

# FINANCE BILL 2023

# HIGHLIGHTS



## Contents

- **Direct Tax Proposals**
  - Tax rates
  - Individual Taxation
  - Corporate taxation
  - Profit & Gains from Business/Profession
  - Tax Deduction at Source
  - International taxation
  - Miscellaneous
  - Charitable Trust and Institutions
  - Assessment & Litigation
  
- **Indirect Tax Proposals**



**BUDGET  
2023**



**Gopal Mittal & Associates**  
Chartered Accountants



## DIRECT TAX PROPOSALS

### Tax Rates for FY 2023-24

#### Individuals/HUF

- New tax regime to provide relief to **Individuals/HUF** at the following tax rate subject to the condition that certain exemptions/ losses/ deductions cannot be claimed.

Ind/ HUF	Proposed Tax rate
Upto 3L	NIL
>3L-6L	5%
>6L-9L	10%
>9L-12L	15%
>12L-15L	20%
>15L	30%

- No changes proposed in the slab rate in the old taxation regime which is as under:

Individual/ HUF	Existing Tax rate (unchanged)
Upto 2.5L	NIL
>2.5L-5.0L	5%
>5.0L-10.0L	20%
>10.0L	30%

- The new tax regime will be a default regime unless the existing regime is opted.

#### Firms

- Tax Rate for **firms** remains **unchanged @ 30%**

#### Domestic Companies

- Tax Rate for **Domestic Companies** remains **unchanged**

Turnover in FY 2020-21	Tax Rate in FY 2023-24
Turnover<400 Cr	25%
Turnover>400 Cr	30%

#### Other than Domestic Companies

- Tax rate remains **unchanged @ 40%**

#### Surcharge Rates for FY 2023-24

#### *Individuals, domestic companies and cooperative societies -*

Income (in INR)	Individual (Proposed)	Company / Societies (unchanged)
Upto 50L	NIL	NIL
>50 L - 1Cr	10%	NIL
>1Cr - 2Cr	15%	7%*
>2Cr - 5Cr	25%	7%*
>5Cr - 10Cr	25% <sup>#</sup> /37%	7%*
> 10Cr	25% <sup>#</sup> /37%	12%**

\*2% in case of "other than domestic companies"

\*\*5% in case of "other than domestic companies"

# Under new taxation regime, surcharge shall be restricted to 25%

#### *Firms*

- Surcharge @ 12% of income tax if net income exceeds 1 Cr

#### *Association of Persons*

- Surcharge @ 10% of income tax if net income exceeds 50 L and 15% is income exceeds 1 Cr

**Note:** The surcharge rate cannot exceed 15% in respect of long-term capital gain & short term capital gain u/s 111A arising from the transfer of any capital asset.

**The Health and Education Cess remains unchanged @ 4%**



## Individual Taxation

### *Enhancement of Rebate u/s 87A*

- Available to an individual resident India whose income is chargeable to tax under new regime upto INR 7 Lakh. Effectively, no tax payable by individuals having income upto INR 7 Lakh.

### *Standard deduction under Salary & Family Pension*

- Introduction of standard deduction of INR 50,000 from salary and INR 15,000 from family pension under new regime.

### *Capping of deductions from long term capital gains u/s 54 and 54F*

- Maximum deduction on long term capital gains through investment in residential house (u/s 54 and 54F) will be limited to INR 10 crores. Consequently, if the cost of the new residential house purchased is more than INR 10 crores, then the deduction can be claimed only up to INR 10 crore.

### *Gift of money by residents to not-ordinarily residents taxable*

- Gift exceeding INR 50,000 from residents to “**resident but not ordinarily resident**” shall be liable to be taxed in India.

### *Interest on home loan not eligible for double deduction*

- Interest claimed as deduction under Income from House property to be excluded from cost of acquisition/cost of improvement upon transfer/sale of the house property.

### *Proceeds of life insurance policies (other than ULIPs)*

- Sum received under life insurance policies (other than ULIPs) taken on or after 1 April 2023 will be taxable, where the premium/aggregate of premiums paid in any year exceeds INR 5 Lakh.

Aforesaid restrictions shall not apply to any sum received on the death of a person.

### *Taxation of capital gains on market-linked debentures*

- New section 50AA has been proposed to be introduced to tax the transfer/redemption/ maturity of ‘Market Linked Debentures’ as short-term capital asset without providing any deduction for STT paid.

Method of ascertaining the  
perquisite value of rent  
free/concessional  
accommodation to be  
prescribed



of the original fund for transfer of share/unit/interest to be extended until 31 March 2025.

- Exemption proposed to be extended to NR on distribution of income on ODI entered with OBU of an IFSC, provided such income is chargeable to tax in the hands of the OBU.

## **Corporate Taxation**

### ***Extension of incorporation date for eligible Start-Ups***

- The date of incorporation for eligible start-ups to avail tax holiday to be extended until 31 March 2024.

### ***Relief in carrying forward and set-off of losses***

- Relaxation provided to eligible start-ups for carrying forward and set-off of losses even upon change in shareholding, is extended from 7 years to 10 years.

### ***Issue of shares to non-residents***

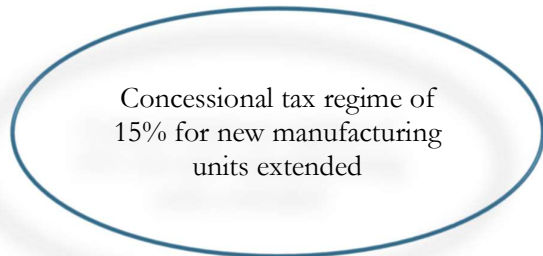
- Issuance of shares to non-residents brought under the ambit of section 56(2)(viib). Where the issuance is at a price which exceeds fair value computed as per prescribed rules, then such excess amount shall be liable to be taxed in the hands of the Company issuing the equity shares.

### ***Tax exemption extended for fund located in IFSC***

- Timeline for availing exemption on transfer of assets of the original fund or its wholly owned special purpose vehicle to a resultant fund in case of relocation to be extended from 31 March 2023 to 31 March 2025.
- Timeline for exemption to shareholder/unitholder/interest holder

### ***Concessional tax regime extended to new co-operative societies engaged in manufacturing businesses***

- Tax regime of 15% for setting up of new manufacturing units extended to Cooperative societies set up and registered on or after 1 April 2023, and which commence manufacturing on or before 31 March 2024.





## Profit & Gains from Business/Profession

### *Providing clarity on benefits and perquisites in cash*

- Benefit or perquisite received is taxable as business income, including perquisite received in cash/ kind/ partly in cash and partly in kind.

### *Payments to micro and small enterprises*

- Any sum payable to a **micro or small enterprise** beyond the time limit specified in section 15 of the MSMED Act 2006 (15 days/ 45 days as applicable) shall be allowed as deduction only on actual payment basis.  
Therefore, payment to be made mandatorily before the end of the relevant Financial Year. Benefit of claiming deduction, if payment is made on or before the due date of filing the tax return not available for such payments.

### *Enhancement of threshold limits for presumptive taxation*

- For business (Section 44AD) - from INR 2 crores to INR 3 crores; and
- For Profession (Section 44ADA) - from INR 50 lakhs to INR 75 lakhs

*Note: old limits of 2 crores/ 50 lakhs respectively shall prevail where the amount or aggregate of the amounts received during the previous year, in cash, exceeds 5% of the total turnover or gross receipts, otherwise.*

### *Deduction to SEZ units under 10AA*

- Deduction to SEZ units only if the proceeds are received/brought into India in convertible foreign exchange, within six months from the end of the FY (or within such period as a competent authority viz. RBI, may allow).

### *Presumptive taxation on non-resident*

- No set-off of brought forward business loss and / or unabsorbed depreciation to be allowed while computing the presumptive profits of non-residents engaged in provision of services/ facilities for exploration of mineral oils etc.  
A similar amendment is proposed for foreign companies engaged in the business of civil construction etc. in connection with certain turnkey power projects.

### **Taxation of income from business trusts**

- Repayment of debt to be taxable as income from other sources in the hands of unit holders which is currently not taxed both in the hands of business trust as well as the unit holders.
- In case of redemption of units, cost of acquisition allowed as a deduction.



**Tax Deduction at Source**

***TDS on PF withdrawal for non-PAN cases***

- In the absence of PAN, TDS will apply at 20 % (instead of MMR) at the time of withdrawal of the PF balance from the EPFO.

***TDS credit for income disclosed in income returns of the past years***

- Where income has been offered to tax by the Assessee in a FY and TDS on such income has been deducted by the payer in subsequent FY, in such a case, an application can be filed in prescribed form with the AO within two years from the end of financial year in which such tax is deducted and accordingly tax credit shall be allowed.
- The amendment is proposed to be effective from 1 October 2023.

***TDS on cash withdrawal u/s 194N***

- Threshold limit for TDS u/s 194N increased from INR 1 crore to INR 3 crores where the recipient is a co-operative society.

***TCS on certain foreign remittances and on sale of overseas tour packages***

- Tax Collected at Source (TCS) has been enhanced from to 20% from 5% on sale of overseas tour programme package and other LRS remittances

- Remittance under LRS for education or medical treatment upto 7 Lakh, then no TCS shall be collected. In case remittance exceeds INR 7 lakhs, then TCS shall be 5%.

***TDS on interest on listed dematerialized securities introduced***

- It is proposed to deduct TDS @10% under section 193 of the Act on interest payable on securities provided such security is in Dematerialized form and listed on recognized stock exchange in India.

***Penalty & Prosecution***

- Penalty of sum equal to the amount of tax for non-payment/non-ensuring payment of TDS on Provision of benefit or perquisite in PGBP, transfer of virtual digital asset and winning from any online game
- Prosecution provisions are proposed for the aforesaid failure to pay the tax or ensure payment of tax/TDS

TDS u/s 194BA introduced on income by way of winnings from online games at the rate of 30 %



## **International Taxation**

### ***Transfer Pricing***

- It is proposed to reduce the time limit for filing of TP local file to 10 days, from the date of receipt of notice from the AO or CIT(A).
- This time limit can be extended at the discretion of the AO or CIT(A). The extension period remains 30 days.

## **Miscellaneous**

### ***Penalty for furnishing inaccurate SFT or reportable account***

- Penalty of INR 5,000 is proposed to be levied on financial institutions furnishing SFTs for inaccuracies due to false information submitted by account holders. The institution may recover the penalty from the account holder.

### ***Amortization of preliminary expenditure***

- The taxpayer is required to furnish a statement containing the particulars of expenditure in connection with the feasibility report or the project report (within a prescribed period to income-tax authority and in prescribed form and manner)

### ***Tax on winnings from online games***

- Specific provisions have been introduced to tax net winnings from online games at 30 percent with effect from FY2023-24.

## ***Withheld of refund***

- Grant of refund to assessee may be withheld in certain cases with prior approval of PCIT/CIT till completion of assessment proceedings. Additional interest on refund is not available for such period.

## ***Deduction of TDS/ TCS at higher rate on payments to non-filers of income tax returns- exceptions (206AB & 206CCA)***

- Non-filers of income tax returns attract higher rate of TDS/TCS, and are referred to as “Specified Person” in section 206AB and 206CCA of the Act. The definition of “specified persons” has been proposed to be amended, to exclude:
  - persons not required to furnish return of income and
  - such persons notified by the Central Government in the official Gazette in this behalf.

## ***Enhancement in Saving Schemes***

- Senior Citizen Saving Scheme: Maximum investment limit increased from INR 15 Lakh to INR 30 Lakh.
- Post Office MIS Maximum investment limit increased from INR 4.5 Lakh to INR 9 Lakh.

## ***Introduction of Mahila Samman Saving Certificate***

- New small saving scheme available to woman and girls for 2 years, from April 2023-March 2025.
- Interest @7.5% on INR 2 Lakh for 2 years.



## Charitable Trust and Institutions

### *Treatment of donations to other trusts*

- Eligible donations made by a trust to another trust shall be treated as an application of income only to the extent of 85 percent of such donations.

### *Redepositing corpus and repayment of loans being considered as application of income*

- Application out of corpus/loans/borrowings made before 1<sup>st</sup> April, 2021 shall not be allowed as application again when such amount is deposited back or invested in to corpus or when the loan or borrowing is repaid. However, such amount may be considered as application of income if
  - Such repayment/redeposit is made within five years from the end of the year in which such funds were utilized,
  - Earlier usage of funds from the corpus/loan has satisfied the prescribed conditions, such as appropriate TDS, non-cash payments, application on a payment basis, payment not to benefit specified related parties, and application to be in India.

### *12A/80G/10(23) Registration under Income Tax*

- Earlier new entities to apply for registrations before 1 month from commencement of activities. Now it is proposed that trusts or institutions, which have already commenced their activities, will directly make an application for regular registration. This amendment is applicable from 1 October 2023.

### *Tax on accreted income u/s 115TD*

- Trusts/institutions not applying for registration/ re-registration/ renewals in the manner prescribed under section 10(23C) and Section 12A shall be subject to taxability as per the provisions of section 115TD.

### *Miscellaneous*

- Trust are required to file Form No. 10A/9A for accumulation of income to be utilized in later years. Now, such forms shall be filed at least two months prior to the due date specified under sub-section (1) of section 139 for furnishing the return of income for the previous year (beginning AY 2023-24).
- The ambit of “specified violation” (wherein registration may be cancelled by PCIT/ CIT) is proposed to be expanded to cover filing of an application for registration, which is not complete, or where it contains false or incorrect information.





**Assessment & Litigation**

***Filing of return during reassessment proceedings u/s 148***

- The return in relation to the reassessment proceedings will be furnished within 3 months from the end of the month in which the reopening notice is issued, or within the time extended by the AO.

***Issuance of reassessment notice pursuant to search-and-seizure proceedings***

- In case of search, etc., initiated after 15<sup>th</sup> March of any FY, where the period for the issue of notice under section 148 expires on 31 March of such FY, a period of 15 days shall be excluded for computing period of limitation for the issuance of such notice and the notice so issued will be deemed to have been issued on 31 March of such FY.

***Undervaluation of Inventory***

- Legal provisions have been introduced to enable the Assessing Officer to direct the assessee to get the inventory valued by a cost accountant, nominated by the tax authorities.
- Expenses of inventory valuation shall be determined by the tax authorities and shall be paid by the Central Government.
- Taxpayers will be given an opportunity to be heard, except in case of best judgement assessment

***Extension in time limit for completion of assessment***

- It is proposed to provide that the assessments for and from the assessment year commencing 1<sup>st</sup> April 2022, shall be completed within a period of 12 months instead of 9 months from the end of the assessment year
- Assessment proceedings in case of an updated return shall also be completed within a period of 12 months from the end of the financial year in which the updated return is furnished

***Widening the scope of appeal to ITAT***

- It is proposed to widen the scope of appeal to Appellate Tribunal against the order passed under section 271AAB, 271AAC, 271AAD.
- Filing of cross-objections provided for all classes of cases

Introduction of a new appellate authority, viz JCIT(A) to handle certain class of cases involving small amount of disputed



## INDIRECT TAX PROPOSALS

### GST

#### *Compliance Related Changes*

- Filing of returns and statements (i.e. Form GSTR-1/3B/8/9/9C) will not be allowed after three years from the relevant due dates.
- Following transactions are to be treated as outside the purview of GST 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.

No refund for GST already paid, if any in respect of above transactions/activities.

#### *Input Tax Credit (ITC) Related Changes*

- ITC will not be available for goods or services used in activities relating to Corporate Social Responsibility (CSR).
- Value of prescribed activities in respect of warehoused goods, before their clearance for home consumption, will be

considered as an exempt supply for common ITC reversal.

#### *Online Information and Database Access or Retrieval (OIDAR) Services*

- Scope of OIDAR services widened by removing the criteria of minimal human intervention and including B2C supplies for business purposes.

#### *E-Commerce*

- Taxpayers supplying goods through e-commerce operator will be eligible to opt for the composition scheme.
- Penal provisions to be introduced for e-commerce operators entailing greater onus on them for better compliance.

#### *Offences & Compounding Relaxations*

- Monetary threshold for launching prosecution of the offences will be increased from INR 1 Crore to INR 2 Crore [except in case of issuance of invoices without supply (Fake invoices)].
- Compounding amount in case of offences, will be reduced from 50% to 150% of the tax amount to 25% to 100% of the tax amount.
- Following offences will be decriminalized from imprisonment:
  - Obstructing or preventing any officer in discharge of his duties.
  - Tempering of material evidence.
  - Failure to supply information or supplying false information.

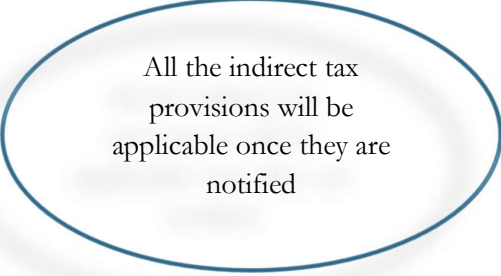
#### *Registration Related Changes*

- Retrospective exemption from 1<sup>st</sup> July 2017 from obtaining GST registration for persons exclusively supplying non-taxable, exempted goods or services or persons specifically exempted from obtaining registration. Hence, Section 23 (Persons not liable for registration) of the

CGST Act to have an overriding effect over other provisions for obtaining registration.

### *Other Relevant Changes*

- 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.
- New section to be introduced to enable sharing of the information of registered persons by GSTN with other systems in a manner to be prescribed.



All the indirect tax provisions will be applicable once they are notified



## *Customs Act, 1962*

- Validity period of two years, not applicable on exemptions issued in relation to:
  - any multilateral or bilateral trade agreement
  - obligations under international agreements, treaties, conventions or such other obligations including with respect to United Nations agencies, diplomats and international organisations
  - privileges of constitutional authorities
  - schemes under the Foreign Trade Policy such as Advance Authorisation, EPCG, EOU/STPI
  - Central Government schemes with more than two years' validity
  - re-imports, temporary imports, goods imported as gifts or personal baggage
  - any duty of customs under any law for the time being in force, including integrated tax leviable, other than under Section 12 of the Customs Act.

**Note:** Implication of the above changes would be that the two-year sunset clause will apply to BCD conditional exemptions which are not arising out of exceptions listed under proviso.

- Time limit of nine months for disposal of application by Settlement Commission prescribed; time extendable by three months, otherwise proceedings to abate and to be concluded by original adjudicating authority.

## *Customs Tariff Act, 1975*

- Provisions related to imposition of Countervailing duty, Safeguard duty and Anti-dumping duty amended to clarify that determination and review refers to 'determination and review' as prescribed under Rules; Similar amendment made in provision dealing with appeals.

### Disclaimer:

The information in this publication has been extracted from the sources believed by our firm Gopal Mittal & Associates (GMA) to be reliable but it does not represent that this information is accurate or complete. Any opinion contained in this publication represents the views/ analysis of GMA. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. GMA neither accepts nor assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take. The information mentioned in the publication does not constitute professional advice.

### Contact:

**CA Ashok Kumar Aggarwal**  
Managing Partner  
+ 91-9810059498

**CA Praveen Agarwal**  
Partner  
+ 91-9810339005

**CA Keshav Karan Aggarwal**  
Partner  
+ 91-9873659498

**CA Radhika Agrawal**  
Partner  
+011-49250601

**CA Chandrika Aggarwal**  
Partner  
+011-49250600

### **GOPAL MITTAL & ASSOCIATES** CHARTERED ACCOUNTANTS

---

B-122, C-123, 12th Floor, Himalaya House, 23 K G Marg, New Delhi- 110001 |  
011-49250600, 49250601  
[info@ca-gma.com](mailto:info@ca-gma.com) | [www.ca-gma.com](http://www.ca-gma.com)