

March 2023

NEWSLETTER

TAX

- Income Tax
- Goods and Services Tax
- Ammendments in the Finance Bill, 2023



Lovi Mehrotra & Associates

Chartered Accountants

21-22 IInd Floor Krishna Nagar Safdarjung Enclave
New Delhi 110029

Website : www.lma.co.in • Email : a.kumar@lma.co.in

Income Tax
1. Extension of date of linking of Aadhar number with Permanent Account Number (PAN)
<p>CBDT Press release dated 28.03.2023</p> <p>In order to provide more time to taxpayers, the date for linking PAN and Aadhaar has been extended from 31st March 2023 to 30th June, 2023. Under the provisions of Income-tax Act, 1961, every person who has been allotted a PAN as on 1st July, 2017 and is eligible to obtain Aadhaar Number, is required to intimate his Aadhaar to the prescribed authority.</p> <p>CBDT Press Release</p>
2. Consequences of PAN becoming inoperative (due to of not linking with Aadhar) as per the newly substituted Rule 114AAA.
<p>CBDT Circular No.03/2023 dated 28.03.2023</p> <p>Vide this circular, CBDT has notified the consequence of not linking Aadhar with PAN by the due date i.e. 30 June 23 :</p> <ul style="list-style-type: none"> (i) Refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made. (ii) Interest shall not be payable on such refund for the period, beginning with the date specified under sub-rule (4) of rule 114AAA and ending with the date on which the PAN becomes operative. (iii) Where tax is deductible under Chapter XVJJ-B higher rate shall apply, in accordance with the provisions of section 206AA. (iv) Where tax is collectible at source under Chapter XVJJ- higher rate shall apply, in accordance with the provisions of section 206CC <p>Circular No.03/2023</p>
3. Partial relaxation with respect to electronic submission of Form 10F by select category of taxpayers in accordance with the DGIT (Systems) Notification No. 3 Of 2022.
<p>CBDT e-filing notification/Forms/ dated 28.03.2023</p> <p>Reference Notification No. 03/2022 dated 16th July 2022 issued by Directorate of Income Tax (Systems) New Delhi mandating, inter alia, furnishing of Form 10F electronically.</p> <p>Vide this Notification, CBDT has provided relaxation from Mandatory e-filing of Form 10F, for Non Resident Indians(NRI) who do not have PAN or do not need to have PAN. Earlier this exemption was applicable till 31 March 2023. For the sake of clarity, it is reiterated that such NRIs may make statutory compliance of filing Form 10F till 30th September 2023 in manual form as was being done prior to issuance of the DGIT(Systems) Notification No. 3 of 2022.</p> <p>Form 10 F is filed by NRI taxpayers to claim the benefit of Double Taxation avoidance Agreements (DTAAs) in the determination of withholding tax rates.</p> <p>e-filing notification</p>

<u>GST</u>
1. Rate of RAB notified.
CBIC Circular No. 03/2023 dated 03.03.2023
Based on recommendation of the GST council in its 49th meeting, held on 18th February, 2023, , 5% GST rate has been notified on <i>Rab</i> , when sold in pre- packaged and labelled form, and Nil GST, when sold in other than pre- packaged and labelled form. This is effective 01 March 2023
Circular No.03/2023

Amendments to Finance Bill, 2023

The Finance Bill, 2023 has been passed in the Lok Sabha on 24.03.2023. Important provisions proposed in the Finance Bill, 2023 as introduced vide Union Budget vis-à-vis the amendments made in the Finance Bill have been summarized as below

A- Amendments in Income Tax Proposals

B- Amendments in Goods and Service Tax (GST) Proposals

C- Other Amendments

A - Amendments in Income Tax Proposals

1- Taxation of Market linked Debentures & Debt Mutual Funds.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
Sec. 50AA was inserted to tax capital gain arising from transfer or redemption or maturity of Market Linked Debentures (MLD) as short term capital gain.	Now, Debt Mutual funds having equity component up to 35% are also added in the scope of section 50AA.

2- Amendments in Sec. 206CC restricting maximum rate at which tax must be collected if PAN is not furnished by the collectee.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	A proviso after sub-section (1) inserted to restrict the maximum rate on which tax is to be collected to 20% in cases where PAN is not furnished by collectee

3- TDS on winning of online games, Lottery etc.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
Threshold limit of Rs. 10,000 for deduction of tax at source was removed w.e.f 01.07.2023	Effective date preponed to 01-04-2023 instead of 01-07-2023.

4- Amendment in taxation of Royalty & Fee for technical services (FTS) in case of non-residents/foreign companies [Sec. 115A].

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	Tax rate enhanced from 10% to 20% of gross amount.

5- Higher rate of TCS for non-filers of Income Tax Returns [Sec. 206CCA].

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
TCS shall be collected at the rate which is higher of twice the prescribed rate or 5%.	Maximum rate of TCS u/s 206CCA has been restricted to 20%

6- No capital gain on transfer of interest in a Joint Venture held by a PSU in exchange of shares of a foreign company.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	A new clause (xx) has been inserted in Sec. 47 to provide exemption on transfer of interest in a joint venture, held by a public sector company, in exchange of shares of a company incorporated outside India by the Government of a foreign State, in accordance with the laws of that foreign State.

7- Extension of scope of rebate in case of resident individuals covered under new regime.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
Under New Scheme, 100% Rebate u/s 87A was provided if income does not exceed Rs. 7 Lakhs.	Benefit of Marginal Relief granted where income marginally exceeds Rs. 7 lacs. i.e. where total income exceeds Rs. 7 lacs and tax on such total income is more than amount of income exceeding Rs.7 lacs, the tax amount shall be equal to the amount by which total income exceeds Rs. 7Lakhs.

8- Amendment in taxation of interest income on long term infrastructure or Rupee denominated bonds specified u/s 194LC.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
<p>No proposal</p> <p>Indian Companies or Business Trusts were required to deduct TDS @ 5% from the interest paid on foreign currency borrowing, issuance of long-term infrastructure bonds, or rupee-denominated bonds.</p>	<p>Effective 01-07-2023, tax shall be withheld @ 9% on interest income payable to a non-resident.</p>

9- Exemption of dividend income of the Unit of specified International Financial Service Centre (IFSC) from another specified IFSC.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
<p>No proposal</p>	<p>Clause (34B) has been inserted to Sec. 10 to exempt dividend income earned by unit of IFSC which is primarily engaged in the business of leasing of aircraft from another company in IFSC engaged in the same business.</p>

10-Tax on income of Foreign Institutional Investors from securities.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
<p>No proposal</p>	<p>No surcharge or health and education cess will be levied on income-tax calculated on the income of a specified fund taxable under Section 115AD(1).</p> <p>Specified fund is defined as: Category-III Alternative Investment Funds, and Investment divisions of Offshore banking units</p>

11-Exemption of any income of National Credit Guarantee Trustee Company Limited, Credit Guarantee Fund, etc.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	<p>Section 10(46B) introduced which exempts the income of the following credit guarantee trusts and funds from tax:</p> <ol style="list-style-type: none"> National Credit Guarantee Trustee Company Limited (NCGTC), Credit guarantee funds established and fully funded by the Central Government and managed by NCGTC, and Credit Guarantee Fund Trust for MSMEs (CGTMSE) created by Central Government and Small Development Bank of India (SIDBI).

12-Amendment in Sec. 11(7) for extending exemption u/s 10(23EC) to charitable trusts.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
<p>Under Section 11(7), if a trust or institution is registered under Section 12AA/12AB, it cannot claim exemption under any provisions of Section 10 except for Section 10(23C), Section 10(46), and Section 10(1).</p> <p>However, the Finance Bill 2023 introduced a new Clause (46A) in Section 10 to exempt income arising to a body, authority, board, trust or commission established under a Central or State Act with a specific purpose.</p>	<p>Clause (23EC) added to Section 10.</p> <p>Section 10(23EC) exempts any income received by the notified Investor Protection Fund, established jointly or separately by commodity exchanges in India, through contributions made by the exchanges and their members. However, if any amount from the fund not charged to income tax in the previous year is shared with the commodity exchange, it will be considered income for the previous year and, thus, chargeable to tax.</p>

13-Amendment in provision of TCS on remittance under Liberalised Remittance Scheme.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
<p>The Finance Bill 2023 proposed to amend Section 206C(1G) with effect from 01-07-2023. The proposed amendments include:</p> <p>-5% TCS rate for remittances made out of India under LRS and a 20% TCS rate for sale of Overseas Tour Program Packages (TPP)</p> <p>-TCS required only when aggregate of remittance exceeds Rs. 7 lakhs and is for educational or medical purposes.</p>	<p>The phrase “out of India” has been eliminated from the section expanding the provision’s scope to cover remittances even within India.</p>

14-Change in definition of Original Fund to promote relocation of offshore funds to the IFSC in India.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	<p>Finance Act, 2021 had inserted Sections 47(viiac), 47(viiad) and Section 10(23FF) to make relocation of offshore funds to the IFSC in India</p> <p>The definition of “original fund” is now expanded with effect from AY 2023-24 to include the following funds:</p> <ul style="list-style-type: none">• An investment vehicle in which Abu Dhabi Investment Authority is the direct or indirect sole shareholder or unit holder or beneficiary or interest holder and such investment vehicle is wholly owned and controlled, directly or indirectly, by the Abu Dhabi Investment Authority or the Government of Abu Dhabi• Other funds notified by the Central Government

15-Section 115VP- Tonnage Tax Scheme

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No Proposal	<p>Provision now inserted that would allow a unit of an IFSC to apply for the tonnage tax scheme. Tonnage Tax Scheme can be opted within three months from the date of cessation of company's tax holiday period under section 80LA.</p>

16- Other IFSC Related Amendments

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	<p>Sec. 10(4H) now inserted w.e.f 01-04- 2024 for extending exemption on income of a non-resident or unit of an IFSC engaged primarily in aircraft leasing business, arising from capital gains on transfer of equity shares of domestic company which is a unit of IFSC, engaged primarily in aircraft leasing business and which commences operations on or before 31-03-2026.</p> <p>The exemption is available for 10 AYs beginning from the year of commencement of operations or for 10 AYs beginning from AY 2024-25, where the 10 years from the period of commencement ends before 01-04-2034.</p>

B - Amendments in Goods and Service Tax (GST) Proposals

1- Revocation of Cancellation of GST Registration

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	<p>Section 30(1) of the CGST Act has been amended, which deals with revocation of cancellation of GST registration. The proposed amendment would remove the restriction on the registered person to apply for revocation of cancellation of its GST registration within 30 days from the date of service of the cancellation order.</p> <p>This means that any registered person whose registration is cancelled by the proper officer on his own motion may apply to such an officer for revocation of cancellation of registration within such time and subject to such conditions and restrictions as may be prescribed.</p>

2- Increase in Time Period to Furnish Returns

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	<p>Section 62(2) of the CGST Act has been amended, which deals with assessment of unregistered persons. The proposed amendment would provide the time period of 60 days instead of existing 30 days for furnishing return Form GSTR 3B or Form GSTR 10 (Final Return) where the proper officer has assessed tax liability on a best judgment assessment basis.</p> <p>It also provides that if a registered person fails to furnish a valid return within 60 days of the service of the assessment order, he may furnish the same within a further period of 60 days on payment of an additional late fee of INR 100/- for each day of delay beyond 60 days of the service of the assessment order.</p>

3- Constitution of GST Appellate Tribunal (GSTAT) and Benches.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	<p>The Finance Bill, 2023 has been amended to substitute Sec. 109 with a new section dealing with constitution of Appellate Tribunal known as GST Appellate Tribunal for hearing appeals against the orders passed by the Appellate Authority or the Revisional Authority.</p>

4- Place of supply of services where location of supplier or recipient is outside India

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	<p>Section 13(9) of IGST Act which provided that the place of supply for services of transportation of goods is the location of the recipient of services if location of supplier or recipient of services is outside India, is deleted.</p>

C - Other Amendments

1- Amendment in rates of Securities Transaction Tax (STT) on sale of Futures and Options.

Provisions proposed in The Finance Bill, 2023	Amendments made in The Finance Bill, 2023
No proposal	STT on sale of Options in securities shall be levied @ 0.0625% instead of 0.05% & on sale of Futures in Securities shall be levied @ 0.0125% instead of 0.01%

Disclaimer:

This is not a complete listing of all circulars/notifications issued during the month.

Instead, it is only a listing of some of the circulars/notifications that we considered important



Lovi Mehrotra & Associates

Chartered Accountants

21-22 IInd Floor Krishna Nagar Safdarjung Enclave
New Delhi 110029

Website : www.lma.co.in • Email : a.kumar@lma.co.in