KNAV
PARTNERS BEYOND BOUNDARIES

Continuity & Stability

India Budget 2023-2024

Detailed Analysis and Observations

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1. Healthcare

The Union Budget 2023, christened as the **"Amrit Kaal Budget"** by the Government has laid strong emphasis on creating a groundwork for widened health infrastructure, tech-aided solutions, and eliminating diseases through smart public health management. The Union Budget 2023 has allocated a whopping **INR 88,956 crore to health expenditure, an INR 2,350 crore hike of 2.71% from FY 2022-23**.

a. Nutritional boost via increased focus on Millets (Shree Anna)

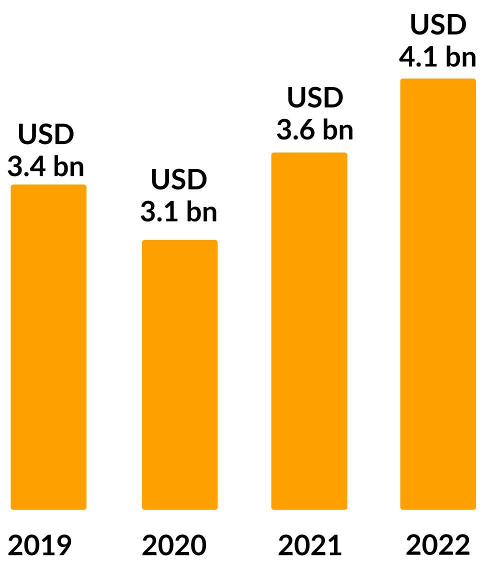
The Government has given a massive push to this coarse grain already being recommended by doctors. The grain has the capability of reducing the burden of which has reached epidemic proportions and already made India the 2nd largest diabetic diaspora in the world. The Government envisions to make India a global hub for millets. This is also the first time that nutrition has received a big push with a special program called the **PM PRANAM**. This program aims to reduce the usage of chemical fertilizers in agriculture.

b. Disease Eradication and Pharmaceutical Innovation

The Government has set an ambitious target to **eliminate sickle cell anemia by 2047.** To implement this the Government will create awareness and screen **7 crore people** in the age group 0 to 40 years in affected tribal areas. A new program to promote research and innovation in pharmaceuticals will be taken up through specialized centers of excellence to this effect. The Government shall also encourage the industry to invest in research and development in specific priority areas.

c. Nursing Education, Medical Research and Academic Courses

In an effort to increase skilled healthcare personnel, the Government has announced that **157 new nursing colleges** will be established in core locations to impart quality education to the aspirants. Existing facilities in select ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams for encouraging collaborative research and innovation. In addition to this, the Government will introduce multidisciplinary courses in medical devices to create a strong foundation for future medical practitioners.



The healthcare and lifesciences industry witnessed USD 4.1 billion worth of investments in 2022 marking a 14% increase compared to the USD 3.6 billion invested in 2021.

This indicates that riding on the back of strong Government support, the sector is being looked upon as a lucrative sector by investors and deal makers alike.

2. Technology and Enterprise Solutions

The Government has set a vision for a technology-driven and knowledge-based economy with strong public finances, and a robust financial sector in the Amrit Kaal. To support this growth the capital investment outlay is being increased steeply for the third year in a row by 33% to **INR 10 lakh crore, which translates into 3.3% of GDP.** The key initiatives under technology are as follows:

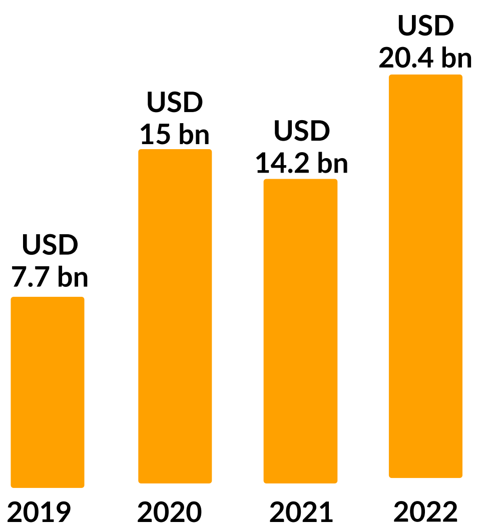
a. Digital Payments, 5G Services and Centres of Artificial Intelligence Excellence

The digital payment ecosystem continues to find wide acceptance and remains a focus of Government policy. In 2022, UPI showed a **76% increase in the value of transactions from INR 71.54 trillion worth of transactions and a 91% boost in the volume from INR 38 billion transactions in 2021**. Thus, the fiscal support for digital public infrastructure has been continued in 2023-24 as well. Moreover 100+ labs for developing applications using 5G services will be set up in engineering institutions to realize new opportunities, business models, and employment potential. For realizing the vision of **"Make AI in India and Make AI work for India"**, three centers of excellence for Artificial Intelligence will be set up in top educational institutions with leading industry players expected to partner in conducting interdisciplinary research.

b. Digital India Mission, Entity DigiLocker, Bharat SHRI, and the National Data Governance Policy

After the huge success of the individual DigiLocker, **an Entity DigiLocker** will be set up for use by MSMEs, large businesses and charitable trusts. This will be a step towards storing and sharing documents online securely, whenever needed, by authorities, regulators, banks and other business entities. A digital epigraphy museum, with the **digitization of one lakh ancient inscriptions in the first stage** (Bharat SHRI) shall be setup. However, it is interesting to note that the **Digital India Mission - the flagship mission of the Indian Government to promote digitization and digital transformation received an allocation of INR 4,795.24 crore witnessing a sharp 37% decline as compared to the previous year.**

Moreover, to unleash innovation and research by start-ups and academia, a **National Data Governance Policy** will be implemented. This will enable access to anonymized data and strengthen the overall data privacy environment in India.



The technology and enterprise solutions industry witnessed USD 20.4 billion worth of investments in 2022 marking a 43% increase compared to the USD 14.6 billion invested in 2021.

This further affirms the strong performance of the sector and is testament to the Government's push in creating a Digital India at the helm of global tech innovation.

3. Education

With the imminent roll-out of the **National Education Policy 2020**, the Government allocated over **INR 1.04 lakh crore witnessing a 12% rise from 2021**. **This includes INR 63,449.37 crore to the Department of School Education and Literacy and INR 40,828.35 crore to the Department of Higher Education.**

a. Eklavya Model Residential Schools

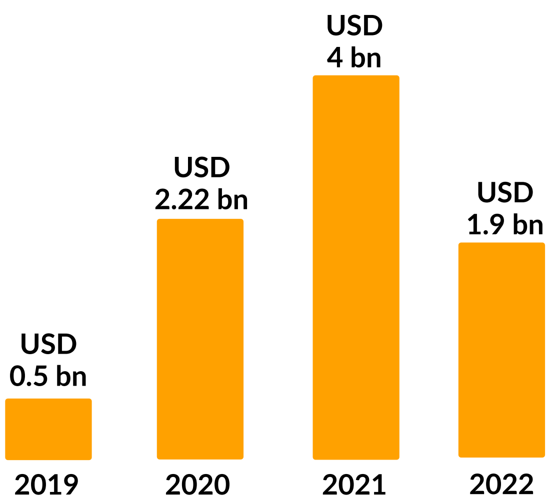
In the next three years, the Centre will recruit a total of **38,800 teachers and support staff** for the **740 Ekalavya schools serving 3.5 lakh tribal students**. The allocated budget for this increased by a significant **INR 581.96 crore** to **INR 2,000 crore for the 2022-23 financial year**. The scheme will provide support to residential schools run for tribal students.

b. Teachers' Training Programme

The teachers' training shall be re-envisioned through innovative pedagogy, curriculum transaction, continuous professional development dipstick survey, and ICT implementation. The District Institute of Education and Training will be developed as a vibrant institute of excellence for this purpose. This shall be done to complement and provide further impetus to the existing schemes and fast-track student growth and progress.

c. National Digital Library for Children & Adolescents and Skill India Digital Platform

A National Digital Library for children and adolescents will be set up for facilitating the availability of quality books across geographies, languages, genres and levels, and device-agnostic accessibility. The digital ecosystem for skilling will be further expanded this year with the launch of a unified Skill India Digital platform for enabling demand-based formal skilling, linking with employers including MSMEs, and facilitating access to entrepreneurship schemes.



The education industry witnessed a downturn in investing activity in 2022 with deal values of USD 1.9 billion compared to the USD 4 billion invested in 2021.

With the Government reforms put in place as an outcome of the 2023 budget, it is expected that these figures may improve in the coming year.

4. Green Energy and Sustainability Initiatives

Green Growth is one of the four priorities of the Government which have been viewed as opportunities for economic growth for the next 25 years in the journey of ***"India at 100"*** and it is also one of the *Saptrishi* or 7 priorities which will guide the Government's efforts.

a. Energy Transition, Energy Storage Projects and Renewable Energy Evacuation

The Union Budget has provided **INR 35,000 crore** for priority capital investments towards energy transition, net zero objectives and energy security by the Ministry of Petroleum and Natural Gas. Through this, India targets to achieve **net zero carbon emissions by 2070**. Additionally, Battery Energy Storage Systems with a capacity of **4,000 MWH** will be supported through a **Viability Gap Funding**. The Inter-state transmission system for evacuation and grid integration of **13 GW renewable energy from Ladakh** will be constructed with an investment of **INR 20,700 crore** including Central Government support of **INR 8,300 crore** to facilitate a smoother energy transition.

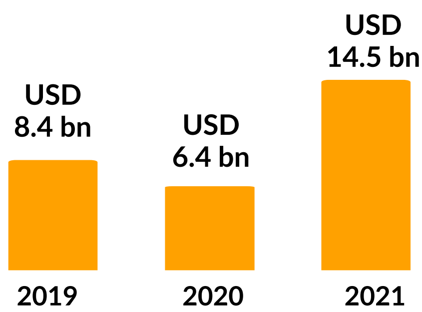
b. Green Credit Programme and Green Hydrogen Programme

A green credit programme shall be notified under the Environment Protection Act to encourage environmentally conscious actions by individuals and organizations. The Government announced an outlay of **INR 19,700 crore**, for the Green Hydrogen mission which will facilitate the transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector. The targeted annual production is **5 Million Metric Tonnes** by **2030**.

c. Bhartiya Prakritik Kheti Bio-Input Resource Centres and **GOBARdhan Scheme**

Over the next 3 years, the Government will facilitate over **1 crore farmers** to adopt natural farming. For this, **10,000 Bio-Input Resource Centres** will be set-up.

The Government will set up **500 "Waste to Wealth" plants** under this scheme which will include **200 compressed biogas (CBG) plants** and **300 community or cluster-based plants** at a total investment of **INR 10,000 crore**.



The green energy sector has more than doubled its investments from 2020 to 2021 with a growth of 126%.

With the Government actively taking efforts to move towards sustainability and encouraging electric vehicle manufacture and purchase, this sector is expected to remain swell with investments in the next financial year as well.

5. Banking and Financial Sector

The Government plans to focus on revolutionizing the financial sector with the adoption and promotion of new measures and technology. With the economy coming out of the pandemic this sector is expected to have pervasive contributions to the economy in the coming year and it has been allocated a sizeable portion of the Union Budget 2023 as well.

a. Credit Guarantee for MSMEs

The revised guarantee scheme for MSMEs would be implemented from 1st April 2023 through an infusion of an additional **INR 9,000 crore** in the corpus. This will enable additional collateral-free guaranteed credit of **INR 2 lakh crore** to budding enterprises. Further, the cost of the credit for these entities will also be reduced by about 1% thus providing a boost to the lending activities in the country.

b. National Financial Information Registry

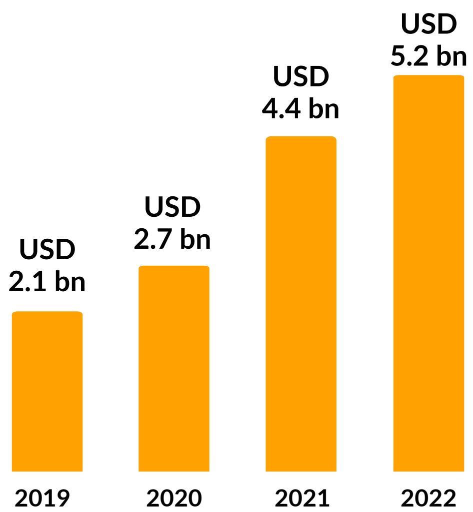
A national financial information registry will be set up to serve as the **central repository** of **financial** and **ancillary information**. This will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability. A new legislative framework will govern this credit public infrastructure, and shall be designed in **consultation with the RBI**.

c. GIFT IFSC

To enhance the ease of doing business the Government will set up a single IT portal for all the requisite clearances to start a business in the GIFT (Gujarat International Finance Tech) city. The target is to rise up the ranks in global ease of business index and emerge as a preferred business destination.

d. Fiscal Deficit

The **revenue** estimate for this year stands at **INR 27.2 lakh crore** and the expenditure estimate is at **INR 45 lakh crore** pegging the **fiscal deficit** at **INR 17.8 lakh crore** which translates into **5.9%** of the **GDP**. The net tax receipts are estimated to be at **INR 23.3 lakh crore**.



The banking and financial sector witnessed USD 5.2 billion worth of investments in 2022 which is an 18% rise over the previous year's investments of USD 4.4 billion.

With efforts towards financial inclusion and technology integration into the sector, the investments in this space are expected to garner improved traction in the coming year.

6. Media and Entertainment

a. The media and entertainment (M&E) sector is a vital part of the economy, both in terms of revenue and employment generation**.**

b. During FY 2021-22, despite facing strong headwinds the sector generated revenues of more than **USD 2.7 trillion.** Traditional modes of print and television continued to witness a substantial decline whereas new age media digital media, OTTs and the gaming segment continued to grow. Multiple companies are entering the space due to the increased spending and attention received by the sector post-pandemic.

c. The sector is set to grow at a CAGR of over 10-12% in the coming years. In addition to this, new and emerging concepts of cloud gaming have gained popularity in the recent years.

d. The sector has been asking for an industry status and infrastructural support for the broadcasting sector since many years, both these demands have not been met yet again in the current budget.

e. Although there was no direct benefit for the media and entertainment sector, the focus on privatization and providing support for start-ups and tech innovation is likely to benefit the overall corporate sector and in turn help the media and entertainment industry, as it will lead to strong advertising growth, which accounts for two-thirds of the revenues of the overall broadcasting sector.

f. Lastly, the sector is poised to grow at a stronger rate in the coming years, however the sustainability of the traditional forms of entertainment and their growth still remains a point of concern.

The media and entertainment industry witnessed a sharp increase in deal values and the quantum of deals closed in 2022 with USD 6.7 Billion worth of investments in 2022 compared to the USD 4.9 billion invested in 2021 which translates into a sharp 37% increase.

It is high time that the Government focuses on this sector as well and brings in the much-needed reforms to expedite the growth of this sector in India.

Direct Tax - New Taxation Regime

Personal Taxes

The new taxation regime has been sought to be made more attractive considering reluctance of taxpayers to not move away from the old regime.. The comparison chart of existing tax rates and proposed tax rates under the new regime is encapsulated below:

Existing slabs under the New Tax Regime	
Total Income	% 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 slabs under the New Tax Regime	
Total Income	% 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%

- The individual opting for the new tax regime will be allowed deductions / exemptions 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 choose between the old and new tax regime is proposed to be **allowed only once** to a person **having income from business or profession** and thereafter, the Individual will not be allowed to change the option each FY, except where such person ceases to have any income from business or profession.
- Increasing tax exemption limit to INR 25 lacs on leave encashment on retirement for non-government salaried employees

Direct Tax - New Taxation Regime

Tax credit for alternate minimum tax

It is proposed to amend Section 115JD(7) of the IT Act (effective from April 01, 2024) to exclude such person who has exercised the option of new tax regime referred to in provisions of Section 115BAC, Section 115BAD or Section 115BAE of the IT Act.

Promoting provisions of New tax regime

- Rebate on the income tax payable under Section 87A of the IT Act increased to INR 7 lacs from INR 5 lacs for the taxpayer opting for the new tax regime.
- 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%.

Tax on income of New manufacturing co-operative societies

In order to bring parity to new manufacturing co-operative societies at par with new manufacturing companies, it is proposed to insert a new Section 115BAE of the IT Act, effective April 01, 2023, to provide new manufacturing co-operative society set up on or after April 01, 2023, which commences its manufacturing or production operation by March 31, 2025, may opt to pay tax at a concessional rate of 15%. In such case, any specified incentive or deductions cannot be availed by co-operative societies opting for new tax regime.

Direct Tax – Start ups

Start-Ups - Restrictions on Loss Carry Forward and extension of date of incorporation for exemption

- Proposed to amend Section 79 of the IT Act for carrying forward and setting off of losses in eligible start-up companies. Earlier, the losses incurred by the eligible start-up could only be set off if they were incurred within 7 years of incorporation, however, this period is proposed to be increased to ten years to align with the period contained in Section 80-IAC(2) of the IT Act.

- Proposed to amend Section 80-IAC of the IT Act for extension of date of incorporation for one more year to the eligible start-up for exemption where it is incorporated before April 01, 2024.

Direct Tax – Agnipath Scheme

Introducing Agnipath Scheme

- It is proposed to insert a new clause (12C) in section 10 of the IT Act to provide that any payment received from the Agniveer Corpus Fund by a person enrolled under the Agnipath Scheme, 2022, or the nominee of such person shall be exempted from income tax.

- It is proposed to provide that contribution made by the Central Government in the FY, to the Agniveer Corpus Fund account of an individual enrolled under Agnipath Scheme shall be considered as salary of the individual under Section 17(1) of the IT Act.

Section 80CCH: Tax Deduction for Agnipath and Agniveer Contributions

Proposed new Section 80CCH of the IT Act to allow individuals enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after November 01, 2022 for availing deduction on the entire amount deposited on own account and also the amount contributed by the Central Government to his account from his total income.

Tax avoidance through distribution by business trusts to its unit holders

- The distributions made by the business trusts to its unit holders in the form of **repayment of debt** does not suffer tax either in the hands of unit holder or business trusts. Thus, in order to avoid dual non-taxation, effective April 01, 2024, it is proposed to insert Section 56(2)(xii) of the IT Act to provide such sum received by unit holder from business trust, taxable in the hands of unit holder as 'income from other sources' which is not in the nature of interest , dividend or rental income covered under Section 10(23FC) / Section 10(23FCA) and not chargeable to tax under Section 115UA(2) of the IT Act. In such case, cost of acquisition of the units to be deducted to the extent of sum received by the unit holder.
- Consequently, amendments made in Section 115UA and Section 2(24)(xviic) of the IT Act to provide effect of section 56(2)(xii) of the IT Act.

Deemed gift to RNOR

Deeming provisions for income in case of a non-resident under Section 9 of the IT Act to include gifts received by a non-resident (being a non-resident Individual or a foreign entity) exceeding amount of INR 50,000 has been extended to RNOR individual effective from April 01, 2023

Widening scope of taxpayers in case of Section 56(2)(viib)

The proposed amendment is to bring non-resident investors under the purview of Section 56(2)(viib) of the IT Act to eliminate tax avoidance opportunities. Commonly known as angel tax provisions, initially covered only residential investors and targeted black money. However, with expansion of scope under the proposed provisions, which has the potential to cause the concerns for the start-up sector.

Taxability for Market Linked Debentures

- Market Linked Debentures are currently taxed as long-term capital gains at a rate of 10% without indexation. However, such debentures combine features of debt securities and exchange traded derivative, which are taxed at applicable rates.
- Thus, effective from April 01, 2024, Section 50AA of IT Act is proposed to tax the capital gains arising from transfer, redemption, or maturity of these securities as short-term capital gains at the applicable rates.

Threshold for investment of residential property to avail deduction from Capital Gains

Section 54 and Section 54F of IT Act are incentive provisions allowing for deduction on capital gains from the transfer of long-term assets if the assessee invests in a residential property in India within a specified time frame. However, huge deductions for expensive residential houses were claimed by HNIs. To prevent this, the Government has proposed a limit on the maximum deduction that can be claimed to INR 10 crores. The provisions of the Capital Gains Account Scheme have also been amended, limiting the deposit to INR 10 crore. This shall come into effect from April 01, 2024.

Nil Cost of Acquisition for Intangible Assets or Rights

The existing provisions of Section 55 of the IT Act do not clearly define cost of improvement and cost of acquisition as ‘Nil’ for intangible assets or rights acquired without consideration which has led to legal disputes. To resolve this issue, it is proposed to amend the provisions of Section 55 of the IT Act effective from April 01, 2024, to specify that the cost of improvement or cost of acquisition of intangible assets or rights (other than those mentioned in the Section) shall be ‘Nil’.

Direct Tax – Transfer Pricing

Reducing the time limit to furnish the document under section 92D

In the course of any proceeding under the IT Act, it has been proposed to reduce the time limit for furnishing any information or document referred under Section 92D(i) of the IT Act, within a period of ten days from the date of receipt of a notice issued where earlier it was thirty days.

Amendment in 92BA – Inclusion of Co-operative societies

Proposed to insert new clause (vb) in Section 92BA of the IT Act to include the transaction between the Cooperative society and the other person with close connection within the purview of 'specified domestic transaction'.

Direct Tax - Penalty provisions

Penalty for failure to deduct TDS

The proposal is laid to amend Section 271C of the IT Act dealing with the penalty for failure to deduct TDS under Sections 194BA, 194R and 194S of the IT Act. The changes aim to hold a person accountable for failing to ensure payment, in addition to failure of payment of tax effective from April 1, 2023. Additionally, references will be made in above TDS sections taking effect on July 1, 2023.

Penalty for reporting of inaccurate information amendment in 271FAA of the IT Act

Effective from April 01, 2023, new sub-section in Section 285BA of the IT Act to be introduced to penalize reporting financial institution for inaccurate information in statement due to false information from reportable account holder. Reporting institution must pay INR 5,000 per inaccurate reportable account and can recover amount from holder.

Decriminalization of penal provisions

Section 276A of the IT Act provides rigorous imprisonment upto 10 years in case of a person, being liquidator or receiver of assets of a company. In certain instances, u/s 178 of the IT Act. Considering that the liquidator is operating under the oversight of the insolvency and bankruptcy code, 2016 which have been operationalizes, no fresh prosecution shall be launched from April 01, 2023

TDS on employee's outstanding balance payments:

Section 192A of the IT Act requires PAN to be furnished by the recipient of TDS, else TDS will be made at MMR. It is proposed to remove the second proviso to the Section 192A and deduct taxes at 20% instead of MMR.

Removal of Exemption for TDS on Interest for Listed Debentures

Section 193 of the IT Act requires TDS to be deducted on interest on securities paid to residents. The proviso to this section exempts TDS in certain cases, including interest paid on dematerialized securities listed on a recognized stock exchange in India. This exemption has led to underreporting of interest income, so it is proposed to omit clause (ix) of the proviso to Section 193 of the IT Act.

Introduction of tax on winnings from online games

It is proposed to insert a new Section 194BA of the IT Act to deduct TDS on the income from net winnings from online games chargeable to tax under Section 115BBJ of the IT Act.

It has further been proposed to amend Sections 194B and 19BB of the IT Act, which provides that tax shall be deducted on the amount or aggregate of the amounts exceeding INR 10,000 during the FY **instead of amount exceeding INR 10,000 per transaction**. Further, Section 194B of the IT Act has been amended to exclude online games from the purview of the said section from July 01, 2023.

Section 115BBJ of the IT Act will be effective from April 01, 2024; in this regard net winnings from online games will be taxable at the rate of 30%.

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) of the IT Act and corresponding amendment in Section 194R of the IT Act.

Direct Tax – TDS Provisions

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Threshold for cash withdrawals from banks / co-operative societies

- According to Section 194N of the IT Act, banks, co-operative societies, and post offices mandate to deduct TDS at the rate of 2% on cash payments if the payment or total payments in a year exceeds INR 1 crore.
- It is proposed to enhance the threshold to INR 3 crore for Co-operative Societies.

TDS on benefit / perquisite under Section 194R

Section 194R of the IT Act has been amended to expand the definition of benefit and perquisites to include benefits and perquisites in cash, kind, partly in cash and partly in kind. Further, in cases where assets under Section 194S of the IT Act are exchanged for consideration other than in cash, such value would be considered as a benefit / perquisite under Section 194R of the IT Act and accordingly, TDS under Section 194R of the IT Act would be withheld.

Tax treaty relief in respect of specified mutual funds

- Section 196A of the IT Act requires TDS at the rate of 20% to be deducted for payment of income to non-resident individuals or foreign companies in respect of specified mutual funds.
- Amendment proposed in Section 196A(1) of the IT Act, to deduct TDS at the rate of lower of 20% or the rate specified in the DTAA.

Extending the scope of obtaining lower deduction certificate

Section 194LBA of the IT Act provides for the business trust to deduct TDS at 5% on interest income of NR unit holders. However, lower deduction certificate under section 197(1) of the IT Act, be obtained.
Therefore, a proposed amendment in order to avail such benefit, under Section 197(1) of the IT Act to include Section 194LBA of the IT Act.

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Relief from higher rate of TDS/TCS for non-filers of ITR

Provide relief for non-filers of ITR, it has been proposed to amend the definition of the 'specified person' in Sections 206AB and 206CCA of the IT Act to exclude a person not required to furnish the return of income for the preceding FY.

Increase in rate of TCS in case of overseas remittance and overseas tour packages

Effective from July 01, 2023, TCS on certain foreign remittance (other than for education and medical treatment) and on sale of overseas tour packages has been proposed to be amended under Section 206C(1G) of the IT Act, as tabulated hereunder:

Sr. No.	Type of remittance	Present rate	Proposed rate
1	Overseas tour package	5% without any threshold limit	20% without any threshold limit
2	Any other case	5% of the amount or the aggregate of the amounts in excess of INR 7 lacs	20% without any threshold limit

Amendment in Section 115TD

- Section 115TD(3)(iii) of the IT Act proposed to be amended to provide that, if any trust or institution under the first or second regime fails to make an application in accordance with Section 10(23C) or Section 12A of the IT Act, upon violation of these, it shall be deemed to have been converted into any form not eligible for registration or approval in the previous year in which such period expires.
- Consequently, principal officer or the trustee of the specified person, and the specified person shall also be liable to pay the tax on accreted income within 14 days from the end of the FY.
- It has been further proposed to define the date of conversion being the last date for making an application for registration under relevant provisions.

These amendments will take effect from April 1, 2023, and will apply to the 2023-2024 assessment year and beyond.

Donation to charitable trust or institution

- Filing of Form No. 10A/9A for application of registration for the trust under relevant provisions of Sections 12A and 11 of the IT Act at least two months prior to the due date under Section 139(1) of the IT Act for furnishing the return of income for the FY effective from April 01, 2023, and accordingly applies for AY 2023-24 and so on.
- It is proposed to restrict upto 85% of the donation made by one charitable trust to other allowed only for exemption, in view of instances of attempting to defeat the exemption provisions by forming multiple trusts and accumulating 15% at each layer, leading to significant reduction in effective application of funds whereas mandatory application is 85%.
- In the view to extend the benefit of exemption for trusts commencing its activities during the FY, it is proposed to allow such trusts to take registration before commencement of its activities. All such applications shall be examined by Principal Commissioner of Income tax and such applications shall be accepted or rejected within 6 months of the application made and such registration shall be valid for a period of 5 years. The Amendment shall be effective from October 01, 2023.
- It is proposed to levy exit tax on trusts not applying for re-registration / approval .

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Change in tax refund procedure

- Section 241A of the IT Act which deal with the provisions of withholding of refunds in cases where the AO is of the opinion that issue of refund may adversely affect the revenue has been proposed to be deleted with effect from April 1, 2023.
- However, set off and withholding of refund in certain cases has been proposed to be incorporated under Section 245 of the IT Act, wherein, the refund due to an assessee may be set off against the sum remaining payable under the IT Act for reasons recorded in writing, after giving initiation of the proposed action to be taken against the assessee, with prior approval of the Principle Commissioner or Commissioner
- Further, interest on refunds under Section 244A of the IT Act in cases where order is passed by the AO under Section 155(20) of the IT Act, interest at the rate of 1.5% per month and part thereof shall be calculated from the date of application till the date when refund is granted.

Requirement of inventory valuation for Inquiry before assessment

It is proposed to amend Section 142 of the IT Act to enable the AO to direct the assessee to get the inventory valued by a cost accountant. In such case, the assessee is required to furnish the report of inventory valuation in the prescribed form duly signed and verified by such cost accountant and setting forth such particulars as may be prescribed and such other particulars as the AO may require.

Time limit for filing of return of income as per Section 148 of the IT Act

- It is proposed to amend the Section 148 of the IT Act whereby a return in response to a notice issued under Section 148 of the IT Act shall be furnished within three months from the end of the month in which such notice is issued, or within such further time as may be allowed by the AO on a request made in this behalf by the assessee.
- Further, proposal to insert third proviso in Section 148(1) of the IT Act whereby in case where return is furnished beyond the time limit allowed by the AO, in such case, it would not be deemed that the assessee has filed return under Section 139 of the IT Act.

Time limit for Assessment Proceedings

Sr no	Particulars	Old time limit	New time limit – applicable from AY 22-23
1	Assessment proceedings – regular return	9 months from from the end of relevant AY	12 months from from the end of relevant AY
2	Assessment proceedings – updated return	9 months from from end of the year in which such return is furnished	12 months from from end of the financial year in which such return is furnished
3	Assessment proceedings pending as on the date of search/seizure operations	9 months from from the end of relevant AY	12 months from from the end of relevant AY. Further, extended by 12 months

Filing of modified ITR

- Per Section 170A(1) of the IT Act, successor entity is required to furnish modified return within 6 months from the end of the month of the order was passed by High Court or tribunal or an Adjudicating Authority as defined in the Insolvency and Bankruptcy Code, 2016 in case of business reorganization.
- It is proposed to insert Section 170A(2) of the IT Act, which permit AO to revise the assessment order if the order is already passed on the date of filing of the modified return filed pursuant to the business reorganisation or consider the modified return if the assessment proceedings are pending on the date of filing of modified return.

Introduction of the authority of Joint Commissioner (Appeals)

- Per the existing scheme for appeals under the IT Act, the first appellate authority is the CIT (A). In order to reduce the burden of CIT (A) and in order to clear the bottleneck, Section 246 of the IT Act is proposed to be amended to create a new authority for appeals at JC / AC level to handle certain class of cases involving small amount of disputed demand. Such new authority will have similar powers, responsibilities and accountability to that of CIT (A). The CBDT board would authorize to transfer the pending cases to JC / AC and vice-versa.

- Further, consequential amendments are proposed in relevant penalty provisions of the IT Act such as Sections 271A, 271AAC, 271AAD of the IT Act and so on, in order to ensure that functioning of the JC (A) is aligned with that of the CIT (A).

- Corresponding amendments to Sections 2 and 116 of the IT Act to include JC (A) as an ITA.

Rationalization of Appeals to ITAT

- It is proposed to widen scope to include penalty orders passed by CIT(A) under Sections 271AAB, 271AAC and 271AAD of the IT Act.
- Orders passed by JC (A) are also proposed to be appealable to the ITAT.
- Appeal can also be filed against order of Principal CCIT or CCIT under Section 263 of the IT Act and under Section 154 of the IT Act in respect of orders passed under Section 263 of the IT Act.
- To enable filing memorandum of cross objections in all classes of cases against which appeal can be made to ITAT, for e.g., AO can file cross objections against appeal filed by assessee in respect of AO's adverse order giving effect to directions of DRP which cannot be filed presently.

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Inclusion of IFSC in investment fund definition and Removal of double taxation in case of IFSC Banking Unit

- Single window IT system for registration and approval from IFSCA, SEZ Authorities, GSTN, RBI, SEBI and IRDAI
- Proposed to amend explanation 1 of Section 115UB to give reference of IFSCA in the definition of 'investment fund.'
- Under the existing tax regime, distribution of income on offshore derivative instruments by IFSC Banking Unit ('IBU') to non-resident subjected to double taxation – firstly in the hands of IBU and secondly in the hands of the non-resident. In order to avoid double taxation, it is proposed to exempt income accrued or arisen on offshore derivative instruments which is distributed to non-resident individual by IFSC Banking Unit ('IBU') and on which income tax is paid by IBU.

Tax on winnings from online game

Insertion of new Section 115BBJ of the IT Act to tax winnings from online games. The tax payable shall be the aggregate of :

i. Tax calculated on net winnings from such online games at 30%; and

ii. Amount of income tax payable on the total income reduced by such winnings referred in (i).

Amendment shall be applicable from the AY 2024-25.

Increase in cash limit for loans/deposits accepted/repaid by/to PACS and PCARD

- PACS and PCARD provide credit facilities at the grass roots level predominantly for agricultural purposes and for people residing in rural areas.
- To bring parity to PACS and PCARD for limits on cash transactions with banking companies and to provide relief to low-income groups and facilitate easier conduct of business, limits of Sections 269SS and 269T of the IT Act are proposed to be increased from INR 20,000 to INR 2,00,000.

These amendments will apply from April 01, 2023.

Amendment of Section 94B - Excluding NBFC from restriction on interest deductibility

- Currently, Banking and Insurance companies are excluded from restriction on interest deductibility under Section 94B of the IT Act, 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.

Direct Tax – Other provisions

Widening scope of income in case of maturity proceeds from life insurance

- It is proposed to widen the scope of definition of 'income' to include any income (including bonus) received under life insurance policies (except on death of a person, unit linked insurance policy, Keyman Insurance policy) issued on or after April 01, 2023, where the premium paid exceeds INR 5 lacs.
- It is proposed to remove exemption with respect to maturity proceeds of life insurance policy except for unit linked insurance policy, issued on or after April 01, 2023, where the premium payable exceeds INR 5 lacs in any of FY during the term of such policy. However, such exemption would not be applicable where the maturity proceeds is received on death of a person.
- Any sum received including by way of bonus under a life insurance policy is not to be excluded from the total income of the previous year in accordance with the provisions of Section 10(10D) of the IT Act instead of sum so received as exceeding the aggregate of the premium paid shall be.

Restriction on benefits to SEZ units

- Tax holiday u/s 10AA of the IT Act to be allowed only if the return of income has been filed on or before the due date prescribed u/s 139(1) of the IT Act.
- It is proposed that deduction under Section 10AA of the IT Act for SEZ unit shall be available only if the proceeds from the sale of goods or provision of services is received in, or brought into, India in convertible foreign exchange within 6 months from the end of the FY or, within such further period as the 'competent authority' may allow; Competent Authority is Reserve Bank of India or such authority as authorized under any law for regulating payments and dealings in foreign exchange.
- It is also proposed that proceeds received in a bank account maintained outside India shall be deemed to be received in India where the bank account is maintained outside India with the approval of RBI. Currently, there is no time limit for realization for export proceeds u/s 10AA of the Act. It is now proposed to provide a time limit of 6 months from the end of the previous year or as may be allowed by the RBI.

The above changes effective April 01, 2024 and shall apply for AY 2024-25 and onwards.

Valuation of residential accommodation provided to employees

A mode of computation of value of rent-free accommodation would be provided by the employer to employee. Any excess rent recoverable after deduction of rent already paid from the rent payable computed as per prescribed manner, is proposed to be considered as perquisite in the form concessional rent in the hands of employee

Direct Tax – Other provisions

Furnishing form for claiming preliminary expenses

Any assessee claiming deduction of certain preliminary expenses would now be required to furnish a statement containing the prescribed particulars of expenditure in the prescribed form in the prescribed time as proposed under Section 35D of the IT Act.

Deduction of expenses paid to MSME

Deduction of expenses incurred towards person covered under MSMED Act would be eligible on accrual basis provided payment is made within the time prescribed under Section 15 of the MSMED Act, 2006, otherwise, deduction can be claimed on payment basis only.

Transactions not regarded as transfer for capital gains

- It is proposed to amend the definition of the word 'relocation' to extend transfer of assets of the original fund on its own wholly owned subsidiary to the resultant company up to March 31, 2025.
- Further, conversion of gold into Electronic Gold Receipt issued by a Vault Manager or conversion of Electronic Gold Receipt into gold is proposed to not be considered as a transfer.
- It is proposed to provide clarification with respect to holding period of capital asset being Electronic Gold receipt to include holding period from the date of holding of physical gold by the assessee till the date of sale and for release of gold against the receipt, the date of holding of EGR to the date of release of physical gold.

Set off of losses in case of specific business

Set off of unabsorbed depreciation and brought forward loss shall not be allowed to assessee engaged in the business in the business of exploration of mineral oil u/s 44BB of the IT Act and of civil construction in certain turnkey power projects u/s 44BBB of the IT Act.

Direct Tax – Other provisions

No of double deduction of Interest for Property Investments

- The Interest paid on borrowed capital for acquiring, renewing, or reconstructing a property is eligible to be deducted from the income from house property under Section 24 of IT Act and such interest also to be part of cost of acquisition or cost of improvement at the time of computation under Section 48 of IT Act by the taxpayers.
- In order to prevent double deduction of interest a new proviso is proposed to be added to Section 48 of IT Act effective from April 01, 2024, stating that the cost of acquisition or improvement shall not include the interest claimed under Section 24 or Chapter VIA of the IT Act.

Facilitating certain strategic disinvestment

- It is proposed to amend the definition of 'strategic disinvestment' in Section 72A of the IT Act to include the requirement of reduction of shareholding by Central Government or State Government or Public sector company below 51% only in cases where the shareholding was above 51% prior to the sale in that FY.
- Additionally, it is proposed to amend Section 72AA of the IT Act in order to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking company with any other banking institution or a company subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of strategic disinvestment.

Supply of goods through electronic commerce operator

Persons supplying goods or services through electronic commerce operator are mandatory required to be registered under the GST law, subject to specific exemptions.

Such persons were not eligible to opt for composition scheme. It is proposed that person supplying goods through an electronic commerce operator would be allowed to opt for composition scheme.

Liability for payment of ITC:

Payment of ITC for non-payment to suppliers within prescribed time-limit is amended to align with the return filing system. Such liability is to be paid with interest payable under Section 50 CGST Act.

Amendment to Schedule III of CGST Act

Paras 7, 8 (a) and 8 (b) were inserted in Schedule III of CGST Act with effect from February 1, 2019 to keep certain transactions/ activities, such as supplies of goods from a place outside the taxable territory to another place outside the taxable territory, high sea sales and supply of warehoused goods before their home clearance, outside the purview of GST.

In order to remove the doubts and ambiguities regarding taxability of such transactions/ activities during the period July 1, 2017 to January 31, 2019, provisions are proposed to be incorporated to make the said paras effective from July 1, 2017. However, no refund of tax paid shall be available in cases where any tax has already been paid in respect of such transactions/ activities during the period July 1, 2017 to January 31, 2019.

ITC not available and reversal of ITC

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.

The value of supply of warehoused goods before clearance for home consumption, as may be prescribed, is proposed to be specifically included in the value of exempt supply, restricting availment of input tax credit.

Furnishing of details / returns

Details of outward supplies (in FORM GSTR-1), specified returns (FORM GSTR-3B and FORM GSTR-9) and specified statement (in FORM GSTR-8) not to be allowed to be furnished after the expiry of three (03) years from the due date of furnishing such details / returns / statements.

Penal provisions for electronic commerce operator

Proposal for specific penal provisions leviable to Electronic Commerce Operators who -

i. allow supply of goods or services made through them by unregistered persons who are not specifically exempted
ii. allow person not eligible to make inter-state supplies
iii. fails to furnish correct details in the statement in FORM GSTR-8 pertaining to supplies effected through it by person exempted from obtaining registration under CGST Act.

Penalty prescribed is of INR 10,000 or applicable GST on such supplies, whichever is higher.

Place of supply

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.

Threshold for specific offence

The threshold of tax amount for launching prosecution under GST has been raised from INR 100 Lacs to INR 200 Lacs, except for the offence of issuance of invoices without supply of goods or services.

Decriminalization of following offences

i. obstructs or prevents any officer in the discharge of his duties under CGST Act
ii. tampers with or destroys any material evidence or documents
iii. fails to supply any information which he is required to supply under CGST Act or the rules made thereunder or (unless with a reasonable belief, the burden of proving which shall be upon him, that the information supplied by him is true) supplies false information

Rationalization of compounding of offence

Following offences are proposed to be now compounded:

i. Acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with, any goods which he knows or has reasons to believe are liable to confiscation under the CGST Act or the rules made thereunder;

ii. Receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reasons to believe are in contravention of any provisions of CGST Act or the rules made thereunder.

iii. Person who has been accused of committing an offence under CGST Act which is also an offence under any other law for the time being in force, other than offence in respect to issuance of any invoice or bill without supply of goods or services.

iv. Re-compounding of an offence which has been allowed to be compound once in respect of any offence, under CGST Act or under the provisions of any SGST Act or the UT GST Act or the IGST Act.

Amount for compounding offences

The amount for compounding offences is proposed to be reduced from the present range of INR 10, 000 / 50% to INR 30,000 / 150% of the tax amount to the range of 25% to 100% of the tax amount.

Consent based sharing of information furnished by taxable person

It is proposed to provide for prescribing manner and conditions for sharing of the information furnished by the registered person in his return or in his application of registration or in his statement of outward supplies, or the details uploaded by him for generation of electronic invoice or E-way bill or any other details, as may be prescribed, on the common portal with such other systems, as may be notified. For the purpose of sharing details, consent of supplier and recipient for specified data to be obtained.

Online Information and Database Access or retrieval services (OIDAR)

Amendment in definition of "non-taxable online recipient" is proposed by removing the condition of receipt of online information and database access or retrieval services (OIDAR) for purposes other than commerce, industry or any other business or profession so as to provide for taxability of OIDAR service provided by any person located in non-taxable territory to an unregistered person receiving the said services and located in the taxable territory.

Further, it also seeks to clarify that the persons registered solely in terms of clause (vi) of Section 24 of CGST Act (person required to deduct TDS) shall be treated as unregistered person for the purpose of the said clause.

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

Changes in Customs Duty law

Under Section 24(4A) of the Customs Act, 1962, the validity of conditional exemption is upto March 31st falling immediately after two years from the date of exemption unless specified otherwise. It is now proposed that such validity shall not apply to exemption notifications in relation to multilateral or bilateral trade agreement, obligations under international agreements, schemes under Foreign Trade Policy etc.

Section 127C of the Customs Act, 1962 deals with procedure on receipt of an application for settlement of cases. In order to provide for a time bound settlement, it is proposed that the settlement applications shall be adjudicated, and order shall be passed within a period of 9 months from date of filing the application. However, the settlement application shall abate if the order is not passed within stipulated timelines and the case shall revert back to the adjudicating authority.

Changes in Customs Duty rates

Basic Customs Duty rates are increased, effective from February 2, 2023 in respect of specified chemicals, compounded rubber, articles of precious metals, imitation jewellery, electric kitchen chimneys, bicycles, toys and parts of toys.

Basic Customs Duty rate and Agriculture Infrastructure and Development Cess/ Social Welfare Surcharge rates are proposed to be re-caliberated while maintaining the existing incidence of Customs Duty on gold, gold dore, platinum, coal, peat, lignite, aircraft and aircraft tyres, from the date of assent to the Finance Bill, 2023.

Basic Customs Duty rate on silver falling under chapter 7106 is proposed to be reduced from 12.5% to 10%, from the date of assent to the Finance Bill, 2023.

Changes in Customs Duty rates

Basic Customs Duty rates changed effective from February 2, 2023 in respect of following items:

Classification	Item	Current rate	Proposed rate
Chemicals and Petrochemicals	Denatured ethyl alcohol	5%	NIL
	Acid Grade fluorspar (containing by weight more than 97% of calcium fluoride)	5%	2.5%
	Crude glycerin for use in manufacture of Epichlorohydrin	7.5%	2.5%
	Naphtha	1%	2.5%
Gems and Jewellery	Seeds for use in manufacturing of rough lab-grown diamonds	5%	NIL
Electronic appliances	Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20%	15%
Marine products	Fish lipid oil	30%	15%
	Algal Prime (flour)	30%	15%
	Fish meal	15%	5%
	Krill meal	15%	5%
	Mineral and Vitamin Premixes	15%	5%
Capital goods	Specific capital goods/machinery for manufacture of Lithium ion cell for use in battery of electrically operated vehicle	As applicable	NIL

Changes in Customs Duty rates

Classification	EleItem	Current rate	Proposed rate
Electronics goods	Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder	7.5%	NIL
	Palladium Tetra Amine Sulphate for manufacture of parts of connectors	7.5%	NIL
	Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone	2.5%	NIL
	Specified parts for manufacture of open cell of TV panel	5%	2.5%
Automobiles	Vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form	30%	35%
	Vehicle in Completely Built Unit (CBU) form , other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrolrun vehicle and more than 2500 cc for diesel-run vehicles, or with both	60%	70%
	Electrically operated Vehicle in Completely Built Unit (CBU) form, other than with CIF value more than USD 40,000	60%	70%
	Vehicles, specified automobile parts/components, sub-systems and tyres when imported by notified testing agencies for the purpose of testing and/ or certification, subject to conditions	As applicable	NIL

Customs Duty

Exemptions

Exemptions from Basic Customs Duty have been extended till March 31, 2024 on raw materials for manufacture of CRGO steel, ferrous scrap and nickel cathode.

Concession on Basic Customs Duty extended till March 31, 2024 on copper scrap.

Other changes

Solar power plant or solar power project are proposed to be excluded from the purview of Project Import with effect from the date of assent to the Finance Bill, 2023.

The First Schedule to the Customs Tariff Act is being proposed to be amended in accordance with HSN 2022 amendments. Further, new tariff lines are also proposed to be created, which will help in better identification of millet-based products, mozzarella cheese, medicinal plants and their parts, certain pesticides, telecom products, synthetic diamonds, cotton, fertilizer grade urea etc. These changes shall come into effect from May 01, 2023.

National Calamity Contingent Duty on specified cigarettes

National Calamity Contingent Duty on specified cigarettes is proposed to be increased.

Exemption on Compressed Natural Gas

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 (CBG) contained in such blended Compressed Natural Gas (CNG) subject to the specified conditions.

Government Savings Promotion Act

- Production of documents such as probate of his will or a succession certificate granted, or legal heir certificate issued by the revenue authority from 3 months to 6 months.
- Addition into existing savings scheme – PM CARES for Children Scheme, 2021 and Kisan Vikas Patra Scheme, 2019

Securities Contracts (Regulation) Act, 1956

Introducing clause in Section 18A of the Securities Contracts (Regulation) Act, 1956, definition of contract in derivatives are legal and valid if such contracts are regulated by IFSCA, 2019 in an IFSC and issued by FPI. Meaning of FPI assigned in Rule 2(u) of NDI Rules, 2019 under Section 46 of the FEMA, 1999.

Prohibition of Benami Property Transactions Act, 1988

- The definition of High Court is proposed to be expanded to cover High Court within the jurisdiction of which the office of initiating officer is located where the aggrieved party or where the Government is the aggrieved party and any of the respondents do not ordinary reside or carry on business or personally work for gain in the jurisdiction of any high court.
- The timeline for the Appeals to Appellate Tribunal has been changed from the date of order to the date on which order is received by the Initiating Officer or received by aggrieved person.

Central Sales Tax Act, 1956

Customs, Excise and Service Tax Appellate Tribunal to function as Authority for relevant provisions of Central Sales Tax Act, 1956. Further, appeals pending under the Authority for Advance Ruling shall also be transferred to the aforementioned authority.

Abbreviations

Particulars	Abbreviations
Artificial Juridical Person	AJP
Assessing Officer	AO
Assessment Year 2023-24	AY 23-24
Association of Persons	AOP
Body of Individuals	BOI
Central Board of Direct Tax	Customs Duty
Commissioner (Appeals)	CIT (A)
Customs Duty	CBDT
Deputy Commissioner	DC
Dispute Resolution Panel	DRP
Double Taxation Avoidance Agreements	DTAA
Fair Market Value	FMV
Financial Year 2022-23	FY 22-23
Foreign Exchange Management (Non-debt Instruments) Rules, 2019	NDI Rules, 2019
Foreign Exchange Management Act	FEMA
Foreign Exchange Management Act, 1999	FEMA, 1999
Foreign Portfolio Investor	FPI
Goods and Services Tax	GST
High Networth Individuals	HNI
Income Tax Appellate Tribunal	ITAT
Income-tax Act, 1961	'IT Act'
Income-tax Authorities	ITA
Income-tax return	'ITR'
INR Rupees	'INR'
International Financial Services Centre	IFSC

Abbreviations

Particulars	Abbreviations
International Financial Services Centres Authority Act, 2019	IFSCA
Joint Commissioner (Appeals)	JC (A)
Maximum Marginal Rate	MMR
Micro, Small and Medium Enterprises Development Act, 2006	MSMED Act
National Pension Scheme	NPS
Non-resident	NR
Non-banking Financial Corporation	NBFC
Non-resident Individuals	'NRI'
Primary Agricultural Credit Societies	PCAS
Primary Co-Operative Agricultural and Rural Development Bank	PCARD
Public Financial Institution	PFI
Reserve Bank of India	RBI
Resident but not Ordinary Resident	RNOR
State Financial Corporation	SFC
State Industrial Investment Corporation	SIIC
Tax Collected at Source	TCS
Tax Deducted at Source	TDS
Virtual Digital Asset	VDA
Input tax credit	ITC
Central Goods and Services Act, 2017	CGST Act
State Goods and Services Act, 2017	SGST Act
Union Territory Goods and Services Tax Act, 2017	UT GST
Integrated Goods and Services Act, 2017	IGST Act

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