GSTR-3B.

## Central Excise Act

### Amendment made to fourth schedule

The fourth schedule in chapter 27 shall have the entries captured in the below table.

Tariff item	Description of goods	Unit	Rate of duty
2710 12 39	Solvent 145/205 Motor gasoline conforming to standard IS 2796, IS 17021, IS 17586, or IS 17076	kg.	...
2710 12 41	Motor gasoline conforming to standard IS 2796	kg.	14%+INR 15.00 per liter
2710 12 42	E 20 fuel conforming to standard IS 17021	kg.	14%+INR 15.00 per liter
2710 12 43	E 12 fuel conforming to standard IS 17586	kg.	14%+INR 15.00 per liter
2710 12 44	E 15 fuel conforming to standard IS 17586	kg.	14%+INR 15.00 per liter
2710 12 49	M 15 fuel conforming to standard IS 17076	kg.	14%+ INR 15.00 per liter

## Customs

### Changes in Customs Act, 1962

#### Legislative changes

- Definition of 'proper officer' amended retrospectively to include the officers of DRI, audit, and preventive formation in the class of officers of customs to perform various functions under the Customs Act and the rules made thereunder.
- Past actions taken validated through amendment of Section 5 read with Clause 96 of the Finance Bill 2022, effectively nullifying the Supreme Court's decision in the case of Canon India.
- The board empowered to make rules specifying additional obligations of importers, in respect of imported goods whose value is not being declared correctly.
- Unauthorised publication of import or export data made a punishable offence.
- Advance rulings obtained valid for a period of:
  - three years; or
  - until there is a change in law/facts; whichever is earlier.
- Existing advance rulings as on date when Finance Bill 2022 receives assent of the president would be valid for three years starting from the date of such assent.

### Changes in Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017

#### IGCR 2017 amended to:

- Allow electronic submission of data through the customs portal
- Simplify by standardizing various forms and doing away with the need of transaction-based permissions/intimations
- Prescribe submission of monthly statements (earlier quarterly statement) by the importer

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

##### Tariffication from 1 May 2022

BCD rates of a number of goods in sectors such as chemicals and textiles are proposed to be changed from 1st May 2022 on the basis of an exercise carried out to

simplify tariff structure.

Corresponding entries in the relevant notification(s) providing tariff concessions/ exemptions would be omitted from 1st May 2022.

The existing effective BCD rate will continue after 1st May 2022 as even though the tariff rate changes on 1st May 2022, the corresponding exemption notification gets omitted, thus the effective BCD rate remains unchanged.

#### Project imports

Concessional BCD rate on project imports would continue to be levied at applicable rates for the projects registered until 30th September 2022 under project imports until 30th September 2023.

New projects registered after 30th September 2022 under project imports will attract a BCD rate of 7.5 percent.

The projects registered under project imports would attract a BCD rate at 7.5 percent from 1st October 2023.

#### Increase in customs duty rates to encourage domestic manufacturing

Description of goods	Up to 1 Feb. 2022	From 2 Feb. 2022
Imitation jewellery	20%	20% or INR 400/kg, whichever is higher
Artificial kidney	Nil	Applicable rate
Raw materials, parts or accessories for manufacturing artificial kidney	Nil	Applicable rate
Goods used in manufacturing static converters of automatic data processing machines: PCBA, transformer, battery, and copper enameled wires	Nil	Applicable rate
Specified goods for public mobile radio trunked service and its parts	Nil	Applicable rate
C-block compressors and crankshafts used in manufacturing refrigerator compressors	5%	7.5%
Over-load protector and positive thermal coefficient used in manufacturing refrigerator compressors	5%	10%
Sodium cyanide	7.5%	10%
Parts of electronic toys for manufacturing electronic toys	15%	25%

Description of goods	Up to 31 March 2022	From 1 April 2022
Single or multiple loudspeakers, whether or not mounted in their enclosures	15%	20%
Headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers	15% <sup>2</sup>	0%
Solar cell (other than those exclusively used with specified goods) Nil <sup>2</sup> Solar module (other than those exclusively used with specified goods)	Nil	40%
Capital goods for synthetic fibre/ yarn, such as spindles, yarn guides, ballon control rings, and travellers	5%	Applicable rate
Effluent treatment unit with a biopaq reactor, activated sludge process, activated carbon, ultra filtration osonisation facilities	5%	Applicable rate
Transformers, reactors, circuit breakers, etc.	7.5%	Applicable rate
Goods imported by a manufacturer supplier for manufacturing and supplying machinery and equipment to a power generation plant (other than a captive power generation plant)	5%	Applicable rate
Specified goods for setting up crude petroleum refinery, such as utility systems, water treatment systems, air handling systems, and boilers.	5%	Applicable rate
Kits and their parts required for the conversion of motor-spirit or diesel driven vehicles into those driven on compressed natural gas or propane or liquefied petroleum gas	5%	Applicable rate
X-ray machines	7.5%	10%

#### Reduction in customs duty rates on inputs required for domestic manufacturing

Description of goods	Up to 1 Feb. 2022	From 2 Feb. 2022
Fuel oil	5%	2.5%
Camera lens for use in manufacturing a camera module for cellular mobile phone	10%/15%	2.5%
Specified parts for use in manufacturing transformers for chargers/adapters	10%/15%	5%
Copper/aluminium based copper clad laminate for use in manufacturing PCB/MPCB	5%/7.5%	Nil
S. G. ingot castings used in manufacturing plastic processing machinery	10%	7.5%
Ball screw and linear motion guide used in manufacturing plastic processing machinery	7.5%	5%

#### Validity of customs duty concessions

#### Sunset of customs duty concessions rate on 31st March 2023

- Equipments, instruments, raw materials, components, pilot plants, and computer software used in R&D projects.
- Machinery/components for initial setting up of power generation project machinery, equipment, apparatus, components, and appliances for initial setting up of a fuel cell-based system for power generation.
- Specified drugs and medicines supplied free of cost to patients.
- Goods relating to defence and internal security forces.
- Machinery for the garment sector, technical textiles, woolen machinery items, non-woven textiles, denim fabrics, shuttle-less looms, etc.
- Singeing, yarn drying, and knitting machines.
- Permanent magnets for manufacturing PM synchronous generators above 500kw for use in wind-operated electricity generators

- Parts of wind-operated electricity generators that include special bearings, gear boxes, yaw components, and wind turbine controllers
- Specified goods for setting up a crude petroleum refinery, including refinery process units, all types of hydrogen generation, recovery and purification plants, and effluent solids/liquids/gaseous processing
- Specified goods, such as air blast dust removing and automatic drying machines, designed for use in the leather or footwear industry

- Machinery for the industrial preparation or manufacturing of food or drink

**Sunset of customs duty concessions rate on 31st March 2024**

- Capital goods used by IT/electronics industry (subject to conditions)
- Raw materials and parts for use in manufacturing electronic items

**Phased Manufacturing Programme (PMP) for wrist wearable devices (commonly known as smart watches) to promote indigenous manufacturing**

The following parts (s. no. 1 to 7) used for manufacturing wearable devices fall under tariff item 8517 62 90 of the customs tariff :-

S.No.	CTH	Commodity	Current	2022-23	2023-24	2024-25	April 2025 onwards
1.	8517 7910	Printed circuit board assembly	NIL	NIL	10%	15%	5%
2.	8544	Charging cable	10%	NIL	5%	10%	15%
3.	39, 73, 85	Specified parts of wearable devices	PerCTH	NIL	5%	10%	15%
4.	8507 6000/ 8507 8000	Battery	15%	NIL	5%	10%	15%
5.	8517 7990	Display assembly	NIL	NIL	NIL	5%	10%
6.	8501	Vibrator motor	10%	10%	10%	10%	10%
7.	Any chapter	Parts, sub-parts and raw materials for use in manufacturing the items in 1 to 6 above	Per CTH	NIL	NIL	NIL	NIL
8.	8517 6290	Wrist wearable devices	20%	20%	20%	20%	20%

Note: IGCR conditions shall apply for the items in s. no. 1 to 7 above.

**PMP for hearable devices to promote indigenous manufacturing**

The following parts (s. no. 1 to 6) used for manufacturing hearable devices fall under sub-headings 8518 21, 8518 22, 8518 29, or 8518 30 of the customs tariff :-

S.No.	CTH	Commodity	Current	2022-23	2023-24	2024-25	April 2025 onwards
1.	8518 90 00	PCBA for hearable devices	10%	NIL	10%	15%	15%
2.	8544	USB cable	10%	15%	15%	15%	15%
3.	73, 74, 85	Specified parts of hearable devices	Per CTH	NIL	5%	10%	15%
4.	8507 60 00/ 8507 80 00	Battery	15%	NIL	5%	10%	15%
5.	8518 90 00	Speaker assembly (pre-assembled speaker driver with protective mesh, but not including PCBA or battery)	10%	NIL	NIL	5%	10%
6.	Any chapter	Parts, sub-parts, and raw materials used in manufacturing s.no.1, 3, 4 and 5 above	Per CTH	NIL	NIL	NIL	NIL
7.	8518 21, 8518 22, 8518 29 and 8518 30	Hearable devices	15%	20%	20%	20%	20%

Note: IGCR conditions shall apply for the items in s. no. 1 to 6 above.

### PMP for smart meters to promote indigenous manufacturing

The following parts (s. no. 1 to 6) used for manufacturing smart meters fall under tariff item 9028 30 10 of the customs tariff:

S.No.	CTH	Commodity	Current	2022-23	2023-24	2024-25	April 2025 onwards
1.	9028 90 10	Assembled /popul ate d PCB for smart meters	7.5%2	0%	20%	20%	20%
2.	517 69 90	Communication module	10%	NIL	NIL	5%	10%
3.	8536 49 00	Relay	10%	5%	10%	10%	15%
4.	8517 71 00	Antenna	NIL	NIL	NIL	5%	10%
5.	8524 11 00/ 8524 91 00	LCD and backlight for LCD	15%	NIL	5%	10%	10%
6.	8506 50 00	Battery	10%	NIL	5%	10%	10%
7.	Any chapter	Parts, sub-parts, and raw materials used in manufacturing sr. no. 1 to 6 above	Per CTH	NIL	NIL	NIL	NIL
8.	9028 30 10	Smart meters	15%	25%	25%	25%	25%

Note: IGCR conditions shall apply for the items in s. no. 1 to 6 above.

### Tariff changes

#### SWS levy rationalisation and clarification

- Levy of social welfare surcharge has been rationalized on a few textile and fabric products
- Social welfare surcharge payable would be nil in cases where the aggregate of customs duties (which form the base for computation of SWS) is zero even though SWS has not been exempted. This has been done to overcome the judgement pronounced by the Supreme Court in the matter of Unicorn Industries vs. Union of India

#### Revocation of anti-dumping duty on specified steel products

Anti-dumping levy has been revoked on import of the following goods:-

- Straight length bars and rods of alloy steel originating in or exported from China
- High-speed steel of non-cobalt grade originating in, or exported from Brazil, China, and Germany.

- Flat rolled product of steel, plated or coated with alloy of aluminum and zinc originating in, or exported from China, Vietnam, and Korea Republic

#### AIDC and health cess levy rationalisation

Various notifications have been amended to provide exemption of AIDC and health cess, besides the applicable BCD, to remove ambiguity.

#### Tariff changes to align with HSN 2022 complementary changes

Amendments have been proposed to align the Indian tariff with the complementary amendments to the HS 2022 published by WCO. These complementary amendments include minor changes across chapters in the tariff, with an aim to bring greater clarity. Further, new tariff entries are introduced by accommodating requests from different ministries and departments.

#### Other changes

##### Rescission of obsolete notifications

About 17 notifications have been rescinded; some of

these have become obsolete or redundant; for some, their validity had expired.

**Clarification**

It has been clarified that for an EV kit to be eligible for duty benefits available to a CKD form of an EV (including commercial, passenger, and two-wheeled electric vehicles), each individual component in the kit need not be in a disassembled form.

Further, it has been clarified that even if some components are missing in the EV kit, the benefit of a concessional rate of duty available to CKD/SKD kits would still be available (provided that the kit as presented has the essential character of an EV).

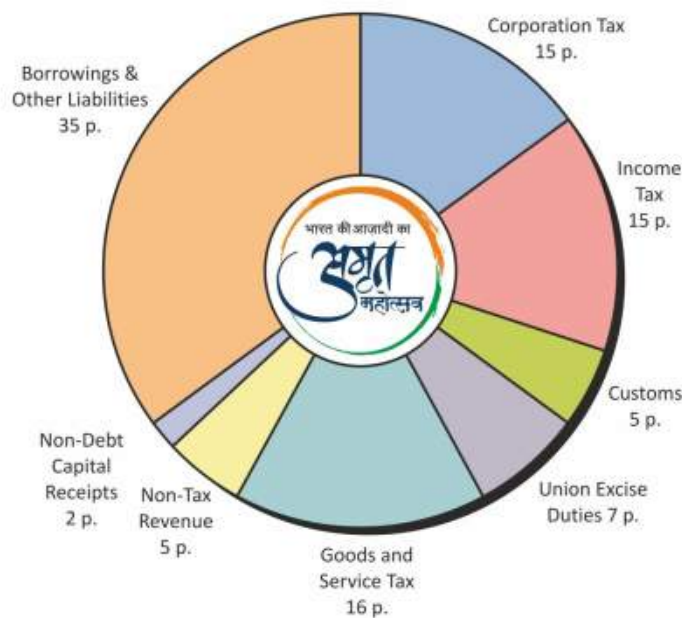


1. Budget at a Glance presents broad aggregates of the budget for easy understanding. This document shows receipts and expenditure as well as the Fiscal Deficit (FD), Revenue Deficit (RD), Effective Revenue Deficit (ERD) and the Primary Deficit (PD) of the Government of India. It gives an illustrative account of sources of receipts and their expenditure through graphs and info-graphics. In addition, the document contains the resources transferred to States and UT's with legislature. The document also contain extracts of allocations for programme and schemes and giving insights on sources of deficit financing and composition of important budgetary variables.
2. Fiscal Deficit is the difference between the Revenue Receipts plus Non-Debt Capital Receipts (NDCR) and the total expenditure. FD is reflective of the total borrowing requirement of Government. Revenue Deficit refers to the excess of revenue expenditure over revenue receipts. Effective Revenue Deficit is the

difference between Revenue Deficit and Grants for Creation of Capital Assets. Primary Deficit is measured as Fiscal Deficit less interest payments.

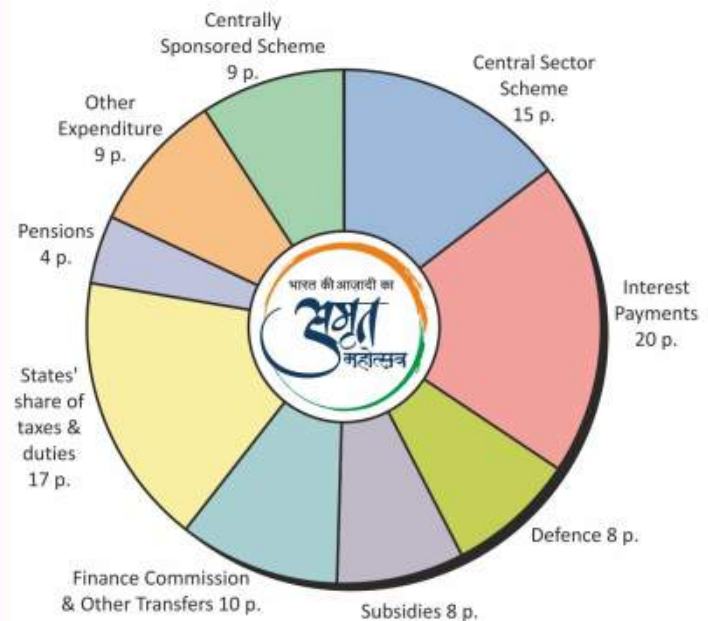
3. Budget 2022-23 reflects firm commitment of the Government to boost economic growth by investing in infrastructure development. This is substantiated by increase in capital expenditure by 35.4% (₹ 1,96,010 crore) over BE 2021-22.
4. In RE 2021-22, the total expenditure has been estimated at ₹ 37,70,000 crore and is more than Actual (2020-21) by ₹ 2,60,164 crore.
5. 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 2022-23 is ₹ 16,11,781 crore, which shows an increase of ₹ 2,91,728 crore over Actual (2020-21).

### Rupee Comes From (Budget 2022-23)



- Notes: 1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page 1.  
2. Figures have been rounded off.

### Rupee Goes To (Budget 2022-23)



- Notes: 1. Total expenditure is inclusive of the States' share of taxes and duties which have been netted against receipts in the table on page 1.  
2. Figures have been rounded.

(In crore of Rupees)				
Particulars	2020-2021 Actuals	2021-2022 Budget Estimates	2021-2022 Revised Estimates	2022-2023 Budget Estimates
1. <b>Revenue Receipts</b>	<b>1633920</b>	<b>1788424</b>	<b>2078936</b>	<b>2204422</b>
2. Tax Revenue (Net to Centre)	1426287	1545396	1765145	1934771
3. Non Tax Revenue	207633	243028	313791	269651
4. <b>Capital Receipts</b>	<b>1875916</b>	<b>1694812</b>	<b>1691064</b>	<b>1740487</b>
5. Recovery of Loans	19729	13000	21975	14291
6. Other Receipts	37897	175000	78000	65000
7. Borrowings and Other Liabilities <sup>1</sup>	1 1818291	1506812	1591089	1661196
8. <b>Total Receipts (1+4)</b>	<b>3509836</b>	<b>3483236</b>	<b>3770000</b>	<b>3944909</b>
9. <b>Total Expenditure (10+13)</b>	<b>3509836</b>	<b>3483236</b>	<b>3770000</b>	<b>3944909</b>
10. On Revenue Account of which	3083519	2929000	3167289	3194663
11. Interest Payments	679869	809701	813791	940651
12. Grants in Aid for creation of capital assets	230865	219112	237685	317643
13. On Capital Account <sup>2</sup>	426317	554236	602711	750246
14. <b>Effective Capital Expenditure (12-13)<sup>3</sup></b>	<b>657182</b>	<b>773348</b>	<b>840396</b>	<b>1067889</b>
15. <b>Revenue Deficit (10-1)</b>	<b>1449599</b>	<b>1140576</b>	<b>1088352</b>	<b>990241</b>
	(7.3)	(5.1)	(4.7)	(3.8)
16. <b>Effective Revenue Deficit (15-12)</b>	<b>1218734</b>	<b>921464</b>	<b>850667</b>	<b>672598</b>
	(6.2)	(4.1)	(3.7)	(2.6)
17. <b>Fiscal Deficit [9-(1+5+6)]</b>	<b>1818291</b>	<b>1506812</b>	<b>1591089</b>	<b>1661196</b>
	(9.2)	(6.8)	(6.9)	(6.4)
17. <b>Primary Deficit (17-11)</b>	<b>1138422</b>	<b>697111</b>	<b>777298</b>	<b>720545</b>
	(5.8)	(3.1)	(3.3)	(2.8)
1. Includes drawdown of cash Balance				

Notes: (i) GDP for BE 2022-2023 has been projected at Rs.25800000 crore assuming 11.1% growth over the estimated GDP of Rs. 23214703 crore for 2021-2022 (RE).

(ii) Individual items in this document may not sum up to the totals due to rounding off.

(iii) Figures in parenthesis are as a percentage of GDP.







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