

Budget Highlights

Finance Bill 2023

February 2023

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M. M. Mathuria & Associates



Viraj Mathuria & Associates

Section 01

Rates of Income Tax

Rates of Income Tax

Personal Income Tax (New Regime) – Section 115BAC

Provisions upto AY 2023-24		Proposed w.e.f. AY 2024-25	
Income Slabs	Rate (%)	Income Slabs	Rate (%)
Upto INR 2,50,000	Nil	Upto INR 3,00,000	Nil
INR 2,50,001 to INR 5,00,000	5	INR 3,00,001 to INR 6,00,000	5
INR 5,00,001 to INR 7,50,000	10	INR 6,00,001 to INR 9,00,000	10
INR 7,50,001 to INR 10,00,000	15	INR 9,00,001 to INR 12,00,000	15
INR 10,00,001 to INR 12,50,000	20	INR 12,00,001 to INR 15,00,000	20
INR 12,50,001 to INR 15,00,000	25	Above INR 15,00,000	30
Above INR 15,00,000	30		

Applicable Surcharge Rates	
Income Slabs	Rate (%)
> INR 50,00,000 to INR 1,00,00,000	10
> INR 1,00,00,000 to INR 2,00,00,000	15
Above INR 2,00,00,000	25*

*Enhanced surcharge not applicable on income under capital gains taxable under Sections 111A, 112 and 112A

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Key Highlights:

- New Tax Regime (NTR)** to be regarded as the **default tax regime** while an option to consider existing tax regime will be available
- Enhancement in the basic exemption limit** to INR 3 lakhs from existing limit of INR 2.5 lakhs
- Maximum surcharge rate reduced from 37% to 25%** in case of taxpayer having taxable income exceeding INR 5Cr (maximum marginal rate reducing from 42.744% to 39%)
- Rebate limit enhanced to INR 7 lakhs** from the existing limit of INR 5 lakhs
- Allowable deductions** under NTR:
 - Standard Deduction, Family pension, Agniveer Corpus Fund contribution
- Persons having income from Business or Profession shall be able to exercise option under Section 115BAC **only once**.
- Persons not having income from Business or Profession shall be able to exercise option under Section 115BAC **every year**.

Rates of Income Tax

Personal Income Tax (Old Regime)

Proposed w.e.f. AY 2024-25		Applicable Surcharge Rates	
Income Slabs	Rate (%)	Income Slabs	Rate (%)
Upto INR 2,50,000	Nil	> INR 50,00,000 to INR 1,00,00,000	10
INR 2,50,001 to INR 5,00,000	5	> INR 1,00,00,000 to INR 2,00,00,000	15
INR 5,00,001 to INR 10,00,000	20	> INR 2,00,00,000 to INR 5,00,00,000	25*
Above INR 10,00,000	30	Above INR 5,00,00,000	37*

Firms / LLP / Others

Proposed w.e.f. AY 2024-25		
Income Slabs	Tax (%)	Surcharge (%)
Upto INR 1,00,00,000	30%	Nil
Above INR 1,00,00,000	30%	12%

Key Highlights:

1. For resident senior citizens (60 years and above but less than 80 years) and very senior citizens (80 years and above), the basic exemption limit remains at INR 3 lakhs and INR 5 lakhs respectively
2. Rebate u/s. 87A remains unchanged to resident individuals, whose total taxable income does not exceed INR 5 lakhs
3. No Change proposed in Tax rates for Firms / LLP / Others

**Enhanced surcharge not applicable on income under capital gains taxable under Sections 111A, 112 and 112A*

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Rates of Income Tax

Co-operative Societies

Proposed w.e.f. AY 2024-25		
Income Slabs	Tax (%)	Surcharge (%)
Upto INR 10,000	10%	Nil
> INR 10,000 to INR 20,000	20%	Nil
> INR 20,000 to INR 1,00,00,000	30%	Nil
Above INR 1,00,00,000	30%	12%

Key Highlights:

1. Section 115BAD

A co-operative society resident in India has the option to pay tax at 22% for assessment year 2021-22 onwards, subject to fulfilment of certain conditions

2. Section 115BAE

A new manufacturing co-operative society set up on or after 01.04.2023, which commences manufacturing or production on or before 31.03.2024 not availing any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for AY 2024-25 onwards. Surcharge @ 10%.

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Companies

Proposed w.e.f. AY 2024-25		Surcharge (%)		
Type of Company	Tax (%)	Upto 1 Crore	>1 Crore to 10 Crore	Above 10 Crore
Domestic Companies with turnover / gross receipts up to INR 400 crores in FY 2018-19	25%	Nil	7%	12%
Other Domestic Companies	30%	Nil	7%	12%
Domestic Manufacturing Companies opting for Section 115BA	25%	Nil	7%	12%
Domestic Companies opting for Section 115BAA	22%	Nil	10%	10%
New Domestic Manufacturing Companies opting for Section 115BAB	15%	Nil	10%	10%
Foreign Companies	40%	Nil	2%	5%

Section 02

Significant Proposals

Capital Gains

Amendment in Section 54 and 54F

Capital gains rollover exemption on investment in new residential property in India is now **capped to INR 10 crore** with effect from 01 April 2024. New limit to apply to capital gains for rollover of capital gains from residential property and to net sale consideration for rollover of capital gains from any other capital asset

Double deduction of Interest

Interest payable on borrowed capital for acquiring/ reconstructing a property, which is allowed as deduction under the head 'income from house property' will not be included as cost of acquisition for computing capital gains on sale of such property. This amendment comes in effect from 1 April 2024

Intangible Assets

Cost of acquisition of any intangible asset or any other right will be **Nil** w.e.f 1 April 2024

Market Linked Debentures

Capital Gains arising from transfer/ redemption/ maturity of 'Market linked Debenture' (listed) **taxable as short term capital gains** w.e.f 1 April 2024

Joint Development Agreement

Full value of consideration to include consideration received by means of **issue of cheque, draft or any other mode.**

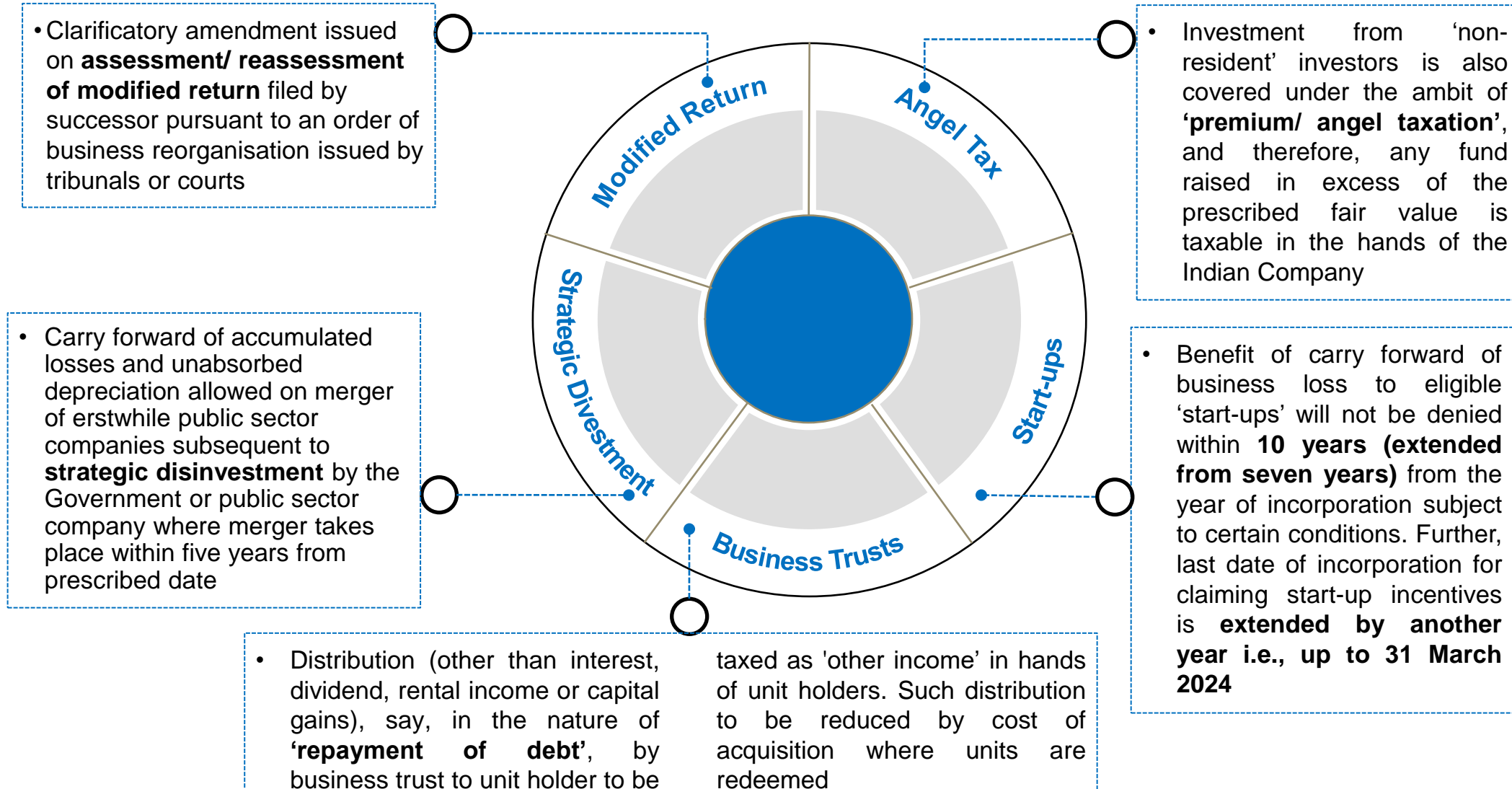
Conversion of Gold

Conversion of gold to electronic gold receipt or vice versa is not liable to capital gains taxation

Business & Profession

- **Threshold limit for turnover/ gross receipts** for eligible business / professions to avail benefit of presumptive income scheme, increased to **INR 3 Crore / INR 75 lakhs** respectively, provided amounts received in cash does not exceed 5% if total gross receipts
- Concessional tax regime introduced for **new co-operative societies** which commences manufacturing or production before 31 March 2024 and does not avail of any specified incentive or deductions, may opt to pay tax at concessional rate of **15%** (plus surcharge of 10%) for tax year 2023-2024 onwards
- **Payment to MSME** beyond time limits specified in MSMED Act will be **allowed as deduction only on actual payment**. Deduction allowed on accrual basis only if payment is within due date of MSMED Act
- Any sum of money exceeding Rs. 50,000, received without consideration by not ordinarily residents from resident in India shall be deemed to be income accrued and arisen in India
- any benefit or perquisite, **received in cash**, whether convertible into money or not, arising from business or the exercise of a profession shall now fall within the ambit of “**business profit**” u/s 24(iv). This amendment will **overrule the decision of Hon’ SC in case of Mahindra and Mahindra Limited [2018] 93 taxmann.com 32 (SC)**. Also, consequential clarification is also inserted in section 194R dealing with TDS provisions related to such benefit or perquisite

Transaction Tax



TDS / TCS

TDS:

1. Winnings from online games

Insertion of new section 115BBJ to tax the net winnings from online games at the rate of 30% from 01.04.2024. Consequentially, section 115BB will be amended to exclude from its scope income from winnings from online games.

2. TDS on winnings from online games u/s 194BA

Where there is withdrawal from user account during the year, tax shall be deducted –

- at the time of such withdrawal on net winnings comprised in such withdrawal; and
- at the end of the financial year on the remaining amount of net winnings in the user account.

The provisions shall be active w.e.f. 1st July, 2023

3. Amendment to section 194B and 194BB

Amendment to provide that threshold limit of INR 10,000 to be seen on an aggregate basis for the year and not per transaction.

4. Listed Debentures

Removal of exemption on TDS on payment of interest on listed debentures issued by a Company, to a resident, w.e.f 1 April 2023

5. TDS Credit for Past years

Assessee can claim the credit for the TDS deducted in the subsequent year, where income has been disclosed in the previous year by making an application in the prescribed form to the AO within two years from the end of the financial year in which such tax was deducted. W.e.f. 1 Oct 23

6. Increase in scope of section 197

Section 194LBA to fall within the ambit of section 197 to avail lower withholding certificate

7. Tax treaty relief u/s 196A

TDS on income from units of Mutual Funds shall be lower of –

- (i) 20% or (ii) **Rate as provided under the respective tax treaty (tax residency certificate required)**

The provisions shall be active w.e.f. 1 April, 2023

8. Advance Tax on Updated Return

Interest payable under section 234B on filing of Updated return, shall be computed on an amount equal to the **assessed tax as reduced by the amount of advance tax**, the credit for which has been claimed in the earlier return, if any (w.e.f. 1 April 2022)

TDS / TCS

TDS:

1. TDS on Provident Fund

TDS is proposed to be deducted at **20% (reduced from maximum marginal rate)** on provident fund paid to employee for failure to furnish PAN

2. Higher rate of TDS / TCS for non-filers

Definition of the “specified person” in section 206AB and 206CCA to exclude a person who is not required to furnish the return of income for the purpose of higher rate of TDS / TCS

3. Penalty And Prosecution for failure to pay TDS

Penalty and prosecution provisions are extended to cases for failure in complying TDS provisions in cases where payment is done in kind

Assessment:

1. Time limit for filing response to reassessment notice

Proposed to extend the time limit to 3 months (from existing 30 days) to furnish the return

2. Extension of time to pass orders

Proposed to extend time limit for passing order of assessment or best judgement assessment to 12 months (from 9 months) from the end of relevant AY.

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Also, in case of updated return, such time limit is increased to 12 months (from 9 months) from the end of FY in which return is filed.

3. Time limit for issuing notice

For computing the period of limitation for issue of notice for reassessment last 15 days of March are now excluded even if search is initiated / authorisation is executed / requisition is made after 15th March of any financial year

TCS:

Event	Present Rate	Proposed Rate
Educational purpose (80E)	0.5% in excess of INR 7 Lakhs	No Change
Educational purpose other than above & Medical	5% in excess of INR 7 Lakhs	No Change
Overseas Tour Package	5% without threshold	20% without threshold
Any other case	5% in excess of INR 7 Lakhs	20% without threshold

The provisions shall be active w.e.f. 1st July, 2023

Other Amendments

Misuse of provisions of Section 44BB and 44BBB

- Where any person opts to declare income earned from profits and gains of business for any year under the provisions of presumptive taxation, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the assessee for such previous year

Appeals

- Deployment of Joint Commissioner/ Additional Commissioner for disposal of small appeals

Other Amendments

- To ensure valuation of inventory as per law and prevent permanent deferral of taxes through undervaluation, tax officer may ask direct taxpayer to get inventory valuation done by a cost accountant and furnish valuation report as prescribed. Such period for inventory valuation is excluded for computing time limitation
- Leave encashment limit announced to increase from existing INR 3 lakhs to INR 25 lakhs
- Income received from insurance policies, issued on or after 01 April 2023 (other than unit linked policies), having premium or aggregate of premium exceeding INR 5 lakhs in a year, will be taxable (except in the case of death)
- It is proposed, to levy penalty of INR 5,000 per account holder on the specified reporting entity (SFT), in the event any account holder furnished inaccurate particulars
- Proposed that for claiming deduction u/s 10AA, SEZ unit to file return of income within due date is mandatory. Further, also proposed that export proceeds should be remitted in India within 6 months from the year-end or extended period

Transfer Pricing

- The time limit to furnish TP documentation and other information as required by transfer pricing officer (TPO) has been reduced from 30 days to 10 days.
- The provision of Specified Domestic Transaction (SDT) has been expanded to cover transactions undertaken between any taxpayer with a new manufacturing cooperative society availing a concessional tax rate of 15%.
- Notified non-banking financial companies (NBFC) are exempted from the provisions of thin capitalization limitations under Section 94B

1. Filing of returns and statements will not be allowed after three years from the relevant due dates.
2. Following transactions are to be treated as outside the purview of GST also for the period 1 July 2017 till 31 January 2019:
 - Supply of goods from a place in non-taxable territory to another place in non-taxable territory without such goods entering into India
 - Supply of warehoused goods before their clearance for home consumption
 - High sea sales
3. Input tax credit (ITC) will not be available for goods or services used in activities relating to Corporate Social Responsibility (CSR).
4. Value of activities as may be prescribed in respect of warehoused goods before their clearance for home consumption will be considered as an exempt supply for common ITC reversal.
5. Minimum threshold for launching prosecution will be increased from INR 1 crore to INR 2 crore except in case of issuance of invoice without supply.
7. Place of supply of services of transportation of goods outside India will be:
 - In case of registered recipient —location of recipient
 - In case of unregistered recipient —location at which goods are handed over for transportation
7. The condition of minimal human intervention will be removed from the definition of “Online Information and Database Access or Retrieval Services”, thus placing emphasis only on information technology required to provide such service.
8. Taxpayers supplying goods through e-commerce operator will be eligible to opt for the composition scheme.
9. Compounding amount, in case of offences, will be reduced between 25% to 100% of the tax amount.
10. Following offences will be decriminalized:
 - Obstructing or preventing any officer in discharge of his duties
 - Tempering of material evidence
 - Failure to supply information
11. Government to prescribe the manner, conditions and restrictions for computing the period of delay while calculating the interest on delayed refund.
12. Penalty on ECO for:
 - Allowing supply through it by an unregistered person not exempted under the Act;
 - Allowing inter-state supply through it by person not eligible to make such inter-state supply;
 - Failing to furnish correct details by unregistered persons.
 - Penalty @ Rs 10,000; or o Amount of tax involved had such supply been made by a registered person (other than a composition dealer).

Disclaimer:

This booklet summarizes the important proposals included in the budget speech made by the Hon’ble Finance Minister on 1st February, 2023. Whilst every care has been taken in the preparation of this document it may contain inadvertent errors for which we shall not be held responsible. It must be stressed that the Finance Bill may contain proposals which have not been referred to in the budget speech and additionally, the detailed proposals are liable to amendment during the passage of the Finance Bill through Parliament. The information given in this document provides a bird’s-eye view on the changes proposed and should not be relied for the purpose of economic or financial decision. Each such decision would call for specific reference of the relevant statutes and consultation of an expert.

Contact details

Manoj Mathuria
Proprietor
M. M. Mathuria & Associates, Chartered Accountants

Mmmathuria.incometax@gmail.com

Viraj Mathuria
Proprietor
Viraj Mathuria & Associates, Chartered Accountants
cavirajmathuria@gmail.com

Thank you