

UNION BUDGET 2023

FEBRUARY 1, 2023

PROPOSED AMENDMENTS –INCOME TAX & GST

Lovi Mehrotra & Associates
Chartered Accountants



**Proposed Amendments
Income Tax [Slide 03-20]**

Lovi Mehrotra & Associates
Chartered Accountants

Tax Slabs under New Tax Regime

Existing Slab Rates

INR 0 to 2.5 Lac	Nil
INR 2.5 Lac to 5 Lac	5%
INR 5 Lac to 7.5 Lac	10%
INR 7.5 Lac to 10 Lac	15%
INR 10 Lac to 12.5 Lac	20%
INR 12.5 Lac to 15 Lac	25%
Above INR 15 Lac	30%

Amended Slab Rates

INR 0 to 3 Lac	Nil
INR 3 Lac to 6 Lac	5%
INR 6 Lac to 9 Lac	10%
INR 9 Lac to 12 Lac	15%
INR 12 Lac to 15 Lac	20%
Above INR 15 Lac	30%

Effective A.Y. 2024-25

Other Amendments in New Tax Regime

Existing Provision

- a. Surcharge on income exceeding Rs 5 cr. 37%
- b. Rebate under Sec. 87A – Rs. 12,500. Accordingly no tax till Rs. 5 Lakhs income.
- c. No Standard deduction for salaried persons.

Amended Provision

- a. Surcharge on income exceeding Rs. 5 cr. reduced to 25% ie surcharge on income exceeding Rs. 2 cr. is 25%.

In case where members of AOP consists of only companies, maximum rate of surcharge to be restricted to 15%.

- b. Threshold for rebate on income tax payable under Section 87A of the IT Act increased to INR 7 lacs from INR 5 lacs.

- c. Standard deduction Rs. 50,000 introduced for salaried persons.

- d. New Regime to be Default scheme for all taxpayers. To opt for Old Regime form 10IE to be filed before filing the ITR.

- e. Those having income from business or prof. can opt for old regime only once in lifetime. Others can exercise the option annually.

Effective, A.Y. 2024-25

Long Term Capital Gains Capped [Section 54 & 54F]

Existing Provision

Sec. 54 and Sec. 54F provide exemption from long term capital gains if proceeds on sale of specified asset is invested in a residential house property subject to fulfillment of other conditions.

Under existing provisions there is no limit on maximum deduction that can be claimed under these sections.

Specified property:

Section 54: Residential House

Section 54F: Any long term asset

Amended Provision

Maximum exemption of Rs. 10 cr. can be claimed under these sections.

If cost of new asset purchased exceeds Rs. 10 cr, cost of such asset shall be deemed to be Rs. 10 cr.

Accordingly, for deposit in Capital Gains Account Scheme, deduction is restricted to Rs. 10 cr.

Effective, 1st April, 2023

MSME Payments: Deduction covered under Section 43B

Existing Provision

Sec. 43B provides deduction of certain expenses on actual payment basis. It also provides that such expenses can be claimed if payment was made up to the due date of filing of ITR.

Payment made to MSMEs was not included hitherto under sec 43B.

Amended provision

Deduction for payment made to MSME vendors to be allowed on payment basis in case payment is made beyond the time limit specified in Sec. 15 of the MSMED Act 2006 (45 days). Where payment is made within the specified period of 45 days, it will be allowed in the year in which expense is booked.

Clause under sec 43B stating that payments made before due date of filing of ITR will be allowed as deduction, is not applicable to payments made to MSME vendors.

Effective 1st April 2023

Presumptive Taxation Threshold Limits Increased [Sec 44AD & 44ADA]

Existing Provision

Sec. 44AD: Presumptive taxation is allowed for businesses having Turnover/Total receipt up to Rs. 2 crore subject to specified conditions.

Sec. 44ADA: Presumptive taxation is allowed for professionals having Total receipt up to Rs. 50 Lac subject to specified conditions

Amended Provision

Sect. 44AD: Turnover/Total receipt Limit increased to Rs 3 crore if cash receipts during the year are less than 5% of Total turnover/Total receipt.

Sec. 44ADA: Total receipt limit increased to Rs. 75 Lac if cash receipts during the year are less than 5% of total receipts.

Effective A.Y. 2024-25

TDS on Cash Withdrawal by Co-operative Societies [Sec. 194N]

Existing Provision

TDS @ 2 % to be deducted by Banks or cooperative societies on cash withdrawals exceeding Rs. 1 crore (during the year)

Amended Provision

Cash withdrawal limit for co-operative societies increased to **Rs. 3 crores** for deduction of TDS.

Effective, 1st April 2023

Income from Life Insurance Policies Taxed [Sec. 10 (10D)]

Existing Provision

Under Sec. 10 (10D) an individual can avail tax exemption on sum assured and accrued bonus (if any) received upon life insurance policy claim (maturity or death benefit).

Exemption is allowed irrespective of amount of premium paid or sum received.

Amended Provision

Sum received from insurance policies having premium or aggregate premium above Rs. 5 Lacs will be charged to tax under “Other Sources”.

Sum received upon death continues to be exempt.

Deduction of premium payment to be allowed while calculating “Income from Other Sources”.

Effective: Policies bought on or after 01-04-2023

Leave Encashment Exemption Limit Increased [Sec. 10 (10AA)]

Existing Provision

Leave encashment up to Rs. 3 Lac is exempt for Non-Government employees subject to conditions.

Amended provision

Leave encashment received *upon retirement* is exempt upto Rs. 25 Lac.

Effective A.Y. 2024-25

TDS on EPF Withdrawal for Non PAN cases Reduced

Existing Provision

TDS @ 30% on withdrawal of taxable component from EPF applicable for persons who do not have PAN

Amended Provision

TDS rate in such cases reduced to **20%**

Effective 1st April 2023

Additional Benefits for Start-ups

Carry forward of set off Losses

As per Sec. 79(1), exception has been provided to eligible startups (as referred in Sec. 80-IAC) for setting off of carried forward losses for a period of **7 years** even when there is a change in shareholding >51% on the last date of the previous year to which the loss pertains.

This period of 7 years is increased to **10 years**.

Extension of Tax holiday: Date of incorporation for startups to avail income tax benefits is extended to **March 31, 2024**.

Decriminalization of Offences pertaining to Liquidator [Sec. 276A]

Sec. 276A provides for prosecution of liquidators for non-compliance with Sec. 178 (i.e. fails to set aside amount as required or parts with any of the assets of the company in contravention of the provisions of the section).

Sec. 276A proposed to be amended by providing a sunset clause of 31.03.2023.

Now, no fresh prosecution shall be launched on the liquidator on or **after 1st April, 2023**. Prosecution proceedings initiated up to 31.03.2023 will however continue.

Penalty and Prosecution for Non Adherence of Sec. 194R and Sec. 194S

Penalty provisions under Sec. 271C and prosecution provisions under Sec. 276B will be invoked for non-adherence of provisions of sec 194R and 194S.

Sec. 194R -TDS on benefit or Perquisite in case of Business and Profession

Sec. 194S -TDS on Virtual Digital Assets

Effective 1st April 2023

Amendments w.r.t Charitable & Religious Trusts

Donation to Other Charitable Trusts

Effective April 2023, if a charitable trust *donates to another charitable trust, only 85% of such donation would be considered as Application of Income.*

Form 9A & Form 10 to be filed at least *02 months prior* to the deadline for filing the return of income in order to claim deduction for accumulation of income. Earlier these forms could have been filed up to due date of filing return of Income.

Exemption to trusts or institutions available only if return of income is filed before the due date of filing of Return under Sec. 139(1) or 139(4).

Utilization of corpus, loans or borrowings by a charitable or religious trust prior to 01-04-2021 will not be considered as application for charitable or religious purposes *if the amount is subsequently deposited back into the corpus or the loan is repaid.*

Repayment of a loan or investment into the corpus will be considered as application for charitable or religious purposes only if it occurs within 5 years of initial utilization.

Amendments w.r.t Charitable & Religious Trusts contd..

Registration of Trust or Institutions

As per Sec. 12AB, first provisional registration is provided for 3 years, thereafter permanent registration is granted for 5 years. As per Finance Bill 2023, if the activity of a trust has started, it can apply for permanent registration of 5 years directly without going for provisional registration

Submission of an application for registration containing false, inaccurate, or incomplete information shall be considered a **designated violation** and may result in revocation of the registration of trust or institution by the Principal Commissioner of Income Tax/Commissioner of Income Tax

Power to cancel registration of Provisional 12AB has also been inserted in the Act.

If registration is not renewed after 5 years of registration under 12A or 10(23C), Trust will have to pay tax under Sec. 115TD (Accreted Tax).

Effective 1st April 2023

Relaxation for Agricultural Co-operative Societies & Rural Development Banks [Sec. 269SS and 269T]

Sec. 269SS & 269T restrict the receipt and repayment of any deposit or specified sum of loan of Rs. 20,000 or above, otherwise than by an account payee bank draft, account payee cheque, or through an electronic clearing system via bank account.

Relaxation granted to Agricultural & Co-operative Societies and Rural Development banks upto Rs 2 Lac

Effective, 1st April 2023

Concessional Tax Rate for Co-operative Societies [Sec. 115BAD]

Co-operative society formed on or after 01.04.2023, which commences manufacturing or production by 31.03.2024 and does not avail of any specified incentive or deduction will be allowed an option to pay tax at a concessional rate of 15 % similar to rate applicable to new manufacturing companies.

Earlier Co-operative society had the option to pay tax @22% +Surcharge under Sec. 115BAD or normal taxation @30%+Surcharge.

This ensures parity between new manufacturing cooperative societies and new manufacturing businesses.

Effective, 1st April 2023

Reducing the Time Limit for Furnishing Transfer Pricing(TP) Report and Other Documents [Sec. 92D]

As per Sec. 92D, A.O or Commissioner (Appeals) may during the course of any proceedings under the Act require such person to furnish any information or document, within a period of 30 days from the date of receipt of a notice issued in this regard which may be extended by an additional period of 30 days.

The initial time period is now reduced to 10 days which can be extended further by a period not exceeding 30 days.

Effective 1st April 2023



NEW INSERTIONS

Lovi Mehrotra & Associates
Chartered Accountants

Facilitation of availing TDS credit on income offered to tax in past years [Sec. 155(20)]

Where income is included in the Income Tax Return of Previous year filed by the assessee and tax is deducted in subsequent year an application can be filed by the assessee within 2 years from the end of the year in which such tax is deducted at source.

Assessing officer will allow the tax credit and pass necessary order u/s 154

It is required that assessee has not claimed tax credit in any other assessment year

Effective 1st April 2023

Tax exemption on Conversion of Physical Gold to Electronic Gold Receipt (EGR) and vice versa [Sec. 47 & 49]

It is proposed that there would be no capital gain tax levied if physical gold is converted to EGR and vice versa.

This move would promote gold investors to move towards electronic equivalence of gold.

Effective 1st April 2023

Proposed Tax Benefits to Agniveers [Sec. 10 (12C) & 80CCH]

Payment received from Agniveer Corpus Fund by Agniveers enrolled in Agnipath Scheme, 2022 shall be exempt upto an amount equal to the contributions made by him or by the Central Govt. to his account.[Sec. 10(12C)].

Central Government's contribution to Agniveer Corpus Fund account of an individual enrolled in the Agnipath Scheme shall be considered as salary in accordance with the provisions of Sec. 17. A corresponding deduction shall be allowed under Sec. 80CCH for the same. This deduction is available in both the tax regimes.

Effective, 1st April 2023

Other Amendments

1) TDS on winnings of online games, lottery etc.

Threshold limit of Rs. 10,000 removed.

2) Gift to Resident but not Ordinarily Resident (RNOR)

Gift exceeding Rs. 50,000 to RNOR by a resident in India without any consideration is deemed to be income accruing and arising in India and therefore will be liable to tax in India.

3) TCS (Tax Collected at Source) on overseas tour packages

Increased from 5% to 20% without any threshold limit. Earlier the threshold limit was Rs 7 Lac

Effective, 1st April 2023

Proposed Amendments in Goods and Service Tax (GST)

Effective, 1st April 2023

[SLIDE 25 – 28]

GST Input tax credit (ITC) for CSR-Related Expenditure

Eligibility of input tax credit with respect to expenses incurred by the company on account of Corporate Social Responsibility (CSR) is a much debated issue. The department is taking a view that such credit is not eligible as it is not in the course or furtherance of business whereas, companies are taking credit on the ground that it is obligatory on their part to do the CSR activity and, therefore, is eligible credit. Now, an amendment has been proposed under Sec. 17(5) of the CGST Act which specifically blocks the ITC on CSR expenses.

Data Sharing

A new Sec. of the CGST Act is being added to allow registered person to share information with other systems in a manner that will be prescribed, whether it be information provided in a return, registration application, statement of outward supplies, or details uploaded for the e-invoice e-way bill, or any other details on the common portal

Facilitate e-commerce for micro enterprises

Amendments in Sec. 10 and Sec. 122 of the CGST Act to enable unregistered suppliers and composition taxpayers to make intra-state supply of goods through E-Commerce Operators (ECOs), subject to certain conditions.

GST Amendments contd..

Decriminalisation

Sec132 and sec138 of CGST Act are being amended, inter alia, to raise the minimum threshold of tax amount for launching prosecution under GST from Rs 1 crore to Rs 2 crore, except for offence of issuance of invoices without supply of goods or services or both.

Compounding amount reduced from the present range of 50 % to 150 % of tax amount to the range of 25% to 100%.

Decriminalization of certain offences specified under clause (g), (j) and (k) of sub-Sec. (1) of Sec. 132 of CGST Act, 2017, in relation to obstruction or preventing any officer in discharge of his duties and deliberate tampering of material evidence or failure to supply the information.

Return filing under GST

Sec. 37, 39, 44 and 52 of CGST Act, 2017 are being amended to restrict filing of returns/statements to a maximum period of three years from the due date of filing of the relevant return or statement.

GST Amendments contd..

Online information and database access or retrieval services

Clause (17) of Sec. 2 of IGST Act is being amended to revise the 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.*

Penalty provisions for E-commerce operators

Clause 138 of the Finance Bill 2023 proposes to insert a new sub-Sec. (1B) in Sec. 122 of the CGST Act, 2017 to provide for penalty applicable to electronic commerce operators in the event of a violation of provisions relating to supplies of goods or services made through them by unregistered persons or composition taxpayer.

GST Amendments contd..

Amendment in Sec. 17(2) and Sec. 17(3)- Exempt supply

As per Sec. 17(2) where goods and services are used partly for effecting taxable supplies and partly for effecting exempt supplies, then amount of credit is restricted to taxable supplies.(existing provision)

It is proposed to include supply of warehoused goods to any persons before clearance for home consumption in the value of exempt supply. The proposed amendment therefore attempts to restrict credit.

Definition of “Non Taxable online recipient”

Clause (16) of Sec. 2 of IGST Act is amended to revise the definition of “non-taxable online recipient”.

As per the proposed definition “non-taxable online recipient” is any unregistered person receiving online information and database access or retrieval services located in taxable territory.

Now, a “non-taxable online recipient” means any Govt. Local Authority, individual or any other person not registered and receiving online information, database access or retrieval services in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory.



Thank You

**For any clarifications on this presentation
please write to a.kumar@lma.co.in**

Lovi Mehrotra & Associates, Chartered Accountants
21-22, Krishna Nagar, Safdarjung Enclave, New Delhi –
110029