



**2023-2024**



**PGS & ASSOCIATES**  
CHARTERED ACCOUNTANTS

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## Overview of Economic Survey for 2022-23

The survey highlighted that at least three shocks had hit the global economy since 2020: the Covid Pandemic, the Russian-Ukraine conflict, and the worldwide surge in inflation. Despite the global growth projections declining in 2023, the Indian economy has fully recovered and is expected to continue its growth momentum.

### Economy

(a) The rate hike by the US Fed drove capital into the US markets causing Current Account Deficits (CAD) and increased inflation in net importing economies as their currency weakened. The widening of the CAD to continue due to global inflation in commodity and growth in Indian economy and weak exports. Global growth expected to decline in 2023 and beyond, which may push down global commodity prices and improve India's CAD in FY24.

(b) Indian economy, has recovered in FY22 and will further grow in FY23 despite challenge of inflation. RBI has projected headline inflation at 6.8% in FY23, which is outside its target range which is not high enough to deter private consumption and not so low to weaken the inducement to invest.

(c) The survey projects a baseline GDP growth of 6% to 6.8% in real terms in FY24.

(d) Capex of the Union grew by 63.4% in the first eight months of FY23 is growth driver of the Indian economy. Capex has increased from a long-term average of 1.7% of GDP (FY09 to FY20) to 2.5% of GDP in FY22 PA.

(e) Support for economic growth will come from the expansion of public digital platforms, PM Gati Shakti, the National Logistics Policy, PLI schemes to boost manufacturing output.

(f) E-governance based services to enable the vision of \$1 trillion digital economy by 2025.

### Stock Market

(a) Mutual Funds witnessed lower net inflows, yet AuM grew by 8.1% YoY basis.

(b) FPIs recorded a net outflow of US\$ 2.5 billion during April-December 2022 against an outflow of US\$ 0.6 billion a year ago.

(c) IPO's increased by 37%. SME listing doubled and raised funds three times compared to last year.

(d) In April-December 2022, Indian stock market gave a return of 3.7% compared to decline in global indices.

(e) LIC IPO is largest ever in the history of India and the sixth biggest IPO globally in 2022.

## Direct Tax

(a) By eliminating outdated laws, abolishing the angel tax, and ending retrospective taxation on offshore indirect transfers of assets in India, the government demonstrates its commitment to a non-hostile policy environment, improving investor confidence and enhancing growth prospects.

(b) As the pandemic-related uncertainties and disruptions ease, the effects of tax reforms, such as the corporate tax cut, the corporate tax collections for April to November 2022 was 21.1%, compared to an average YoY growth of 10.3% for the same period from FY13 to FY19.

(c) The increased revenue buoyancy has been achieved due to the implementation of technology-driven tax governance reforms aimed at simplifying tax procedures, increasing compliance, and enhancing fraud detection.

## Indirect Taxes

(a) GST has become a crucial revenue source for both Central and State governments. The gross GST collections from April to December 2022 rose 24.8% YoY. GST registration numbers increased from 70 lakhs in 2017 to over 140 lakhs in 2022.

(b) GST has boosted government revenues and improved income reporting with positive impacts on income tax collection and overall economic activity.

(c) GST collections have grown at a CAGR of 10.9%, demonstrating a GST collection buoyancy of around 1.1 despite the decline in the effective GST rate from 14.4% in 2017 to 11.6% in 2019.

(d) To meet the shortfall in GST compensation for States, the government borrowed Rs. 2.69 lakh crore in FY21 and FY22 and passed it on to states as compensation in addition to regular payments from the fund.

(e) High imports in the current year have resulted in a 12.4% YoY increase in customs collection from April to November 2022, surpassing the average growth for the same period from FY13 to FY19.

(f) India is currently negotiating new FTAs and reviewing existing FTAs with several trading partners.

## Corporate and other Laws

(a) At the end-November 2022, India was the world's sixth-largest foreign exchange reserves holder.

(b) India has the largest emigrant population with remittances anticipated to reach a milestone of US \$100 billion in 2022.

(c) With the highest FinTech adoption rate, India has gained 3rd place in digital payments only after US and China.

(d) After decriminalising minor economic offences under the Companies Act 2013, default cases have been decided without resorting to the court with companies rectifying past defaults to avoid penalties.

(e) The RERA contributed towards the speedy redressal of disputes and enabled a single window clearance for timely approvals to the developers which incentivises more investments into the sector.

(f) The trading volume in **G-Secs** (including T-Bills and SDLs) reached a two-year high which reflects the depth in the market.

(g) Green bonds raise funds to support climate and environmental projects and carry a relatively lower cost of capital. As per SEBI, from 2017 to September 2022, 15 Indian corporates issued green bonds of Rs 4,539 crores. The RBI has notified the calendar for issuing Sovereign Green Bonds (SGrBs) of Rs 16,000 crores for the fiscal year 2022-23.

(h) To make India an energy-independent nation and to de-carbonise critical sectors, the government approved the National Green Hydrogen Mission with an initial outlay of Rs 19,744 crore. The Mission will facilitate demand creation, production, utilisation, and export of Green Hydrogen and mobilisation of over Rs 8 lakh crore of investment by 2030.

(i) Until 30<sup>th</sup> September 2022, 23,417 applications for initiating the Corporate Insolvency Resolution Process (CIRP) of corporate debtors having underlying defaults of Rs. 7.3 lakh crore were disposed of before their admission into CIRP.

(j) In FY 22, the total amount recovered by the Banks through IBC has been the highest compared to other channels.

(k) The asset quality of Banks has been improving. The Gross NPA ratio has decreased from 8.2% in March 2020 to a seven-year low of 5% in September 2022, while Net NPA has dropped to a ten-year low of 1.3% of total assets.

(l) The continuous improvement in asset quality is seen in the declining GNPA ratio of NBFCs from the peak of 7.2% recorded during the second wave of the pandemic (June 2021) to 5.9% in September 2022, reaching close to the pre-pandemic level. With the decline in GNPA, the capital position of NBFCs also remains robust, with a CRAR of 27.4% in end-September 2022, slightly lower than 27.6% in March 2022.

(m) Credit extended by NBFCs is gaining momentum, with the aggregate outstanding amount at Rs. 31.5 lakh crore as of September 2022.

## **DIRECT TAX PROVISIONS**

### **(A) Rates of Income Tax**

**Option 1: (No longer default option)**

<b><u>Individual/HUF</u></b>	
<b>SLAB</b>	<b>Existing Tax Rate</b>
UP TO INR 2,50,000	Exempt
INR 2,50,001 TO 5,00,000	5%
INR 5,00,001 TO 10,00,000	20%
Above INR 10,00,000	30%

\*All the conditions are same as were applicable for A.Y. 2023-24

**Option 2: (Now option by default)**

<b><u>Individual/HUF/AOP</u></b>		
<b>Total Income</b>		<b>Tax Rate</b>
<b>For A.Y. 2023-24 OLD SCHEME</b>	<b>For A.Y. 2024-25 NEW SCHEME</b>	
Upto 2,50,000	Upto 3,00,000	0%
2,50,001-5,00,000	3,00,001-6,00,000	5%
5,00,001-7,50,000	6,00,001-9,00,000	10%
7,50,001-10,00,000	9,00,001-12,00,000	15%
10,00,001-12,50,000	12,00,000-15,00,000	20%
12,50,001-15,00,000	Not Applicable	25%
Above 15,00,000	Above 15,00,000	30%

**A resident individual, whose taxable income does not exceed INR 7,00,000 can claim a tax rebate u/s 87A. The amount of rebate shall be lower of 100% of income tax.**

**\*The Above rates are exclusive of Surcharge and Health & Education Cess @ 4%.**

Conditions if assessee opts to avail option 2:

1) Following are the exemptions/deductions that the assessee will have to forego

Sr. No.	Section	Particulars
1	10(5)	Leave travel concession
2	10(13A)	House rent allowance
3	10(14)	Per diems' allowances
4	10(17)	Allowances to MPs/MLAs
5	10(32)	Allowance for income of minor
6	10AA	Exemption for SEZ unit
7	16	Standard deduction, Entertainment allowances, Profession Tax
8	24	Interest on Housing Loan
9	32(iia)	Additional Depreciation
10	32AD	Investment in New P&M in notified backward area
11	33AB	Tea, Coffee & Rubber Development
12	33ABA	Site Restoration Fund
13	35AD	Specified Business
14	35CCC	Expenditure on notified agricultural extension project
15	57(iia)	Family Pension
16	Chapter VI-A Deductions	All deductions except Section 80CCD (2), 80JJAA & 80TTA, 80CCH.
17		Various deduction for donation for or expenditure on scientific research contained in Section 35(1)/35(2AA)

**\*Section 80CCH relates to amount paid or deposited in the Agniveer Corpus Fund.**

2) Due Date for opting under New Tax Regime:

- On or before due date mentioned as per Section 139(1) of assessment year 2024-25 (F.Y. 2023-24)  
Applicability – A person having income from Business/ Profession.  
NOTE: Such option once exercised, shall apply to subsequent years.
- Along with the Return of Income as per Section 139 (1) of assessment year 2024-25 (F.Y. 2023-24).  
Applicability – A person not having income from Business/ Profession.

**Firm, Local Authority and Companies**

Status of Tax Payer	Rate of Tax
Firms/Local Authority	30%
Domestic Company	30%/25%/22%/15%
Foreign Company	40%

# Tax rate 25% If the total turnover or gross receipts of the FY 2020-21 does not exceed INR 400 Crores or when the company has opted for Section 115BA

# Tax rate 22% if the company opts for Section 115BAA

# Tax Rate 15% if the company is a new manufacturing company. Beginning Assessment Year 2021-22, this benefit is given to new electricity generation companies also.

\*The Above rates are exclusive of Surcharge and Cess

**Co-operatives Societies**

**Option I**

Income	Rate of Tax
UP TO INR 10,000	10%
INR 10,000 TO 20,000	20%
ABOVE INR 20,000	30%

**\*The Above rates are exclusive of Surcharge and Cess**

**Option II – Only for resident co-operatives**

Beginning A. Y. 2021-22, resident co-operatives can opt to pay tax at a concessional rate of 22% plus surcharge and Cess with no exemptions/deductions u/s 115BAD.

**Option III – Only for New Manufacturing Co-operative Society (Section 115 BAE)**

A new manufacturing co-operative society to pay tax at the rate 15% and surcharge at the rate 10% from A.Y. 2024-25.

**Conditions:**

- Co-operative Society setup on or after 01/04/2023.
- Commence Manufacturing or production on or before 31/03/2024.
- Does not avail Specified incentives or deductions.



**\*Rates of Surcharge for Individual, HUF, AOP, BOI**

Taxable Income	Rate of Surcharge (Optional)	Rate of Surcharge (Default)
UP TO INR 50,00,000	-	-
INR 50,00,000 TO 1,00,00,000	10%	10%
INR 1,00,00,000 to INR 2,00,00,000	15%	15%
INR 2,00,00,000 to INR 5,00,00,000	25%	25%
ABOVE INR 5,00,00,000	37%	25%

\*In the case of resident individuals, the rate of surcharge on income tax shall not exceed 15% on the income tax calculated on the part of income comprising of LTCG/STCG on sale of listed equity shares on which STT has been paid. From FY 2022-23 LTCG on any other capital assets also qualifies for the upper cap of 15% of surcharge.

**Surcharge for Others**

Taxable Income (Amount in INR)

Particulars	Up to 1 Crore	1 Crore to 10 Crores	Exceeding 10 Crores
Firms / Limited Liability Partnerships	Nil	12%	12%
Resident Co-Op Soc (Except Co-Op Soc opting under Section 115BAD)	Nil	7%	12%
Resident Co-Op Soc opting under Section 115BAD	Nil	10%	10%
Non-Resident Co-Op Society not opting for 115BAD	Nil	7%	12%
Domestic Companies paying tax u/s 115BAA or 115BAB	10%	10%	10%
Other Domestic Companies	Nil	7%	12%
Foreign Companies	Nil	2%	5%

\* The Health & Education Cess at rate of 4% shall be computed on aggregate of Income Tax & Surcharge.

**Minimum Alternate Tax & Alternative Minimum Tax**

Particulars	Section	Applicability	Rate
Minimum Alternate Tax (MAT)	115JB	Companies (including foreign/government/ non-government companies)	Tax as per normal provision or 15% whichever is higher
Alternate Minimum Tax (AMT)	115JC	Co-operative Societies	Tax as per normal provision or 15% whichever is higher
		All assessees other than Co-operative Societies and Companies	Tax as per normal provision or 18.5% whichever is higher

\* The Health & Education Cess at rate of 4% shall be computed on aggregate of Income Tax & Surcharge.

\* Amendment related to AMT to Co-operative societies will take effect from 1<sup>st</sup>, April 2022.

TAX DEDUCTED AT SOURCE				
SECTION	PARTICULAR	LIABILITY	EXEMPT UP TO	RATE
192	Salary	At the time of payment	Basic Exemption Limit	Slab Rate
192A	Payment of accumulated balance due of employees' provident fund scheme, 1952, to employees which is taxable in their hand	Payment or credit whichever is earlier	INR 50,000	10%
193	Interest on securities a) any debentures or securities for money issued by or on behalf of any local authority or a corporation established by a central, state or provincial act; b) any debentures issued by a company where such debentures are listed on a recognised stock exchange in accordance with the securities contracts (regulation) act, 1956 (42 of 1956) and any rules made thereunder; c) any security of the central or state government; d) interest on any other security	At the time of payment	INR 10,000 In case of Debentures. Threshold limit for others is INR 5,000.	10%
194	Dividend	Payment or credit whichever is earlier	INR 5,000	10%
194A	Interest other than interest on securities	Payment or credit whichever is earlier	INR 5,000 for all except if payer is a bank or co-operative society then INR 40,000 (for senior citizens – INR 50,000)	10%
194B	Winnings from lottery, game show, crossword puzzle, gambling or betting, races including horse races	Payment or credit whichever is earlier	INR 10,000	30%
194BA	Winning from Online Games	Payment or credit whichever is earlier	No threshold limit	30%

194BB	Winning from horse race	Payment or credit whichever is earlier	INR 10,000	30%
194C	Payment to contractor (including advertisement)	Payment or credit whichever is earlier	Single payment / credit exceeds INR 30,000 or total credit / payment exceeds INR 1,00,000 during the F.Y.	No TDS on freight payment. Individual or HUF-1% and other 2%
194D	Payment to resident (other than company) by way of insurance commission	Payment or credit whichever is earlier	INR 15,000	5%
194DA	Payment under life insurance policy (including bonus)	Payment or credit whichever is earlier	INR 100,000	1%
194E	Payment to non-resident sportsmen or sports association	Payment or credit whichever is earlier		20%
194EE	Payment in respect of deposit under national savings scheme (NSS)	Payment or credit whichever is earlier	INR 2,500	10%
194F	Payment on account of repurchase of unit by mutual fund or UTI	Payment or credit whichever is earlier		20%
194G	Commission on sale of lottery tickets	Payment or credit whichever is earlier	INR 15,000	5%
194H	Commission/Brokerage other than insurance	Payment or credit whichever is earlier	INR 15,000	5%
194I	Rent of plant & machinery & equipment	Payment or credit whichever is earlier	INR 2,40,000	2%

194IA	Transfer of immovable property other than rural agricultural land (w.e.f.01/06/2003)	At the time of purchase consideration or agreement whichever is earlier	INR 50,00,000	1%
194IB	Rent	Payment or credit whichever is earlier	INR 50,000	5%
194IC	Payment under joint agreement	Payment or credit whichever is earlier		10%
194J	Professional fees or technical services (including any remuneration or commission paid to director)	Payment or credit whichever is earlier	INR 30,000	10%
194LA	Payment on transfer of certain immovable property other than agricultural land	Payment or credit whichever is earlier		5%
194LBC	Income to an investor with respect to investment in securitization trust	Payment or credit whichever is earlier		25% (if payee is resident individual & HUF) 30% (other)
194LC	Interest on external commercial borrowing	Payment or credit whichever is earlier		5%
194LD	Interest payable on borrowing from FII and QFI	Payment or credit whichever is earlier		5%
194N	Cash withdrawals	Payment or credit	INR 1,00,00,000 or	2%

		whichever is earlier	INR 20,00,000 to 1,00,00,000 (threshold limit is INR 3,00,00,000 where recipient is Co-operative Society)	(if ITR is not filed for last 3 assessment year - If Cash Withdrawal is 20L to 1Cr Otherwise @5% exceeding 1 Cr)
194P	Specified senior citizen (resident individual having age 75 years or more having income of nature of pension and no other income except bank interest)	Payment of tax to be made by specified bank	Basic exemption limit	Slab rate
194Q	Payment of certain sum for purchase of goods by person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding Financial year	Payment or credit whichever is earlier	INR 50,00,000	0.1%
194R	Any benefit or perquisite, whether convertible into money or not, in cash or kind or both arising from carrying out of a business or profession	Before providing the benefit	INR 20,000	10%
194S	Payment for transfer of Virtual Digital Asset whether convertible into money or not	Payment or credit whichever is earlier		1%

196D	An agreement referred to in sub-section (1) of section 90 or sub-section (1) of section 90A applies to the payee and if the payee has furnished a certificate referred to in sub-section (4) of section 90 or sub-section (4) of section 90A			20% or rates of income tax provided in such agreement for such income whichever is lower
206AB	TDS to be deducted other than sections 192, 192A, 194B, 194BB, 194IBC or 194N on payment to a specified person (person who has not filed income tax returns for an assessment year prior to previous year)	Payment or credit whichever is earlier		Twice the rate specified or twice the rate in force or @5% whichever is higher

**Note 1:** - If PAN number is not provided, rate of TDS shall be 20%.

**Note 2:** - Due Date for Payment of TDS is 7<sup>th</sup> of next month in which deduction is made, except for quarter 4 the due date is 30<sup>th</sup> April of next Financial Year.

**Note 3:** - Due Date for Filing the quarterly return are 31st July 31st October 31st January and 31st May.

**Note 4:** - Form 24Q is used for preparing E-TDS returns for the TDS deducted on salary and Form 26Q is used for TDS deducted on all the payments received other than Salary

TAX COLLECTED AT SOURCE			
SECTION	PARTICULAR	EXEMPT UP TO	RATE
206C(1)	Sale of any scrap		1%
206C(1)	Sale of Tendu Leaves		5%
206C(1)	Sale of Timber obtained under a forest lease or other mode		2.5%
206C(1)	Sale of Any other forest produce not being a Timber or tendu leaves		2.5%
206C(1)	Sale of Alcoholic Liquor for Human Consumption		1%

206C(1)	Lease or license of Parking lot, toll plaza, mining & quarrying		2%
206C(1)	Sale of Minerals, coal lignite, Iron ore by a trader		1%
206C	Sale of Indian made for foreign liquor		1%
206C	Scheme (LRS) of exceeding Rs. 7 Lakh in a financial year if remitted Foreign remittance through Liberalised Remittance amount is out of loan obtained from any financial institution u/s 80E for the purpose of pursuing any education		0.5% (applicable from 01.10.2020)
206C	Foreign remittance through Liberalised Remittance Scheme (LRS) of exceeding Rs. 7 Lakh in any other case		20% (applicable from 01.07.2023)
206C	Selling of overseas tour package		20% (applicable from 01.07.2023)
206C(1H)	Sale of goods (Other than those being exported) of value exceeding Rs. 50 Lakh in previous year whose total Sale/ gross receipts / turnover from business exceeds Rs 10 Crore during immediately financial year	Rs.50 Lakhs	0.10%
206C(1F)	Sale Value of Motor vehicle whether in cheque or in any other mode of receipt	Rs.10 Lakhs per transaction	1%
206CCA	TCS to be collected on any sum or amount received by a person from specified person (person who has not filed income tax returns for an assessment year prior to previous year)		Twice the rate specified or @5% whichever is higher

**Note 1:** - If PAN number is not provided, twice the rate specified in the relevant section or 5% whichever is higher.

**Note 2:** - Due Date for Payment of TCS is 7<sup>th</sup> of next month in which deduction is made. For month of March, the due date is 7<sup>th</sup> April of next Financial Year.

**Note 3:** - Due Date for Filing the quarterly return are 15<sup>th</sup> July, 15<sup>th</sup> October, 15<sup>th</sup> January and 15<sup>th</sup> May.



## **(B) Socio Economic Welfare Measures**

### ➤ **Promoting Timely payments to Micro & Small Enterprises**

It is proposed to provide that any sum payable to a MSME beyond the time limit specified in section 15 of the MSMED Act 2006, which by default is 15 days without agreement or default 45 days, shall be allowed as deduction only on actual payment. However, it is also proposed that the extended period of payment up to the due date of filing of return shall not apply to payments due to MSME.

(WEF 01.04.2024)

### ➤ **Agnipath Scheme, 2022**

In this scheme, in order to allow deduction from the computation of total income of Agniveer, any contribution made by him or the Central Government to his Agniveer Corpus Fund account and to exempt from tax any payment received by Agniveer or his nominee, from the Agniveer Corpus Fund, it is proposed to make the following amendments:

1. Any payment received from the Agniveer Corpus Fund by a person enrolled under the Agnipath Scheme, 2022, or the nominee of such person shall be exempted from income tax.
2. Allow deduction of the amount deposited and contribution by the Central Government to his account in the Agniveer Corpus Fund, from his total income.
3. Contribution made by the Central Government, to the Agniveer Corpus Fund shall be considered as salary of that individual which will be deductible as mentioned above.
4. It is proposed to provide that in the new tax regime of section 115BAC shall get a deduction of the government contribution to his Seva Nidhi.

(WEF 01.04.2023)

### ➤ **Relief to sugar co-operatives from past demand**

In the case of a sugar mill co-operative, where any deduction in respect of any expenditure incurred for the purchase of sugarcane has been claimed by an assessee and such deduction has been disallowed wholly or partly the Assessing Officer shall, on the basis of an application made by such assessee in this regard recompute the total income of such assessee for such previous year. The Assessing Officer shall allow such deduction to the extent such expenditure is incurred at a price which is equal to or less than the price fixed or approved by the Government for that previous year. Also, the period of four years specified in sub-section (7) of section 154 shall be reckoned from the end of previous year commencing on the 1st day of April, 2022.

(WEF 01.04.2023)

### ➤ **Increasing threshold limit for co-operatives to withdraw cash without TDS**

It is proposed to amend section 194N of the Act by inserting a new proviso to provide that where the recipient is a co-operative society, the provisions of this section shall have effect, as if for the words "one crore rupees", the words "three crore rupees" had been substituted.

(WEF 01.04.2023)

➤ **Penalty for cash loan/ transactions against primary co-operatives**

To provide relief to the low-income groups and facilitate easier conduct of business operations in such areas it has been proposed that an amendment may be made in the section 269SS of the Act by raising the limit of Rs. 20,000 to Rs. 2 lakh for PACS and PCARD. This will imply where such deposit is accepted by a primary agricultural credit society or a primary co-operative agricultural and rural development bank from its member or such loan is taken from a primary agricultural credit society or a primary co-operative agricultural and rural development bank by its member. The penalty would be leviable only if the amount of a loan or deposit is Rs. 2 lakh or more. Same amendment is made in section 269T also.

(WEF 01.04.2023)

➤ **Relief to start-ups in carrying forward and setting off of losses**

Relaxation has been provided in case of an eligible start-up as referred to in section 80-IAC of the Act. The condition of continuity of at least 51% shareholding is not applicable to the eligible start-up, if all the shareholders of the company as on the last day of the year, in which the loss was incurred, continue to hold those shares on the last day of the previous year in which the loss is set off. There is an additional condition that the loss is allowed to be set off, under this relaxation, only if it has been incurred during the period of seven years beginning from the year in which such company is incorporated. In order to align this period of seven years with the period of ten years contained in sub-section (2) of section 80-IAC of the Act, it is therefore proposed to amend the proviso of section 79(1) of the Act so that the carried forward loss of eligible start-ups shall be considered for set off under this proviso, if such loss has been incurred during the period of ten years beginning from the year in which such company was incorporated.

(WEF 01.04.2023)

➤ **Extension of date of incorporation for eligible start-up for exemption**

In order to further promote the development of start-ups in India and to provide them with a competitive platform, it is proposed to amend the provisions of section 80-IAC of the Act so as to extend the period of incorporation of eligible start-ups from 31.03.2023 to 31.03.2024.

(WEF 01.04.2023)

➤ **Conversion of Gold to Electronic Gold Receipt (EGR) and vice versa**

The conversion of physical gold to Electronic Gold Receipt and vice versa is proposed not to be treated as a transfer and not to attract any capital gains. This would promote investments in electronic equivalent of gold.

With respect to above amendment, the cost of acquisition of the asset for the purpose of the said transfer, shall be deemed to be the cost of gold in the hands of the person in whose name EGR is issued. Similarly, where the gold released against an EGR, which became the property of the person as consideration for a transfer, as referred in the newly inserted clause in section 47, the cost of acquisition of the asset (being gold) for the purposes of the said transfer shall be deemed to be the cost of the EGR in the hands of such person.

Holding period shall include the period for which the Gold was held by the assessee prior to conversion into the EGR and similarly the holding period for the purpose of capital gain shall include the period for which the EGR was held by the assessee prior to conversion into the Gold.

(WEF 01.04.2024)

➤ **Tax Incentives to International Financial Services Centre**

Extension of period of tax benefits to funds relocating to IFSC, GIFT City till 31.03.2025 from current limitation of 31.03.2023.

It is further proposed to include distribution of income on offshore derivative instruments also within the ambit of the said clause. It is also proposed to insert a proviso to provide that the amount of distributed income referred to in the said clause shall include only so much of the amount which is chargeable to tax in the hands of the offshore banking unit under section 115AD.

(WEF 01.04.2023)

➤ **Facilitating certain strategic disinvestment**

It is proposed to substitute clause (iii) of the Explanation to clause (d) of sub-section (1) of the said section to provide that strategic disinvestment shall mean sale of shareholding by the Central Government or any State Government or a public sector company in a public sector company or in a company, which results in—

(a) Reduction of its shareholding to below fifty-one per cent.; and

(b) Transfer of control to the buyer.

It is further proposed to provide that the condition of reduction of its shareholding to below 51% shall apply only in a case where shareholding of the Central Government or the State Government or the public sector company was above 51% before such sale of shareholding.

It is also proposed to provide that the requirement of transfer of control in relation to such strategic disinvestment may be carried out by either the Central Government, or the State Government or the public sector company or any two of them or all of them.

It is also proposed to amend section 72AA of the Act to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking company with any other banking institution or a company subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of strategic disinvestment.

(WEF 01.04.2023)

➤ **15% concessional tax to promote new manufacturing co-operative society**

It is proposed to insert a new section 115BAE to the Act in which concessional tax regime of 15% is being provided for the new manufacturing company are made applicable to cooperative societies as well. The conditions are materially similar to the conditions applicable to new manufacturing companies. Further, it is proposed to insert a new clause (vb) in the section 92BA of the Act to include the transaction between the Cooperative society and the other person with close connection within the purview of 'specified domestic transaction'.

(WEF 01.04.2024)

### **C. Ease of Compliance**

➤ **Ease in claiming deduction on amortization of preliminary expenditure: -**

In order to ease the process of claiming amortization under section 35D of preliminary expenses it is proposed to amend this section by removing the condition of activity in connection with these expenses to be carried out by a concern approved by the CBDT. Instead, the assessee shall be required to furnish a statement containing the particulars of this expenditure.

(WEF 01.04.2024)

➤ **Increasing threshold limits for presumptive taxation schemes:-**

In order to ease compliance and to promote non-cash transactions, it is proposed to increase the threshold limits for presumptive scheme in section 44AD and section 44ADA of the Act on fulfilment of certain conditions.

It is proposed to provide that:

- under section 44AD, threshold limit of increased to Rs. 3 Crores up from Rs. 2 Crores.
- under section 44ADA of the Act for professional income, threshold limit increased to Rs.75 Lakhs up from Rs.50 Lakhs.
- provision of section 44AB of the Act shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of sub-section (1) of section 44AD of the Act or sub-section (1) of section 44ADA of the Act, as the case may be.

(WEF 01.04.2024)

➤ **Extending the scope for deduction of tax at source to lower or nil rate:-**

To remove difficulty with respect to section 194LBA where certificate for lower deduction cannot be obtained under section 197, it is proposed to amend sub-section (1) of section 197 of the Act to provide that the sums on which tax is required to be deducted under section 194LBA of the Act shall also be eligible for certificate for deduction at lower rate.

(WEF 01.04.2023)

### **(D) Widening and deepening of tax base**

➤ **Extending deeming provision under section 9 to gift to not-ordinarily resident**

Presently any sum of money exceeding Rs.50,000/- received by a non-resident without consideration from a person resident in India, on or after the 5th day of July, 2019, is taxable.

It is proposed to cover Not ordinarily resident in addition to Non-resident.

(WEF 01.04.2024)

➤ **Removal of exemption of news agency under clause (22B) of section 10**

Clause (22B) of section 10 of the Act, provides exemption to any income of a notified news agency which is set up in India solely for collection and distribution of news. This is subject to condition that the news agency applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

(WEF 01.04.2024)

➤ **Tax avoidance through distribution by Business Trusts to its unit holders**

Finance (No.2) Act, 2014 introduced a special taxation regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT) [commonly referred to as business trusts]. The business trusts invest in special purpose vehicles (SPV) through equity or debt instruments. Section 115UA provides a pass-through status to business trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders unless specifically exempted. Apart from interest income, dividend income and rental income, Business trust also distribute in form of repayment of debts.

Till now interest, dividend and rental income have been accorded a pass-through status at the level of business trust and are taxable in the hands of the unit holder. However, The repayment of debt, it is actually an income of unit holder which does not suffer taxation either in the hands of business trust or in the hands of unit holder. It was noted that dual non-taxation of any distribution made by the business trust i.e. which is exempt in the hands of the business trust as well as the unit holder, is not the intent of the special taxation regime applicable to business trusts.

In view of above, it is proposed to make such sum received by unit holder taxable in his hands under the head, "Income from other sources". Such sum received shall be reduced by the cost of acquisition of the unit or units to the extent such cost does not exceed the sum received.

(WEF 01.04.2024)

➤ **Removal of exemption from TDS on payment of interest on listed debentures to a resident**

Section 193 of the Act provides for TDS on payment of any income to a resident by way of interest on securities. Clause (ix) of the proviso to the aforesaid section provides that no tax is to be deducted in the case of any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India.

It is seen that there is under reporting of interest income by the recipient due to above TDS exemption.

(WEF 01.04.2023)

➤ **Preventing misuse of presumptive schemes under section 44BB and section 44BBB**

Section 44BB of the Act provides for presumptive scheme in the case of a non-resident assessee who is engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils.

Section 44BBB of the Act provides for presumptive scheme in the case of a non-resident foreign company who is engaged in the business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof, in connection with a turnkey power project approved by the Central Government. (Whether in or out of India)

In both above scheme, a sum equal to 10% of the aggregate of the amounts is deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession. Further both the above scheme provides assessee may claim lower profits and gains than the profits and gains specified if he keeps and maintains such books of account and other documents as required under sub-section (2) of section 44AA of the Act and gets his accounts audited and furnishes a report of such audit as required under section 44AB of the Act.

It is seen taxpayers, in a year when they have loss; they claim actual loss as per the books of account and carry it forward. In a year when they have higher profits, they use presumptive scheme to restrict the profit to 10% and set off the brought forward losses from earlier years.

To avoid such misuse, it is proposed to insert a new sub-section to section 44BB and to section 44BBB of the Act to provides, where an assessee declares profits and gains of business for any previous year in accordance with the provisions of presumptive taxation, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the assessee for such previous year.

(WEF 01.04.2024)

➤ **TDS and taxability on net winnings from online games**

Section 194B of the Act provides that the person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort in an amount exceeding ten thousand rupees shall, at the time of payment thereof, deduct income-tax thereon at the rates in force. Whereas Section 194BB similar to section 194B covers horse racing in any race course or for arranging for wagering or betting in any race course.

It is seen that detectors are deducting tax under section 194B and 194BB of the Act by applying the threshold of Rs 10,000/- per transaction and avoiding tax deduction by splitting a winning into multiple transactions each below Rs 10,000/- which against the intention of legislature.

It is proposed to provide that deduction of tax under these sections shall be on the amount or aggregate of the amounts exceeding ten thousand rupees during the financial year.

(WEF 01.04.2023)

- **Insertion of New section 194BA and 115BBJ - Deduction of tax at source on winnings from online games from that date.** Refer tabular presentation given below

Distinguish between	Section 194BA	Section 115BBJ
Applicable from	01 <sup>st</sup> July 2023	01 <sup>st</sup> April 2024
Applicable Till	31 <sup>st</sup> March 2024	On Assessment year subsequent to AY 2024-25
Separation from	From section 194B	From section 115BB
Responsibility of deduction	Person responsible for paying	Person responsible for paying
Coverage	Deduction of tax at source at 30% on net winnings from user account during the Financial year. Tax shall be deducted at the time of withdrawal on net winnings. Further Tax shall also be deducted on remaining amount of net winning at the end of financial year	the income-tax payable shall be the aggregate of— A. At 30% on net winnings And B. The amount of income-tax with which the assessee would have been chargeable had his total income been reduced by the net winnings referred to above point A

- **Increasing rate of TCS of certain remittances**

In order to increase TCS on certain foreign remittances and on sale of overseas tour packages, amendment is proposed in sub-section (1G) of section 206C of the Act.

S.No	Type of remittance	Present rate	Proposed rate
(i)	Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
(ii)	Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	20% without any threshold limit.

(WEF 01.07.2023)

- **Limiting the roll over benefit claimed under section 54 and section 54F**

The existing provisions of section 54 and section 54F of the Income-tax, 1961 (the Act) allows deduction on the Capital gains arising from the transfer of long-term capital asset if an assessee, within a period of one year before or two years after the date on which the transfer took place purchased any residential property in India, or within a period of three years after that date

constructed any residential property in India. Considering the amendment proposed in section 54 and 54F are presented below;

Distinguish Between	Section 54	Section 54F
Applicable to	Long term capital asset being Residential house	Any Long Term Capital asset
Exemption benefit	To the extent amount reinvested In a residential house	To the extent net consideration reinvested in a residential house
Exemption benefit in Monetary term under existing provision	No upper Limit	No upper Limit
Exemption benefit in Monetary term after proposed amendment	Maximum deduction restricted to Rs. 10 Crore	Maximum deduction restricted to Rs. 10 Crore
Limit of Deposits in Capital Gain account Scheme	Restricted to Rs. 10 Crore	Restricted to Rs. 10 Crore
Amendment Is applicable from	AY 2024-25	AY 2024-25

➤ **Special provision for taxation of capital gains in case of Market Linked Debentures**

The Market Linked Debentures is the variety of hybrid securities that combine features of plain vanilla debt securities and exchange traded derivatives are being issued through private placements and listed on stock exchanges. It is seen that such securities differ from plain vanilla debt securities.

Current 'Market Linked Debentures' are taxed as Long-term term capital gain at the rate of 10% without indexation.

In order to tax the capital gains arising from the transfer or redemption or maturity of these securities as short-term capital gains at the applicable rates, New section 50AA proposed to tax short term capital asset being net of full value of the consideration received or accruing as a result of the transfer or redemption or maturity of the "Market Linked Debentures" as reduced by the cost of acquisition of the debenture and the expenditure incurred wholly or exclusively in connection with transfer or redemption of such debenture at the applicable rates.

(WEF 01.04.2024)

➤ **Preventing permanent deferral of taxes through undervaluation of inventory**

Assessees are required to maintain books of account for the purposes of the Act. The Central Government has notified the Income Computation and Disclosure Standards (ICDS) for the computation of income. ICDS-II relates to valuation of inventory. Section 148 of the Companies Act 2013 also mandates maintenance of cost records and its audit by cost accountant in some cases.



Section 142 relating to Inquiry before assessment to ensure is amended to ensure that the inventory is valued in accordance with various provisions of law, Includes Following,

- A. Assessing Officer may direct the assessee to get the inventory valued by a cost accountant, nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in this behalf. And furnish the report of inventory valuation in the prescribed form duly signed and verified by such cost accountant
- B. The expenses of inventory valuation shall be paid by the Central Government after required approval.
- C. The assessee will be given an opportunity of being heard in respect of In Inventory valuation.

Further, Section 153 amended to exclude the period for inventory valuation through the cost accountant for the purposes of computation of time limitation.

Further, Section 295 amended to provide the power to make rules for the form of prescription of report of inventory valuation and the particulars which such report shall contain.

(WEF 01.04.2023)

➤ **Rationalisation of exempt income under life insurance policies**

Clause (10D) of section 10 of the Act provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy. There is a condition that the premium payable for any of the years during the terms of the policy should not exceed 10% of the actual capital sum assured.

However, Over the years there is misuse of the exemption provided by investing in policies having large premium contributions and claiming exemption on the sum received under such life insurance policies.

It is proposed to tax income from insurance policies having premium or aggregate of premium above Rs 5,00,000 in a year. The same is taxable under the head “income from other sources” on maturity. Deduction shall be allowed for premium paid, if such premium has not been claimed as deduction earlier. Further if the premium is payable by a person for more than one life insurance policy issued on or after the 1st April, 2023, the provisions of this clause shall apply only with respect to those life insurance policies where the aggregate amount of premium exceeds Rs. 5,00,000.

Exemption continues if sum received on the death of a person and ULIP.

Further Section 56 provides, any sum received (including the amount allocated by way of bonus) at any time during a previous year, under a life insurance policy, which is not exempt under clause (10D) of section 10 of the Act, Shall be chargeable to tax under the head “Income from other sources” after deduction of premium paid if the same is not claimed as deduction at the time of payment.

(WEF 01.04.2024)

**Alignment of provisions of section 45(5A) with the TDS provisions of section 194-IC**

The existing provisions of the sub-section (5A) of section 45 of the Act, inter alia, provide that on the capital gain arising to an assessee (individual and HUF), from the transfer of a capital asset, being land or building or both, under a Joint Development agreement (JDA), the capital gains shall be chargeable to income-tax as income of the previous year in which the certificate of completion for the whole or part of the project is issued by the competent authority. Further, for computing the capital gains amount on this transaction, the full value of consideration shall be taken as the stamp duty value of his share, as increased by the consideration received in 'cash'.

It is proposed to amend the provisions of sub-section (5A) of section 45 so as to provide that the full value of consideration shall be taken as the stamp duty value of his share as increased by any consideration received in cash or by a cheque or draft or by any other mode.

(WEF 01.04.2024)

➤ **Prevention of double deduction claimed on interest on borrowed capital for acquiring, renewing or reconstructing a property**

Under the existing provisions of the Act, the amount of any interest payable on borrowed capital for acquiring, renewing or reconstructing a property is allowed as a deduction under the head "Income from house property" under section 24 of the Act. Further Section 48 provides that the income chargeable under the head "Capital gains" shall be computed, by deducting the cost of acquisition of the asset and the cost of any improvement thereto from the full value of the consideration received or accruing as a result of the transfer of the capital asset.

In order to prevent the double deduction, one in section 24 under the head Income from House property or under Chapter VIA in some cases, Second by adding interest cost in computation of total cost of acquisition, after clause (ii) of the section 48 inserted so as to provide that the cost of acquisition or the cost of improvement shall not include the amount of interest claimed under section 24 or Chapter VIA new proviso.

(WEF 01.04.2024)

➤ **Defining the cost of acquisition in case of certain assets for computing capital gains**

The existing provisions of the section 55 of the Act, inter alia, defines the 'cost of any improvement' and 'cost of acquisition' for the purposes of computing capital gains. However, there are certain assets like intangible assets or any sort of right for which no consideration has been paid for acquisition. The cost of acquisition of such assets is not clearly defined as 'nil' in the present provision. This has led to many legal disputes, to avoid such disputes the term 'cost of acquisition' and 'cost of improvement' of such assets, it is proposed to amend to provide that the 'cost of improvement' or 'cost of acquisition' of a capital asset being any intangible asset or any other right to provide that the 'cost of improvement' or 'cost of acquisition' of a capital asset being any intangible asset or any other right.

(WEF 01.04.2024)

### **(E) Improving compliance & Tax Administration**

#### ➤ **Extension of time for disposing pending rectification applications by Interim Board for Settlement**

Settlement Commission (SC) was replaced by Interim Board for Settlement (IBS) by FA 2021 whereby SC was replaced by Interim Board for Settlement (IBS) and all cases pending before SC as on 31.-1.2021 were transferred to IBS.

The time limit for amending or filing rectification order has been extended till 30.09.2023.

(WEF 01.02.2021)

#### ➤ **Introduction of the authority of Joint Commissioner (Appeals)**

Currently the first appellate authority is Commissioner (Appeals) (CIT(A)). Due to high pendency of appeals before CIT(A), now Joint Commissioner (Appeals) JCIT(A) are also authorised to handle small appeals pertaining to only Individual or HUF. The appeal shall lie before JCIT(A) in case of assessment or reassessment, TDS / TCS procedures and return processing, penalties imposable or rectification of such orders. Such orders needs to be passed only by ITO or ACIT. A provision for transfer of appeals inter se between CIT(A) and JCIT(A) is made.

(WEF 01.04.2023)

#### ➤ **Reducing the time provided for furnishing TP report**

The Transfer Pricing (TP) relating to either international or specified domestic transactions are required to maintain specified information or documentation. Existing provisions permit furnishing such information or documentation withing 30 days with extension of further 30 days when called upon by the Assessing Officer or CIT(A). Now the initial period of 30 days has been reduced to 10 days with extension of further 30 days.

(WEF 01.04.2023)

#### ➤ **Rationalisation of Appeals to the Appellate Tribunal**

Income tax Appellate Tribunal (ITAT) is the 2<sup>nd</sup> Appellate Authority above CIT(A). Over the years higher authorities namely CIT(A), Pr. Chief Commissioner, Chief Commissioner were also added to pass certain orders other than the earlier specified authorised officers. However, the enabling provisions specifying the authorities whose orders could be appealed to ITAT or cross objections were not amended. This anomaly has been now rectified.

(WEF 01.04.2023)

#### ➤ **Assistance to authorised officer during search and seizure**

Due to the complexities arising during the course of search and seizure operations, the Department requires services of domain experts like digital forensic professionals, valuers, archive experts, locksmiths, carpenters etc. Enabling provisions are being made for sourcing services of such experts and also obtain valuation reports from them.

(WEF 01.04.2023)

The assessment post the search and seizure operations was earlier done u/s 153A earlier and now under reassessment procedure u/s 147. For the purposes of time lines provided u/s 153B for completion of such reassessment are proposed to linked to section 132 pertaining to search and seizure operations itself.

(WEF 01.04.2023)

➤ **Provisions related to business reorganisation**

Section 170A provides for filing of a modified return within six months of passing an order under Insolvency & Bankruptcy Code (IBC) passed by IBC prescribed authority. No procedure was prescribed for the assessment or reassessment which has now been provided.

(WEF 01.04.2023)

➤ **Alignment of timeline provisions under section 153 of the Act**

Up to AY 2021-22, the assessment has to be completed within 9 months i.e. before 31.12.2022. For AY 2022-23, the assessment has to be completed within 12 months within 31.03.2024 as against 31.12.2023. The assessment period is extended also in search & seizure cases. In addition to getting special audit done during assessment proceedings, valuation of inventory may also be directed by the Assessing Officer.

(WEF 01.04.2023)

➤ **Provisions relating to reassessment proceedings**

Presently under reassessment proceedings, no time limit is prescribed to furnish return of income after issue of reassessment notice, which now is fixed at 3 months from the issue of notice. In case of search & seizure, survey cases initiated after 15<sup>th</sup> March, the time limit for issue of reassessment notice is extended considering the limited window available to the assessing officer in such cases.

(WEF 01.04.2023)

### **(F) Rationalisation of Provisions**

➤ **Excluding non-banking financial companies (NBFC) from restriction on interest deductibility**

Section 94B of the Act if a person incurs any expenditure by way of interest or of similar nature exceeding one crore rupees which is deductible in computing income chargeable under the head "Profits and gains of business or profession", the interest deductible shall be restricted to the extent of 30% of its earnings before interest, taxes, depreciation and amortisation (EBITDA). Proviso to this section brings within its scope certain debt issued by a lender who may not be an associated enterprise of the borrower. Since this section excludes certain companies that are engaged in the business of banking or insurance from its scope. In view of the above, it is proposed to amend sub-section (3) of section 94B of the Act to provide a carve out to certain class of NBFCs and to provide that nothing contained in sub-section (1) of section 94B of the Act shall apply to:-

- an Indian company or a permanent establishment of a foreign company which is engaged in the business of banking or insurance; or

- such class of non-banking financial companies as may be notified by the Central Government in the Official Gazette in this behalf;

It is also proposed to provide that for the purposes of this section, NBFC shall have the same meaning as assigned to it in clause (vii) of the Explanation to clause (via) of sub-section (1) of section 36 of the Act.

(WEF 01.04.2024)

➤ **Tax treaty relief at the time of TDS under section 196A of the Act**

Section 196A of the Act provides for TDS on payment of certain income to a non-resident (not being a company) or to a foreign company, at the rate of 20%. The income is required to be in respect of units of a Mutual Fund specified under clause (23D) of section 10 of the Act or from the specified company referred to in the Explanation to clause (35) of section 10 of the Act.

TDS would be at the rate which is lower of the rate of 20% or rate as per in DTAA i.e section 90(1) and section 90A(1) and such payee has furnished the tax residency certificate.

(WEF 01.04.2023)

➤ **TDS on payment of accumulated balance due to an employee**

The existing provisions of section 192A of the Act, inter-alia, provide for deduction of tax at the rate of 10% of the taxable component of the lump sum payment due to an employee provided such employee furnishes his personal account number.

In case of no PAN furnished by the assessee, tax was deductible at Maximum Marginal rate.

It is proposed that 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.

(WEF 01.04.2023)

➤ **Facilitating TDS credit for income already disclosed in the return of income of past year**

Tax is deducted by the deductor in the year in which the income is actually paid to the assessee. However, following accrual method, the assessee may have already disclosed this income in earlier years in their return of income resulting in TDS mismatch.

To resolve this, it is proposed that the assessee can make application to the Assessing Officer within two years from the end of the financial year in which such tax was deducted at source. Then Assessing Officer shall amend the order of assessment or any intimation allowing credit of such tax deducted at source in the relevant assessment year.

Such amount of TDS mismatch shall be refunded along with Interest (from date of application to date on which refund is granted) as per Section 244A. Such provision shall also apply to section 154 of the Act.

(WEF 01.10.2023)

➤ **Relief from special provision for higher rate of TDS/TCS for non-filers of income-tax returns**

Section 206AB and section 206CCA of the Act provides for special provision for higher TDS for non-filers or specified person of income-tax returns.

There may be certain persons who are not required to furnish the return of income. It is not the intention to include such persons in the category of non-filers. Hence, in order to provide relief in such cases, it is proposed to amend the definition of the “specified person” in sections 206AB and 206CCA of the Act so as to exclude a person who is not required to furnish the return of income.

(WEF 01.04.2023)

➤ **Clarification regarding advance tax while filing Updated Return**

The Finance Act, 2022 inserted sub-section (8A) in section 139 of the Act enabling the furnishing of an updated return by taxpayers up to two years from the end of the relevant assessment year subject to fulfilment of certain conditions as well as payment of additional tax. For the determination of the amount of additional tax on such updated return section 140B was inserted in the Act.

As per this section, Interest was payable only on the difference of the assessed tax and advance tax. Further, the sub-clause (i) of the clause (a) of the said sub- section also provides advance tax which has been claimed in earlier return of income shall be taken into account for computing the amount on which the interest was to be paid.

It has been clarified that interest payable under section 234B shall be computed on an amount equal to the assessed tax as reduced by the amount of advance tax, the credit for which has been claimed in the earlier return, if any.

(WEF 01.04.2022)

➤ **Bringing the non-resident investors within the ambit of section 56(2)(viib) to eliminate the possibility of tax avoidance**

Section 56(2)(viib) of the Act, inter alia, provides that where a Private company, receives, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable to income-tax under the head ‘Income from other sources’.

Accordingly, it is proposed to include the consideration received from a non- resident also under the ambit of this clause. This will make the provision applicable for receipt of consideration for issue of shares from any person irrespective of his residency status.

(WEF 01.04.2024)

➤ **Rationalization of provisions related to the valuation of residential accommodation provided to employees**

Section 17(2) which discusses 'Perquisite' inter alia includes value of rent free accommodation or value of any concession in matters of rent provided to employees by employer.

The methodology to compute the value of rent-free accommodation is prescribed in Rule 3 of the Income-tax Rules, 1962 (the Rules), while the methodology to compute the value of any concession in the matters of rent provided to employees by the employer is prescribed in the Explanations to the clause (2) of section 17.

It is proposed to take the power of prescription of the method for computation of the value of rent-free accommodation provided to the assessee by his employer and the value of any accommodation provided to the assessee by his employer at a concessional rate.

It is provided that accommodation shall be deemed to have been provided at a concessional rate if the value of the accommodation computed in the prescribed manner exceeds the rent recoverable from, or payable by, the assessee.

(WEF 01.04.2024)

➤ **Specifying time limit for bringing consideration against export proceeds into India**

It is proposed to provide that no deduction under the said section shall be allowed to an assessee who does not furnish a return of income on or before the due date specified under sub-section (1) of section 139.

It is also proposed to provide that the deduction under section 10AA of the Act shall be available for such unit, if the proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, within such further period as the competent authority i.e. RBI or such authority as is authorized under any law for time being in force for regulating payments and dealing in forex may allow in this behalf.

Further it is provided that if Export proceeds are credited to a separate bank account maintained for the purpose by the assessee in any bank outside India with the approval of RBI then it shall be deemed to be received in India

Further, it is also proposed to make consequential amendment in sub-section (11A) of section 155 of the Act, to insert section 10AA to allow the Assessing Officer to amend the assessment order later where the export earning is realized in India after the permitted period.

(WEF 01.04.2024)

➤ **Non-Banking Financial Company (NBFC) categorization**

Section 43B and section 43D of the Act currently use two erstwhile categories of NBFC namely, Deposit taking Non-Banking Financial Company and Systemically Important Non-Deposit taking

Non-Banking Financial Company. Such classification for non-banking financial companies is no longer followed by the Reserve Bank of India for the purposes of asset classification.

In view of the above, it is proposed to amend section 43B and section 43D of the Act, to substitute the words, “a deposit taking non-banking financial company or systemically important non-deposit taking non-banking financial company”, for the words “such class of non-banking financial companies as may be notified by the Central Government in the Official Gazette in this behalf”.

(WEF 01.04.2024)

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

Section 28 of the Act provides for income that shall be chargeable to income-tax under the head “Profits and gains of business or profession”. Clause (iv) of this section brings to chargeability the value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession. Therefore, the intention of the legislation while introducing this provision was also to include benefit or perquisite whether in cash or in kind. However, Courts have interpreted that if the benefit or perquisite are in cash, it is not covered within the scope of this clause of section 28 of the Act.

In order to align the provision with the intention of legislature, it is proposed to amend clause (iv) of section 28 of the Act to clarify that provisions of said clause also applies to cases where benefit or perquisite provided is in cash or in kind or partly in cash and partly in kind. Applicable from 1st April, 2024 and will accordingly apply to the assessment year 2024-2025 and subsequent assessment years.

Section 194R (1) of said section provides for tax deduction at source at the rate of 10% of the value or aggregate of value of such benefit or perquisite. The responsibility of tax deduction at source has been fixed on a person who is responsible for providing to a resident any benefit or perquisite, whether convertible into money or not, arising from a business or the exercise of a profession by such resident.

Accordingly, it is proposed to clarify by way of insertion of an Explanation to section 194R of the Act to provide that provisions of sub-section (1) apply to benefit or perquisite whether in cash or in kind or partly in cash and partly in kind.

(WEF 01.04.2023)



➤ **Rationalisation of the provisions of Charitable Trust and Institutions**

Existing Provisions	Proposed Provisions
<b>2. Depositing back of corpus and repayment of loans or borrowings</b>	
As per section 10(23C) and section 11 when loan or borrowing is repaid from income of the previous year ,such repayment shall be allowed as application in the previous year in which it is repaid to the extent of such repayment.	As per section 10(23C) and section 11 application out of corpus or loan or borrowing before 01.04.2021 should not be allowed as application for charitable or religious purpose.
As per section 10(23C) and section 11 if the expenditure is made from a corpus fund it shall not be treated as application for charitable purpose in the year of expenditure. However, it shall be allowed as an application in the year such amount is replenished back to the corpus of such trust/institution.	As per section 10(23C) and section 11 if the expenditure is made from a corpus fund, it shall be treated as application for charitable purpose in the year of replenishment only if such investment or deposit is made back within a period of five years to the corpus from the end of previous year in which such application was made from the corpus.
if the expenditure is made by taking a loan or borrowing by the trust/institution it shall not be treated as application for charitable purpose in the year of expenditure. However, it shall be allowed as an application in the year such amount is loan or borrowing is returned to such trust/institution.	As per section 10(23C) and section 11 if the expenditure is made by taking a loan or borrowing by the trust/institution, it shall be treated as application for charitable purpose in the year of repayment only if such loan or borrowing is repaid back within a period of five years from the end of previous year in which such loan or borrowing was taken.
<b>3.Treatment of Donation to Other Trusts</b>	
Currently any voluntary contribution by registered fund or institution under 10(23)(c) or under section 11 to any other such similar fund or trust or institution is allowed as an application of income fully	Any voluntary contribution by registered fund or institution under 10(23)(c) or under section 11 to any other such similar fund or trust or institution is allowed as an application only to the extent of 85% of the voluntary contribution made by it.
Section 10(46) of the act provides exemption to any specified income arising to a body or authority or board or trust or commission or a class thereof which -: a) Has been established or constituted by or under a Central, State or provincial Act or constituted by Central Government or State Government, with the	This section shall apply to all cases except those which are specifically excluded by a new proposed section 10 (46)A, which is reproduced herein: -: a) Has been established or constituted by or under a Central, State or provincial Act or

<p>object of regulating or administering any activity for the benefit of General Public;</p> <p>b) Is not engaged in any commercial activity</p> <p>c) Is notified by Central Government in the Official Gazette for the purpose of this clause</p>	<p>constituted by Central Government or State Government, with the object of regulating or administering any of the following activity for the benefit of General Public.</p> <ol style="list-style-type: none"> <li>1. dealing with and satisfying the need for housing accommodation</li> <li>2. planning, development or improvement of cities, towns and villages</li> <li>3. regulating, or regulating and developing, any activity for the benefit of the general public; or</li> <li>4. regulating any matter, for the benefit of the general public, arising out of the object for which it has been created</li> </ol>
<b>4. Combining provisional and regular registration in some cases</b>	
New trusts under both regimes and under 80G need to apply for provisional registration/approval at least one month prior to the commencement of the previous year which will be valid for 3 years	The trust are now allowed to make provisional application only before the commencement of activities under 10(23C), 12A and 80G.
Provisionally registered/approved trust under both regimes and 80G will again need to apply for regular registration at least 6 months prior to the expiry of the provisional registration which will be valid for 5 years.	The trust shall be allowed to make an application for a regular approval under 10(23C), 12A and 80G if they have commenced their activities before making the application.
<b>6. Specified violations under section 12AB and fifteenth proviso to clause (23C) of section 10</b>	
Currently the approval of the application for registration under section 12AB of the act vide form no 10A is an automated process.	The provision is being amended to ensure that if any documents or information submitted during the application is found to be inaccurate or false, then the Principal Officer may cancel the registration.
<b>7. Trusts or institutions not filing the application in certain cases</b>	
<p>All existing trusts are required to apply for re-registration/approval on or before 31-01-2021 (which was extended to 25-11-2022). Such registration shall be applicable for a period of 5 years.</p> <ul style="list-style-type: none"> <li>• new trusts under first/second regime are required to apply for registration one</li> </ul>	If any trust fails to make an application for renewal in accordance with Sec. 10(23C) or under section 12 AB within the specified period i.e six months prior to the completion of 5 years in case of regular registration or 3 years in case of provisionally registered trust, then, it shall be deemed to have been converted into

<p>month prior to commencement of PY of the relevant FY, such registration will be valid for 3 years,</p> <p>the time limit in the case of provisionally registered/approved trusts is six months before the six months before the expiry of registration gets expired or within 6 months from the commencement of activities whichever is lower</p>	<p>any form not eligible for registration or approval in the previous year in which such period expires, and the penal provisions as mentioned in section 115TD,TE,TF shall be applicable.</p> <p>Moreover, it is further provided that principal officer or the trustee of the trust shall also be liable to pay tax on accreted income within 14 days from the end of relevant previous year. Further, it is provided that the date of conversion shall be deemed to be last date of making an application for registration under Sec. 12AB and Sec. 10(23C).</p>
<b>8.Alignment of the time limit for furnishing the form for accumulation of income and tax audit report</b>	
<p>Accumulation of income for a period of 5 years (form 10) and application of income in any other cases (form 9A) are required to be filed at least one month prior to the due date as specified by section 139(1) i.e by 30th September.</p>	<p>IT is now proposed that accumulation of income for a period of 5 years (form 10) and application of income in any other cases (form 9A) are required to be filed at least one month prior to the due date as specified by section 139(1) i.e by 31st August.</p>
<b>9. Denial of exemption where return of income is not furnished within time</b>	
<p>As per the existing provision if return of Income is not furnished by trust under first regime within time specified under section 139 of the Act exemption under section 10(23C) (iv)/(v)/(vi)/(via), Section 11 and 12 shall not be available to such trust.</p>	<p>It is proposed that above exemption shall be available if return of Income has been furnished up to due date as mentioned under section 139(1) and 139(4) only.</p>

➤ **Removal of certain funds from section 80G**

As per Section 80G of the Act, inter alia, provides for the procedure for granting approval to certain institutions and funds receiving donation and any sum paid by the assessee in the previous year as donations is allowed as a deduction to an extent of 50 per cent/100% of the amount so donated.

It is proposed to omit sub-clauses (ii), (iiic) and (iiid) of clause (a) of sub-section (2) of section 80G of the Act that is Jawaharlal Nehru memorial fund, The Indira Gandhi memorial trust, The Rajiv Gandhi Foundation.

(WEF 01.04.2024)

➤ **Omission of redundant provisions related to roll back of exemption**

Second, third and fourth proviso to sub-section (2) of section 12A of the Act have become redundant after the amendment of section 12AB of the Act and hence it is proposed to omitted.

(WEF 01.04.2023)

➤ **Set off and withholding of refunds in certain cases**

As per Section 241A where a refund becomes due to an assessee under section 143(1) and notice is issued to him, the Assessing Officer (AO) may withhold such refund if he is of the opinion that the grant of refund is likely to adversely affect the revenue.

As per Section 245 of the Act where refund is found to be due to any person under any provisions of the Act, the AO may, in lieu of payment, set off part or whole of the refund against any sum remaining payable by such person, after giving him an intimation in writing regarding the proposed action.

It is proposed to integrate the two sections by substituting section 245, so as to provide that where under any of the provisions of this Act, a refund is due to any person, the Assessing Officer, may, in lieu of payment of the refund, set off the amount to be refunded or any part of that amount, against any sum remaining payable under this Act by the person to whom the refund is due.

It is also proposed to provide that where no amount is set off, and refund becomes due to a person, then, the Assessing Officer may withhold the refund till the date on which such assessment or reassessment is made. It is also proposed to amend section 241A to make the provisions inapplicable from 1st April, 2023.

Due to the amendments proposed under section 245 it is proposed to amend sub-section (1A) of section 244A by inserting a proviso that in case of an assessee where proceedings for assessment or reassessment are pending, the additional interest shall not be payable to the assessee, for the period beginning from the date on which such refund is withheld by the Assessing Officer, till the date on which the assessment or reassessment pending in such case, is made and it shall not impact the existing position with regard to all other types of interest, except additional interest under sub-section (1A) of section 244A.

(WEF 01.04.2023)

### **(G) Other Provisions**

➤ **Omission of certain redundant provisions of the Act**

In order to remove the redundant provisions from the Act, it is proposed to omit section 88 and section 10 Clauses (23BBF), (23EB), (26A), (41) and (49) from the Act.

(WEF 01.04.2023)

➤ **Extension of exemption to Specified Undertaking of Unit Trust of India (SUUTI) and providing for alternative mechanism for vacation of office of the Administrator.**

As per sub-section (1) of section 13 of the UTI Repeal Act, 2002, SUUTI has been exempted from payment of income-tax up to 31.03.2023. Further, it provides that the Administrator, SUUTI shall vacate its office only on the redemption of all the schemes.

It has been represented that SUUTI has been continuously working for payment of investors' dues through redemption which may at current take indefinite time. Further, the work pertaining to the redemption of schemes, payments of entire amounts, pending litigation etc. is expected to extend beyond the time limit till which the income-tax exemption has been provided.

In view of the above, it is proposed amend the UTI Repeal Act, 2002, by way of amendment of, -

- Sub-section (1) of section 8, SUUTI shall immediately on redemption of all the schemes of the specified undertaking and the payment of entire amount to investors or from the date as may be notified by the Central Government in the Official Gazette, whichever is earlier, vacate his office;
- Sub –section (1) of section 13, so as to provide that notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961) or any other enactment for the time being in force relating to tax or income, profits or gains, no income-tax or any other tax shall be payable by the Administrator in relation to the specified undertaking till the period ending on the 30th day of September, 2023 in respect of any income, profits or gains derived, or any amount received in relation to the specified undertaking.

(WEF 01.04.2023)

➤ **Decriminalisation of section 276A of the Act**

Section 276A provides for prosecution of liquidator for non-compliance with section 178. It also imposes personal liability on such liquidator for the same non- compliance. Further, with the operationalisation of the Insolvency and Bankruptcy Code, 2016 (IBC), waterfall mechanism for payment of dues is now in place for companies under liquidation. Hence, it is proposed that no fresh prosecution shall be launched under this section on or after 1st April, 2023. The earlier prosecutions will however continue.

(WEF 01.04.2023)

**INDIRECT TAX PROVISIONS**

**Goods & Services Tax**

**Amendments in the CGST ACT, 2017:**

- **Supplier of Goods through E-Commerce Operator are now allowed to get themselves registered under Composition Scheme (Section 10)**

As per proposed amendment supplier of goods selling through e-commerce operator are now allowed to register themselves under the composition scheme.

- **Reversal of ITC in case on non-payment up to 180 days (Section 16)**

In case if payment is not made to the supplier by the recipient within 180 days, then ITC for the same should be reversed and the same is required to be paid by the recipient along with interest as per Section 50 i.e., 24% p.a.

However, when the payment for the same is made by the recipient to the supplier then the ITC for the same can be claimed at the time of such payment.

(WEF 01.04.2023)

- **Definition of Exempt Supply for proportionate reversal of ITC (Section 17(3))**

As per proposed amendment, the term “Exempt supply” will now only include the following activities or transactions mention in Schedule III of the CGST act:

- i. Sale of land and building after obtaining Completion Certificate (Para. 5).
- ii. Supply of warehoused goods to any person before clearance for home consumption (Para. 8(a)) (high sea sale).

(WEF 01.04.2023)

- **New Clause inserted in the list of Blocked Credit (Section 17(5) (fa))**

As per proposed amendment, a person registered under GST act cannot claim Input Tax Credit (ITC) for goods or services used for supply of goods or services or both for fulfilling its Corporate Social Responsibility (CSR) obligations under the Companies Act, 2013.

(WEF 01.04.2023)

➤ **Section 23 will prevail over section 22 & section 24 (Section 23)**

As per proposed amendment, the following person shall not be liable for GST registration irrespective of the provisions of section 23 & section 24, this is applicable retrospectively.

Any other person as notified by the government, subject to certain conditions and restrictions as may be specified may not require to be registered under any of the GST Acts.

(WEF 01.07.2017)

➤ **Time limit for filing GSTR – 1 (details of outward supply) (Section 37)**

As per proposed amendment, a registered person will not be allowed to file his GSTR – 1 after the expiry of a period of 3 years from the due date of furnishing the return, unless a different deadline has been notified.

(WEF 01.04.2023)

➤ **Time limit for filing GSTR – 3B (inward and outward supply, ITC claimed, Tax payable including under RCM) (Section 39)**

As per proposed amendment, a registered person will not be allowed to file his GSTR – 3B after the expiry of a period of 3 years from the due date of furnishing the return, unless a different deadline has been notified.

(WEF 01.04.2023)

➤ **Time limit for filing GSTR – 9 (Annual return) (Section 44)**

As per proposed amendment, a registered person will not be allowed to file his GSTR – 9 after the expiry of a period of 3 years from the due date of furnishing the return, unless a different deadline has been notified.

(WEF 01.04.2023)

➤ **Time limit for filing GSTR – 8 (tax collected at source by e-commerce operator) (Section 52)**

As per proposed amendment, a registered person will not be allowed to file his GSTR – 9 after the expiry of a period of 3 years from the due date of furnishing the return, unless a different deadline has been notified.

(WEF 01.04.2023)

➤ **ITC refund on provisional basis by proper officer Including ITC provisionally accepted (Section 54)**

This section is being amended to ensure that the Proper Officer will now provisionally allow ninety per cent of the claim of refund of the total Input Tax Credit (GSTR -2B) so claimed.

(WEF 01.04.2023)

➤ **Interest on delayed refunds (Section 56)**

If the refund as ordered by the tribunal has been delayed than the interest on delay of refund will be calculated for the period beyond 60 days till the date of refund, in such a manner as may be prescribed subject to such conditions and restrictions.

(WEF 01.04.2023)

➤ **Penalty for E-commerce Operator (Section 122)**

A new sub-section (1A) has been inserted to penalize E-commerce operator if they allow the following transactions through them:

- i. Supply of goods & services on behalf of unregistered person
- ii. Interstate Supplies of goods & services on behalf of Composition Dealer
- iii. Fails to furnish statement u/s 52(4) (GSTR - 8) i.e. return to be filed by the e-commerce operators who are required to deduct TCS (Tax Collected at Source)

Penalty applicable for above 3 scenarios will be INR 10,000 or tax involved, whichever is higher.

(WEF 01.04.2023)

➤ **Decriminalization of offences (Section 132)**

The following offences are no longer considered criminal offence under the relevant Section:

- i. Obstructing an Officer from performing his duty under the Act.
- ii. Tamper or destroys any important evidence or documents.
- iii. Fails to supply any required information or supplies false information.

Furthermore, Imprisonment up to one year along with fine shall be applicable only if the person who is supplier of goods or services or both has evaded tax or wrongfully availed ITC using fake invoices subject to minimum limit of INR 1 Cr.

(WEF 01.04.2023)



➤ **Compounding fees (Section 138)**

Compounding fees earlier was minimum amount being “higher of INR 10000 or 50% of tax” and maximum amount being “higher of INR 30000 or 150% of tax” has now been changed to “higher of 25% of tax or 100% of tax”.

However, if a person who is supplier of goods or services or both is caught issuing fake invoices or claiming ITC wrongfully then such offence cannot be compounded.

(WEF 01.04.2023)

➤ **Complete information available at a common portal (Section 158A)**

The Government may after taking consent of the supplier of goods or services or both share their information mentioned in REG-01, GSTR-1, E-Invoicing & E-Way Bill on a common portal with such other systems, as may be prescribed and notified.

However, the government or the above-mentioned common portal shall not be liable for any consequence arising out of the sharing of the above information there shall be no impact the tax liability payable.

(WEF 01.04.2023)

➤ **The following transactions will have retrospective effect (Schedule III)**

The following activities/transactions mentioned in Schedule III will be deemed to be in existence right from 1<sup>st</sup> July 2017 (retrospectively):

- i. Supply of goods from non-taxable territory to another non-taxable territory, without such goods entering into India [Merchant trading] (Para. 7).
- ii. Sale from Custom Bonded Warehouse (Para 8(a)).
- iii. High Seas Sale (Para (8b)).

In case if the tax on any of the above transaction is already paid then such tax will not be refundable, but if any tax was required to be paid before the amendment, then the person is no longer liable to pay it.

(WEF 01.07.2017)

**Amendments in the IGST ACT, 2017:**

- **Amendment to the place of supply in case of supply of services by way of transportation of goods, including by mail or courier (Section 12(8))**

For Services by way of transportation of goods, including by mail or courier.

If a supply is made to a person who is not registered under GST, the location of the supplier of services will be considered as the place of supply whether in India or otherwise. If the recipient is registered under GST than the place of supply will be location of such person whether in India or otherwise.

Note: The Proviso for Section 12(8) has been omitted.

(WEF 01.04.2023)



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