Accelerate. Advance. Ascend.

Union Budget 2023-24

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Table of Contents

Foreword

India remains steadfast on its course for progress. Despite the global geo-political and economic crises, India's economic growth for the current year is estimated at 7%, the highest among major economies. With the world at the precipice of a recession and amidst rising inflation, Hon'ble Finance Minister (FM) Nirmala Sitharam presented Union Budget 2023-24, the first one in the Amrit Kaal (period from 75-100 years of Independence). She envisions a technology-driven and knowledge-based economy with strong public finances and a robust financial sector for Amrit Kaal. The Budget adopts seven priorities or 'Saptarishi' guiding us through the Amrit Kaal, driving sustainable growth and inclusive development.

Echoing a theme of an empowered and inclusive economy, the Union Budget 2023-24 intends to build on the blueprint for India@100, laid in the previous Budget, steering an ambitious, people-centric agenda to address challenges and facilitate sustainable economic development. Continuing on the path of fiscal consolidation, the FM re-iterated the goal of reaching a fiscal deficit below 4.5% by 2025-26, evidenced by the fairly steady decline in recent times.

The capital investment outlay was increased steeply for the third year in a row by 33%, which will continue to be a driver of growth and jobs. This significant increase is crucial to the government's efforts to improve infrastructure, enhance growth potential, crowd-in private investments, and provide a cushion against global headwinds. Tax deductions, government schemes, and other exemptions have also been proposed to promote the Ease of Doing Business in India.

Digitalization will continue to be an integral part of government processes, lending ease to the citizens and paving the way toward an e-future. There is a strong focus on Artificial Intelligence (AI) and in order to solidify the vision of 'Make AI in India' and 'Make AI Work for India,' three Centers of Excellence for AI will be set up to energize an effective AI ecosystem and nurture quality human resources in the field.

The direct tax arena included several provisions that were proposed, including integration of the digitalized processes and reduced compliance burden, a lower tax rate for manufacturing companies, a benefit of carrying forward losses on change of shareholding for start-ups, and a major change to the new tax regime, viz, increasing the rebate limit to INR 0.7 million per annum.

On the indirect tax front, a reduction in the number of Basic Customs Duty rates on goods other than textiles and agriculture, the exemption of excise duty on GST-paid compressed biogas, the Customs Duty exemption on the import of capital goods and machinery required for the manufacture of lithium-ion cells for batteries used in electric vehicles, etc. will help further the agenda of Amrit Kaal. In GST, amongst other things like decriminalization, expanding the scope of taxing the 'Online Information and Database Access or Retrieval Services' (OIDAR) transaction, effort has been made to tighten the loose ends to enhance smooth governance.

The proposals under Union Budget 2023 aim to facilitate ample opportunities for citizens, provide a strong impetus to growth, strengthen macroeconomic stability, and promote the entrepreneurial spirit. With a greater focus on boosting domestic manufacturing, the 'Make in India' agenda is reinforced to reduce international dependencies. This fairly cautious, nevertheless ambitious Union Budget is likely to help India accelerate its growth, advance capabilities in several fields, and ascend to new heights in the global economy.

02

Economic Overview

Back

Next

Economic Overview

GDP Growth

- As per the World Economic Outlook, January 2023 edition, the IMF has projected global growth to slow from 6.2% in 2021 to 3.4% in 2022 and 2.9% in 2023 due to unfavorable global developments.
- In the Budget speech, Finance Minister (FM) Nirmala Sitharam mentioned that India's economic growth for FY 2022-23 is expected to be 7%, which is much higher than the global average including major economies.
- The Economic Survey 2022-23 projects a baseline GDP growth of 6.5% in real terms in FY24. The projection is aligned to the estimates provided by the World Bank, the IMF, the ADB and by the RBI domestically.

Inflation

- As per the Economic Survey 2022-23, the Wholesale Price Index (WPI) climbed to about 11.5% while the Consumer Price Index (Combined) (CPI-C) climbed to about 6.8% during April-December 2022.
- Having said that, the consumer price inflation in India is on a decline reaching 5.7% in December 2022.

Trade

- Merchandise exports were USD 332.8 billion for the period April-December 2022 against USD 305 billion during April-December 2021, registering a growth of 9.11%.
- The estimated value of services export for April-December 2022 is USD 235.8 billion as against a value of USD 184.7 billion in April-December 2021, registering an increase of 27.66%.
- Merchandise imports were USD 551.7 billion for the period April-December 2022 against USD 441.5 billion during April-December 2021, registering a growth of 24.96%.
- The estimated value of services imports for April-December 2022 is USD 135 billion compared to USD 105.5 billion in the corresponding period last year, registering an increase of 27.96%.
- The rise in both imports and exports is mainly due to economies across the globe recovering from the impact of the pandemic, receding impact of the Russia-Ukraine War, stabilizing impact of inflation, etc.
- In 2022-23, the Top 5 countries exported to are USA, UAE, Netherlands, China, and Bangladesh. In terms of imports, the Top 5 countries imported from are China, UAE, USA, Saudi Arabia, and Russia.

Fiscal Deficit

- The Fiscal Deficit of the Union Government, which reached 9.2% of GDP during the pandemic year FY21, has moderated to 6.7% of GDP in FY22 and is further budgeted to reach 6.4% of GDP in FY23.
- The declining trend of the Fiscal Deficit is in line with the government's aim to bring down the Fiscal Deficit to 4.5% by 2025-26, which was set in 2021-22.

Economic Overview

Increase in Taxpayers and Collections

- The increasing number of GST taxpayers, from INR 7 million in 2017 to more than INR 14 million in 2022, indicating an expansion in formal businesses.
- The average monthly gross GST collection has increased from INR 900 billion in FY18 to INR 1,490 billion in FY23.

Increase in Banking Coverage

- The population covered with bank accounts increased from 53% in 2015-16 to 78% in 2019-21 (as per NFHS). International evidence shows that countries at the same level of development have taken almost half a century to achieve the extent of India's massive expansion in access to bank accounts.

Foreign Investment

- During April-September 2022, gross FDI inflows were USD 39.3 billion as compared to USD 42.5 billion a year ago, a decline of 7.52%.
- The decrease in inflows year-on-year can be attributed to repercussions from global uncertainty such as the Russia-Ukraine conflict, etc.
- In terms of inflows, Singapore (37%) was the top investing country followed by Mauritius (12.1%), UAE (11%), and USA (10%).

Foreign Exchange Reserves

- India's foreign exchange reserves amounted to USD 562.7 billion as of end-December 2022.
- Total reserves have decreased from last year where at end-December 2021, the reserves stood at a record-high of USD 634 billion.
- India's Current Account Deficit (CAD) widened in FY 2022-23 due to higher global prices for crude oil, edible oils, fertilizer, etc. The outflow of portfolio investments, the tightening policy by the US FED along with strengthening of the US dollar led to a drawdown of Foreign Exchange Reserves (forex) in 2023.
- Comparing import coverage of Foreign Exchange Reserves to pre-pandemic levels, while such reserves have declined in most developing economies, India has witnessed a marginal increase.

Economic Overview

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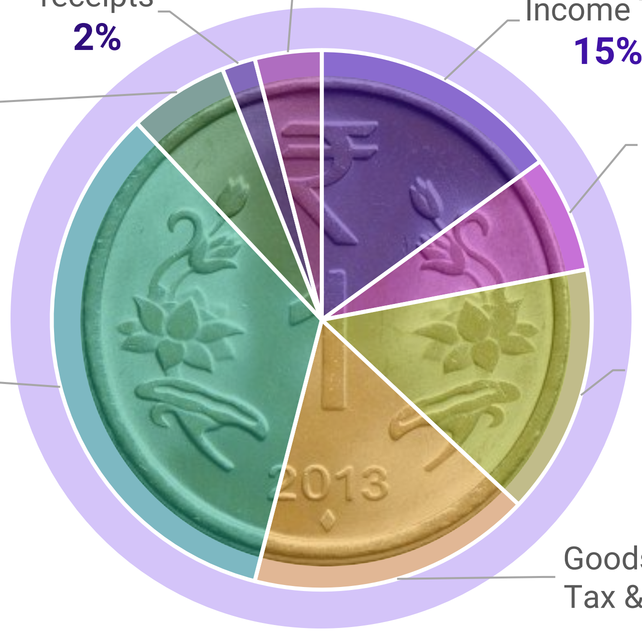

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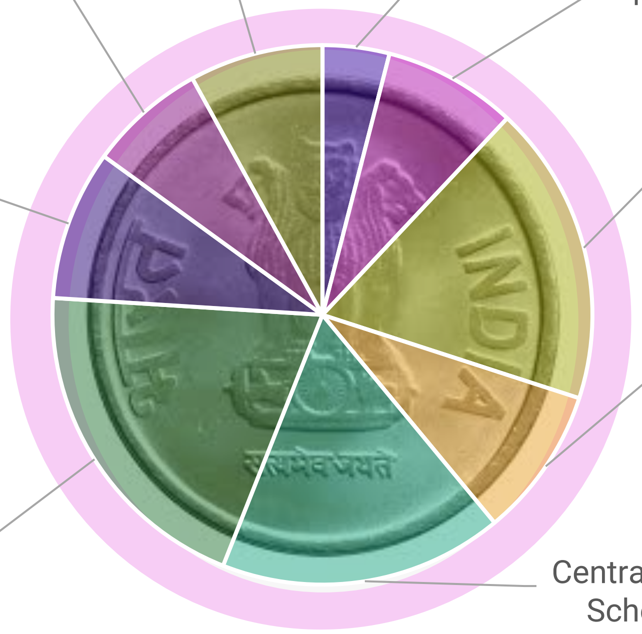

Back
Next

03

Key Direct Tax Proposals

Back

Next

Key Direct Tax Proposals

Tax Rates

Corporate and Personal income tax rates

- No change in corporate income tax rates
- Changes proposed in the new tax regime for individuals/Hindu Undivided Family (HUFs):
  - Benefit extended to Association of Persons (AOPs) or a Body of Individuals (BOIs)/Artificial Juridical Persons (AJPs).
  - A standard deduction of INR 50,000 is extended to the new regime.
  - The rebate limit was extended to INR 0.7 million.
  - The new regime shall be considered by default unless opted otherwise.
  - The highest surcharge rate is capped at 25% as against 37% resulting in reduction of effective tax rate to 39% from present 42.74%.

Total Income	Revised slab rates under new regime
Upto INR 0.3 million	NIL
From INR 0.3 million to INR 0.6 million	5%
From INR 0.6 million to INR 0.9 million	10%
From INR 0.9 million to INR 1.2 million	15%
From INR 1.2 million to INR 1.5 million	20%
Above INR 1.5 million	30%

Our Comments

While the government is encouraging the taxpayers to opt for the new regime and reducing the claim of deductions, it is important to verify the implications of both regimes while making a choice.

Key Direct Tax Proposals

Exemptions and Deductions

Deduction of preliminary expenses

- Currently, specified preliminary expenses incurred for specified preliminary activities before the commencement of new business or setting up a new unit or extension of business are allowed as a deduction after the business operations are commenced on the condition that work in connection to these activities is carried out by the taxpayer or by a concern approved by the Central Board of Direct Taxes (CBDT).

- It is now proposed to waive the aforesaid condition and the deduction would be allowed to taxpayers on furnishing the details of preliminary expenses in a prescribed form to the income tax authorities.

Promoting timely payments to MSMEs

- In order to boost the Micro, Small and Medium Enterprises (MSME) industry and timely payments against their services, it is proposed to allow the deduction of expenses to taxpayers only in the year of actual payment, where not paid within timeline as per MSME Act.

Relaxation and relief from compliances and removal of difficulties

Relaxations in case of eligible start-ups

- Last date for the incorporation of start-ups eligible for claiming tax holiday extended to 31 March 2024 from 31 March 2023.

- Currently, in case of eligible start-ups, benefit of carry forward of business loss not to be denied within 7 years from the year of incorporation subject to satisfaction of certain conditions. This period has been extended to 10 years from 7 years.

Our Comments

Restricting the deduction on payment is a welcome move and would promote timely payments to MSMEs.

Relaxation relating to start-ups is certainly an encouraging move for the start-up fraternity.

Key Direct Tax Proposals

Facilitating certain strategic disinvestment

- Under the current regime, the carry forward and set off of an accumulated loss and unabsorbed depreciation is provided for the strategic disinvestment of Public Sector companies.
- To facilitate further strategic disinvestment, it is proposed to amend the definition of 'strategic disinvestment' to include disinvestment of shareholding by the Government or Public Sector Company in a public sector company or a company which results in (i) reduction of its shareholding below 51%, and (ii) transfer of control to the buyer.
- It is clarified that the first condition shall apply only if the holding was more than 51% prior to the disinvestment.
- It is also proposed to make consequential amendments to allow the carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking companies with any other banking institution or a company subsequent to strategic disinvestment if such amalgamation takes place within five years of strategic disinvestment.

Concessional tax rate for promotion of new manufacturing units

- Under the existing regime, new manufacturing domestic companies may opt for a concessional tax rate of 15% on fulfillment of certain conditions as prescribed.
- It is now proposed to introduce a new section to extend the same benefit to manufacturing co-operative societies as well as on fulfillment of prescribed conditions, including the election of options before the due date of filing the return of income.
- The option, once exercised, cannot be withdrawn.

Increasing threshold limit for co-operatives societies on cash withdrawals

- Currently, cash withdrawal by the co-operative society in excess of INR 10 million is subject to withholding tax at the rate of 2%. It is proposed to increase the limit to INR 30 million.

Conversion of physical gold to Electronic Gold Receipts and vice versa

- In order to promote the concept of Electronic Gold Receipts (EGR), it is proposed that the conversion of physical gold to EGR and vice versa will be excluded for the purposes of 'transfer' under capital gains.
- For this purpose, it is proposed that in computing capital gains (a) the cost of acquisition of the EGR will be deemed to be the cost of gold in the hands of the person in whose name EGR is issued; and (b) the holding period of EGR would include the period for which gold was held by the taxpayer prior to its conversion into EGR.
- Similar provisions are proposed for the conversion of EGR into gold.

Key Direct Tax Proposals

Tax incentives to units in International Financial Services Centre (IFSC)

- Under the current regime, the income of non-residents on the transfer of Offshore Derivative Instruments (ODI) entered into with an IFSC Banking unit is exempt. The exemption currently is only on the transfer of ODIs and not on the distribution of income to non-resident ODI holders.
- To avoid double taxation on the distributed income, it is proposed to provide an exemption to any income distributed on the ODIs entered into with an offshore banking unit of an IFSC, subject to fulfillment of certain conditions.

Relief in withholding tax on income received by non-residents

- Currently, income from units of specified mutual funds received by non-residents are subject to withholding tax at the rate of 20%.
- In order to provide relief to the taxpayers, it is proposed to extend beneficial rates under the tax treaty on furnishing of the tax residency certificate.
- Furthermore, non-residents are subject to withholding tax at the rate of 5% on income distributed by business trusts. In order to extend the benefit of lower or NIL withholding tax, it is proposed to permit the application of a lower or NIL deduction certificate in respect of such income.

Our Comments

Expanding the scope of concessional rates to co-operative societies engaged in manufacturing activities is a desired move to bring impetus to the manufacturing sector.

The rate of tax withholding by granting tax treaty benefits in respect of income from units of specified mutual funds would boost foreign investments.

Back
Next

Key Direct Tax Proposals

Tax Deduction and Collection

Alignment of provisions of taxability and withholding tax in respect of certain capital assets

- Under the existing regime, for computing capital gain arising from the transfer of a capital asset, being land or building or both, under a Joint Development Agreement (JDA), stamp duty value as on the date of issue of completion certificate is to be considered as sale value. This is to be further increased by the consideration received in "cash."
- The taxpayers have been taking the view that consideration other than cash is not covered. This is not the intention of the law.
- To plug this, it is now proposed to provide that sale consideration for the JDA needs to include consideration received in cheque or draft or by any other mode.

Taxation of capital gain in case of market linked debentures

- In recent times, various types of hybrid securities have been issued, which include market linked debentures. These are presently taxed at 10% without indexation where held for more than 12 months.
- Considering these are in the nature of derivatives giving interest linked with the performance of the market, these should get taxed at applicable rates. Accordingly, it is proposed that the capital gain arising from the transfer or redemption, or maturity of market linked debentures be taxable as short-term capital gain at applicable tax rates.
- The capital gain will be computed by reducing from the consideration the cost of acquisition of the debenture and the expenditure incurred wholly or exclusively in connection with the transfer or redemption of such debenture. Furthermore, no deduction is to be allowed for securities transaction tax.
- A 'market linked debenture' is defined as a security that has an underlying principal component in the form of debt security and where the returns are linked to market returns on other underlying securities or indices and include any securities classified or regulated as a market linked debenture by Securities and Exchange Board of India (SEBI).

Taxability on winnings from online games

- In recent times there has been a significant rise in online gaming users. Since there is no specific provision governing withholding tax on online gaming, currently, taxes are being withheld, considering these as income from gambling or betting.
- In view of the rising number of users, it is proposed to introduce a new Section for taxability and withholding tax for online gaming.
- It is further proposed that tax be withheld at 30% without any threshold limit.
- This amendment is proposed to be effective from 1 July 2023.

Key Direct Tax Proposals

Removal of exemption for TDS

- Currently, no tax is required to be withheld in case of interest payable on security which is in dematerialized form and listed on a recognized stock exchange in India.
- In order to avoid under-reporting of interest income, it is proposed to apply withholding tax on such securities.

Relief from deduction of higher tax in case of non-filers

- Currently, a higher rate of tax deduction and/or collection is prescribed in respect of taxpayers who do not file their return of income.
- This is causing hardship to persons who are not required to furnish their returns.
- It is proposed to exclude such persons who are not required to file the return of income and are notified by the Central Government.

Relief to low income employees on withholding in the absence of PAN

- Currently, tax is withheld at a maximum rate on the accumulated balance of Employee's Provident Fund (EPF) Scheme due to an employee in cases where employees' PAN is not furnished.
- In order to eradicate the hardship caused to low-paid employees not having PAN, the highest rate of withholding tax is proposed to be capped at the rate of 20%.

Rising rates on foreign remittances

- Currently, tax is required to be collected at the source at the rate of 5% on foreign remittances in respect of overseas tour packages and other cases (other than education and medical treatment). In order to enhance local tourism and in order to increase the tax base on such foreign remittances, it is proposed to increase the rate of tax collection to 20%.

Our Comments

Not providing for a grandfathering clause in case of capital gains taxability of market linked deduction would in a way have a retrospective effect despite being applicable prospectively.

The raising of Tax Collected at Source (TCS) on foreign remittances under LRS could prove to be damaging.

While the government has tried to ease out norms for non-filers, non-residents would still be aggrieved on the non-consideration of difficulty in filing Form 10F electronically.

Key Direct Tax Proposals

Rationalization of tax provisions

Double deduction on interest on borrowed capital

- Under the current regime, the amount of interest payable on borrowed capital for acquiring, renewing, or reconstructing a property is allowed as a deduction while computing income.
- In addition, certain taxpayers claim a deduction of interest as a part of the cost of acquisition while computing profit on the sale of a property.
- In order to prevent a double deduction of interest, it is proposed that for the purpose of computing capital gains, the cost of acquisition or cost of improvement would exclude the amount of interest already claimed as a deduction.

Limiting the roll over benefit claimed for investing in residential property

- Under the current regime, a deduction is allowed to the taxpayer on the capital gains arising from the transfer of long-term capital assets, if an investment is made in the purchase/construction of any residential property in India.
- In order to prevent huge deductions claimed by certain taxpayers, it has been proposed that the maximum deduction that can be claimed by the taxpayer for investment in residential property will be limited to INR 100 million.
- Consequentially, it is proposed that a similar amount of limitation be incorporated for deposit into the Capital Gains Account Scheme as well.

Cost of acquisition of certain assets for the purpose of computing capital gains

- Under the current regime, where no consideration is paid for various assets like intangible assets or any sort of right, the cost of acquisition is considered as NIL. However, the law does not clearly define it as a 'NIL' consideration. This has led to many legal disputes with respect to the calculation of capital gains.
- In order to remove tax dispute, it is proposed that where the cost of acquisition and cost of improvement of a capital asset being an intangible asset or any other right is not available, the cost shall be considered as 'NIL'.

Key Direct Tax Proposals

Consideration received from non-residents for the issue of shares in excess of FMV of shares considered as income

- Under the current regime where a Private Company receives any amount from a resident for issuance of shares exceeding the Fair Market Value (FMV) of such share, such excess amount is considered as income of the Company.
- It is now proposed to extend the applicability of the above provision to the amount received from a non-resident too.

Tax avoidance through distribution by business trusts to its unit holders

- Under the current regime, the taxation of business trusts comprising Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InVIT) investing in Special Purpose Vehicles (SPV) are governed by a special tax regime.
- As per the special tax regime, the income distributed by these business trusts being in the nature of interest, dividend, and rent, is taxable in the hands of the unit holders. Furthermore, such income is exempt in the hands of the business trusts.
- However, in the case of distribution in the nature of repayment of the debt, no amounts are being offered to tax, treating the same as pass-through in the hands of the trust and repayment of debt in the hands of the unit holders. This is not the intent of the special tax regime.
- It is, therefore, now proposed to tax the income distributed as repayment of debt in the hands of unit holders. The income will be derived after reducing the cost of the acquisition of such units.

Bonus received under a life insurance policy to be considered as income

- It is proposed to insert a new provision governing the taxability of bonus received under a life insurance policy other than unit linked insurance policy or a keyman insurance policy, which is not to be excluded from the total income under Section 10.
- The amount of bonus in excess of aggregate premium paid to the extent not allowed as deduction in the earlier year shall be considered as income.

Our Comments

With this amendment, while income tax provisions would require the shares to be issued to non-residents at or below the FMV at par with residents, this needs to be aligned with the FEMA requirement of issuance of shares atleast at FMV. This may result in dichotomy.

Key Direct Tax Proposals

Gifts to 'Not Ordinarily Resident Person' (NOR) considered as deemed income

- Under the current regime, gifts received by a non-resident exceeding the prescribed limit from a resident without consideration are taxable as income.
- The said taxability is now extended to the gifts received by NOR from a resident.

Rationalization of exempt income under life insurance policies

- Under the current regime, income tax exemption is provided on the sum received under a life insurance policy, including a bonus on such policy subject to certain conditions.
- It has been observed that the above exemption is misused by high net worth individuals, which was not the intent of granting an exemption.
- In order to curb such misuse, it is proposed to tax the amount received from insurance policies issued on or after 1 April 2023, other than unit linked insurance policy having premium or aggregate of premium above INR 0.5 million in a year except for the amount received on the death of the insured person.
- A deduction will be allowed for the premium paid to the extent not claimed as a deduction under any other provisions of the Act.

Relaxation from penalty for cash loans

- As per the existing regime, a penalty of an equal amount of loan is levied if any person accepts a loan or deposit otherwise than by an account payee cheque or account payee bank draft or through online mode in excess of INR 20,000. Similar provisions are applicable to the repayment of the loan as well.
- The limit of INR 20,000 is relaxed in the case of banking companies.
- In order to provide relief to low-income groups and to facilitate easier conduct of business operations in areas of Primary Agricultural Credit Societies (PACS) and Primary Co-Operative Agricultural and Rural Development Bank (PCARD), it has been proposed to raise the limit of INR 20,000 to INR 200,000 in these cases.

Key Direct Tax Proposals

Clarification in the provision of business reorganization

- Currently, in a case of business reorganization, the successor company is required to furnish a modified return within six months from the end of the month in which the order of such reorganization is received from the National Company Law Tribunal.
- Though a period is provided for filing a modified return, there is no provision under the Act wherein the tax authorities can conclude the assessments basis the modified return filed by the taxpayer.
- In order to align the above, it is proposed that:
  - If assessment proceedings are completed before the date of filing the modified return, the tax authority would amend such orders as per the modified return filed by the taxpayer.
  - If assessment proceedings are pending as of the date of filing the modified return, the tax authority would pass orders after taking into account the order of business reorganization and the modified return filed by the taxpayer.

Facilitating TDS credit for income already disclosed in the past year's return of income

- Presently in certain cases, taxes are deducted on payment, whereas income is offered to tax on an accrual basis, thereby creating a mismatch in Tax Deducted at Source (TDS).
- In order to address this issue, it is proposed to allow the taxpayer to make an application to the tax authorities in the prescribed form within two years from the end of the financial year in which such tax is deducted.
- Further interest will be payable by the tax authorities on such taxes withheld from the date of application till the date of grant of refund.

Interest on refund withheld

- Presently the tax authorities are empowered to withhold refunds due to the taxpayer if they are of the option that grant of refund is likely to affect the tax department adversely.
- In such a scenario, on the actual release of the refund, the taxpayer becomes entitled to additional interest at the rate of 3% per annum.
- It has now been proposed to do away with the additional interest for the period from the date the refund is withheld till the date on which such assessment is made.

Taxation on benefits and perquisites

- The introduction of withholding tax on benefits and perquisites created doubt and confusion in respect of applicability in kind or cash or partly in cash and partly in kind.
- However, in order to align the provisions with the intent of the legislature, it is now proposed to clarify that benefits and perquisites received in cash or partly in cash or in kind shall be subject to income tax.

Key Direct Tax Proposals

Relaxation for taxpayers under presumptive taxations

- Currently, eligible taxpayers engaged in business can opt for presumptive taxation provided the turnover from business does not exceed INR 20 million. It is now proposed to increase the said limit to INR 30 million provided the amounts received in cash don't exceed 5 % of the total turnover.
- Furthermore, in the case of taxpayers engaged in the profession, the threshold limit of turnover was INR 5 million. It is now proposed to increase the said limit to INR 7.5 million provided the amounts received in cash don't exceed 5% of the total turnover.
- Consequently, the taxpayers offering income under the presumptive regime will not be required to get the books audited under the Income-tax Act (the Act).

Presumptive taxation for non-residents

- Non-resident taxpayers engaged in specified businesses have the option to compute the taxes under a presumptive tax rate of 10%:
- It has been observed that the taxpayers opt in and out of the presumptive scheme to avail benefits of normal taxation or presumptive taxation, whichever benefits them.
- In the year when there is a loss, they carry it forward to subsequent years and in the year of higher profits, income is furnished under the presumptive scheme to restrict the profit to 10% and claim set off of the loss of past years.
- It is now proposed that where a non-resident taxpayer declares profits and gains of business for any financial year under the said presumptive taxation scheme, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the taxpayer for such financial year.

Enlarging the scope of penal provisions

- Under the existing regime, in case of failure to deduct and pay the taxes withheld, the tax authorities have prescribed a penalty of an amount equal to the amount of such tax. In addition, prosecution provisions also apply when there is a delay in the TDS payment to the government.
- The said provisions are not applicable in case of withholding tax on benefit or perquisite provided in kind, or consideration is received in kind in case of a virtual digital asset.
- It is now proposed that penalty and prosecution provisions would equally apply to the above cases.
- The above amendment will take effect from 1 April 2023.
- Furthermore, similar provisions are also introduced for online gaming wherein consideration is paid wholly in kind or partly in cash and partly in kind, and there is a delay in complying with TDS provisions.
- The above amendment will take effect from 1 July 2023.

Key Direct Tax Proposals

Penalty for furnishing inaccurate statements of financial transactions or reportable account

- Under the existing regime, a penalty has been mandated for furnishing an inaccurate statement of financial transaction or a reportable account on reporting financial institution or any other person required to furnish a statement of financial transaction or reportable account.
- There is, however, no penalty on the persons reporting inaccurate details to report financial institutions.
- It is now proposed to levy an additional penalty of INR 5000 on the reporting financial institution for the inaccuracy in the statement due to false or inaccurate information furnished by the account holder. This penalty is recoverable by the reporting institution from the respective account holder.

Our Comments

The introduction of the proposal of providing credit of tax in the year of deduction subsequent to the year in which the income is offered to tax would bring the desired relief to the taxpayers.

By providing clarification on taxing benefits/perquisites received in cash/partly in cash or kind, the government has proposed to overrule the settled position laid down by the Supreme Court.

Key Direct Tax Proposals

Charitable and Religious Trusts

- It is now proposed that the trust or institution will have to repay the corpus within five years from the end of the previous year in which the application was made.
- It is also proposed that application from loan or borrowing will be treated as an application of income provided such loan or borrowing is repaid within a period of five years from the end of the previous year during which application was made from loan or borrowing.
- In order to ensure that the benefit conferred to such trusts is not misused, it is proposed that if any trust or institution fails to apply for re-registration or approval within the specified period, then it shall be deemed to have been converted into any form not eligible for registration or approval in the year in which such approval expires.
- Furthermore, the principal officer or trustee of such an institution would be liable to pay the additional tax on accreted income at the Maximum Marginal Rate (MMR) within 14 days from the last date of the application.
- In order to ensure the intended application toward charitable or religious purposes, it is proposed that any amount credited or paid by an eligible trust or institution to any other eligible trust or institution shall be treated as an application for charitable or religious purposes only to the extent of 85% of such amount credited or paid.
- The due date for filing Form 10/9A has been preponed to three months prior to the date of filing of the return of income.
- The exemption to trust or institution is proposed to be available only if the return of income is furnished within the prescribed timeline and not for an updated return. This amendment is effective from 1 April 2022.

Improving effectiveness of tax administration

Introduction of the authority of Joint Commissioner (Appeals)

- Under the current regime, in case of the taxpayer aggrieved by an order, the first appellate authority is the Commissioner (Appeals).
- The Commissioner (Appeals) remains currently overburdened due to the huge number of appeals and the pendency being carried forward every year.
- In order to clear this bottleneck, a new authority of appeals is being proposed to be created at the Joint Commissioner/Additional Commissioner level to handle a certain class of cases involving a small amount of disputed demand.
- Similar to orders of the Commissioner (Appeals), the order passed by the Joint Commissioner (Appeals) are appealable before the Appellate Tribunal.

Key Direct Tax Proposals

- It is proposed that the existing cases before the Commissioner (Appeals) may get transferred to Joint Commissioner/Additional Commissioner (Appeals).
- Consequential amendments in order to align the powers and functioning of the Joint Commissioner (Appeals) are proposed.

Assistance to authorized officers during search and seizure

- Under the current regime, the authorized officer may requisition the services of any police officer or any Central Government officer to assist him during the search proceedings.
- In recent times, authorized officers have faced many challenges during the search. They require the services of various other persons/professionals.
- In line with this, it is proposed to amend the relevant provisions of the section to enable the authorized officer (a) to seek requisition of the services of any other person or entity (b) to make reference to a valuation officer or any other person or entity or valuer for estimating the fair market value of a property, as approved by the prescribed tax authority.

Modification of directions related to faceless schemes and e-proceedings

- The Central Government has introduced various faceless schemes for Verification, Dispute Resolution, Advance Ruling, Appeals and Penalties. The time limit to issue directions for implementing these schemes was provided, which was 31 March 2022 or 31 March 2023, as the case may be.
- In order to overcome issues arising in the implementation of the schemes and also to ensure that the schemes are in line with the current times, it is proposed to give power to the Central Government to amend any direction that has been issued for the purpose of giving effect to the scheme before the expiry of the time limit.
- This amendment will take effect retrospectively from 1 April 2022 (for Verification, Appeals and Penalties scheme) and from 1 April 2023 (for Dispute Resolution and Advance Ruling scheme).

Enlarging the scope of Special Audit

- Under the current provisions, if the tax authorities have any doubts about the correctness of the taxpayer's accounts due to the complex nature of the business and transactions, they may direct the taxpayer to get their accounts audited by an accountant.
- In order to ensure that inventory is valued according to provisions of law, it is proposed to extend the said provisions to enable the tax officer to get the taxpayer's inventory also valued by the cost accountant.
- It is also proposed that an opportunity of being heard will be provided to the taxpayer except in cases where assessment is done ex-parte.
- This amendment is proposed to be effective from FY 2022-23 and will apply for AY 2023-24 and subsequent years.

Key Direct Tax Proposals

Re-assessment proceedings

- Under the existing re-assessment regime, the tax authority issues a notice requiring the taxpayer to file a return of income within the period mentioned in the notice.
- In order to streamline the conduct of re-assessment proceedings, it is proposed that a taxpayer should furnish the return of income within three months from the end of the month in which such notice is received or such extended time as allowed by the tax officer on an application being made by the taxpayer.

Alignment of timeline provisions under Section 153 of the Act

- Currently, the time limit for the completion of assessment proceedings is 9 months from the end of the financial year in which the return is filed.
- Considering the very limited time available for the taxpayers to address all the queries/documentations required by the tax authorities, it is proposed to extend the said period of 9 months to 12 months.
- It is also proposed to provide that in a case where an updated return is furnished, the tax authority can close the assessment within a period of 12 months from the end of the year in which the taxpayer files such return.
- Furthermore, it is also proposed that where the assessment or re-assessment proceedings are pending on the date when the search is initiated, the period available for completion of the respective proceedings be extended by 12 months in such cases.

Note: All the amendments shall be applicable effective 1 April 2023 unless stated otherwise.

Transfer Pricing

- The time limit to submit TP Documentation reduced from 30 days to 10 days thereby reemphasizing that TP Documentation needs to be contemporaneous.
- Domestic transfer pricing provisions would now apply to new co-operative manufacturing societies, which have been extended concessional tax regime of 15%.
- Relief provided to notified NBFC's from restriction of interest deduction u/s 94B.

04

Key Indirect Tax Proposals

Back

Next

Key Indirect Tax Proposals

Goods and Services Tax
(to be made effective post-presidential assent)

- Provisions relating to persons not liable for registration (viz., dealing purely in exempted supplies, agricultural goods, or notified supplies). The provision has been given overriding powers over the mandatory registration provisions. (retrospectively amended from 1 July 2017).

  The said amendment outlining the order of registration provisions will help resolve the anomalies revolving around the mandated registrations with no taxable activity. However, since charging provision or notification for levying GST under reverse charge remains unchanged, some anomaly continues to exist. Clarification is expected in this regard.

- Input Tax Credit (ITC) on Corporate Social Responsibility has been added to the list of blocked credits.

  The long-drawn issue has finally been put to rest by virtue of the said amendment. Though unfavorable for taxpayers, this amendment will help reduce litigation.

- Supply of warehoused goods before clearance for home consumption will now be considered "exempt supplies" for the purpose of computation of proportionate reversal of common ITC.

- Taxpayers dealing in the supply of goods through e-commerce platforms can now opt for Composition Scheme.

  This amendment will enable small traders to overcome geographical limitations and will ultimately boost the e-commerce industry. Although restriction to trade interstate persists for composition dealers.

- An outer time limit of three years has been prescribed for filing various tax returns to curb the inordinate delay and ensure regular compliance by taxpayers.

  With this introduction, GST will be aligned to the Income Tax provisions, where outer limits to file tax returns are specified. The amendment could give rise to best judgment assessments and subsequent litigations.

- The government has been empowered to prescribe the restrictions and manner of computation of interest on a refund along with conditions and additional restrictions.

  Though there is no change in the period for sanctioning a refund, which is 60 days from the date of receipt of the application, once the manner of computation of interest is prescribed, it will reduce unwarranted litigation. Furthermore, it will be noteworthy to examine restrictions and conditions that may be imposed in this regard.

Key Indirect Tax Proposals

- Penal implications proposed for e-commerce operators to ensure that operators:
  - do not allow supplies through its platform either by unregistered persons (unless specifically allowed) or such registered persons who are restricted inter-state supplies.
  - appropriately furnish information on outward supplies made through the e-commerce operator, provided by a person exempted from obtaining registration, which is in contravention of the provisions of GST law.

  The burden to ensure that sellers are compliant on e-commerce platforms has been cast upon e-commerce operators, which could lead to system-related changes by such operators.

- Certain offense provisions have been proposed to be decriminalized, viz., obstructing or preventing any officer from discharging his duties, tampering or destroying material evidence or documents, and failing to supply any information or supplying false information.
  - The imprisonment provisions for offenses where the amount of default does not exceed INR 20 million have been done away with except in case of issuance of invoice or bill without actual supply of goods or services.
  - The benefit of compounding has been extended to offenses that qualify as an offense under GST Act and under any other law except in the case of issuance of invoice or bill without actual supply of goods or services.

  While this amendment will mitigate the risk of imprisonment, such offenses would still invite penal implications. Corresponding amendments have also been proposed in compounding provisions.

- The definition of 'non-taxable online recipient' has been widened to include all unregistered persons receiving Online Information and Database Access or Retrieval Services (OIDAR).
  - The definition of OIDAR services has also been amended to remove the conditions of "essentially automated" and "involving minimal human intervention" for qualifying a particular service as OIDAR services.

  The debate over the taxability of electronic services qualifying as 'OIDAR' services now appears to have been settled with the amendment. Such services would now attract GST in India even if unregistered persons for the purposes of business, commerce, or profession receive the same. Such widened scope would see an increase in notices to foreign entities engaged in providing various electronic services in India, directing them to obtain GST registration and undertake compliance.

- The compounding of offenses in the nature of receiving or handling goods that are liable for confiscation or receiving services that are in contravention of the GST Act is proposed to be allowed only once.

Back
Next

Key Indirect Tax Proposals

- The monetary limits for compounding offenses have been revised as under:

Existing monetary limits	Proposed monetary limits
Minimum – INR 10,000 or 50% of the tax involved, whichever is higher	Minimum – 25% of the tax involved
Maximum – Not being less than INR 30,000 or 150% of the tax involved, whichever is higher	Maximum – Not being more than 100% of the tax involved

- New provisions introduced for enabling GSTN to share taxpayer information (relating to particulars furnished in the application for registration, tax returns, e-way bill and e-invoice data) with other notified systems, post consent of registered supplier/recipient (as the case may be) is obtained.

Though there are restrictions on the use of information furnished under the GST law, this provision will enable consent-based sharing of information and aid in improved governance. It will be interesting to see how the consent will be obtained and the underlying procedures.

- Out and out supplies, bond to bond sale of warehoused goods, and high sea sales shall be considered to be part of Schedule III with effect from 1 July 2017.

A retrospective amendment will put an end to enduring litigation on this issue. Unfortunately, no refund shall be allowed of taxes already paid on aforesaid transactions.

- The proviso, which provided that place of supply in case of transportation of goods to a place outside India will be the destination of such goods, has been omitted. The place of supply in such cases will be the location of registered persons or the location at which goods are handed over for transportation in case of unregistered persons.

The ambiguity which was created pertaining to the place of supply in case of transportation of goods and availability of input tax credit to the recipient, which was clarified vide a Circular, has been completely removed by deleting the said proviso itself.

Due to such proposed amendment, transporters, freight forwarders, and courier service providers will now have to re-align their IT systems to capture the correct place of supply and apply correct taxes on the invoices raised once the amendment comes into effect.

Key Indirect Tax Proposals

Customs

- The restriction imposed on an operative period of two years on exemptions granted under the Customs Law vide Finance Act, 2021 has been proposed to be withdrawn for exemptions granted in relation to trade agreements, foreign trade policy, international treaties, Central Government Schemes having validity of more than two years, personal baggage, gifts, etc.

- Settlement Commission to pass orders within nine months (which can be extended for not more than three months) from the last day of the month in which the application for settlement is received.

  – Adjudicating authority, before whom the matter was pending as of the date of filing the settlement application, shall adjudicate the matter in case of failure to pass such order within the prescribed time limit, as if no application was made.

- The amendment is proposed to exclude solar power plants/solar power projects from the purview of Project imports.

- Certain retrospective legislative amendments with effect from Jan 1995 have been made in relation to Countervailing Duty (CVD) and Anti-dumping Duty (ADD) levies.

Key Indirect Tax Proposals

Key Rate changes (effective from 2 February 2023)

Upward revision of Basic Customs Duty (BCD) rate on the below items:

Sr No	HSN	Industry	Description	Previous Rate (BCD)	Revised Rate (BCD)
1	2902 50 00	Chemicals	Styrene	2.00%	2.50%
2	2903 21 00	Chemicals	Vinyl Chloride Monomer	2.00%	2.50%
3	4005	Rubber	Compounded Rubber	10.00%	25.00% or INR 30 per kg, whichever is lower
4	7113, 7114	Gems and Jewelry	Articles of precious metals	20.00%	25.00%
5	7117	Gems and Jewelry	Imitation Jewelry	20.00% or INR 400 per kg, whichever is higher	25.00% or INR 600 per kg, whichever is higher
6	8414 60 00	Electronic appliances	Electric kitchen chimney	7.50%	15.00%

Sr No	HSN	Industry	Description	Previous Rate (BCD)	Revised Rate (BCD)
7	8703	Automobiles	Vehicle (including EV) in Semi-Knocked Down (SKD) form	30.00%	35.00%
8	8703	Automobiles	Vehicles in Completely-Built Unit (CBU) form, other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrol run vehicle and more than 2500 cc for diesel-run vehicles, or with both	60.00%	70.00%
9	8703	Automobiles	Electrically operated Vehicle in Completely Built Unit (CBU) form, other than with CIF value more than USD 40,000	60.00%	70.00%

Key Indirect Tax Proposals

Key Rate changes (effective from 2 February 2023)

Downward revision of BCD rate on the below items:

Sr No	HSN	Industry	Description	Previous Rate (BCD)	Revised Rate (BCD)
1	7102, 7104	Gems and Jewelry	Seeds used in the manufacture of rough lab-grown diamonds	5.00%	Nil
2	3824 99 00	IT, Electronics	Palladium Tetra Amine Sulphate for the manufacture of parts of connectors	7.50%	Nil
3	Any Chapter	IT, Electronics	Camera lens and its inputs/parts for use in the manufacture of camera modules of cellular mobile phone	2.50%	Nil
4	8529	IT, Electronics	Specified parts for manufacture of the open cell of TV panel	5.00%	2.50%
5	8516 80 00	Electronic appliances	Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20.00%	15.00%
6	39, 40, 58, 70, 72, 73, 83, 84, 85, 87, 90	Automobiles	Specified automobile parts/components, sub-systems and tyres, when imported by notified testing agencies for the purpose of testing and/or certification	As applicable	Nil
7	84, 85	Automobiles	Specific capital goods/machinery for the manufacture of Lithium-ion cell for use in battery of EV	As applicable	Nil

Key Indirect Tax Proposals

Key Rate changes (effective from 2 February 2023)

End date prescribed for below BCD Exemption:

Sr No	Sr. No. of Notification No. 50/2017 – Customs	HSN	Industry	Description	BCD Rate	Proposed Sunset date
1	527A, 527B	8507 60 00	Electronic appliances/EV	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone/EV	5.00%	March 2024
2	341	70	Electronic appliances	Preform of silica used in the manufacture of telecommunication grade optical fibers	5.00%	March 2025
3	405, 406	84 or any other Chapter	Electronic appliances	Raw materials and parts for the manufacture of wind operated electricity generators	5.00%	March 2025
4	166	28, 29, 30, 38	Medicines	Specified and Drugs, medicines, diagnostics kits or equipment, bulk drugs used in the manufacture of drugs or medicines	5.00%	March 2025

Key Indirect Tax Proposals

- In order to simplify the tax structure, the number of BCD rates is being reduced with a consequent increase in the SWS/AIDC rates to rationalize customs duty in a manner so as to maintain the existing incidence of duty. This includes Gold Bars and Dore, Platinum, Coal, Pie, Lignite, and waste and scrap of precious metal.

- BCD on the raw material used in the manufacture of aquatic feed, Acid grade fluorspar mineral (containing more than 97% of calcium fluoride) and Pecan nuts has been reduced.

- BCD exemption has been extended for 115 entries up to 31 March 2024, key ones outlined below:

  - Raw materials for use in the manufacture of sheets of Cold Rolled Grain Oriented (CRGO) steel.
  - Flat copper wire, Solar tempered glass and Ethylene Vinyl Acetate (EVA) sheets used in the manufacture of solar cell/modules or photo voltaic ribbons for solar cell/module.
  - Lactose for use in the manufacture of homeopathic medicine.
  - Electrical energy supplied to Domestic Tariff Area (DTA) by power plants of less than or more than 1000MW; machinery/components for initial setting up of nonconventional power generation plants.
  - Copper wire and Ethylene – propylene – non-conjugated diene rubber (EPDM) for the manufacture of insulated wires and cables.
  - Goods required for basic telephone/internet service and their parts.
  - Batteries for electrically operated vehicles, specified parts and components, including Lithium-ion cell for use in the manufacture of Lithium-ion batteries and battery packs.
  - Specified goods for manufacturing microphones.
  - Hospital Equipment (excluding consumables) for use in specified hospitals; life-saving medical equipment including accessories or spare parts or both of such equipment for personal use; medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof.
  - Ferrous waste and scrap.
  - Goods for carrying out repairs, reconditions, testing, calibration or maintenance; articles supplied free under warranty as a replacement for defective ones.
  - Special Additional duty of Customs to goods cleared from SEZ and brought to any other place in India.

- BCD exemption extended up to 31 March 2025 on raw material and parts for use in the manufacture of ship/vessels, Preform of silica and life-saving drugs/medicines, diagnostic test kits, and bulk drugs used in the manufacture of life-saving drugs or medicines.

Back Next

Key Indirect Tax Proposals

- BCD exemptions on items mentioned below would be withdrawn w.e.f. 31 March 2023.

Sr No.	Sr. No. of Notification No. 50/2017 – Customs	Description
1	400	Specified goods and their parts for use in the textiles industry
2	430	Goods for use in the pharmaceutical and biotechnology sector for R&D
3	432	Specified goods for use in the textile industry
4	434	Specified machinery and capital goods for use in the silk textile industry
5	513	Parts or components for use in the manufacture of populated printed circuit boards of DVR, NVR, CCTV camera
6	445	Machinery/Capital goods for making Gems and Jewelry

- Agriculture Infrastructure and Development Cess (AIDC) increased on silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form and Silver Dore.

Central Sales Tax
(to be made effective post-presidential assent)

- The Customs, Excise and Service Tax Appellate Tribunal (CESTAT) has been nominated to settle new as well as pending disputes pertaining to inter-state supplies and Advance Ruling applications.

  It will be interesting to see how CESTAT will now gear up to handle the long pending CST matters!

Central Excise

- Exemption from Central excise duty is proposed on blended Compressed Natural Gas (CNG) equivalent to the amount of GST paid on Bio-Gas/Compressed Bio-Gas contained in such blended CNG, subject to fulfillment of conditions (viz. maintenance of detailed records and submission of reconciliation statement certified by Statutory auditor.)

05
Sectoral Announcements

Sectoral Announcements

Healthcare

The Union Budget speech of 2023 did not feature any major big bang announcements for the Healthcare and Lifesciences sector. However, the government has focused on some fundamental needs of the healthcare industry addressing issues on incentivizing and supporting R&D and boosting the availability of adequate trained manpower to support the required growth in infrastructure and healthcare access. The Union Health and Family Welfare Ministry have allocated INR 891.5 billion in Union Budget FY24, a 12% increase over the revised budget estimated for FY23. Here are some of the new announcements that came in:

157 New Nursing Colleges to be Established

- The government has announced plans to co-locate 157 new nursing colleges alongside the 157 new medical colleges that have been in operation since 2014. This will help reduce geographical disparities in availability of trained manpower and improve quality and access in smaller tier towns and rural areas.

Multidisciplinary Courses for Medical Devices

- The creation of multidisciplinary courses for expanding the manpower pool for medical devices is a key measure announced this year. To assure the availability of trained labor for cutting-edge medical technology, high-end manufacturing, and research, these courses will be supported in already-existing institutions.

Sickle Cell Anemia Elimination Mission

- The government plans to eradicate sickle cell anemia by 2047. India has the highest prevalence of almost 20 million patients with sickle cell disease which majorly occurs in tribal populations.
- The Mission will build disease awareness, conduct counselling, and universal screening of 70 million people in the 0–40 age group in impacted tribal areas.

Joint Public and Private Medical Research in ICMR Labs

- Facilities in select ICMR Labs will be made available for research by faculty from public and private medical colleges and to R&D teams from the private sector. This will encourage collaborative research, innovation, and leverage the high-quality R&D infrastructure available at these labs.

Back

Next

Sectoral Announcements

New Program to Promote Research in Pharmaceuticals

- Despite being a pharmacy to the world, India lags significantly in R&D efforts, investments, and infrastructure. The pharmaceutical industry has been seeking support and incentives to encourage world class R&D in India and reduce dependence on overseas knowledge and innovation. The budget announced a new initiative to promote R&D in the pharmaceutical industry which will be announced soon.

Our Comments

Overall, the budget has taken positive steps towards creating adequate availability of skilled manpower and increasing the priority on building quality R&D capabilities and infrastructure in this innovative knowledge industry. This will help support the growth of good quality healthcare and access for India. We expect healthcare delivery, pharmaceutical, and MedTech sectors to all benefit from these initiatives. These are welcome announcements and we look forward to their prompt and effective implementation in the months to come.

The budget also focuses on addressing the root cause of communicable diseases thereby addressing some of the aspects on hygiene, clean water, health nutrition, vaccination, etc. with initiatives such as Aspirational Districts and Blocks Program, Pradhan Mantri PVTG Development Mission, and Swachh Bharat Mission thereby reducing burden on primary healthcare. To summarize, the Modi government, over the last few years, has covered the four main pillars of healthcare - eradication of communicable diseases, healthcare infrastructure and talent (wellness centers, hospitals, colleges, healthcare professionals, etc.) health insurance coverage (Ayushman Bharat) and local manufacturing (Make in India). All these aspects address affordability, accessibility and availability of healthcare within the country.

Sectoral Announcements

Agriculture, Food, and Food Processing

Global Hub for Millets or 'Shree Anna'

- India grows several types of millets viz Jowar, Ragi, Bajra, and many more having several nutritional benefits being an integral part of Indian food for centuries.
- The Indian Institute of Millet Research, Hyderabad will be supported as the Center of Excellence for sharing best practices, research and technologies at the international level to make India a global hub for 'Shree Anna'.

Our Comments

As the Finance Minister mentioned, India is the largest producer and 2nd largest exporter of millet. Thus, efforts and support to convert the Indian Institute of Millet Research, Hyderabad into a Center of Excellence is an excellent initiative that will cement our leadership in the world of millet, especially considering 2023 is the International year of Millets. This will not only help disseminate and impart the knowledge India possesses on millets to the world but also learn from the world to grow and progress to higher levels of productivity, technological advancement, mass adoption of millets and more. For millets to become mainstream, it would require several innovative applications and positioning it as a great source of nutrition such that it finds a place into the daily menu of a large number of households.

Sectoral Announcements

Marine Products

- Marine products recorded its highest export during the last financial year. To further enhance the export competitiveness of marine products, particularly shrimps, duty is being reduced on key inputs (e.g. fish meal, krill meal, etc.) for the domestic manufacture of shrimp feed.

Fisheries

- The Finance Minister (FM) announced launch of a new sub-scheme of PM Matsya Sampada Yojana with a targeted investment of INR 60 billion to aid the Fisheries industry.

Agriculture Fund

- An Agriculture Accelerator Fund will be set up to encourage agri-start-ups by young entrepreneurs in rural areas, aiming at bringing innovative, affordable solutions and modern technologies to increase productivity, profitability, etc.

Digital Infrastructure

- An open source, open standard, and interoperable digital public infrastructure for agriculture will be built, enabling farmer-centric solutions such as crop planning, health and insurance, access to inputs and credit, and market intelligence, along with support to the agri-tech industry and start-ups.

Free Food Grains

- The FM announced a scheme under PM Garib Kalyan Anna Yojana (PMGKAY) to supply free food grains to the weaker sections of society and priority households from 1 January 2023 for a year, estimating a Central Government expenditure of nearly INR 2 trillion, continuing the free supply of grains to over 800 million persons during the pandemic period of 28 months.

Public Private Partnerships (PPP)

- Adopt a cluster-based and value chain through PPP to enhance the productivity of extra-long staple cotton for input supplies, extension services, and market linkages.

Aatmanirbhar Clean Plant Program

- The FM announced the launch of an Atmanirbhar Clean Plant Program with an outlay of INR 22 billion to boost the availability of disease-free, quality planting material for high-value horticultural crops.

AI in India

- Under the 'Make AI in India' and 'Make AI Work for India' vision, three Centers of Excellence for Artificial Intelligence will be set-up in top educational institutions for areas such as agriculture, health, and sustainable cities.

Agriculture Credit and Co-operative Societies

- Increased agriculture credit of INR 20 trillion will be extended with focus on animal husbandry, dairy and fisheries.

- 63,000 Primary Agricultural Credit Societies (PACS) are being computerized with an investment of INR 25.16 billion, to realize the vision of 'Sahakar Se Samriddhi' for promoting a co-operative-based economic development model. In consultation with relevant stakeholders and bye-laws, a national co-operative database mapping country-wide co-operative societies is being prepared.

- This database will enable the implementation of a plan to set up massive, decentralized storage capacities, which will help store produce, realize better pricing through sales at appropriate times, etc.

Sectoral Announcements

- Within the span of five years, the government aims to promote the set up of several multipurpose co-operative societies, primary fishery societies, and dairy co-operative societies in rural areas.

Relief to Sugar co-operatives from Past Demand

- For years prior to AY 2016-17, any expenditure incurred by sugar co-operative societies on the purchase of sugar which was disallowed by the tax authorities can now be claimed as a deduction upto the prices fixed by the government. The same can be done by filing a rectification application before the tax authorities within four years from the end of FY 2022-23.

Penalty for Cash Loan/Transactions against Primary

- Co-operatives: Under relevant sections, for deposits or loans accepted or provided or repaid by or to a primary agricultural credit society or a primary co-operative agricultural and rural development bank from or to or by its member in cash, no penal consequence would arise if the amount of such loan or deposit in cash is less than INR 200,000.

Rationalization of Customs Duty

- Custom Duty have been rationalized across several agricultural products, namely pecan nuts, fish meal, krill meal, fish lipid oils, Algal Prime (flour), mineral and vitamin premixes, and crude glycerine.

Our Comments

The government's focus on continued investment into infrastructure with the 33% increase in capital investment to INR 10 trillion this year and further continuation of the 50-year interest free loan to state governments to incentivize infrastructure investments would increase the M&A attractiveness of India as a destination. Furthermore, logistics in India, which is considered to be the skeleton as well as the nervous system of any economy, would be further enhanced by the record investment of INR 2.4 trillion in railways and 100 transport infrastructure projects connecting core areas.

Sectoral Announcements

Infrastructure

- The Finance Minister (FM) has announced a 33% increase in the capital investment outlay, which will be 3.3% of the expected GDP. This will boost the output for the Capital Goods industry, leading to more production and better job opportunities.
- The government has remained dedicated to its strategy of capital investment to promote growth in the industry. The improved infrastructure will also have a multiplier effect, helping a multitude of other industries.

Railways

- Railways is the backbone for the India Inc. from logistics perspective. With the announcement in the budget, the government intends to invest INR 2.4 trillion which will be spent towards railway tracks, electrification, and station facilities to build capacities and develop an end-to-end connectivity approach.

Green Economy

- With the focus to reach net-zero carbon emission by 2070, the FM has further announced INR 350 billion for energy transition, which will also include Viability Gap Funding for a battery energy storage system.
- Furthermore, INR 197 billion has been allocated to the National Hydrogen Mission which will be spent towards increasing present hydrogen production capacities.
- The FM has also announced a Green Credit Program which will be focused on incentivizing environmentally sustainable and responsive action by companies and individuals.

MSMEs

- The FM has announced a revamped Credit Guarantee Scheme under which INR 90 billion of corpus will be launched from the start of the coming financial year. This shall enable collateral free guarantee of INR 2 trillion.
- The government also expects lowering of cost of credit by 1%.
- On the tax front, the FM announced that MSMEs with turnover up to INR 30 million can now avail the presumptive tax benefit. This will help in simplifying the compliance burden.
- Furthermore, it has also been announced that deductions for expenditure on payments to MSMEs will be allowed only when such amounts are actually paid to the MSME registered concern. This shall ensure proper working capital with the MSMEs.

Financial Sector

- The government has proposed a National Financial Information Registry which will serve as the central repository of financial and ancillary information. This will help in the efficient flow of credit, larger financial inclusion, and promote financial stability.
- The government has also announced that financial regulators will be requested to review the existing regulations to promote ease of business and reduce compliance cost.

Back
Next

Global Partner.
Integrated Solutions.

About Nexdigm

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.***

Back

Next

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

Back
Next

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 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
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