2023

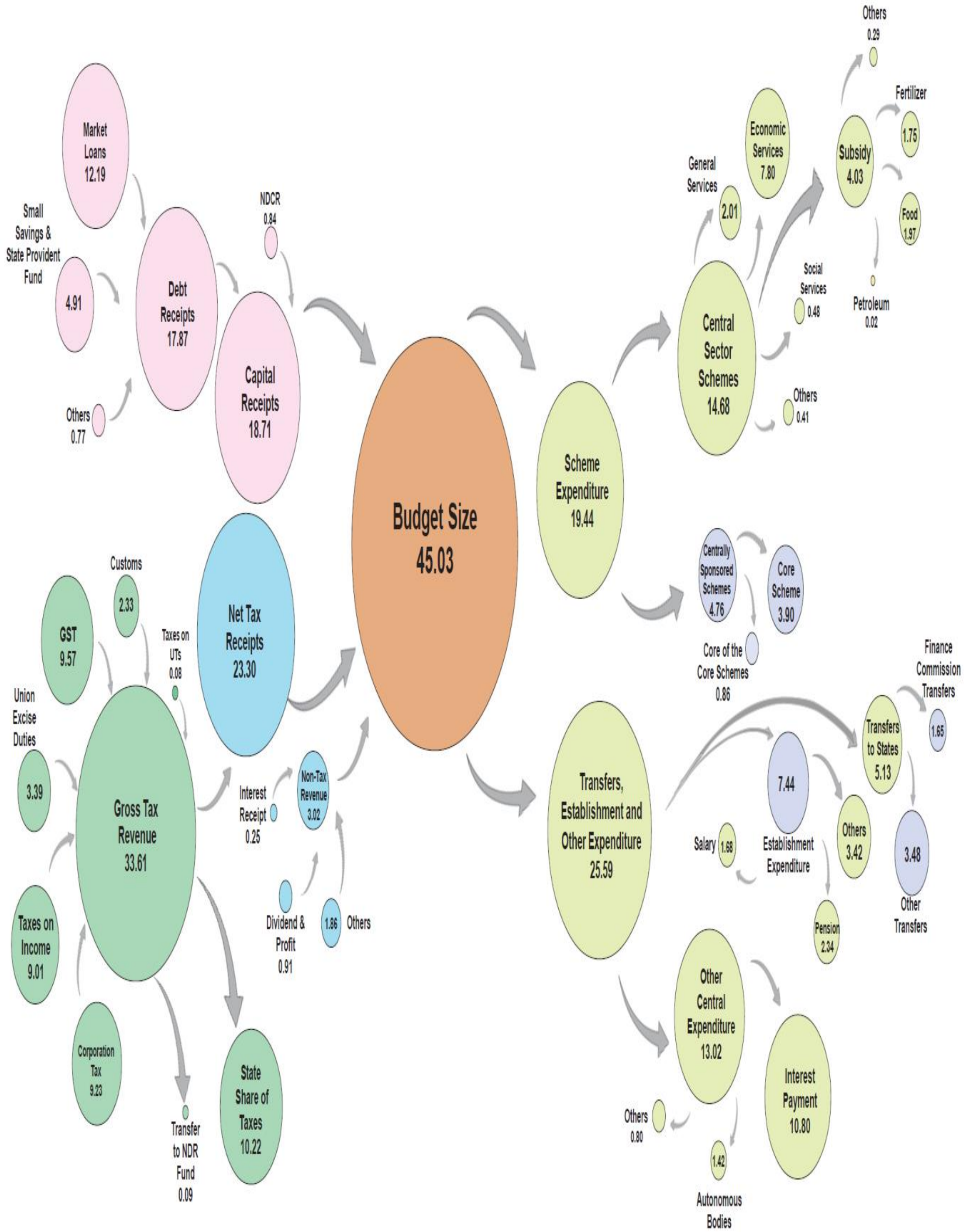
ANALYSIS BY

B J PATEL & J L SHAH | Chartered Accountants
www.bjpatelandjlshah.com
info@bjpatelandjlshah.com

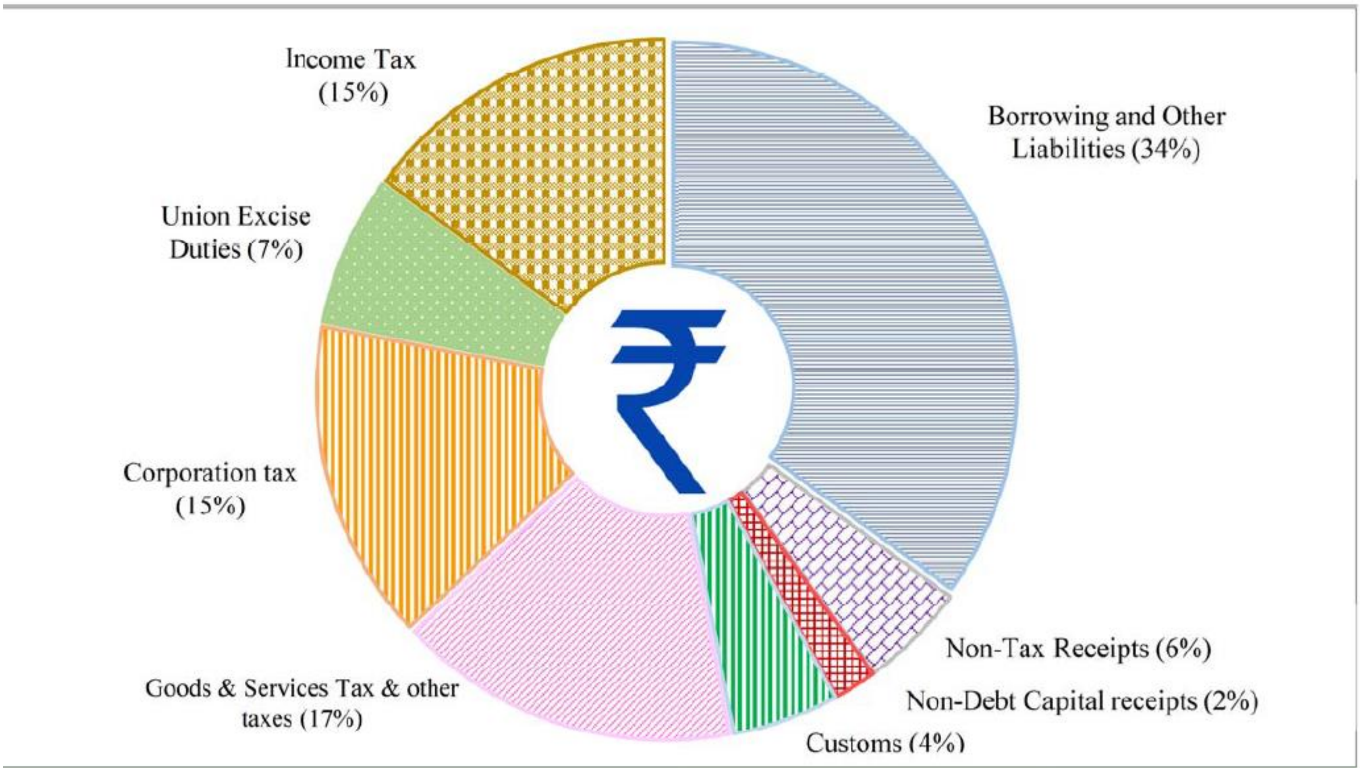
F O R   P R I V A T E   C I R C U L A T I O N   O N L Y

(Rupees in Lakh Crores)

BUDGET PROFILE



Rupee Comes From



Rupee Goes To

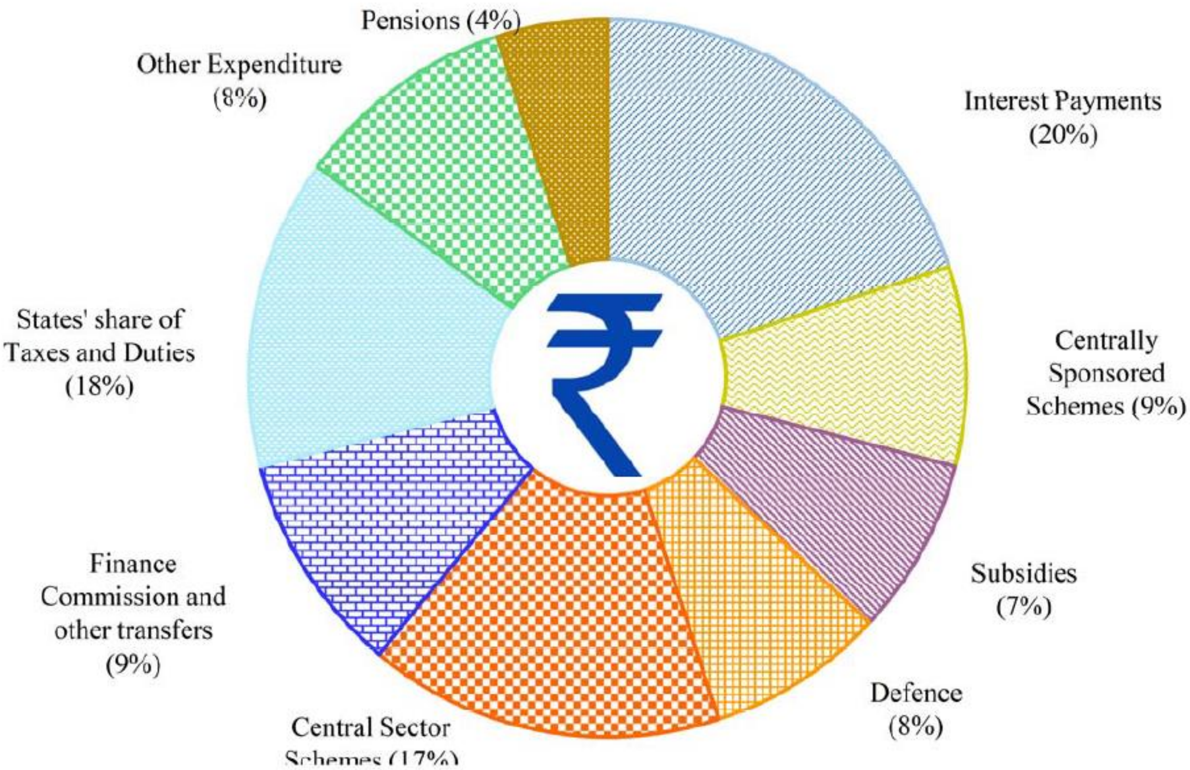
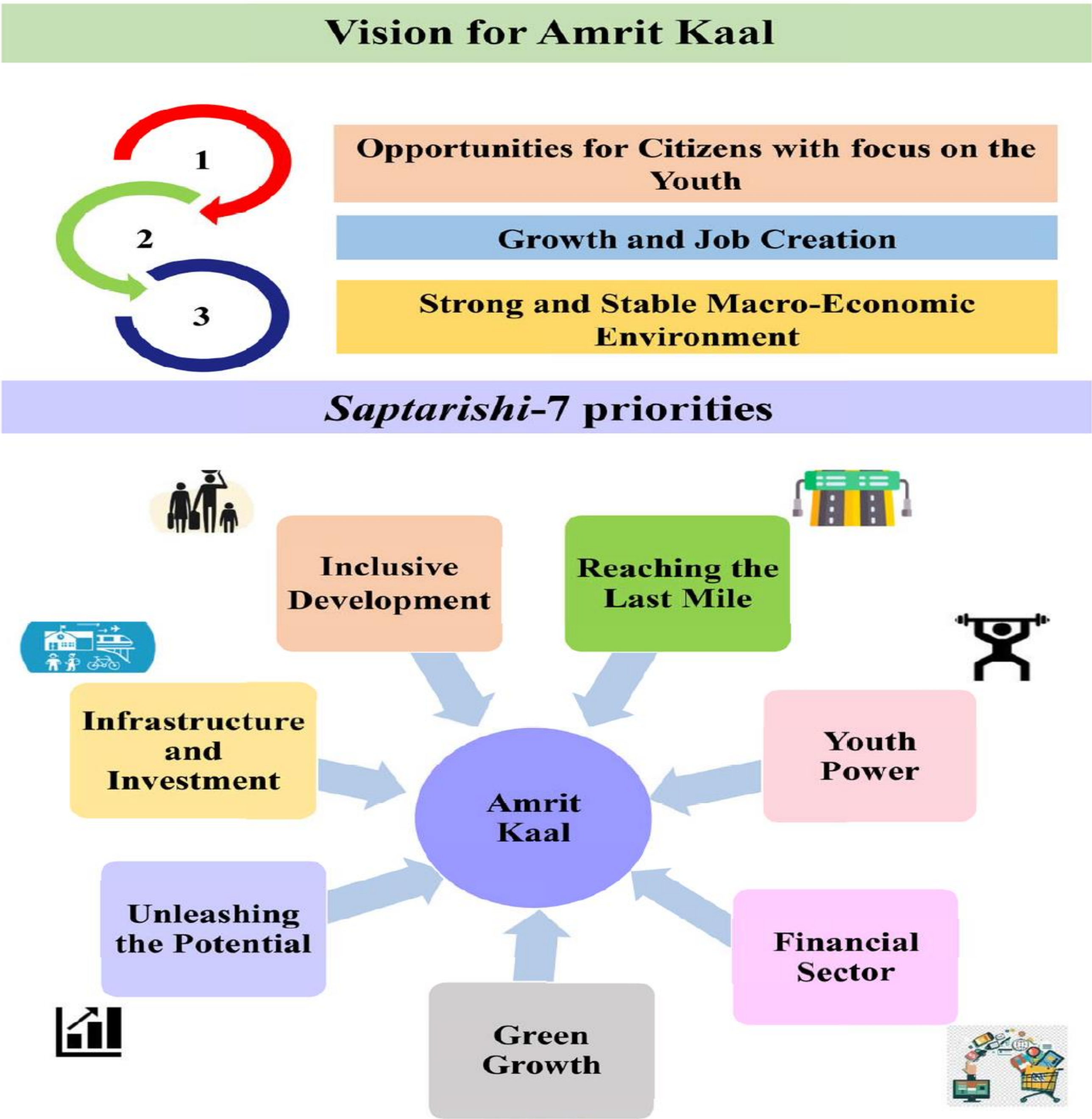


Table of Contents

1. KEY Features

- India is commemorating **Azadi ka Amrit Mahotsav** and have begun **Amrit Kaal**, the25-year countdown to **India@100**. The vision for India@100 was laid out by the Hon'ble Prime Minister in his Independence Day address. The Government intends to achieve the following vision during the **Amrit Kaal**:

  1. Opportunities for Citizens with focus on the Youth.
  2. Growth and Job Creation.
  3. Strong and Stable Macro Economic Environment.
  4. Seven (7) Priorities are listed as **"Saptrishi"** to achieve Vision and Budget is presented keeping this in mind.



2. General Overview of 7 Priorities (Saptrishi)

2.1 INCLUSIVE DEVELOPMENT

EDUCATION & SKILLING

- Three centres of excellence in Artificial Intelligence will be set up in top educational institutions.
- Recruitment of 38,000 teachers and support staff in the next 3 years for 740 Eklavya Model Residential Schools serving 3.5 lakh tribal students.
- A National Digital Library is proposed to be set up.
- Direct Benefit Transfer under a pan-India national apprenticeship scheme to provide stipend support to 47 lakh youths in 3 years.

AGRICULTURE

- A digital public infrastructure to boost the agri-tech startups in the country to be enabled to include farmer-centric services that are relevant for crop protection.
- Agriculture credit of Rs. 20 lakh crore has been targeted to animal husbandry, dairy and fisheries sector.
- Launch of PM Matsya Sampada Yojana with targeted investment of Rs. 6,000 crores to boost the seafood industry and to expand markets for fisherman, fish vendors.
- Setting up of a Decentralised storage capacity to enhance the farmers to help them to store the perishable produce for longer shelf life and realising remunerative prices.
- Agriculture Accelerator Fund to be set up to encourage agri startups by young entrepreneurs in rural areas.
- Atmanirbhar Horticulture Clean Plant Program to be launched to boost the production and availability of disease-free high value horticulture crops.
- The expenditure of about Rs. 2 lakh crores for the year is to be borne by the central government under PM Garib Kalyan Anna Yojana, for supplying free food grains for one year to all Antyodaya and priority households.

COOPERATIVES

- Deposits & Loan Limit in cash has been increased to Rs. 2 lakh per member of cooperatives for deposits & loans in cash by Primary Agriculture Credit Society and Primary Cooperative Agriculture and Rural Development Bank.
- Sugar cooperatives can claim the amount of payments made to the sugarcane farmers for the period prior to A.Y. 2016-17 as an expenditure, while computing their income.

HEALTH

- Establishment of 157 new nursing colleges.
- Launch of mission to eliminate Sickle Cell Anaemia by 2047 in which there will be screening of 7 crore people in the age bracket of 0-40 years in affected tribal areas.
- Joint Public and Private Medical Research to be encouraged via select ICMR labs.
- Facilities in select ICMR labs to be made available for research by public and private medical college faculty, private sector research teams for encouraging collaborative research and innovation.

TOURISM

- Promotion of tourism will be taken up intensively with active participation of states and PPPs.
- 50 tourist destinations to be developed as a whole package, to promote domestic and international tourism.
- Setting up a 'Unity Mall' in the state capital to promote and sell 'One District, One product', GI products and other handicrafts.

2.2 INFRASTRUCTURE AND INVESTMENT SECTOR

- Increase in the capital investment outlay by 33% to Rs 10 lakh crores to provide a greater impetus to development and employment.
- "Technologies like Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT), cybersecurity, data science and cloud-based technologies are rapidly growing. To promote innovation, enhanced allocation is proposed.
- The allocation of Capital outlay of ₹ 2.4 lakh crores for Railways.
- Establishment of 100 "critical transport infrastructure projects" to promote multi-modal transport.
- Establishing a Rs. 10,000 crores Urban Infrastructure Development Fund (UIDF) through the priority sector.
- All logistics & connectivity infrastructure projects, entailing an investment of over Rs. 500 crores, are proposed to be routed through the NPG, constituted under the PM Gati Shakti initiative.

2.3 REACHING THE LAST MILE

- Setting up of a Bharat (SHRI) for digitalization of ancient inscriptions.
- Launch of Pradhan Mantri Vulnerable Tribal Group Development Mission and allocation of Rs. 15,000 crores to improve their economic conditions by providing safe housing, clean water, road, and telecom connectivity.
- Financial assistance of Rs. 5,300 crores to be given for sustainable micro irrigation in drought prone regions of Karnataka.

2.4 UNLEASHING THE POTENTIAL

- Introduction of National Data Governance Policy for innovation and research by start-ups and academia.
- PAN will be used as the common identifier for all digital systems.
- Launch of Phase-3 of the E-Courts with an amount of Rs. 7,000 crores for effective administration of justice.
- R & D grant for Lab Grown Diamonds (LGD) sector to reduce imports by encouraging domestic production.
- Setting up of Entity Digi Locker for business enterprises and charitable trusts to facilitate secure online storing and sharing of documents.

2.5 YOUTH POWER

- Launch of PMKVY 4.0 within the next year. Under this scheme, skills such as AI, coding, megatronics, drones, 3D printing etc. shall be covered.
- Launch of PM Vishwakarma Kaushal Samman (PM VIKAS) Scheme to provide solutions from financial support to digital training to the artisans and craftspersons.

2.6 GREEN GROWTH

- Green Credit Programme to be notified under the Environmental Protection Act.
- Allocation of Rs 19,700 crores for National Green Hydrogen Mission which will further help facilitate transition of economy from fossil fuels to green power.
- Capital Investment of Rs 35,000 crores towards Energy Transition for prioritising net zero commitments.
- Rs. 20,700 crores will be invested in the inter-state transmission system for evacuation and grid integration of 13 GW of renewable energy from Ladakh.

2.7 FINANCIAL SECTOR

- Setting up of the National Financial Information Registry for the purpose of efficient lending and promoting financial stability.
- The maximum investment limit for the Senior Citizen Savings Scheme (SCSS) has been increased from Rs. 15 lakh to Rs. 30 lakh.
- Introduction of Mahila Samman Savings Certificate, a one-time savings programme which would provide deposit facility up to Rs. 2 lakh in the name of women or girls for tenure of 2 years (up to March 2025) at fixed interest rate of 7.5% with partial withdrawal option.
- Enhancement of maximum deposit limit for Monthly Income Account Scheme from Rs.4.5 lakh to Rs 9 lakh for single account and from Rs 9 lakh to Rs 15 lakh for joint account.
- Various initiatives have been proposed to promote business activities in GIFT IFSC (International Financial Services Centres)
- The Investor Education and Protection Fund Authority will establish an integrated IT portal to enable investors to easily claim unclaimed shares and dividends.
- The fiscal deficit in Budget 2023-24 is projected to be 5.9% of GDP.
- Fiscal Deficit of 3.5% of GSDP allowed for states and 0.5% tied to Power Sector Reforms.
- Fresh infusion of corpus amounting to Rs. 9,000 crores to revamp Credit Guarantee Scheme which will be effective from 1st April 2023. This will further enable the additional collateral-free credit of Rs 2 lakh crores. Further, the cost of credit will be reduced by 1%.

3. Summery of Economic Survey 2022-23 Published by Government

- INDIA TO WITNESS GDP GROWTH OF 6.0 PER CENT TO6.8 PER CENT IN 2023-24, DEPENDING ON THETRAJECTORY OF ECONOMIC AND POLITICALDEVELOPMENTS GLOBALLY

- ECONOMIC SURVEY 2022-23 PROJECTS A BASELINEGDP GROWTH OF 6.5 PER CENT IN REAL TERMS INFY24

- ECONOMY IS EXPECTED TO GROW AT 7 PER CENT (INREAL TERMS) FOR THE YEAR ENDING MARCH 2023,THIS FOLLOWS AN 8.7 PER CENT GROWTH IN THEPREVIOUS FINANCIAL YEAR

- CREDIT GROWTH TO THE MICRO, SMALL, AND MEDIUMENTERPRISES (MSME) SECTOR HAS BEENREMARKABLY HIGH, OVER 30.5 PER CENT, ONAVERAGE DURING JAN-NOV 2022

- CAPITAL EXPENDITURE (CAPEX) OF THE CENTRALGOVERNMENT, WHICH INCREASED BY 63.4 PER CENTIN THE FIRST EIGHT MONTHS OF FY23, WAS ANOTHERGROWTH DRIVER OF THE INDIAN ECONOMY IN THECURRENT YEAR

- RBI PROJECTS HEADLINE INFLATION AT 6.8 PER CENTIN FY23, WHICH IS OUTSIDE ITS TARGET RANGERETURN OF MIGRANT WORKERS TO CONSTRUCTIONACTIVITIES HELPED HOUSING MARKET WITNESSING A SIGNIFICANT DECLINE IN INVENTORY OVERHANG TO33 MONTHS IN Q3 OF FY23 FROM 42 MONTHS LAST YEAR

- SURGE IN GROWTH OF EXPORTS IN FY22 AND THEFIRST HALF OF FY23 INDUCED A SHIFT IN THE GEARSOF THE PRODUCTION PROCESSES FROM MILDACCELERATION TO CRUISE MODE

- PRIVATE CONSUMPTION AS A PERCENTAGE OF GDPSTOOD AT 58.4 PER CENT IN Q2 OF FY23, THE HIGHESTAMONG THE SECOND QUARTERS OF ALL THE YEARSSINCE 2013-14, SUPPORTED BY A REBOUND INCONTACT-INTENSIVE SERVICES SUCH AS TRADE, HOTEL AND TRANSPORT

- SURVEY POINTS TO THE LOWER FORECAST FORGROWTH IN GLOBAL TRADE BY THE WORLD TRADEORGANISATION, FROM 3.5 PER CENT IN 2022 TO 1.0PER CENT IN 2023

- **India to witness GDP growth of 6.0 per cent to 6.8 per cent in 2023-24, depending on the trajectoryof economic and political developments globally.**

4. Income Tax – Direct Tax

In her budget speech, the Finance Minister proposed more incentives in the new tax regime so that the taxpayer can unhesitatingly move from the old to the new tax regime. The new tax regime covered under section 115BAC shall be the default tax regime, and AOP, BOI and Artificial Juridical Persons also can now avail the benefit of the new tax regime. The taxpayer still has the option to choose the old tax regime if desired, as no alterations have been made to it. The table below compares the tax rates for reference.

4.1 Tax Rates - Individuals and HUF opting for OLD Tax Regime

Individuals		
(Other than senior and super senior citizen)		
Net Income Range	**Rate of Income-tax**	
	Assessment Year 2023-24	**Assessment Year 2024-25**
Up to Rs. 2,50,000	-	-
Rs. 2,50,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%
Senior Citizen		
(who is 60 years or more at any time during the previous year)		
Net Income Range	**Rate of Income-tax**	
	Assessment Year 2023-24	**Assessment Year 2024-25**
Upto Rs. 3,00,000	-	-
Rs. 3,00,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%
Super Senior Citizen		
(who is 80 years or more at any time during the previous year)		
Net Income Range	**Rate of Income-tax**	
	Assessment Year 2023-24	**Assessment Year 2024-25**
Upto Rs. 5,00,000	-	-
Rs. 5,00,001 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%
Hindu Undivided Family		
Net Income Range	**Rate of Income-tax**	
	Assessment Year 2023-24	**Assessment Year 2024-25**
Upto Rs. 2,50,000	-	-
Rs. 2,50,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

No change in Slab Rate and Rate of Tax for Old Tax Regime also no other deductions are proposed

4.2 Slab Rates for Individuals or HUF under NEW Tax Regime (Section 115BAC)

Net Income Range	Rate of Income-tax	
	Assessment Year 2023-24#	Assessment Year 2024-25##
Up to Rs. 2,50,000	-	-
Rs. 2,50,001 to Rs. 3,00,000	5%	-
Rs. 3,00,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 6,00,000	10%	5%
Rs. 6,00,001 to Rs. 7,50,000	10%	10%
Rs. 7,50,001 to Rs. 9,00,000	15%	10%
Rs. 9,00,001 to Rs. 10,00,000	15%	15%
Rs. 10,00,001 to Rs. 12,00,000	20%	15%
Rs. 12,00,001 to Rs. 12,50,000	20%	20%
Rs. 12, 50,001 to Rs.15,00,000	25%	20%
Above Rs. 15,00,000	30%	30%

 # For AY 23-24 : Rebate under section 87A is available to resident individuals whose total income during the previous year does not exceed Rs. 5,00,000. Rebate is available to the extent of Rs.12,500 only, and no rebate will be available if the total income exceeds Rs. 5,00,000. Meaning thereby, no tax payable if income is upto Rs.5,00,000/- during FY 22-23

For AY 24-25 : Rebate under section 87A is available to resident individuals whose total income during the previous year does not exceed Rs. 7,00,000. Rebate is available to the extent of Rs.25,000 only, and no rebate will be available if the total income exceeds Rs. 7,00,000. **Meaning thereby, it is proposed in the Budget that no tax payable if income is upto Rs.7,00,000/- during FY 23-24**

4.3 Tax rates for AOP/BOI Opting for OLD Tax Regime

Net income range	Rate of Income-tax	
	Assessment Year 2023-24	**Assessment Year 2024-25**
Up to Rs. 2,50,000	-	-
Rs. 2,50,001 - Rs. 5,00,000	5%	5%
Rs. 5,00,001 - Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

4.4 Tax rates for AOP/BOI under NEW Tax Regime (Section 115BAC) (applicable from Assessment Year 2024-25)

Net Income Range	**Tax rate**
Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5%
From Rs. 6,00,001 to Rs.9,00,000	10%
From Rs. 9,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%

4.5 Tax rates for Company

Particulars	Rate of Income-tax	
	Assessment Year 2023-24	Assessment Year 2024-25
Domestic Company opting for Section 115BAB		
Income from manufacture or production of article or thing	15%	15%
Income from non-manufacturing activities (if no specific rate is prescribed)	22%	22%
Short term capital gains (from transfer of depreciable assets)	15%	15%
Short term capital gains (from transfer of non-depreciable assets)	22%	22%
Excess profit added by the Assessing officer under section 115BAB(6) owning to close connection between company and other person	30%	30%
Special income under Chapter XII	As prescribed under the Act	As prescribed under the Act
Other Domestic Company		
Total turnover or gross receipt during the previous year 2020-21 does not exceed Rs. 400 crore	25%	NA
Total turnover or gross receipt during the previous year 2021-22 does not exceed Rs. 400 crore	NA	25%
Company opted for Section 115BA	25%	25%
Company opted for Section 115BAA	22%	22%
Any other domestic company	30%	30%
Foreign Company		
In General	40%	40%

4.6 Tax rates for Co-operative Society

Net Income Range	Rate of Income-tax	
	Assessment Year 2023-24	Assessment Year 2024-25
Opting for section 115BAD	22%	22%
Opting for section 115BAE*	NA	15%
Other Co-operative Society		
Upto Rs. 10,000	10%	10%
Rs. 10,001 to Rs. 20,000	20%	20%
Above Rs. 20,000	30%	30%

***With effect from AY 2024-25, a new section is proposed for new manufacturing co-operative societies** set up on or after 01.04.2023, commencing manufacturing or production on or before 31.03.2024. They can pay tax at a concessional rate of 15% with a trade-off with specific incentives and deductions.

4.7 Tax rates for Other Entities

Net Income Range	Rate of Income-tax	
	Assessment Year 2023-24	Assessment Year 2024-25
Firms	30%	30%
Local Authority	30%	30%

4.8 Rate of Surcharge in the hands of the Individual, HUF, AOP (Except AOP with all *members as company*), BOI or AJP

	Range of income									
Nature of Income	*Assessment Year 2023-24*					*Assessment Year 2024-25*				
	Up to Rs. 50 lakh	*More than Rs. 50 lakh but up to Rs. 1 crore*	*More than Rs. 1 crore but up to Rs. 2 crore*	*More than Rs. 2 crore but up to Rs. 5 crore*	*More than Rs. 5 crore*	*Up to Rs. 50 lakh*	*More than Rs. 50 lakh but up to Rs. 1 crore*	*More than Rs. 1 crore but up to Rs. 2 crore*	*More than Rs. 2 crore but up to Rs. 5 crore*	*More than Rs. 5 crore*
Short-term capital gain covered under Section 111A	*Nil*	10%	15%	15%	15%	*Nil*	10%	15%	15%	15%
Long-term capital gain covered under Section 112A	*Nil*	10%	15%	15%	15%	*Nil*	10%	15%	15%	15%
Long-term capital gain covered under Section 112	*Nil*	10%	15%	15%	15%	*Nil*	10%	15%	15%	15%
Dividend income	*Nil*	10%	15%	15%	15%	*Nil*	10%	15%	15%	15%
Unexplained income chargeable to tax under Section 115BBE	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Any other income*	*Nil*	10%	15%	25%	37%	*Nil*	10%	15%	25%	37%*

*From A.Y. 2024-25 onwards, the surcharge rates on other income for Individuals, HUFs, AOP, BOI or Artificial Juridical Persons opting to pay tax under section 115BAC cannot exceed 25%.

****From A.Y. 2023-24 onwards, the surcharge rates for AOP with all members as a company, cannot exceed 15%.**

4.9 Rate of Surcharge in case of any other assessee

Taxpayer	Range of Income					
	Assessment Year 2023-24			Assessment Year 2024-25		
	Up to Rs. 1 Crore	*More than Rs. 1 Crore to Rs.10 Crores*	*Exceeding Rs. 10 Crores*	*Up to Rs. 1 Crore*	*More than Rs. 1 Crore to Rs.10 Crores*	*Exceeding Rs. 10 Crores*
Firm/ Local Authority	-	12%	12%	-	12%	12%
Domestic Company Opting for Section 115BAA or 115BAB	10%	10%	10%	10%	10%	10%
Other Domestic Company	-	7%	12%	-	7%	12%
Foreign Company	-	2%	5%	-	2%	5%
Co-operative Societies opting for section 115BAD	10%	10%	10%	10%	10%	10%
Co-operative Societies opting for section 115BAE	NA	NA	NA	10%	10%	10%
Other co-operative societies	-	7%	12%	-	7%	12%

*Health and Education Cess at the rate of 4% shall be charged on the aggregate of income-tax and surcharge.

- Salaried person opting for the new tax regime will be allowed a standard deduction from salary income.
- The new tax regime of Section 115BAC will be a default regime unless the existing (old) regime is opted.

4.10 Business & Profession : Important Changes Proposed

4.10.1 Section 43B : Promoting timely payments to Micro and Small Enterprises (MSME)

To ensure that the payments to micro and small enterprises are made within the specified time period, it has been proposed to include such payments under the scope of section 43B with effect from 1st April 2024. **Therefore, payments made to micro and small enterprises beyond the period specified in section 15 of the MSME Act, 2006 would be allowed as deduction only upon their actual payment.** This is an important amendment, which would bring about a revolutionary change in tax computation of various companies.

Section 15 of the MSMED Act mandates payments to micro and small enterprises within the time as per the written agreement, which cannot be more than 45 days. If there is no such written agreement, the section mandates that the payment shall be made within 15 days. **Thus, the proposed amendment to section 43B of the Act will allow the payment as deduction only on payment basis. It can be allowed on accrual basis only if the payment is within the time mandated under section 15 of the MSMED Act.**

4.10.2 PRESUMPTIVE TAXATION - Section 44AD - Presumptive Taxation for Businesses [w.e.f. A.Y. 2024-25]

- Threshold for eligible businesses to claim benefit of presumptive taxation where total turnover or gross receipts in previous year does not exceed Rs. 2 crores, has been increased to Rs. 3 crores.

- Above benefit will be granted only if the aggregate amount of cash received does not exceed 5% of gross turnover.

- Receipt of amount through cheque drawn on bank and bank draft, which are not crossed as account payee will be deemed as cash receipt.

Section	Condition for Turnover of 3 Crore	Condition for Turnover of 2 Crore
44 AD	Only if aggregate amount received during the previous year in cash does not exceed 5% of the total turnover/gross receipt	If aggregate amount received during the previous year in cash exceeds 5% of the total turnover/gross receipt

4.10.3 PRESUMPTIVE TAXATION - Section 44ADA - Presumptive Taxation for Professions [w.e.f. A.Y. 2024-25]

- Threshold for eligible professions to claim benefit of presumptive taxation where gross receipts in previous year does not exceed Rs. 50 lakhs has been increased to Rs. 75 lakhs.

- Above benefit will be granted only if the aggregate amount of cash transactions does not exceed 5% of gross turnover.

- Receipt of amount through cheque drawn on bank and bank draft, which are (not crossed as being account payee will be deemed as cash receipt.

Section	Condition for Gross Receipt of 75 Lacs	Condition for Gross Receipts of 50 Lacs
44 ADA	Only if aggregate amount received during the previous year in cash does not exceed 5% of the total turnover/gross receipt	If aggregate amount received during the previous year in cash exceeds 5% of the total turnover/gross receipt

4.10.4 Other Changes Proposed

- **Section 28(iv)** : It is proposed to be **amended to include benefits or perquisites arising from business or exercise of a profession which are in cash or kind or partly in cash and partly in kind**. This amendment is proposed to come into effect from April 1, 2024 and accordingly, would apply in relation to the AY 2024-25 and thereafter.

  The proposal seeks to nullify the position laid down by the Hon'ble Supreme Court in case of Mahindra and Mahindra Ltd. [93 taxmann.com 32] wherein the Hon'ble Court has held that the value of benefit or perquisite would be included in Section 28(iv) of the IT Act only if the same is not in cash or money.

- **Section 35D :** To claim amortization of specified preliminary expenditure under section 35D(2) it is hereby proposed that the assessee can claim deduction based on the statement containing the particulars of expenditure to be submitted with the income tax authorities within the prescribed time limit in prescribed form; which presently could be claimed only after getting the statement/feasibility report from the concern approved by the board.

4.11 Changes Proposed for Capital Gains

- Cost of improvement/cost of acquisition of a capital assets being intangible assets or any other rights for which no consideration has been paid shall be considered as “NIL” u/s 55.

- Interest paid on borrowings for acquiring/renewing/reconstructing a property shall not be allowable as cost of acquisition or cost of improvement for claiming deduction under the head “Income from Capital Gains” to the extent claimed as deduction u/s. 24 under the head “Income from House Property”.

- Maximum exemption of Rs.10 crore can be claimed under section 54 and 54F. Section 54 and Section 54F of the IT Act allows deduction from computing tax on transfer of long-term capital assets if the amount of such capital gains or sale consideration, as the case may be, is re-invested in a house property. The current provisions do not limit such deduction.

- Any transfer of capital assets being physical gold to the Electronic Gold Receipt (EGR) issued by a Vault Manager or vice versa shall not be considered as transfer u/s. 47 of the Act. In such cases original cost of acquisition on the date of purchase either of a physical gold or a EGR shall be considered for the purpose of section 49 as cost of acquisition. Holding period for the purpose of capital gain shall include the period for which the gold was held by the assessee prior to the conversion into EGR.

  It is proposed that when an EGR is converted into gold, the period of holding of an EGR would be inclusive of the period for which the gold was held by the assessee prior to conversion into EGR. Likewise, where gold is released in respect of an EGR, the period of holding of such gold would be from the time the EGR was held by the assessee.

4.12 Changes Proposed for Income from Other Sources

- Rationalisation of Exempt **Income under Life Insurance Policies** :

Particulars	Present Situation	Proposed
Insurance Policies other than ULIP and Keyman Insurance Policies	Irrespective of the maturity amount, the entire amount is exempt from tax. No Tax is payable on receipt of the amount.	If the premium payable during any previous year during the term of such policies issued on or after 01.04.2023 exceeds Rs.5 lacs then the entire maturity proceeds shall be taxable under "Income from other Sources" against which the assessee will be entitled to claim the deduction of premium paid earlier provided no deduction of the premium paid had been claimed under the Act in any of the earlier years. The above limit of Rs.5 lacs per annum is to be seen in aggregate of all insurance policies issued on or after 01.04.2023. **However, such amount received on death of a person shall be exempt from tax.**

- **Amendment to Section 10(10D) and Section 56 of the IT Act:**

  - ✓ Section 10(10D) of the IT Act provides for exemption on the sum received under a life insurance policy, including bonus on such policy, provided the premium payable for any of the years during the term of the policy does not exceed 10% of the actual capital sum assured.

  - ✓ Finance Act, 2021 amended Section 10(10D) of the IT Act to provide for taxation of sum received under ULIP where the aggregate premium exceeded INR 0.25 million for any of the previous years during the term of any of the policy. All other kinds of life insurance policies were still eligible for exemption irrespective of the amount of premium payable.

  - ✓ Section 10(10D) of the IT Act is proposed to be amended to withdraw the exemption on amount received under a life insurance policy (other than ULIP) having premium or aggregate of premium exceeding INR 0.5 million in a year. However, such amount received on death of a person shall be exempt from tax.

  - ✓ The proposed amendment shall be applicable for policies issued on or after April 1, 2023. Accordingly, the proposed amendment would apply to AY 2024-25 and thereafter.

  - ✓ In accordance with the proposed amendment in Section 10(10D) of the IT Act, Section 56 of the IT Act is proposed to be amended by inserting clause (xiii) to sub-section 2 to provide for taxation of any sum received under a life insurance policy, including bonus on such policy, where the premium or aggregate of premium exceeds INR 500,000 in a year.

  - ✓ Such taxable amount shall exclude any sum received under ULIP or Keyman insurance policy.

  - ✓ This amendment is proposed to come into effect from April 1, 2024 and accordingly would apply in relation to AY 2024-25 and thereafter.

- Any consideration received for issue of shares by a company in which public are not substantially interested from any person (whether resident or non- resident) in excess of the fair market value (as per rule 11UA) shall be chargeable to tax u/s.56(2)(viib). This provision is presently applicable only if the said consideration is received from a Resident Investor, which is now extended to include non-resident investor also.

4.13 Changes Proposed for Deductions under Chapter VI-A

Section 80CCH- Agnipath Scheme

- An individual enrolled in Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after 1st November, 2022 shall be eligible to claim deduction in computation of total income of whole amount paid or deposited.

- An individual shall also be eligible to claim deduction of the amount contributed by the central government in the Agniveer Corpus Fund contributed towards Seva Nidhi.

Section 80C

- Deduction for contribution by an employee to an approved superannuation fund has been omitted.

Section 80G - Donations

- Deduction under this section can not be claimed by donating in the following institutions anymore:
  - The Jawaharlal Nehru Memorial Fund
  - Indira Gandhi Memorial Trust
  - The Rajiv Gandhi Foundation

Deduction available to start-ups - Sunset Provision Extended – Section 80-IAC

- The deduction available to a start-up incorporated between 01.04.2016 and 31.03.2022 has also been made available to the start-ups which are incorporated in the F.Y. 2023-24.

- Eligible star tups would be eligible to carry forward loss for set off u/s. 79(1) for a period of 10 years as compared to 7 years earlier beginning from the year in which such company was incorporated.

4.14 Provisions related to Charitable & Religious Trusts :

- Repayment of loan or investment/depositing back into corpus shall be considered an application for charitable or religious purposes only within 5 years of application from the corpus or loan.

- The donations by a trust or institution to another trust or institution shall be treated as the application of up to 85% of such donations.

- The trusts and institutions that have commenced the activities shall make the application for regular registration instead of provisional registration.

- To claim accumulation of income, the trusts or institutions shall file Form 9A and Form 10 at least 2 months before the due date of filing of return of income.

- The trusts or institutions cannot claim the benefit of exemption provisions by filing an updated return of income.

Amendment to Section 115TD of the IT Act – related to trust or insitution

- Section 115TD of the IT Act was introduced to prevent a trust or institution from winding-up or merging or converting into a non-charitable organisation and tagging along with them the corpus gathered over the years due to exemptions. Section 115TD, inter alia, imposes a tax on the accreted income of a trust or institution, which has dissolved or converted, irrespective of any income tax liability.

- The amendment proposed under Section 115TD is two-fold. Firstly, it proposes that a trust or institution which fails to make an application for grant of approval as per clauses (i) to (iii) of the first provision to Section 10(23C) or as per sub-clauses (i) to (iii) of Section 12A(1)(ac) will be deemed to have converted and not eligible for registration for the purpose of calculation of tax on accreted income under Section 115TD(1).

- Clauses (i) to (iii) of the first provision to Section 10(23C) and sub-clauses (i) to (iii) of Section 12A(1)(ac) provides for registration of certain trusts, universities, educational institutions, hospitals, etc. to claim exemptions.

- Secondly, the amendment proposes that the "date of conversion" of a trust or institution would include the last date of making an application as per clauses (i) to (iii) of the first provision to Section 10(23C) or sub-clauses (i) to (iii) of Section 12A(1)(ac). The tax on the accreted income is calculated from the specified date. The specified date is the date of conversion in a case where a trust or institution is not eligible for registration.

4.15 Provisions related to TDS / TCS

TDS on winnings from online games [w.e.f. 1st July 2023] -

- A new Section 194BA is proposed to be introduced in the IT Act to provide for TDS deductions on net winnings from online games from July 1, 2023.

- Net winnings shall be computed in the prescribed manner.

- TDS shall be deducted at the time of withdrawal of net winnings from the user account during the financial year. On the remaining amount, which is not withdrawn from user account, TDS shall be computed in the manner as prescribed at the end of the financial year.

- If the net winnings are wholly or partly in kind, and where the cash portion is not sufficient to meet the TDS amount, the person paying or giving the winnings will be responsible to ensure that tax has been paid by the recipient on the net winnings.

- The said provision also proposes to provide power to the Board in clarifying difficulties arising out of the said Section by issuing guidelines post approval of the Central Government.

- This proposed amendment would come into effect from July 1, 2023.

Increasing threshold limit for co-operatives to withdraw cash without TDS under Section 194N

- Section 194N of the IT Act lays down that when a banking company, a co-operative society engaged in carrying on a banking business or a post office pays a sum exceeding an amount or aggregate of amounts of Rs.1 crore in cash during the year to any recipient, they shall deduct an amount equal to 2% of such sum as TDS.

- This provision is proposed to be amended to provide that where the recipient is a co-operative society, the threshold shall be Rs.3 crore instead of Rs.1 crore.

- This proposed amendment would come into effect from July 1, 2023.

Clarification in respect to TDS deduction from benefit or perquisite under Section 194R, whether in cash or kind

- Section 194R of the IT Act, inserted by the Finance Act 2022 provides for deduction of tax on benefit or perquisite provided to a resident in respect of business or profession at the rate of 10% of the value or aggregate value of such benefit or perquisite.

- An Explanation is proposed to be added to this provision to clarify that the above deduction would apply to any benefit or perquisite, whether in cash or in kind or partly in cash and partly in kind.

- This proposed amendment would come into effect from July 1, 2023.

TDS on payment of accumulated balance under EPFO scheme [w.e.f. AY 2024-25] – Sec. 192A

- Under S.192A, in case of failure to furnishing of PAN by the person relating to payment of accumulated balance due to him, tax will be deducted at the rate of 20% as in other non-PAN cases in accordance with section 206AA of the Act, instead of at the maximum marginal rate.

TDS on Interest payable on any security issued by a company [w.e.f. AY 2024-25] – Sec 193

- Any interest payable on securities held in dematerialized form which are listed on a recognized stock exchange, shall be liable to TDS under S.193 of the Income Tax Act.

Provision for higher TDS for non-filers of income-tax returns [w.e.f. AY 2024-25]

- The definition of the “specified person” who are exempted from the provision of higher TDS has been amended to exclude the following person under S.206AB, to provide a relief to Non Resident, whose income is not deemed to accrue or arise in India:
  - a non-resident who does not have a permanent establishment in India
  - a person who is not required to furnish the return of income for the assessment year relevant to the said previous year

Increased rates of TCS of certain remittances [w.e.f. 1st July, 2023]

The current and proposed TCS rates are tabulated as under:

Type of Remittance	Present rate	Proposed Rate
Education, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E.	0.5% of the amount or the aggregate of the amounts in excess of Rs.7 lacs.	No change
Education, other than (i) or for the purpose of medical treatment.	For the purpose of education, other than (i) or for the purpose of medical treatment.	No change
Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
Any other case	5% of the amount or the aggregate of the amounts in excess of Rs.7 lacs.	20% without any threshold limit.

4.16 MISCELLANEOUS

Assessment – Section 142(2A)

In order to ensure the inventory valued is in accordance with the provisions of the Law, it is proposed to amend section 142(2A) so as to enable the assessing officer during the course of assessment proceeding to get the inventory valued by the cost accountant and get a report of the same from him in the prescribed form. (w.e. f . AY 2023-24)

Claiming TDS Credit of earlier years where income was disclosed in earlier years

In case of income offered by an assessee in a particular previous year, the TDS on which has been deducted in the succeeding year, the assessing officer on application being made by the assessee within two years from the end of the financial year in which tax has been deducted, can now amend the order of assessment or any intimation al lowing credit of such tax deducted at source in the relevant assessment year and the time period of four years u/s . 154 shall be reckoned from the end of the financial year in which such tax has been deducted. (w.e. f . 01-10-2023)

Joint Commissioner (Appeals) – New Rank Introduced – Section 246

Appeal can now be filed before the Joint Commissioner of income tax (Appeals) for orders passed u/s 143(1), 143(3) 144, 147, 200A(1), 201, 206C(6A), 206CB(1), penal ty order chapter XXI , 154 or 155 which are passed by the income tax authorities below the rank of Deputy Commissioner of income tax. (w.e.f. 01-04-2023).

Any assessee aggrieved by orders of an Assessing Officer or any other officer up to the rank of Deputy Commissioner may appeal to the Joint Commissioner (Appeals) against orders of assessment, reassessment or recomputation or orders being intimation. The order passed by the Commissioner (Appeals) are appealable before the Appellate Tribunal.

Amendments related to assessments:

The amendment is proposed to Sect ion 132 to allow the authorized officer to seek assistance from approved professionals, such as digital forensic experts and registered valuers, during the search and seizure process. (w.e.f. 01-04-2023)

The completion of assessment in search cases will be linked to the execution of the last authorization during the search. (w.e.f. 01-04-2023)

The time available for completion of the assessment is increased f rom 9 months to 12 months (w.e. f . A.Y. 2022-23).

If an assessment or reassessment is pending in search cases, the deadline for completion of the assessment or reassessment shall be extended by 12 months for the assessee for whom the search was initiated or the requisition was made and the assessee to whom any seized or requisitioned money, bullion, jewellery, or other valuable items belong or to whom any seized or requisitioned books of account or documents pertain or contain relevant information. (w.e.f. 01-04-2023)

Amendment to Section 269SS and 269T of the IT Act – Loan or Deposits and Repayment thereof

Section 269SS of the IT Act provides that no person shall take from any person any loan or deposit otherwise than by an account payee cheque or account payee bank draft or online transfer through a bank account, if the amount of such loan or deposit is Rs.20,000 or more.

Similarly, Section 269T of the IT Act provides that no loan or deposit shall be repaid otherwise than by an account payee cheque or account payee bank draft or online transfer through a bank account, if the amount of such loan or deposit is Rs.20,000 or more.

Section 269SS and Section 269T of the IT Act are **proposed to be amended to raise the limit of Rs.20,000 to Rs.200,000 for Primary Agricultural Credit Societies and Primary Co-Operative Agricultural and Rural Development Bank**.

These amendments are proposed to come into effect from April 1, 2023, and accordingly would apply in relation to AY 2023-24 and thereafter.

5. GST – Indirect Tax

There are certain changes proposed in the CGST Act & IGST Act in the Finance Bill, 2023, on the basis of recommendations made by the GST Council. These changes broadly relate to facilitation/simplification and improving compliances. For example, these changes include :

- ✓ Raising the minimum threshold of tax amount for launching prosecution under GST from Rs. 1 crore to Rs. 2 crores, except for the offence of issuance of invoices without the supply of goods or services or both.
- ✓ The compounding amount has been reduced from the present range of 50% to 150% of the tax amount to the range of 25% to 100%.
- ✓ Moreover, certain offences are decriminalized under clauses (g), (j) and (k) of sub-section (1) of section 132 of the CGST Act, 2017.
- ✓ Amendments have also been proposed in Sections 37, 39, 44, and 52 of the CGST Act, 2017 to restrict the filing of returns viz. GSTR1, GSTR 3B, GSTR 9/9C and GSTR 8 to a maximum period of three years from the due date of filing of the relevant return.

The proposed amendments are discussed in details below:

Section	Current Provision	Proposed Provision
10 - Composition Levy	The registered person cannot opt for composition levy if he is engaged in making any supply of goods through Electronic Commerce Operator.	Now, the registered person can opt for composition levy even if he is engaged in making any supply of goods through Electronic Commerce Operator subject to satisfaction of other condition specified in Sec. 10
Effect of Proposal Seeks to remove the restriction imposed on the registered persons engaged in supplying goods through Electronic Commerce Operators ("ECOs") from opting to pay tax under the Composition Levy and to enable unregistered suppliers and composition taxpayers to make intrastate supply of goods through ECOs, subject to certain conditions.		

Section	Current Provision	Proposed Provision
Second and Third Proviso to Section 16(2)	Eligibility and condition for taking input tax credit (ITC)	Eligibility and condition for taking input tax credit (ITC)
Effect of Proposal Seeks to amend second and third provisos of Section 16(2) of the CGST Act to align with the return filing system provided in the CGST Act. Further, where a recipient fails to pay to the supplier the amount towards the value of supply along with tax, within a period of 180 days from the date of issue of invoice, an amount equal to the ITC availed by the recipient, shall be paid by the recipient along with interest payable under Section 50 of the CGST Act. Further, the recipient would be entitled to re-avail the ITC on payment made by him to the supplier of the amount towards the value of supply of goods or services or both along with tax payable thereon.		

Section	Current Provision	Proposed Provision
Section 17(3)	**Apportionment of credit and block credit** Currently for reversal of Common ITC, the value of exempt supply does not include the value of activities or transactions specified in Schedule III except sale of land and sale of building if the booking thereof is received after completion certificate or first occupation whichever is earlier.	Explanation to sub section (3) of section 17 of the CGST Act is being proposed to be amended so as to further restrict availment of input tax credit in respect of supply of warehoused goods to any per son before clearance for home consumption.

Effect of Proposal
Seeks to restrict availment of ITC in respect of certain transactions specified in para 8(a) of Schedule III of the CGST Act i.e., "Supply of warehoused goods to any person before clearance for home consumption", by including the value of such transactions in the value of exempt supply.

Section	Current Provision	Proposed Provision
Section 17(5)	**Block Credit**	It is proposed to add clause (fa) in block credit in order to block ITC of goods or services or both for CSR Activities related transactions.

Effect of Proposal
Seeks to provide that ITC shall not be available on good/services received by taxable person, which are used or intended to be used for activities relating to his obligations under Corporate Social Responsibility ("CSR") activities referred to in Section 135 of the Companies Act, 2013.

Section	Current Provision	Proposed Provision
Section 23	**Person not liable for registration**	It is proposed to provide power to Sec. 23 w.e.f. 01.07.2017 to override the provision of Sec. 22(1) and Sec. 24. Also it is proposed that if the Government may, on the recommendations of the Council, by notification, subject to such conditions and restrictions as may be specified therein, specify the category of per sons who may be exempted from obtaining registration under this Act

Effect of Proposal
Seeks to provide overriding effect to the Section 23 of the CGST Act retrospectively from July 01, 2017 over Section 22(1) or Section 24 of the CGST Act. It means that persons required to take registration in GST as per Section 22(1) of the CGST Act and compulsory registration required under Section 24 of the CGST Act, need not to register themselves if they are not liable for registration and/or exempted under Section 23(1) of the CGST Act.

It means that **following persons need not required to take registration at all in GST:**

1. Any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax under the CGST Act or IGST Act;

2. An agriculturist, to the extent of supply of produce out of cultivation of land;

3. Any person, who are exempted by way of notification from obtaining registration in the GST.

Section	Current Provision	Proposed Provision
Section 37 Section 39 Section 44 Section 52	**Furnishing of Returns regarding** 37 : Return of Outward Supply (GSTR1) 39 : Returns (GSTR 3B) 44 : Annual Return (GSTR 9 & 9C) 52 : TCS Return (GSTR 8) Currently there are no restrictions on filing of these returns.	It is proposed to restrict the late filing of returns after the expiry of 3 years from the due date of filing of respective returns. Further it is proposed that the Government may, on recommendation of GST council, allow a registered person / operator or a class of registered persons / class of operators to furnish the respective returns even after the expiry of the said period of three years from the due date of furnishing the said details.
Effect of Proposal Seeks to restrict the late filing of returns after the expiry of 3 years from the due date of filing of respective returns.		

Section	Current Provision	Proposed Provision
Section 54(6)	**Refund of Tax** Provisional Refund upto 90% will be granted as per current provision on account of zero-rated supply of goods or services or both.	It is proposed to remove such provisionally accepted ITC and restriction on refund
Effect of Proposal Seeks to remove the reference to the provisionally accepted ITC to align the same with the present scheme of availment of self-assessed ITC as per Section 41(1) of the CGST Act.		

Section	Current Provision	Proposed Provision
Section 122	**Penalty for Certain Offences**	It is proposed to insert a new sub- sect ion (1B) in section 122 of the CGST Act so as to provide for penal provisions levying penal ty of Rs.10,000/ - or tax involved for such supply, whichever is higher, to Electronic Commerce Operators in case of contravention of provisions relating to (1) supplies of goods made through them by unregistered persons, (2) inter - state supply of goods made by composition taxpayers or, (3) fails to furnish the correct details in GSTR 8 of any outward supply of goods effected through it by a person exempted from obtaining registration u/s.23.
Effect of Proposal Seeks to insert new subsection (1B) in Section 122 of the CGST Act so as to provide for penal provisions applicable to Electronic Commerce Operator in case of contravention of provisions relating to supplies of goods made through them by unregistered persons or composition taxpayers. Penalty of Rs.10,000/- or tax involved for such transaction, whichever is higher.		

Section	Current Provision	Proposed Provision
Section 132	**Punishment for certain offences** Currently the person whoever commits or cause to commit and retain the benefits arising out of the following offence were liable to confiscation or penalty, namely- - obstructs or prevents any officer in the discharge of his duties, - tampers with or destroys any material evidence or documents, - fails to supply in information which he is required to supply under this act or rules made hereunder supplies false information.	The said act of the said per son would not be liable to punishment and penalty as the same has been proposed to be omitted from the list of offences.

Effect of Proposal

Seeks to amend Sub-section (1) of section 132 of the CGST Act, so as to decriminalize offences specified in clauses (g), (j) and (k) of the said sub-section as prescribed below –

- obstructs or prevents any officer in the discharge of his duties under this Act;
- tampers with or destroys any material evidence or documents;
- fails to supply any information which he is required to supply under the CGST Act or the CGST rules made thereunder or supplies false information

Further, clause (iii) of Section 132(1) of the CGST Act has been amended to reduce monetary threshold from one crore to two crore for launching prosecution, except for "an offence specified in clause (b) of Section 132(1) of the CGST Act " i.e. issues any invoice or bill without supply of goods or services or both in violation of the provisions of this Act, or the rules made thereunder leading to wrongful availment or utilisation of input tax credit or refund of tax

Thus, for fake invoices, the prosecution will continue as for threshold amount of Rs. 1 Crore.

Section	Current Provision	Proposed Provision
Section 138	**Compounding of offences** Currently the persons involved in offences relating to issuance of invoices without supply of goods or services or both was eligible for compounding of offence once in a lifetime. Further the minimum amount payable for compounding of offence was 10,000 or 50% of tax involved, whichever is higher, and the maximum amount was 30,000 or 150% of tax involved, whichever is higher.	It is proposed to exclude the persons involved in offences relating to issuance of invoices without supply of goods or services or both from the option of compounding of the offences. It is also proposed to rationalize the amount for compounding of various offences by reducing the minimum to 25% of the tax involved as well as maximum amount to 100% of the tax involved for compounding.

Effect of Proposal

Seeks to amend to subsection (1) of section 138 of the CGST Act, so as to:

1) Exclude the persons involved in offence relating to the issuance of invoices without the supply of goods or services or both from the option of compounding of the offences.

2) Reduce the amount for compounding of various offences except offence of fake invoice, by reducing the minimum and maximum amount for compounding.

Now the minimum amount prescribed is 25% to 100% of the tax amount involved from 50% to 150% of tax amount involved.

Existing Compounding Amount: Rs.20,000 (CGST+SGST) or 50% to 150% of tax amount, whichever is higher,

Proposed Compounding Amount: Rs.20,000 or 25% to 100% of tax amount involved, whichever is higher.

Section	Current Provision	Proposed Provision
Schedule III Para 7 & 8 Retrospective amendment w.e.f. 01.07.2017	**ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES**	Paragraphs 7 and 8 (a) and 8 (b) was inserted 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. It is being clarified that where the tax has already been paid in respect of such transactions/ activities during the period from July 01, 2017 to January 31, 2019, no refund of such tax paid shall be available.
Effect of Proposal As proposed above		

6. Disclaimer

This document is intended to give overview of the proposals put forth by the Honorable Finance Minister in her Union Budget 2023-24 and is neither to be construed as comprehensive nor as to render taxation, legal, economic or financial advice. The contents of this document are solely for the general information purpose and it does not constitute any recommendation, consulting or professional advice. Reliance on the content of the document is the sole desire of the reader and it is recommended that professional advice be taken before applying information provided in the document. Authors do not provide any certification on accuracy, authenticity or completion of any or all parts of this document.

The material used in the preparation of this document has been sourced from various sources including the speech of the Honorable Finance Minister, websites of the Government and other publicly available information. While all reasonable care has been taken in preparation of this document, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

Thank You

Team B J Patel & J L Shah

Chartered Accountants

Gamut of Services offered by Us:

Audit & Assurance and Tax Compliance and Advisory Services :

- GST Compliance, Consulting and Planning
- Income Tax Compliance, Consulting and Planning
- International Taxation and Cross Border Transaction Advisory
- Direct & Indirect Tax Appeals and Litigation
- Audit, Assurance and Certification Services
- Management and internal Audits
- Government Audits
- Forensic Audits

Financial and Capital Restructuring and Business Advisory Services

- IPO Consulting and Advising and Planning
- Private Equity Funding and Transaction Advisory
- Project Debt Finance and Advisory
- Corporate Restructuring & Consulting
- SME and Start Ups related Services
- Documentation and Business Contract Reviews
- Business Strategic Advisory and Planning

Insolvency and Valuation :

- Insolvency and Bankruptcy Code Consulting (IBC)
- Resolution Profession Services
- Drafting of Resolution Plan for Resolution Applicant
- Business Valuation and Financial Assets Valuation