

Continuity & Stability

India Budget Report
Highlights

2023 - 2024

KNAV

PARTNERS BEYOND BOUNDARIES

Budget Themes

The Honorable Finance Minister of India, Mrs. Nirmala Sitharaman announced the Budget 2023-24 as the first Budget of the “*Amrit Kaal*”. The Government expects the next 25 years to define *centenarian India* as a country focused on areas of Economic Empowerment of Women and upliftment of its people via the PM VIKAS scheme coupled with robust tourism led by an environment sensitive green growth which shall be crucial to the betterment of the economy and its interests.

This *Amrit Kaal* budget is focused on seven priorities or the *Saptarishi*, all of which complement each other and will guide India to the *Amrit Kaal*.

Inclusive Development

Agriculture and Cooperatives:

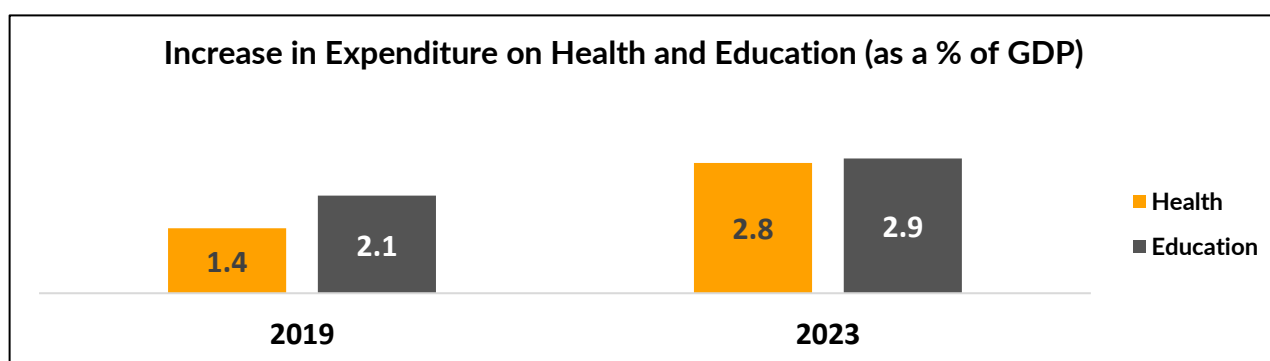
- Setting up an Agriculture Accelerator Fund with a target of increasing the agriculture credit target by **INR 20 lakh crores**.
- Launching an Atmanirbhar Horticulture Clean Plant Program for high value horticultural crops at an outlay of **INR 2,200 crores**.
- Building digital public infrastructure for agricultural information
- Making India the global hub of millets with support from the Indian Institute of Millet Research, Hyderabad

Healthcare:

- **157 new medical colleges** to be established along with the launch of the **sickle-cell anemia elimination mission**
- The budget outlines ICMR to assist with pharmaceutical research and also emphasizes on joint public and private research

Education:

- Providing for the establishment of a National Digital Library to be set up for students and aims to revamp the teachers’ training programmes



Reaching the Last Mile

- Launching missions for the protection and development of tribal groups and digitization of ancient Indian inscriptions
- Financial assistance to be given for developing sustainable micro irrigation solutions in the drought prone areas in Karnataka
- Increase teacher recruitment for the **740 Eklavya Model schools**

Infrastructure and Investment

- **Increasing capital investment outlay for infrastructure development by 33.34% to INR 10 lakh crores**
- Continuation of 50-year interest free loans to State Governments for incentivizing infrastructure investment
- **Capital outlay commitment of INR 2.4 lakh crores for the Indian Railways (a record high in the nation's budget history)**
- 100 transport infrastructure projects identified for end-to-end connectivity for ports, coal, steel and fertilizer sectors

Unleashing the Potential- Trust Based Governance

- **Artificial Intelligence Centres** to be set up in India along with the introduction of a **National Data Governance Policy**
- Less stringent contract execution for MSMEs with easier and standardized settlement schemes (**Vivad se Vishwas**)
- **Entity Digi Locker** to be set up for use by businesses and trusts
- Set up of 100 labs for 5G services-based application development
- Increased R&D Grants for Lab Grown Diamonds (LGD) Sector

Green Growth

- 500 new "**Waste to Wealth**" plants to be established
- **PM PRANAM Scheme** will be launched to incentivize the use of alternative fertilizers
- Green Credit Programme shall be notified under the Environment Protection Act to incentivize sustainable actions
- **10,000 bio-input resource centres to be set up to facilitate farmers to adopt natural farming**
- Promotion of battery energy storage systems and coastal shipping for energy efficient transportation

Amrit Peedhi- Youth Power

- **Pradhan Mantri Kaushal Vikas Yojana 4.0** to be launched with new courses in Artificial Intelligence, Robotics, 3D Printing and the like
- 50 destinations to be selected for development into a complete package for domestic and foreign tourists
- **Unity Malls** to be set up by States to promote **ODOP (One District-One Product)** and handicraft products

Financial Sector

- Formalization of a **National Financial Information Registry** and setting up of central data processing centre
- Introduction of one-time new small savings scheme-deposit facility of **INR 2 lacs for a period of up to 2 years for women**
- Enhanced deposit limit for senior citizens from INR 15 lakhs to INR 30 lakhs
- Credit Guarantee scheme expanded by **INR 2 lakh crores** to enable additional collateral-free guaranteed credit
- Create more professionals in the securities markets by awarding educational certificates and introducing upskilling programmes
- Various initiatives to enhance and boost business activities in the Gujarat International Finance Tech (GIFT) city's International Financial Services Centre

❑ Gross Tax Collections

	FY 22-23 (Budget estimates)	FY 22-23 (Revised estimates)	FY 23-24 (Budget estimates)
Gross Tax Revenue	INR 27.6 lacs crores	INR 30.43 lacs crores	INR 33.60 lacs crores

❑ Rates of Income Taxes

Proposed slabs of tax rates u/s 115BAC(1A) i.e. “New Tax Regime” of IT Act have w.e.f. the AY 2024-25 for Individual, HUF, AOP (other than co-operative society), BOI and AJP –

Existing slab rates:

Total Income	Rate of tax
Up to INR 2,50,000	Nil
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 7,50,000	10%
INR 7,50,001 to INR 10,00,000	15%
INR 10,00,001 to INR 12,50,000	20%
INR 12,50,001 to INR 15,00,000	25%
Above INR 15,00,000	30%

Proposed slab rates:

Total Income	Rate of tax
Up to INR 3,00,000	Nil
INR 3,00,001 to INR 6,00,000	5%
INR 6,00,001 to INR 9,00,000	10%
INR 9,00,001 to INR 12,00,000	15%
INR 12,00,001 to INR 15,00,000	20%
Above INR 15,00,000	30%

Direct Tax

❑ Rates of Income Taxes

Following proposed deductions / exemptions shall be allowed from total income:

- Standard deduction u/s 16(ia) of the IT Act;
- Deduction u/s 57(iia) of the IT Act from family pension income; and
- Deduction of amount paid / deposited in the Agniveer Corpus Fund u/s 80CCH(2) of the IT Act

The option to exercise the new tax regime proposed to be **allowed only once** to a person **having income from business or profession** opting for the new tax regime, otherwise the Individual may exercise this option every FY.

❑ Rate of Surcharge

Maximum rate of surcharge is proposed to be restricted to 25% as against 37% Further, it is proposed that in case where the members of the AOP consists of only companies, the maximum rate of surcharge be restricted to 15%.

❑ Rebate under Section 87A of IT Act

Threshold for rebate on the income tax payable under Section 87A of the IT Act increased to INR 7 lacs from INR 5 lacs under the proposed section 115BAC (1A) of the IT Act.

❑ Proposed new rate of TDS

Rate of TDS under Section 194BA of IT Act on winnings from online games @30% has been proposed.

❑ Proposed new Section 115BAE

Section 115BAE of the IT Act proposed that new manufacturing co-operative societies set up after April 01, 2023, and starting operations by March 31, 2024, may opt for a 15% tax rate (with 10% surcharge) without claiming incentives or deductions.

❑ Payments to MSME entities

Deduction of expenses incurred towards entities registered under the MSMED Act, 2006 proposed to be allowed on payment basis

❑ Agnipath Scheme 2022

Agnipath Scheme effective from November 1, 2022, proposes:

- ✓ Contribution made by the Agniveer and the Central Government to the Agniveer Corpus Fund be allowed as deduction u/s 80CCH of the IT Act and the same to be considered as salary u/s 17(1) of the individual enrolled in the Scheme.
- ✓ Payment received by Agniveer or his nominee from such corpus fund be exempt u/s 10(12C) of the IT Act.

❑ Relief to sugar co-operatives from past demand

On account of movement of 'Sahakar to Samridhi', relief is proposed to be granted to Sugar co-operatives from past tax demand on account of excessive business expenditure over and above the Statutory Minimum Price prior to AY 2016-17.

❑ Increase in timelines for completion of assessment or reassessment

Completion of assessment proceedings is proposed to increase from 9 months to 12 months from the end of the assessment year in which the income was first assessable. Further, in the

case of an updated return the timeline is that of 12 months from the end of the FY in which such return is furnished.

❑ **Penalty introduced for false self-certification and failure to deduct tax**

Penalty of INR 5,000 for a false self-certification of a statement in respect of specified financial transaction and penalty and prosecution for a person who fails to deduct or pay tax as per Section 194R, 194S and 194BA of the IT Act proposed to be introduced.

❑ **Amendment in NBFCs provisions**

- Currently, Banking and Insurance companies are excluded from restriction on interest deductibility under Section 94B, it is proposed to exclude certain class of NBFCs
- The NBFCs will be spared like Banking and Insurance companies, which were earlier falling into the gamut of interest deductibility of Section 94B of the IT Act.

❑ **Transfer Pricing**

The tightening of the time limit for furnishing Transfer pricing documentation which is now reduced to 10 days from 30 days will help to quickly wrap up scrutiny cases where taxpayers were enjoying 30 days limit.

❑ **TDS @ 20% on payment of accumulated balance of PF**

Omission of second proviso to Section 192A of the IT Act to restrict TDS at 20% instead of TDS at MMR on payment of accumulated balance of PF in case of failure by employee to furnish the PAN.

❑ **Relief from higher rate of TDS / TCS in case of non-filers of ITR**

In case of a non-filer tax withdrawing cash (non-filing of ITR in the prior 3 years), the TDS to be deducted at 2% on the amount exceeding INR 20 lacs and 5% on the amount exceeding INR 1 crore in aggregate during the financial year

❑ **Benefit / perquisite to cover cash benefits**

Clarificatory amendment proposed to include cash benefits within the ambit of the benefit or perquisites chargeable to tax under the Section 28(iv) and corresponding amendment in Section 194R of the IT Act.

❑ **Anti-avoidance measure**

- Section 56(2)(viib) of the IT Act to proposed to bring non-residents under its purview effective from the AY 2024-25.
- Proposed to widen the scope of Section 9 of the IT Act covering deemed gifts from residents to RNOR has now been proposed.

❑ **Restriction on benefits to SEZ units**

Restriction of exemption u/s 10AA if the ITR is not filed before its due date under Section 139(1) of the IT Act or if the export proceeds from sale of goods or provision of services is not received in, or brought into, India within 6 months from the end of the FY, in convertible foreign currency.

❑ **Relief to start-ups**

- Proposed a relief to start-ups in carrying forward and setting off losses to 10 years from the date of incorporation.

Direct Tax

- Proposed extension of date of incorporation for one more year to the eligible start-up for exemption where it is incorporated upto April 01, 2024.

❑ Tax incentives to IFSC – GIFT city

Proposed to remove double taxation on the distribution income when earlier it was taxed first when received by IFSC Banking Unit and second, when the same income was distributed to non-resident Offshore Derivative Instruments.

❑ Promotion of New Co-operative society

Proposed concessional tax regime of 15% to new manufacturing co-operative societies subject to certain condition.

❑ Presumptive taxation to MSME and Professionals

The turnover limit for presumptive taxation for MSMEs and professionals is proposed to be enhanced at INR 3 crores and INR 75 lacs turnover respectively subject to cash receipts not exceeding 5% and deduction for expenditure for the payments to MSME will be allowed only on a payment basis.

❑ Extending TDS Scope

Proposed to amend Section 197(1) of the IT Act to include Section 194LBA that provides the business trust deducting TDS at 5% on interest income of NR unit holders to be eligible for certificate for deduction at lower or NIL rate.

Proposed Section 194BA of the IT Act for tax deduction at source on net winnings from online games at the rate of 30%.

❑ Presumptive scheme

Proposed to insert a new sub-section to Section 44BB and to section 44BBB of the IT Act for preventing misuse of presumptive schemes where taxpayers opt in and out of presumptive scheme to avail to avail benefit of both presumptive scheme income.

❑ Interest on borrowed capital

Proposed to add proviso to Section 48 (effective from April 01,2024) to avoid double deduction on interest on borrowed capital claimed by some assessee under section 24 as well as other provisions of Chapter VIA.

❑ Increase in TCS rate on LRS remittances

Proposes to increase TCS from 5% to 20% for certain classes of overseas remittances. The bill proposes a new capital gains provision for market-linked debentures, taxing income from insurance policies where the premium is more than INR 5 lacs and TDS to be deducted on interest payments on listed debentures.

❑ Restriction on Investment in residential property for availing deduction on capital gains

Proposed to impose a limit on maximum deduction which can be claimed for cost of new asset purchased under Sections 54 and 54F to INR 10 crores. Corresponding amendments have also been proposed to be made to amounts to be deposited under Capital Gains Account Scheme under both the sections to INR 10 crores.

❑ **Restriction on donation to charitable trust or institution**

In order to defeat instances of availing the exemption by forming multiple trusts leading to significant reduction in effective application of funds, it is proposed to restrict exemption only upto 85% of the donation amount under sections 10(23C) and Section 11 of the IT Act

❑ **Set off and withholding of refunds in certain cases**

Integration of procedural provisions in case of payment of the refund, set off the amount to be refunded or any part of that amount, against any sum remaining payable by the taxpayer on issuance of an intimation.

❑ **Decriminalization of certain penalty provisions**

A sunset clause with effect from March 31, 2023, that no fresh prosecution shall be launched on or after April 01, 2023, to decriminalize minor offences as a step towards improving ease of business.

❑ **DTAA relief for TDS**

DTAA relief available is proposed to be made available for TDS under Section 196A of the IT Act with respect to certain income of a non-residents relating to units of mutual funds.

❑ **TDS Credit**

New section is proposed to allow taxpayer for making application to the AO within 2 years from the end of subsequent FY in which TDS deducted in case of TDS credit mismatch on account of cash system followed by deductor for TDS deduction.

❑ **Market linked debentures**

Proposed to insert section 50AA in the IT Act to treat capital gains arising on transfer/redemption/maturity of 'Market Linked Debentures' as arising from transfer of short-term capital asset irrespective of its actual period of holding in the hands of the investor.

❑ **Income from Insurance policy**

Proposed to tax income from insurance policies received on the death of the insured person having a premium above INR 5 lacs in a financial year. Such income shall be taxable as 'income from other sources and deduction shall be allowed for the amount of premium paid, if not claimed earlier. The proposed provision shall apply for policies issued prospectively i.e. on or after 1st April, 2023.

❑ **Introduction of tax authority**

In order to reduce burden of CIT(A), a new authority of Joint CIT(A) is proposed to be created. It will have powers, responsibilities and accountability similar to CIT(A). Corresponding adjustments are proposed to be made to Sections 2, 116 and 246 of the IT Act.

Indirect Tax

□ GST

- Person supplying goods through an electronic commerce operator to be allowed to opt for composition scheme
- Input tax credit shall not be available in respect of goods or services used or intended to be used for activities relating to the obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013.
- Details of outward supplies and specified returns not to be allowed to be furnished after the expiry of three (03) years from the due date of furnishing such details / returns.
- Decriminalization of certain specified offences is proposed.
- Definition of “non-taxable online recipient” and definition of ‘online information and database access or retrieval services’ is amended.
- Supply of service by way of transportation of goods, including by mail or courier, where the location of supplier and recipient of service is in India shall be taxable even where the transportation of goods is to a place outside India.

□ Customs Duty

- It is proposed that the validity period of two years, which was specified for conditional exemptions under the customs duty law in Finance Act, 2021, would not apply to exemptions in relation to multilateral or bilateral trade agreement, obligations under international agreements, schemes under Foreign Trade Policy etc.
- Basic Customs Duty tariff rate increased with effect from February 02, 2023 on specified tariff items of chemicals, rubber, precious metals and imitation jewellery, electric kitchen chimneys, bicycles and toys. Customs duty rates has also been amended for many other items.
- Certain exemptions have been extended for a period of one year.

□ Central Excise Duty

- National Calamity Contingent Duty on specified cigarettes is proposed to be increased.
- Central Excise Duty on Compressed Natural Gas is exempted when blended with Biogas or Compressed Biogas from so much of the amount as is equal to GST paid on Biogas/Compressed Biogas contained in such blended Compressed Natural Gas subject to certain conditions.

Abbreviations Table

Particulars	Abbreviations
INR Rupees	'INR'
Income-tax Act, 1961	'IT Act'
Income-tax return	'ITR'
Non-resident Individuals	'NRI'
Non resident	NR
Financial Year 2022-23	FY 22-23
Assessment Year 2023-24	AY 23-24
Reserve Bank of India	RBI
Goods and Services Tax	GST
Foreign Exchange Management Act	FEMA
Central Board of Direct Tax	Customs Duty
Customs Duty	CBDT
Tax Deducted at Source	TDS
Tax Collected at Source	TCS
Assessing Officer	AO
Maximum Marginal Rate	MMR
Micro, Small and Medium Enterprises Development Act, 2006	MSMED Act
Fair Market Value	FMV
Virtual Digital Asset	VDA
International Financial Service Centre	IFSC
Public Financial Institution	PFI
State Financial Corporation	SFC
State Industrial Investment Corporation	SIIC
Non-banking Financial Corporation	NBFC
National Pension Scheme	NPS

Abbreviations Table

Particulars	Abbreviations
Body of Individuals	BOI
Association of Persons	AOP
Artificial Juridical Person	AJP
Resident but not Ordinary Resident	RNOR



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