ia³
Enable • Optimize • Transform

nexdigm

SKP

Balance. Bolster. Boost.

Union Budget 2022-23

www.nexdigm.com

Table of Contents

Foreword

Last year was particularly challenging and tested India's tenacity on several fronts, including healthcare, economic challenges, logistics gaps, and businesses on the verge of collapse. It was the nation's perseverance to combat these and emerge fortified with resilience that was reflected in the overall sharp rebound and recovery of the economy.

India's economic growth in the current year is estimated to be 9.2%, the highest among all large economies. With a robust and detailed vaccination rollout plan, India is successfully controlling and managing the spread of COVID-19, especially post the second wave.

Despite the pandemic's shadow on Budget 2022, the theme of strategic intent was certainly echoed. Hon'ble Finance Minister (FM) Nirmala Sitharaman unveiled her plan for the AmritKaal of India's economy. The FM defined further steps for AtmaNirbhar Bharat (Self-reliant India), which has the potential to generate approximately 6 million jobs. With a slew of progressive initiatives, the FM affirmed a booster shot to the economy for a 'Naya Bharat' (New India).

The Budget seeks to lay the foundation and give a blueprint to steer the economy over the AmritKaal of the next 25 years – from independent India at 75 to independent India at 100. It builds on fundamental tenets, including transparency of financial statements and fiscal position, reflecting the government's intent and strengths. The goals for AmritKaal complement the macro-economic level growth focus with a micro-economic level all-inclusive welfare focus, promoting the digital economy and fintech, technology-enabled development, energy transition, and climate action. With a vision to provide an impetus for growth, the Budget laid down four priorities, namely:

- PM Gati Shakti (National Master Plan for Multi-modal Connectivity)
- Inclusive Development
- Productivity Enhancement and Investment, Sunrise Opportunities, Energy Transition, and Climate Action
- Financing of Investments

Apart from growth, the Union Budget had a definite undertone of increased digitalization in every aspect. From the proposal to introduce a 'Digital Rupee,' financial support and rapid adoption of digital banking and payments, to developing an open platform for the National Digital Health Ecosystem, the government plans to bridge gaps with IT-backed platforms.

The direct tax arena included several provisions that were proposed including, introducing a new 'Updated return,' taxation of virtual digital assets, and incentives for newly incorporated manufacturing entities under the concessional tax regime, among others, to establish a trustworthy tax regime. These measures will further simplify the tax system, promote voluntary compliance by taxpayers, and reduce litigation.

On the indirect tax front, certain reforms in Customs Administration of SEZs, a review of Customs exemptions and tariff simplification, and exemptions for incentivizing exports were proposed.

The Union Budget 2022 offers an optimistic overview with certain bold reforms to optimize resources. There is a distinct impression of nurturing growth through public investment to become stronger and more sustainable. After battling the darkness of the pandemic for two years, Budget 2022 may prove to be a new dawn. Despite the ambitious plan, India may just overcome the economic hardships by balancing its capital expenditure, bolstering businesses, and boosting the overall economy.

Back

Contents

Next

02

Economic Overview

Economic Overview

GDP Growth

- The Union Budget announcement and the Economic Survey estimates a growth rate of 8-8.5% for the upcoming Financial Year (FY) 2022-23 after an initial contraction of 7.3% during 2021-22.
- Global Gross Domestic Product (GDP) growth is expected to slow down with growth of 4.1% expected in 2022 as compared to 5.5% in 2021.
- While the health impact during Q1 at the peak of second wave was severe, the economy was relatively less impacted despite phased lockdowns.

Index of Industrial Production (IIP)

- The pandemic's influence on the industrial sector is represented through a negative growth rate of 8.4% in 2020-21. The IIP increased by 17.4% from April to November 2021-22, compared to 15.3% negative growth in the same period during the previous year.
- The Purchasing Managers' Index (PMI) fell to below 50 points during the second wave. It has since recovered with consistently higher levels since November 2021.

Inflation

- The Consumer Price Index (CPI) regained stability as it reduced to 5.2% in 2021-22 as compared to 6.6% in 2020-21. This moderate inflation was due to the energy crisis, non-food commodity prices, and disrupted global logistics and supply chains. However, a recovery was made due to the easing inflation of food items
- Wholesale Price Index (WPI) jumped to double digits in comparison to last year, growing from negative 0.1% to nearly 14% in 2021-22 majorly due to fuel prices and container shortages.

Trade

- India's goods exports fell by 7.5% in 2020-21, while services exports fell by 3.3% (YoY). The impact was most severe in travel exports, which decreased by over 72% in 2020-21.
- In April - December 2021, India's merchandise exports totaled USD 299.74 billion, up 48.85% from USD 201.37 billion in April - December 2020 and up 25.80% from USD 238.27 billion in April - December 2019.
- India imported commodities worth USD 291.8 billion in FY 2020-21 and USD 265.7 Billion in FY 2021-22 (April - November). On the other hand, India exported commodities worth USD 394 billion in FY 2020-21 and USD 381.4 billion in FY 2021-22 (April - November).
- The most exported and imported commodities are similar with key commodities being mineral fuels/mineral oils and products thereof; natural or cultured pearls as well as precious and semi-precious stones; nuclear reactors, boilers and their machinery/mechanical appliances; iron and steel; and organic chemicals.

Back
Next

Economic Overview

- Top 5 countries exported to are USA, UAE, China, Bangladesh, and Hong Kong. The Top 5 countries imported from are China, UAE, USA, Saudi Arabia, and Iraq.

Fiscal Deficit

- Fiscal Deficit and government debt rose in 2020-21 due to focus on healthcare expenditure and economic bailouts. Government revenues have recovered strongly as revenue receipts have grown to close to 67.2% as compared to the 9.6% Budget Estimates for the year.
- Fiscal Deficit of the Central Government as of November 2021 stood at 46.2% of Budget Estimates compared to 135.1% in 2020-21 and 114.8% during the same period in 2019-20. This is nearly one-third of the proportion of the last two years.
- Fiscal Deficit has been pegged at 6.4% of GDP for FY 2022-23.
- As per Budget Estimates of 2021-22, Fiscal deficit is equivalent to 10.2% of the GDP.
- By 2025-26, the Budget proposes a Fiscal Deficit of 4.5% of GDP. States will be permitted to have a Budget Deficit of 4% of GDP in FY 2022-23. The revenue shortfall is expected to be 3.8% of GDP in FY 2022-23.

Foreign Investment

- In FY 2020-21, India received its highest-ever annual FDI inflow of USD 81.97 billion (provisional), up 10% from the previous year.
- The rise comes on the heels of a 20% increase in 2019-20. In the first six months of 2021-22, FDI inflows increased by 4% to USD 42.86 billion, compared to USD 41.37 billion in the same time previous year.

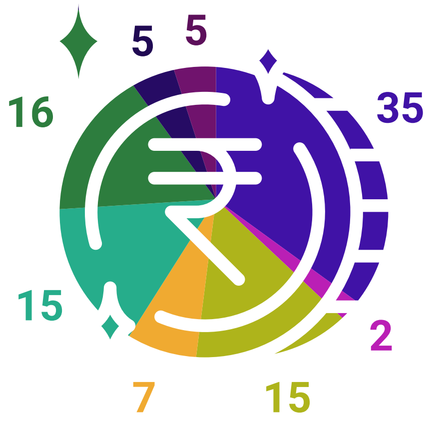
Foreign Exchange Reserve and External Debt

- India's foreign exchange reserves stood at USD 634 billion in December 2021. This is a new all-time high for the country and stands greater than the country's external debt. External debt recorded at September 2021 was estimated to be USD 593 billion.
- According to Economic Survey 2021-22, the combination of large foreign exchange reserves, continued foreign direct investments, and increasing export profits would lead to an improvement in external vulnerability indicators. This means that India's external sector showcases signs of high resilience.

Economic Overview

RUPEE COMES FROM

- Borrowings and other Liabilities
- Non Debt Capital Receipts
- Income Tax
- Union Excise Duties
- Corporation
- GST
- Customs
- Non Tax Revenue



RUPEE GOES TO

- Centrally Sponsored Schemes
- Pensions
- Other Expenditure
- Central Sector Schemes
- Finance Commission and Other Transfers
- States' Share of Taxes and Duties
- Interest Payments
- Defence
- Subsidies

03
Key Direct Tax Proposals

Back

Next

Key Direct Tax Proposals

Tax Rates

No change in corporate and personal income tax rates

- The Budget has not proposed any change in corporate and personal income tax rates.

Reduction in surcharge on long-term capital gains

- Under the existing regime, long-term capital gains arising on transfer of assets other than listed equity shares, units, etc., are subject to a graded surcharge as high as 37%.
- It is proposed to cap the surcharge on long-term capital gains arising on the transfer of any asset at the rate of 15%.

Rationalization of surcharge for Association of Persons (AOP)

- Under the existing regime, the members of an AOP suffer a graded surcharge of up to 37%.
- Considering the members of the consortium are mainly companies, it is proposed that for AOPs consisting of only companies as its members, the rate of surcharge will be capped at 15%.

Tax Compliances and Litigation

Promoting voluntary filing of Updated Return

- In current times, a robust pool of data is available with the tax authorities. It is noticed that a number of taxpayers do not provide complete information at the time of filing the return. With the intent to reduce litigation, it is proposed to allow the taxpayer to file an updated return of income within twenty-four months from the end of the relevant assessment year on payment of additional tax.
- It is also proposed that such updated returns cannot be filed to increase the loss or reduce the tax liability of returns filed earlier. The new scheme also provides for certain exceptional cases where such an updated return cannot be filed.
- The additional tax is proposed to be computed as under:
  - Additional tax shall be 25% of aggregate tax and interest payable if the updated return is filed within 12 months.
  - Additional tax shall be 50% of aggregate tax and interest payable if the updated return is filed in the subsequent 12 months.
- This amendment is proposed to take effect from FY 2021-22.

Our Comments

The proposed new law provides a window of two years to disclose the income if not offered to tax, in order to reduce litigations. While there are no penal consequences, taxpayers will be required to pay the additional tax prescribed. It will be interesting to see taxpayers' responses since the provisions do not allow filing of updated returns in order to increase the loss or reduce the tax liability.

Key Direct Tax Proposals

Reduced repetitive litigation

- In an endeavor to reduce repetitive litigation, a new procedure is proposed to be laid down for matters having a common question of law.
- Under the procedure, in case a matter is decided in favor of the taxpayer, and there are litigations pending before the higher authorities, the decision of whether or not the matters have an identical question of law will need to be decided by a collegium (comprising of 2 or more Chief Commissioners or Principal Commissioners or Commissioners) who will also intimate the Principal Commissioners or Commissioners not to file an appeal before an Appellate Tribunal, or High Court.
- The decision on deferment will be subject to the acceptance by the taxpayer that the question of the law, in its case, is identical to the question in another case.
- Based on the above, the tax officer will be required to make an application to the higher appellate authorities (depending on where the appeal needs to be filed) within the prescribed time, stating that an appeal on the question of law arising in the relevant case may be filed when the decision on such question of the law becomes final.

Our Comments

A similar provision is on the statute book even today. However, the decision of whether or not the issue is a question of law or not is now decided by a single person as compared too the proposition of a collegium.

Time limit in relation to order of Dispute Resolution Committee (DRC) rationalized

- Last year, the Finance Act 2021 introduced new provisions constituting DRC for specified persons who may opt for dispute resolution through this committee in relation to specified orders passed by the tax officer.
- On the resolution of the dispute by DRC, the income needs to be assessed, and a demand notice is required to be issued along with the initiation of penalty proceedings, if applicable.
- As on date, there is no provision to enable the tax officer to pass an order giving effect to the order of DRC.
- It is now proposed to amend the provision to enable the tax officer to pass an order in conformity with the order of DRC within one month from the end of the month in which the order of DRC is received.
- This amendment is proposed to be effective from 1 April 2022.

Key Direct Tax Proposals

Surcharge and Education Cess

- Recently, various courts have held that surcharge and education cess paid by the taxpayers is an allowable deduction while computing income under the head profits and gains from business and profession.
- In the Finance Bill, it is clarified that surcharge and cess are akin to tax, and accordingly, not allowable as a deduction in the hands of the taxpayers.
- This amendment is proposed to take effect retrospectively from FY 2004-05.

Business reorganization

- The process of business reorganization is a lengthy one without any timelines. During the interim period, although the predecessor entity ceases to exist, the assessment or other pending proceedings are completed on the predecessor.
- Once the reorganization process is complete, the final accounts, returns, etc., need to be revised.
- Furthermore, instances have been found where the competent authorities, as a part of the restructuring process, recast the entire liability to ensure the future viability of such sick entities and, in the process, modify the demand created vide various proceedings in the past by the Income Tax department, amongst other things.
- Currently, no procedure or mechanism is provided to carry out the above activities, including reducing such demands from the outstanding demand register.
- To remove this hardship to the taxpayer, it is proposed to insert a new Section enabling the tax officer to give effect to the orders of the competent authority and to modify such demands in accordance with such directions.
- These amendments are proposed to be effective from 1 April 2022.

Clarification on the disallowance of expenditure incurred for earning exempt income

- Various courts have held that expenditure incurred for earning exempt income is not to be disallowed if the taxpayer has not earned exempt income during the year.
- In order to clarify the legislative intent, it is proposed that any expenditure incurred for earning exempt income will not be allowed as a deduction irrespective of whether the assessee has actually earned the exempt income during the previous year.
- This amendment is proposed to take effect from FY 2021-22.

Disallowance of expenses prohibited by any law or expenses incurred for offenses

- Though the existing regime does not allow for a deduction of expenses that are prohibited by any law or expenses incurred for offenses, taxpayers have been claiming deductions of such expenses based on various judicial precedents.

Key Direct Tax Proposals

- In order to clarify the legislative intent, it is proposed to disallow expenditure incurred for any purpose being an offense or prohibited by law in or outside India.
- This amendment is proposed to take effect from FY 2021-22.

Allowability of Interest on actual payment

- Under the existing regime, deduction of interest on any loan or borrowing from financial institutions, including Non-bank Financial Companies (NBFCs) and scheduled and co-operative banks, is allowed only on a payment basis. However, there are certain judicial pronouncements where the courts have held that conversion of the amount of interest into debentures or any other instrument can be considered as payment and thus allowable.
- In order to clarify the legislative intent, it is proposed that conversion of interest into debenture or any other instrument cannot be deemed to be actual payment and thus will not be allowable.
- This amendment is proposed to take effect from FY 2022-23.

Interest computation for failure to deduct, collect or pay tax

- As per the existing provisions, any person who has defaulted in deduction or payment of withholding tax or defaulted in the collection of tax or payment of tax is liable to pay interest as specified under the Income Tax Act (ITA).
- In order to make the provision more clear and free from any ambiguity, it is proposed that where the tax officer passes an order for default of Tax Deducted at Source (TDS) or tax collection, the taxpayer would be liable to pay interest as per the order passed by the tax officer.
- This amendment is proposed to be effective from 1 April 2022.

Socio-Economic Welfare Measures

Extension of the last date for commencement of manufacturing or production to avail concessional rate

- Under the existing regime, a concessional tax rate of 15% for new domestic manufacturing companies is available if such a company commences manufacturing or production on or before 31 March 2023.
- In order to provide relief to companies who could not commence manufacturing or production due to the pandemic, it is proposed to extend the last date for commencement of manufacturing or production from 31 March 2023 to 31 March 2024.

Extension of date of incorporation for eligible start-ups for exemption

- Under the existing regime, 100% deduction is allowed by an eligible start-up for 3 consecutive years out of 10 years at the option of the assessee. This is subject to the satisfaction of conditions laid down, which inter-alia includes being incorporated before 1 April 2022.
- In order to promote eligible start-ups, it is proposed to extend the requirement of the deadline date of incorporation to 1 April 2023.

Key Direct Tax Proposals

Rationalizing provisions for State Government employees

- Under the current regime, any contribution by the Central Government or any other employer was allowed as a deduction to taxpayers if it did not exceed 14% of salary in the case of Central Government or 10% in the case of State Government employers.
- In order to rationalize the provision and provide similar deduction to the employees of State Governments, it is proposed enhance the limit of deduction from the existing 10% to 14% in respect of contributions made by the State Governments to the account of its employee.
- This amendment is proposed to apply retrospectively from FY 2020-21.

New tax relief in respect of disabled persons

- Under the existing regime, a deduction is allowed in respect of expenditure for medical treatment of a dependent with disability or amount paid to LIC for maintenance of dependent on the death of the taxpayer, subject to prescribed conditions.
- In order to remove genuine hardship, it is proposed to now allow the deduction on payment of the annuity or lump sum amount even in the event of the taxpayer attaining the age of 60 years. Furthermore, the amount of annuity or lump sum received by the dependent before the taxpayer's death is not considered as the taxpayer's income.
- This amendment is proposed to be effective from FY 2022-23.

Facilitating strategic disinvestment of public sector companies

- Under the current regime, the carry forward of losses is not allowed when the change in shareholding is more than 51%. There are, however, certain exceptions provided under the regime.
- With a view of facilitating the strategic disinvestment of public sector companies, it is proposed to extend the benefit of carry forward of loss in case of disinvestment of public sector companies provided the 51% criteria of the voting power is met at the ultimate holding company level.

Widening and Deepening the Tax Base

Rationalization of provisions of tax deduction for non-filers

- Under the current regime, there are special provisions for deduction of tax at higher rates in the case of non-filers of income tax returns.
- The existing provisions are applicable to:
  - any person who has not filed the returns of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year, in which tax is required to be deducted and the time limit of filing return of income has expired; and
  - the aggregate of tax deducted at source and Tax Collected at Source (TCS), in this case, INR 50,000 or more in each of these two previous years.
- It is proposed to reduce the two-year requirement to one year.

Key Direct Tax Proposals

- Furthermore, it is also proposed that these penal provisions will not apply in relation to transactions of sale of immovable property, payment of rent by the individual or Hindu Undivided Family (HUF), payment of any other sum in nature of the contract, professional fees or brokerage or commission where tax is required to be deducted as per other provisions of the ITA.
- Similar amendments are proposed in the case of tax collection provisions as well.
- This amendment is proposed to be effective from 1 April 2022.

Rationalization of provisions of TDS on sale of immovable property

- Under the current regime, tax at the rate of 1% is required to be deducted on the amount of consideration exceeding or equal to INR 5 million paid by the transferee to the transferor of certain immovable property other than agriculture land.
- It is now proposed that tax is required to be deducted on the sum paid by the transferee or stamp duty value of such property, whichever is higher. Furthermore, in case consideration paid for the transfer of immovable property and the stamp duty value of such property are both less than INR 5 million, then no tax is required to be deducted.
- It is further proposed that stamp duty value means the value adopted or assessed by the government authorities for stamp duty purposes in respect of an immovable property.
- This amendment is proposed to be effective from 1 April 2022.

TDS on benefit or perquisite of a business or profession

- As per the existing income tax provisions, the value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of a profession, is charged as business income in the hands of the recipient of such benefit or perquisite.
- In order to widen and deepen the tax base, it is proposed to insert a new section requiring taxpayers to deduct tax at source at the rate of 10% on the aggregate value of such benefits or perquisites exceeding INR 20,000 during the financial year.
- It is clarified that where the benefit or perquisite is wholly or partly in kind, the person responsible for providing such benefit or perquisites is required to ensure that appropriate tax has been paid.
- The new TDS provision is applicable to individuals or HUFs where sales receipts or turnover exceeds INR 10 million in case of business and INR 5 million in case of a profession during the immediately preceding financial year in which such benefit or perquisite is provided.
- This amendment is proposed to be effective from 1 July 2022.

Key Direct Tax Proposals

Submission of statements by producers of cinematograph films

- The existing provisions require persons engaged in the production of cinematographic films to submit a statement, in the prescribed form, containing particulars of all payments exceeding INR 50,000 to persons engaged in by him in such production.
- It is now proposed to extend the provisions to persons engaged in a specified activity as well.
- “Specified activity” for this purpose would mean any event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts, or any other activity as the Central Government may, by notification in the Official Gazette, specify in this behalf.
- The amendment is applicable from 1 April 2022.

Extending provisions of bonus and dividend stripping to securities and units

- Under the current regime, equity shares do not come under the net of bonus stripping, and similar units of Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs), or Alternative Investment Funds (AIFs) are excluded from provisions of dividend stripping.
- In order to prevent tax evasion, it is proposed to make the provisions of bonus and dividend stripping applicable to the above securities and units.
- This amendment is proposed to be effective from FY 2022-23.

Revenue Mobilization

Taxability of virtual digital assets

- Virtual digital assets or crypto currencies have attained enormous popularity and trading in such assets has increased considerably.
- A new scheme is proposed in order to tax the income arising on account of trading in such assets. The scheme proposes to charge a flat rate of 30% on the income derived without providing any deduction except the cost of acquisition.
- Furthermore, it is also proposed that the losses, if any derived from dealing in virtual digital assets, will neither be allowed to be set-off against any other income nor allowed to be carried forward in future years.
- Gifts of virtual digital assets are proposed to be taxed in the hands of the recipient.

Key Direct Tax Proposals

- In order to widen the tax base, it is also proposed to subject the transaction to withholding tax at 1% at the time of payment or credit, whichever is earlier.
- This amendment is proposed to take effect from FY 2022-23.

Our Comments

Considering the rapidly growing trading market for virtual digital assets, clarification on the taxability of such transactions was one of the most awaited agendas in the Budget. While the government has provided for the mechanism of taxing the income arising on account of such transactions, there are still a few open areas on which clarifications may be sought.

TDS on payment for the transfer of virtual asset

- It is proposed to insert a new Section requiring any person paying for the transfer of virtual digital assets to a resident to deduct tax at source at the rate of 1%.
- It is clarified that where the consideration is other than cash, the person making the payment is required to ensure that the tax is paid before making payment to the transferor.
- The provision of tax deduction will not apply:
  - Where the payer is the specified person and the value or the aggregate of such value of the consideration to a resident is less than INR 50,000 during the financial year.
  - In any other case, the value or the aggregate of such value of the consideration to a resident is less than INR 10,000 during the financial year.
- It is further clarified that where tax is deducted under this new Section, there shall be no tax deduction or collection under any other income tax provision.
- Additionally, where tax is deductible as payments made to e-commerce participants and under this Section as well, then tax will be deducted under this new Section only.
- Specified person means a person being an individual or HUF:
  - whose total sales, gross receipts, or turnover from the business carried on by him does not exceed INR 10 million (or INR 5 million in case of the profession) during the immediately preceding financial year in which such virtual digital asset is transferred; or having income under any head other than the head 'Profits and gains of business or profession'.
- This amendment is proposed to be effective from 1 July 2022.

Key Direct Tax Proposals

Withdrawal of concessional tax rate applicable to dividends received from specified foreign companies

- Under the existing regime, dividend received from specified foreign companies is taxable at 15%.
- In order to bring parity in the taxability of dividends received from a foreign company and that received from an Indian company, it is proposed to withdraw the concessional rate of 15% in case of dividends from foreign companies.
- This amendment is proposed to take effect from FY 2022-23.

Rationalization Measures

Refund of TDS borne by a person crediting income to a non-resident

- As per the existing provision of the ITA, a person who has borne and paid withholding tax on any income payable to a non-resident, other than interest, is eligible to file an appeal to the Commissioner (Appeals) for denying his liability to make such deduction and for a declaration that the tax was not deductible on such income.
- The taxpayer has no recourse to approach the tax officer to refund the taxes deducted. He has to necessarily enter into the appellate process by filing an appeal before the Commissioner (Appeals).
- A rationalization measure has been proposed for the said issue.
- The person liable to deduct tax, in such case, may file an application for a refund with the tax officer within 30 days from the date of payment of tax.
- The officer cannot reject such an application unless an opportunity of being heard is allowed to the applicant.
- Furthermore, the officer is required to complete the inquiry in this regard and pass the final order within six months from the end of the month in which the application was filed.
- The taxpayer, if not satisfied with the order passed by AO in this connection, may prefer an appeal with the Commissioner (Appeals) against the said order.
- As the amendment now enables the taxpayer to file an application with the officer, a direct appeal to the Commissioner (Appeals) will not be allowed.
- These provisions shall apply where the date of tax payment to the credit of the Central Government is on or after 1 April 2022.

Widening scope of cash credits

- Under the current regime, in case certain sums are found to be credited to the taxpayer's account, it is the taxpayer’s onus to explain the source of funds and genuineness of the transaction. Based on various judicial pronouncements, these explanations are being provided only in the case of funds received by way of share capital and not loans or borrowings.

Back

Next

Key Direct Tax Proposals

- It is now proposed to amend the law to provide that nature and source of all sums received/credited to the account, including loans or borrowings or any such amounts received by the taxpayer in order to treat the transactions as genuine.
- The amendment is proposed to be effective from FY 2022-23.

Our Comments

While the onus of proving the source of the monies borrowed could lead to undue hardships in case of genuine taxpayers, a long-drawn litigation has been put to rest by treating such transactions as unexplained.

Penalty

- Currently, the power to initiate or levy penalties in the following matters lies with the AO.
- It is proposed that in the following cases, this power is also granted to the Commissioner (Appeals):
  - Where search has been initiated
  - In respect of cash credit and unexplained investments
  - Where a person or any other person who abets a taxpayer to make a false entry or omission of an entry with an intent to evade tax liability.
- It further proposed that in case of where search is initiated after 01 April 2021, the reduced rate of penalty would apply if tax is paid before specified date. It is also proposed the specified date will include period specified in the re-assessment notice.
- It is also proposed that penalty for failure to comply with notice/ non-furnishing/deliver of statements, information, returns, statements, certificate, inspection be increased from One Hundred Rupees to Five Hundred rupees for every day during which the failure continues.
- The amendment is applicable from 01 April 2022.

Prosecution

- Prosecution proceedings are initiated against persons who have willfully failed to furnish the return of income within the due date or respond to the notice issued.
- Exceptions are currently carved out in case of taxpayers who furnish the return of income before the expiry of the assessment year.
- It is now proposed to extend a similar exception to the cases where 'updated return' is filed within the time provided under ITA.
- Currently, provisions of prosecution do not apply in case of tax collection. It is now proposed to extend the prosecution proceedings to offenses with respect to TCS and also to second and subsequent offenses on account of TCS.
- The amendment is applicable from 01 April 2022

Key Direct Tax Proposals

Rationalizing prosecution provisions

- Prosecution proceedings would be initiated against the person who has willfully failed to furnish the return of income within the due date or in response to a notice issued under the ITA. However, an exception has been carved out for taxpayer who furnish the return of income before the expiry of the assessment year.
- The exception has now been extended to cases where an 'updated return' is filed within the time provided under the Act.
- Prosecution proceedings are now extended to the offense with respect to TCS and also to second and subsequent offenses on account of TCS.
- The amendment is applicable from 1 April 2022

Faceless Assessments

- It is proposed to amend a provision relating to the faceless assessment scheme.
- The faceless assessment scheme will now cover reassessment cases. It is also proposed to do away with the Regional Faceless Assessment Centre concept.
- Furthermore, in order to reduce the disputes arising due to the use of information technology, it is proposed to omit the provision that renders assessment proceedings as void in case the specified procedure is not followed. This amendment is proposed to be retrospective in effect from 1 April 2021 onwards.
- All amendments other than the above omission provision is proposed to be effective from 1 April 2022.

Restriction on set-off of losses in search cases

- Under the current regime, many taxpayers claim set-off of brought forward losses or unabsorbed depreciation against undisclosed income detected under search cases in the absence of any restriction prescribed.
- In order to curb this practice and ensure that undisclosed income is dealt with strictly, it is now proposed to restrict the set-off of losses or unabsorbed depreciation against the undisclosed income detected in search or requisition or survey operations.

Income escaping assessment

- As per the existing provision, the income escaping assessment can be reassessed if the officer has information suggesting that the chargeable income has escaped the assessment.
- It is proposed to extend the meaning of the term "information" to include following:
  - Information received from any foreign government under Section 90/90A
  - Any information made available to the officer through scheme of faceless collection of information
  - Any information which requires action pursuant to an order of a Tribunal or Court
- This amendment is proposed to be effective from 1 April 2022.

Key Direct Tax Proposals

Reassessment notice

- As per the existing provisions, the time limit to issue a reassessment notice is 3 years. Furthermore, the time limit is 10 years in case evidence reveals that income chargeable to tax that has escaped assessment exceeds INR 5 million.
- It is proposed to include that such escaped income is to be represented in the form of assets as well as expenditure in respect of a transaction, or in relation to an event or occasion or any entry/entries in the books of accounts.
- This amendment is proposed to be effective from 1 April 2022.

Reduction in Alternate Minimum Tax in case of co-operative societies

- In order to provide parity between co-operative societies and companies, it is proposed to reduce the rate of Alternate Minimum Tax from 18.5% to 15%.

Extension of Time Limit to Introduce Faceless Scheme for appeals before Dispute Resolution Panel (DRP)

- As a part of making tax administration transparent and efficient, the faceless scheme has been introduced in a phased manner to eliminate the human interface between taxpayers and tax officials.
- Earlier, the schemes for faceless filing of appeal and procedure before the DRP was to be determined by 31 March 2022.
- The time limits for the scheme are now extended till 31 March 2024, considering the technology and other aspects.

Extension of time limit to introduce Faceless Scheme for appeals before Income Tax Appellate Tribunal (ITAT)

- As a part of making tax administration transparent and efficient, a faceless scheme has been introduced in a phased manner to eliminate the human interface between taxpayers and tax officials.
- Earlier, the schemes for faceless filing of appeal and procedure before the ITAT was to be determined by 31 March 2022 and 31 March 2023, respectively.
- The time limit for the scheme is now extended till 31 March 2024, considering technology and other aspects.

Key Direct Tax Proposals

Extension of time limit to Introduce Faceless Scheme for transfer pricing matters

- As a part of making tax administration transparent and efficient, the faceless scheme has been introduced in a phased manner to eliminate the human interface between taxpayers and tax officials.
- Earlier, the faceless assessment schemes before the Transfer Pricing Officer (TPO) were to be determined by 31 March 2022.
- The time limits for the scheme is now extended till 31 March 2024, considering technology and other aspects.

Tax jurisdiction to revise the transfer pricing order

- As per the existing provisions of the ITA, the Principal Commissioner or Chief Commissioner or Commissioner of Income Tax has the power to revise the order passed by the tax officer, which is erroneous or prejudicial to the interest of the revenue.
- However, where the tax officer has referred the matter to the TPO and where the TPO has passed the order which has been considered by the tax officer, there was no clarity on who shall revise the TPO's order.
- It is now clarified that the Chief Commissioner or Commissioner having jurisdiction over the TPO will have the powers to revise the order passed by the TPO, which is erroneous or prejudicial to the interest of the revenue.
- This amendment is proposed to be effective from 1 April 2022.

COVID-19 related expenses

- In the previous year, the government provided for exemption of the amount paid or reimbursed by the employer for medical treatment of COVID-19 for the taxpayer or its family members by way of a press release.
- In order to give effect to the above, the law is now proposed to state that any sum paid by the employer in respect of any expenditure actually incurred by the employee on medical treatment of himself or any family member, in respect of any illness relating to COVID-19, shall not be treated as a perquisite.
- Furthermore, any amount received by any family member of the deceased up to INR 0.1 million from any person shall not be taxable in the hands of the recipient.
- This amendment is proposed to take effect from FY 2021-22.

Our Comments

This amendment is a welcome move for all the employees. The employees who have filed their tax returns by treating the said reimbursement as a perquisite, can consider filing a revised return and claim refund of the taxes paid, if any on the same. Proof of payment for COVID-19 will need to be provided.

Back
Next

Key Direct Tax Proposals

Rationalization of provisions relating to Charitable Trust and Institutions

- Under the existing regime, exemptions to charitable trusts and institutions are available under two regimes.
- It is proposed to rationalize the provisions of both the exemption regimes by:
  - Ensuring their effective monitoring and implementation
  - Bringing consistency in the provisions of both regimes
  - Providing clarity on taxation in certain circumstances
- It is also proposed to maintain books of accounts under both regimes where the total income of the trust or institution exceeds the maximum amount not chargeable to tax.
- It is further proposed to levy penalties in cases where trusts or institutions are found passing unreasonable benefits to trustees or specified persons.
- It is also proposed that the relevant authority will pass an order canceling the approval of a trust or institution in cases where specified violations have been noticed, or reference is received from tax officer, or the case of the trust is selected from a risk management strategy.
- Under the existing regime, if a trust or institution is unable to apply 85% of its income over a period of 5 years, the said amount is taxable in the 6th year. It is now proposed to tax the said income in the 5th year itself in both regimes.
- This amendment is proposed to be effective from FY 2022-23.

04

Key Indirect Tax Proposals

Key Indirect Tax Proposals

Goods and Services Tax (Proposed amendments to be made effective from the date to be notified)

- The conditions for availing Input Tax Credit (ITC) under Section 16(2) of the CGST Act, 2017 are proposed to be amended to provide that ITC with respect to a supply can be availed only if such credit has not been restricted in the details communicated to the taxpayer under Section 38 (explained later).
- The time limit for availment of ITC under Section 16(4) has been extended from the existing 20 October of the subsequent financial year to 30 November of the subsequent financial year

  Earlier the language used in the legislation was "due date of furnishing of the return under Section 39 for the month of September following the end of financial year to which such invoice or debit note pertains", which came to 20 October. Vide said amendment, an additional 40 days have been granted for availing ITC pertaining to previous financial year.

- CGST Act being amended to provide that the registration of a person is liable for cancellation, where:
  - a person paying tax under the composition scheme (Section 10 of the CGST Act, 2017) has not furnished the return for a financial year beyond three months from the due date of furnishing the said return;
  - a person, other than composition dealer, has not furnished returns for such continuous tax period as may be prescribed.
- The time limit for issuance of GST credit notes under Section 34(2) of the CGST Act, 2017 has been increased from 30 September to 30 November of the following financial year.

  In line with the proposed amendment to Section 16(4), the time limit for issuing credit notes has also been extended upto 30 November of the following financial year. This should come as a relief to taxpayers who are required to issue turnover adjustment credit notes after undertaking transfer pricing compliances.

- Section relating to furnishing details of outward supplies, is proposed to be amended to:
  - provide for prescribing conditions and restrictions for furnishing the details of outward supplies and for communication of such details to concerned recipients.
  - remove the restriction on uploading of details of outward supply, i.e., GSTR-1 between the 11th and 15th of the succeeding month.
  - provide for an extended time up to 30 November of the following financial year to rectify errors in respect of details disclosed in GSTR-1.
  - provide for tax period-wise sequential filing of details of outward supplies, i.e., GSTR-1 for a particular month cannot be filed unless GSTR-1 of all previous months have been filed.

Key Indirect Tax Proposals

- Amendment introduced to substitute the manner as well as conditions and restrictions for communicating details of ITC to be availed by a taxpayer. Section 38 provides for:
  - communicating details of inward supplies in respect of which the recipient can avail ITC (GSTR-2B).
  - communicating details of inward supplies in respect of which the recipient cannot avail ITC, on account of:
    - details provided by the supplier within the specified period after obtaining registration;
    - default in tax payment by the supplier for a continuous period as may be prescribed;
    - outward liability disclosed in GSTR-1 exceeds outward liability as disclosed in GSTR-3B;
    - ITC availed by the supplier exceeds the ITC available to him as per the GSTR-2B; and
    - default in tax payment made by the supplier under Section 49(12) (explained later).

This amendment not only provides a legal sanction to the GSTR-2B framework introduced by the GST Council but also adds more scenarios for disallowance of ITC, such as non-compliance, non-payment, or inaccurate compliance by the supplier. It is now to be seen how the taxpayers ensure their suppliers' conduct/compliance to protect their credit, and how the reasons are communicated to the taxpayer basis which their ITC may be restricted because the current format of GSTR-2B does not contain some of the aforesaid information.

- Section 39 of the CGST Act, 2017 is proposed to be amended so as to:
  - provide that the non-resident taxable person shall furnish the return for a month by the 13th day of the following month.
  - provide an option to the persons furnishing return under proviso to sub-section (1) (i.e., QRMP scheme) to pay either the self-assessed tax or an amount that may be prescribed.
  - provide for an extended time up to 30 November of the following financial year, for rectification of errors in the return furnished under Section 39 (i.e., GSTR-3B)
  - provide for the furnishing of details of outward supplies of a tax period, i.e., GSTR-1 as a condition for furnishing the return under Section 39 (i.e., GSTR-3B) for the said tax period.
- CGST Act to be amended to provide for availment of 'self-assessed' ITC, subject to conditions and restrictions as may be prescribed. Furthermore, it is proposed that a taxpayer would be required to reverse ITC along with applicable interest if his supplier has not paid the corresponding GST. However, such taxpayers can re-avail the credit once the supplier makes this payment.

As per amended Section 50, interest applies only in case of availment and utilization of credit. Thus, interest may not trigger in case credit is reversed before utilization.

Key Indirect Tax Proposals

- It is proposed to omit Sections 42, 43 and 43A of the CGST Act, 2017 (relating to ITC matching, reversal, and reclaim of reduction in output tax liability) in their entirety. Furthermore, reconciliatory changes are being introduced in other Sections which have references to the now omitted provisions.

  With technical difficulties warranting changes in the GST return filing mechanism (adopting GSTR-1 and GSTR-3B), these Sections were kept in abeyance and, therefore, had become redundant.

- Vide amendment in Section 47 of the CGST Act 2017, late fees shall be applicable for delay in furnishing GST TCS returns.

- CGST Act is being amended to allow transfer of amount available in the CGST head of electronic cash ledger of the taxpayer to the CGST or IGST head of electronic cash ledger of distinct person, in a manner that would be prescribed. However, no such transfer shall be permissible if the said taxpayer has unpaid liability in his electronic liability ledger.

  The amendment shall enable the taxpayers having GSTINs in multiple states to transfer the excess balance available in the electronic cash ledger of one registration to another registration, subject to conditions and restrictions. This should help free up the working capital blocked in the electronic cash ledger of a particular state for payment of liability arising in another state.

- A new Section 49(12) has been proposed to prescribe a maximum proportion of GST liability under the CGST and IGST Acts, 2017, which can be discharged using the balance available in the electronic credit ledger by the prescribed class of registered persons.

  This provides a legal sanction to Rule 86B of the CGST Rules, 2017, where at least 1% of output tax liability shall be discharged in cash by class of tax persons as prescribed.

- Retrospective amendment effective from 1 July 2017 to Section 50(3) of the CGST Act, 2017 has been proposed to impose interest liability on excess/ineligible ITC availed and utilized.

  This is a welcome move; this will certainly help to put a hard stop to number of ongoing and upcoming litigations. The option of claiming refund may be explored for interest payments already made in past.

- The time limit provided for rectifying any error or omission from a return filed by e-commerce operators has been extended from 20 October to 30 November of the following financial year.

- It is proposed to prescribe the form and manner for claiming a refund of any excess balance lying in the electronic cash ledger.

- Also, the restriction as regards withholding of refund or adjustment of unpaid tax from refund due has now been extended to all types of refund claims. At present, it applies only to refund against zero-rated supplies and inverted duty structure.

- Clarity has been provided regarding the relevant date for filing a refund claim in respect of supplies to SEZ developers/units. According to the new Explanation, the relevant date would be the date of furnishing return in Section 39 (i.e., GSTR 3B).

- Furthermore, it proposed to extend the time limit for availing refund under Section 55 of the CGST Act, 2017 (by the United Nations Organization, Multilateral Financial Institution, etc.) from 6 months to 2 years, from the last day of the quarter in which the said supply was received.

Key Indirect Tax Proposals

SEZ (Proposed to be implemented by 30 September 2022)

- The SEZ Act, 2005 will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs.' This would cover existing and new industrial enclaves to utilize infrastructure and enhance export competitiveness optimally.
- The Customs administration shall be fully IT-driven and function on the Customs National Portal with a focus on higher facilitation and only risk-based checks.

Customs (Proposed amendments to be made effective from the date to be notified)

Legislative amendments

- The Board, Principal Commissioner and Commissioner of Customs have been explicitly empowered to delegate necessary functions to other Customs officers.

The amendment seeks to correct the infirmity in the Customs legislation observed by the Courts in various judgments. It will help resolve administrative issues faced by the Board and avoid unnecessary litigations.

- The officers of Director General of Revenue Intelligence (DRI), Audit and Preventive formations would be empowered to initiate proceedings for recovery of Customs Duty unpaid/short-paid or not levied/short-levied, as "proper officers."

This change seeks to get over the Supreme Court judgment in the case of Agarwal Metals & Alloys, Canon India Pvt Ltd and others, where DRI officers were held to be devoid of powers as they did not qualify as "proper officers." The proceedings initiated by investigating officers, which by virtue of Supreme Court judgment became non-est, shall get revived.

- Concurrent empowerment of two or more Customs officers has been introduced for the first time, and accordingly, faceless proceedings under the Customs legislation may be initiated by two or more officers jointly. The criteria for selecting such officers are no longer restricted to territorial jurisdiction but can be based on the class of goods, nature of case at hand, industry expertise, etc.

While the amendment could prove beneficial for both the importers as well as Revenue, in the wake of faceless assessments and other trade facilitation initiatives, one would have to wait and see how this fairs on ground.

- The above-proposed amendments empowering the officers shall be deemed to have retrospective applicability.
- Section 110AA of the Customs Act, 1962 is being inserted to provide that post completion of any investigation or audit, the original jurisdictional authority shall undertake further proceedings like re-assessment, adjudication, etc.

While the retrospective amendment to get over the Supreme Court judgment in Canon India Pvt Ltd and others validated the proceedings for the past period, for future, these investigating agencies will have to refer the matter to the jurisdictional officer. Thus, the Supreme Court judgment seems to have been accepted in principle, and the anomaly was corrected by retrospective amendment.

Back Next

Key Indirect Tax Proposals

- Advance rulings shall now be valid for 3 years from the date of pronouncement or till there is a change in law or facts, whichever is earlier. Existing advance rulings shall be valid for 3 years from the date of Presidential assent to the Finance Bill, 2022.

- The time limit of 30 days to withdraw an advance ruling application has been done away with. Now, the same can be withdrawn any time before the pronouncement.

- Customs (Import of Goods at Concessional Rates of Duty) Rules, 2017 have been comprehensively amended to –
(i) simplify and automate the entire process of importation,
(ii) standardize forms,
(iii) eliminate the need for transaction-based permissions and intimations,
(iv) propose a monthly statement for effective monitoring of use of goods, and
(v) provide an option to pay voluntary duties and interest through the common portal.

- The importer shall submit a one-time statement in Form IGCR-1 on the common portal for seeking Import Identification Number (IIN), which shall be relevant for –
(i) mentioning on Bill of Entry for availing exemption,
(ii) filing of IGCR-2 for non-receipt of goods imported, and
(iii) reporting in the monthly statement IGCR-3

The amendment to the Customs (IGCR) Rules, 2017 seeks to prescribe a digital process to be followed, and its aim is to simplify and automate the entire process of importation.

Key Indirect Tax Proposals

Tariff changes: Some of the key rate changes are captured below:

Upward revision in rate/rationalization/withdrawal of exemption

Sr No	Sector	HS Code/ Chapter	Illustrative list of goods	Old Rate	Revised Rate	Nature of change	Effective Date
1	Electrical and electronic items	9028 30 10 9028 90 10	Electricity Meters - Smart Meters PCB assembly of Smart Meters	15%/ 7.5%	25%/ 20%	Upward	1 April 2022
2	Electrical and electronic items	8518 2100, 8518 2200, 8518 2900 8518 30	Loudspeakers, headphones and earphones and sets consisting of a microphone and one or more loudspeakers (other than hearable devices)	15%	20%	Upward	1 April 2022
3	Electrical and electronic items	84 or 85	Goods for use in the manufacture of static converters of automatic data processing machines: PCBA, Transformer, Battery and Copper enameled wires	Nil	As per Tariff	Upward	2 February 2022
4	Electrical and electronic items	8414 90 11	Goods for use in the manufacture of refrigerator compressor namely: (i) C-Block compressor; (ii) Crankshafts	5%	As per Tariff	Upward	2 February 2022
5	Electrical and electronic items	84, 85 or any other Chapter	Parts/sub-parts, components or accessories for use in the manufacture of tablet computer, set-top box, broadband modem, routers, PCB for telecom	Nil	As per Tariff	Upward	2 February 2022

Key Indirect Tax Proposals

Sr No	Sector	HS Code/ Chapter	Illustrative list of goods	Old Rate	Revised Rate	Nature of change	Effective Date
6	Gems and Jewellery Sector	7117	Imitation Jewellery	20%	20% or 400 per kg, whichever is higher	Rationalize	2 February 2022
7	Medical/Pharma	Any Chapter	Artificial Kidney (Dialyzer)	Nil	As per Tariff	Upward	2 February 2022
8	Medical/Pharma	Any Chapter	Parts for manufacture of Artificial Kidney	Nil	As per Tariff	Upward	2 February 2022
9	Medical/Pharma	84, 85 or 90	Goods used for Research and Development purposes in the pharmaceutical and bio-technology sectors	Nil / 5% (as applicable)	As per Tariff	Upward	1 April 2023
10	Medical/Pharma	28, 29 or 30 or 38	35 items out of drugs, medicines, diagnostic kits or equipment, or bulk drugs used in the manufacture of such drugs or medicines have been omitted from exemption notification, while exemption to influenza vaccine shall be omitted after 1 October 2023	5%	As per Tariff	Upward	2 February 2022/ 1 October 2023
11	Medical/Pharma	28, 29, 30 or 38	36 items out of lifesaving drugs/medicines, including their salts and esters and diagnostic test kits or bulk drugs used in the manufacture of such drugs or medicines, have been omitted from exemption notification.	Nil	As per Tariff	Upward	2 February 2022
12	Medical/Pharma	28, 29 or 30 or 38	Diagnostic agent for detection of Hepatitis B antigen, diagnostic kits for detection of HIV antibodies, Enzyme-Linked Immunoabsorbent Assay kits (ELISA kits)]	Nil	5%	Upward	2 February 2022

Back
Next

Key Indirect Tax Proposals

Sr No	Sector	HS Code/ Chapter	Illustrative list of goods	Old Rate	Revised Rate	Nature of change	Effective Date
13	Medical/ Pharma	90	X-Ray Machines/X-Ray grid, Multileaf Collimator/ Iris Static User Interface for the manufacture of X-Ray items	7.5%/5%	10%	Upward	1 April 2022
14	Paper Industry	4707	Recovered (waste and scrap) paper or paperboard for use in the manufacturing of paper, paperboard, or newsprint	Nil	2.50%	Upward	2 February 2022
15	Paper Industry	4401 21 00, 4401 22 00	Wood in chips for use in the manufacture of paper, paperboard, and newsprint	Nil	As per Tariff	Upward	1 April 2023
16	Project Imports	9801	Specified Project Imports- Projects registered till 30 September 2022	Nil/2.5%/5% (as applicable)	7.50%	Upward	1 October 2023
17	Project Imports	9801	Specified Project Imports- Projects other than above	Nil/2.5%/5% (as applicable)	7.50%	Upward	1 October 2022
18	Solar Energy	8541 42 00	Solar Cells (other than those exclusively used with ITA-1 items)	Nil	25%	Upward	1 April 2022
19	Solar Energy	8541 43 00	Solar Modules (other than those exclusively used with ITA-1 items)	Nil	40%	Upward	1 April 2022
20	Sports	95	Requisites for games and sports	Nil	As per Tariff	Upward	2 February 2022

Key Indirect Tax Proposals

Upward revision in rate/rationalization/exemption

Sr No	Sector	HS Code	Illustrative list of goods	Old Rate	Revised Rate	Nature of change	Effective Date
1	Chemicals	2905 11 00	Methyl alcohol (methanol)	10%	2.50%	Downward	2 February 2022
2	Chemicals	2915 21 00	Acetic acid	10%	5.00%	Downward	2 February 2022
3	Textiles	52 to 62	Woven fabrics of different kinds - tuffed textile fabrics overcoats, suits, raincoats, jackets, blazers, etc. *Social welfare surcharge exemption is provided/withdrawn on certain items.*	Multiple	Multiple	Downward	2 February 2022
4	Gems and Jewellery Sector	71	Cut and polished diamonds/natural gemstones	7.50%	5%	Downward	2 February 2022
5	Electrical and electronic items	3920 99 99, 9002 11 00	Camera lens for use in the manufacture of cameras Module for Cellular Mobile Phone	10%/15%	2.50%	Downward	2 February 2022
6	Capital Goods	8419	Coffee roasting, brewing or vending machinery for use in the manufacturing or processing of coffee	10%	7.50%	Downward	2 February 2022

Back

Next

Key Indirect Tax Proposals

Apart from the above rate changes, the following also have been proposed

- Scope of exemption on import of Electric Vehicles in CKD/SKD condition has been clarified within the exemption notification itself
- Health Cess exemption extended on import of surgical needles for use in the manufacture of surgical sutures under HS 3006 10 10
- Non-applicability of Health Cess, RIC, AIDC has been extended to certain FTA notifications relating to Nepal/Bhutan/Bangladesh
- Non-applicability of Health Cess, RIC, AIDC has been extended on imports by Charitable organizations, Red Cross Society, Care and Government of India on specified free gifts, donations, relief, and rehabilitation material
- Social Welfare Surcharge exemption extended to certain products falling under the category of vegetables, edible fats, minerals, and textiles.
- Additional Basic Excise Duty of INR 2 per litre would be levied on Petrol and Diesel, intended to be sold to retail consumers without blending from 1 October 2022.

05

Sectoral Announcements

Sectoral Announcements

Healthcare

Continuing focus from 2021-22

The Finance Minister's (FM) speech for Union Budget 2022-23 did not feature any specific new proposals for healthcare and we will need to closely monitor additional announcements that may be made later for a comprehensive picture. The FM did make some announcements supporting programs that have been announced over the past months. These are given below:

- **National Digital Health Ecosystem (NDHE) –** As part of the Ayushman Bharat Digital Health Mission (AB-DHM), the FM today announced that an open platform for the Nation Digital Health Ecosystem will be rolled out in the new Financial Year. The platform will have digital registeries of healthcare providers, health identities of patients, and consent mechanisms to ensure access to health data across platforms and facilities. This is a welcome step towards digitizing healthcare records and building an entire ecosystem around it.

- **National Tele Mental Health Programme –** The ongoing pandemic increased mental health challenges around the globe including in India. Lockdowns and restrictions on social interactions have increased anxiety and depression rates among people. Health experts around the globe have been pushing for government support to provide better access to mental health facilities. The FM announced the National Tele Mental Health Program which will provide mental health counselling and care services. The program will be delivered through 23 tele-mental health centers of excellence with the National Institute of Mental Health and Neurosciences (NIMHANS) acting as a nodal center, and IIT Bangalore providing technology support. The program has been started with an initial allocation of INR 40 crore.

- **Sakhsham Anganwadi and Poshan 2.0 –** The government has been keen to empower women of the country in different ways and provide them with the necessary assistance to help them achieve their full potential. As part of this endevaour, they have announced the Sakhsham Anganwadi and Poshan 2.0 scheme. Anganwadis are rural child care centers to combat child hunger and malnutrition. The government will upgrade 2 lakh anganwadi's with better infrastructure and audio-visual aids, clean energy sources, and an improved environment for early child development. The Poshan 2.0 scheme is an initiative to provide one cooked hot meal to students in the scheme so as to reduce malnourishment in these children. The FM has allocated ~INR 20,000 crore which will ensure that along with better primary care facilities for women, child nutrition will improve.

- **Increased Allocation –** The healthcare sector has received a signigicant increase in budgetary allocation from ~INR 74,300 crore (Budget Estimates (BE) for FY 2021-22) to ~INR 86,200 crore (BE FY 2022-23). However, the budgetary proposal does not reflect a significant increse over the revised estimates for FY 2021-22. There has been rationalization of allocation across various schemes and programs of the Ministry of Health & Family Welfare (MoHFW). These have been detailed below:
  - National Health Mission has received an increased allocation from ~INR 34,900 crore (Revised Estimates (RE) FY 2021-22) to ~INR 37,800 crore for FY 2022- 23
  - PM Swasthya Suraksha Yojana has also increased from INR 7,400 crore (RE FY 2021-22) to INR 10,000 crore for FY 2022-23

Back
Next

Sectoral Announcements

- **Changes in Customs Duty –** The government has modified the Customs Dduty on various drugs and medical devices where in some cases exemptions have been withdrawn and cases such as drugs imported for rare diseases have been given exemption in line with the National Rare Disease Policy of 2021. The details have been laid out in several Customs notifications released post the budget speech. Overall, there have been no significant changes to the rates of products related to healthcare.

Our Comments

- From the healthcare sector perspective, the expectations for a big impetus to build healthcare infrastructure and improve the quality of healthcare has not been met. This could be due to the heavy increase in reforms last year, and additional funding constraints.
  - The Medical Devices industry was hoping for a cut in health cess and a reduction in Basic Customs Duty. It was also expecting an expansion of the PM-JAY scheme to the missing middle of our population.
  - The Pharmaceutical industry was expecting some incentives on R&D expenditure, given the need to invest in R&D to maintain India's leading position in the generics space and this has not been realized.
  - The Insurance sector was expecting a reduction in GST on the insurance premiums to increase the insurance penetration.
  - The Hospital industry was expecting the healthcare sector to be declared as a priority sector in light of the pandemic, to enable the creation of new infrastructure in the rural areas.
- These expectations have not been addressed in the budget.
- The FM has focused on continuing the initiatives already announced last year and has avoided tinkering too much. While this is good, we believe that healthcare spending should have been increased substantially to support the much-needed build up of infrastructure and manpower.

Sectoral Announcements

Greenfield

Production Linked Incentive (PLI) Schemes:

- PLI schemes have received a positive response and they are expected to create 6 lakh new jobs and additional production of INR 30 lakh crore is expected in the next 5 years
- To achieve the 2030 goal of 280 GW installed solar capacity, an additional amount of INR 19,500 crore has been allocated under the PLI scheme for manufacturing high efficiency solar modules, with priority to units in the integrated manufacturing of polysilicon to solar photovoltaic (PV) modules

Green Clearances: The scope of PARIVESH (single window portal) will be widened:

- It will provide information on specific approvals based on the location of units
- It will be able to track all 4 approvals through a single form and help in tracking of the entire process through Centralized Processing Centre-Green (CPC-Green)

SEZ: The Special Economic Zones Act will be replaced with a new legislation

Start-ups: Eligible start-ups were provided tax incentives for 3 consecutive years out of 10 years of incorporation. The timeline of incorporation for such start-ups has been extended to 31 March 2023

Manufacturing Set-ups: A concessional tax rate of 15% was offered for newly incorporated domestic manufacturing entities. The incorporation timeline for such set-ups has been extended to 31 March 2024

MSMEs

- INR 6,000 crore program for raising and accelerating performance of Micro, Small and Medium Enterprises (MSMEs) to be introduced over the next 5 years
- Additional credit of INR 2 lakh crore will be facilitated by an infusion of funds in the Credit Guarantee Trust for Micro and Small Enterprise (CGTMSE)
- Emergency Credit Line Guarantee Scheme (ECLGS) successfully provided additional credit to more than 130 lakh MSMEs in 2021-22. To combat the impact of the pandemic, the scheme will be extended to March 2023 and cover will be extended by INR 50,000 crores (bringing the overall total to INR 5 lakh crores, this additional cover will be earmarked for hospitality-related businesses)
- MSME-related portals - Udyam, e-Shram, NCS and ASEEM will be interlinked, and their scope will be widened to cover G2C/B2C/B2B services, credit facilitation, skilling, recruitment, etc.

Agriculture, Food and Allied sector

- In 2021-22, wheat and paddy was procured from 163 lakh farmers. Approximately INR 2.37 lakh crores was directly paid to their accounts as per Minimum Support Price (MSP)
- Chemical-free natural farming to be promoted in farmlands within 5 km corridor along river Ganga in Phase 1

Back
Next

Sectoral Announcements

- As 2023 is the International Year of Millets, post-harvest support, value addition, consumption improvement, and branding support will be provided
- To increase domestic production of oilseeds, a comprehensive scheme will be implemented
- A scheme using the Public-Private Partnership (PPP) Model will be launched focusing on providing digital and hi-tech services to farmers
- 'Kisan Drones' will be promoted for crop assessment, digitization of land records, as well as spraying of insecticides and nutrients
- Special importance has been placed on revising educational material for agriculture to include modern day needs around organic farming, value-addition, zero-budget, etc.
- NABARD to facilitate a fund to finance start-ups for agriculture and rural enterprises focusing on value chain improvement, machinery for farmers on rental basis at a farm level, technology including IT-based support, etc.
- A comprehensive package will be provided with participation from State Governments for farmers to utilize a variety of fruits and

Infrastructure (PM Gati Shakti)

'PM Gati Shakti' is a new transformative approach introduced for sustainable development of infrastructure in the country. There are seven key aspects driving this approach, namely, Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure. The major budget highlights across these aspects are covered below:

Roads

- National Highway network to be expanded by 25,000 km in 2022-23
- INR 20,000 crore to be mobilized to aid the public resources

Railways

- 2,000 km of rail network will be covered under Kavach in 2022-23 for indigenous world-class tech for safety and capacity increase
- 400 new generation 'Vande Bharat' trains will be manufactured within the next 3 years
- 100 PM Gati Shakti Cargo terminals for multimodal logistics will be developed in the next 3 years
- The concept of 'One Station-One Product' will be popularized for local businesses and supply chains
- Railways to develop new products and services for small farmers and MSMEs along with the integration of Postal and Railway networks for the seamless movement of parcels

Mass Transport

Under the National Ropeway Development Program, 8 contracts for ropeway projects for a length of 60 km will be awarded in 2022-23

Logistic Infrastructure

4 multimodal logistic park contracts at different location will be awarded under the PPP Model

Back

Next

About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/ISE 27001 certified for information security and ISO 9001 certified for quality management.

We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to ***Think Next.***

Global Partner.
Integrated Solutions.

About Nexdigm

Tax Offerings

Tax & Regulatory

Advisory
- Inbound & Outbound Structuring
- Permanent Establishment & BEPS Advisory
- FEMA Diagnostics & Advisory
- Opinion and Structuring

Compliances and Litigation
- Return of Income
- Certifications through automated tool
- Business Set-up & Compliances
- Litigation Support

Transfer Pricing

Advisory
- Global Transfer Pricing Policies
- Tax Efficient Supply Chain Management
- BEPS Advisory

Compliances and Litigation
- Issuance of Accountant's Report
- Country specific documentation report
- Master File and CbCR Compliance
- Global Benchmarking Search
- Litigation Support

M&A Tax & Regulatory

Advisory
- Corporate Restructuring
- M&A / Transaction Structuring
- Company Law Advisory including SEBI

End to End Solutions
- Voluntary Liquidation
- Compounding under FEMA
- Project management for Merger / Amalgamation / Demerger / Slump Sale transactions

Back
Next

Indirect Tax Offerings

Advisory & Compliances

- On-call Advisory
- Transaction and Tax Structuring
- Tax Due Diligence
- GST Compliances – Return Filing
- E-invoicing Support
- GCC VAT Advisory
- GST / UAE VAT Health Check

Customs & FTP

- Customs Valuation – Proceedings before SVB
- Customs Refund
- Customs OSPCA
- Export Benefit Schemes including MEIS, SEIS, Advance & EPCG Authorisations
- AEO Certification Support
- EXIM Health Check

Litigation & Representation

- Litigation Support up to Tribunal level
- Technical Assistance in Preparation of Writ Petition, Appeal Memos
- Representing before Authority for Advance Ruling (AAR)
- Representations before MoF, CBIC & GST Council

Audits & Others

- GST Audit Support
- Dept. Audit Support
- Legacy Law Assessments
- SEZ & EOU/STPI Set-up and Compliances

Tax Technology

Easy Remittances

- Review of tax position by experts
- Issuance of bulk 15CA/CB certificates through Automated tool
- Repository - Access to entire set of documents
- Access to Detailed transaction wise reports Solutions
- Utility to generate Form A2 and TDS return template

Dividend Process

- End to end process management (including drafting of shareholder communication, computation of category wise tax rates, review of exempt category shareholders, etc)
- Bulk processing of 15CA and 15CB Certifications
- Automated tool for collection and review of 15G/15H forms
- Access to 15G/H report, TDS return and SFT Report

GST Compliance Management

Nexdigm (SKP) presents **SimplifiedGST** as an automated approach for efficient compliance management. This integrated solution, operated by our in-house experts, delivers results agnostic of industry. Our client-centric team eases the compliance burden with a solution that has been developed after in-depth research.

- GSTR-1
- ITC Reconciliation
- GSTR-3B
- Refunds

Tax Street

Subscribe to our monthly publication and you will find insights on the latest tax and regulatory related publications and newsletters in India and across the globe.

SUBSCRIBE NOW

Back

Next

USA • Canada • Poland • UAE • India • Hong Kong • Japan

Follow us on

Listen to our podcasts on all major platforms

www.nexdigm.com

Reach out to us at **ThinkNext@nexdigm.com**