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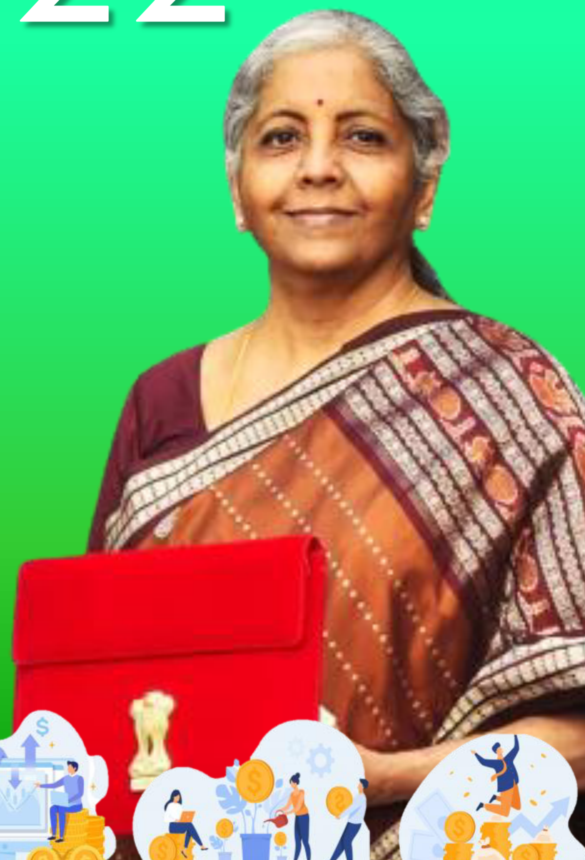
FEBRUARY, 2022 | PAGES 59

"Government's plan for the Nation"

BUDGET 2022



- Digital Rupee to be launched, Crypto-"assets" and NFTs taxable at 30%
- 5G spectrum to be auctioned soon
- PM GatiShakti Infra Plan unveiled
- 'Updated return' option for IT returns

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EDITORIAL

We often budget our earnings and expenditure – that' how we get our dream car and dream house. It's a tough task to calculate, estimate, save and plan the whole thing and gets even more complicated when the family expands. India is a country with over 125 crore people – imagine how complicated the budgeting might be. It's nearly impossible to ever achieve a perfect budget – it's imperfect and will stay so forever. What we need in a budget is the right direction, as we need with our own dreams. While many people ignore budget – to remind them, the money being talked about here, doesn't belong to the Government, it belongs to you, the citizens. It's your money that elected representatives are managing and caretaking. There are various details and documents presented and spoken about in the budget, which most citizens are not able to understand. We intend to help a few by utilising our knowledge to present the budget in simpler terms. Rome wasn't built in a day, and you too won't understand the budget in a year – keep reading and experience will reach out to your knowledge one day!

Unhindered by politics

Stricter compliances

Fewer proposals for widening taxbase

Health budget

Rationalisation of tax laws

More power to tax officials

What happened to Disinvestment?

Capital expenditure

Focus on domestic economy

Lack of novelty

No tax reliefs

No fancy tax amendments

No major reforms

6.4/10

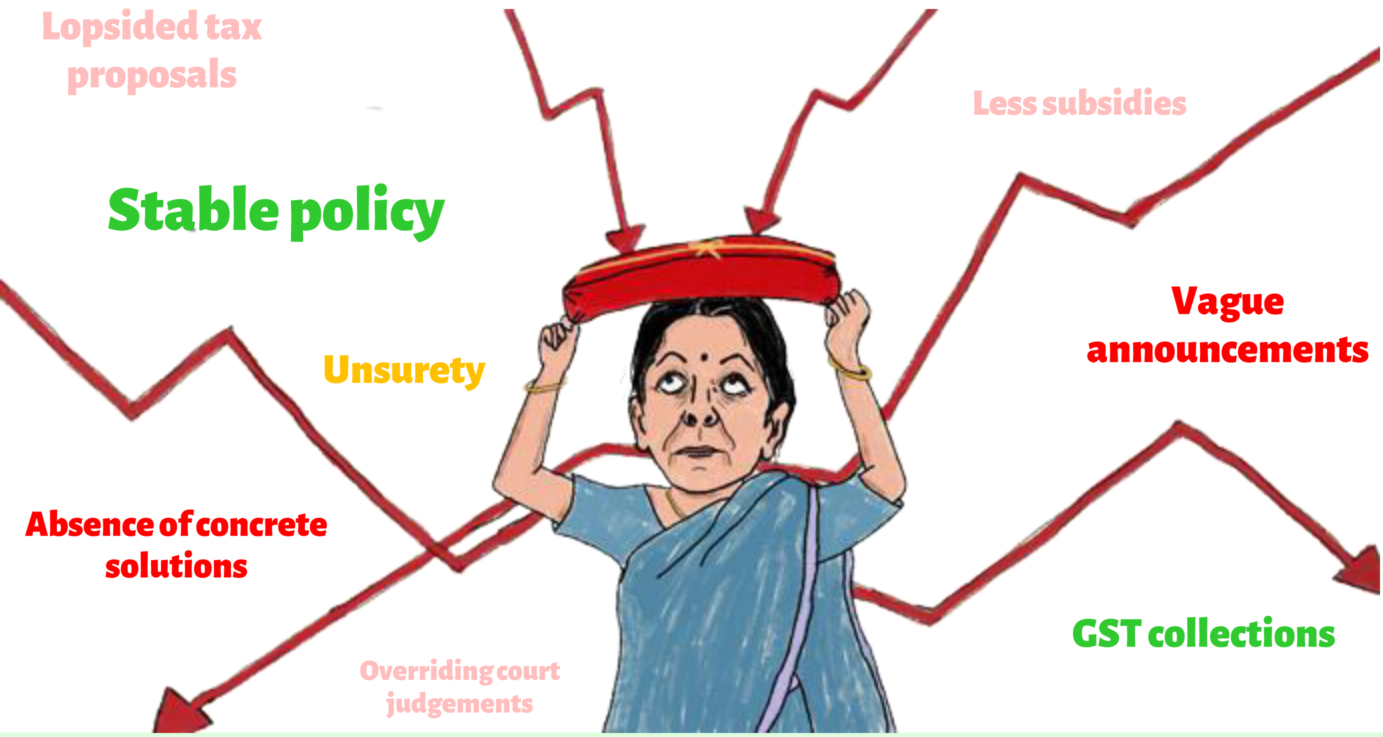
Less ambitious than before

No update on past budget proposals

"A stable, no surprises budget"

Lopsided tax proposals

Less subsidies



Stable policy

Vague announcements

Unsurety

Absence of concrete solutions

GST collections

Overriding court judgements

"There's no surprise; that's the surprise!"

Preface

Cut your coat according to your cloth, because if you don't, you will lose them both! Budgeting is an essential part of our lives. We are budgeting all the time, knowingly, unknowingly, as it helps us in keeping our expenses in tandem with our income. Every year the finance minister of the country along with the team prepare a budget for the nation which decides on how much taxes are to be collected or other non-tax sources of revenue. Accordingly, various schemes, subsidies, projects and policies are also prepared to be implemented over the next financial year. Most people assume that these are government activities that have no bearing on their lives. However, the truth is, budget announcements are one of the most significant aspects of your budget and financial management.

Consider this, when you buy products or avail services, buy fuel or pay for cooking gas, you are paying indirect taxes or availing subsidies, embedded in the product price which goes/comes, straight to/from the Government; when you receive salary or such income, the tax deducted also goes to the Government. All these tax rates are decided by the Government. Meanwhile, the public amenities you use such as roads, railways, bridges, police etc. are all affected by the Government policies which are decided and announced during the annual budgeting activity. If you are a businessperson, these policies may favourably or adversely impact your business as well, apart from your finances. Allowing foreign players, subsidising rates, granting more licenses or providing more liquidity to the economy, all bear a huge impact on the businesses – directly and indirectly.

A good study of the annual budget announcements can help you in many ways –

1. Capture new upcoming opportunities created by the Government
2. Avail subsidies, grants, or concessions offered by the Government
3. Manage your finances by planning taxes and expenditure
4. Understanding impact on the economy, the industry and your business, or your employer's business
5. Making long term investment decisions based on sectors being focussed on, economic factors and tax implications of investment

In this publication, we are presenting comprehensive coverage of the Budget 2022 presented by Finance Minister Nirmala Sitharaman in the Lok Sabha on February 1, 2022. This budget is for the financial year 2022-2023. Amounts that were ever mentioned in this publication are in Indian Rupees unless otherwise stated. We hope you have a great time analysing the budget. You may reach out to us with your queries at info@greenvissage.com.

Background

"The budget will try to sway the upcoming polls in the north", "Nirmala Sitharaman will address inflation and employment issues", "The budget will provide much-needed tax relief post-pandemic", "Taxes will be increased to recover vaccination costs", there were so many predictions around the kind of budget that will be presented, before 'the day'. Unhindered by them all, Finance Minister Nirmala Sitharaman delivered a thoroughly professional budget. There were no fancy announcements this year, as the FM chose to stick to the prior year resolutions while keeping the tax regime stable. One may argue that this is 'Budget Number Three' of the current Government – with too many announcements in the first two years, and to leave room for more in the pre-election budgets, the middle ones had no choice but to be passive and unfancy.

Even after considering those arguments, the annual budget has been professionalised significantly with the merger of railway budget with fiscal budget (and gradual removal of the same), early budget session instead of last day of February providing more time to prepare and of course with fewer politics and more policy-making, things have fallen pretty much in line. Meanwhile, one should not forget that Finance Ministry has made enough announcements through press conferences (literally a test match of press conferences) and notifications that there isn't enough left on the plate to announce by the time finance budget day arrived. This has been the case with the present regime of the Government – there's always something happening all around the year! As finance professionals, we find it remarkable. Having said that the budget was professional, it is worth noting that everything in the budget was already known and expected, and barring a few, there were no new schemes or projects announced, nor any major reforms both tax and non-tax, making it a low-profile budget, as well. Of course, in respect of tax amendments, as usual, 'the devil was in the finance bill', as budget speeches speak only about the fancy part while it is left to the Chartered Accountants to explain and inform the same to the taxpayers. Don't worry, we have got you covered!

"Amritkaal" is the Great Indian Dream

As India is celebrating its 75 years of independence dubbed as 'Azadi ka Amrit Mahotsav' which you may have already observed on all Government websites, advertisements, emails and social media posts, and anything else possible, along with Prime Minister Narendra Modi's photo. It's all marketing. Taking inspiration from the same, Finance Minister Nirmala Sitharaman prepared to keep the vision of '100 years of independence' dubbed as 'Amritkaal'. The term 'Amritkaal' refers to the critical time when the gates of greater pleasure open all and an auspicious time to start new work. This year's budget lays the foundation stone for the 'Amritkaal' and gives a blueprint to steer the economy to 'Amritkaal' in the next 25 years. Sounds, so wow, right? So did we, until we analysed the entire budget and found nothing significant that hinted towards an 'Amritkaal'. This was a major factor why we ended with low 6 pointer rating for the budget. We won't be surprised if Nirmala Sitharaman chooses to present budget once or twice in five years, in next term, as most of the announcements made in the prior budget were such long term plans (3 years – 10 years) that the current period budget had to merely confirm that the Government is sticking with the same with minor tweaks and new mission names to garner headlines. Anyways, leaving behind the 'Armitkaal' narrative, this year's budget focussed on 4 pillars – productivity, climate action, financing investments and PM Gati Shakti plan. Let's understand the various aspects of this year's budget.

Capital expenditure

The outlay for capital expenditure in the Union Budget has been stepped up sharply by 35.4% from 5.54 lakh crore in the current year to 7.50 lakh crore in FY 2023. This is 2.2 times the expenditure of FY 2020 and will be 2.9% of the GDP. As much capable it is of making headlines, it is important to note that the Government had made little effort towards capital expenditure in its first regime which had resulted in economic recession and then the pandemic shook the country further. However, now it is fascinating to see that the Government finally understands and accepts its responsibility to increase spending and develop public infrastructure. Unlike prior years, and in continuation to the previous year, this year's budget reiterates Government's focus on public infrastructure spending under a new banner 'PM GatiShakti' – that's good news as infrastructure means more long-term spending, more employment and a higher supply of money in the economy. However, the announcements that followed the mighty mission title, do not justify it.

As per budget announcements, the Government has plans to improve the transportation in the country under its 'PM GatiShakti' plan comprising Road, Railways, Metros, Ropeways, Warehouses, etc. and digital initiatives for seamless connectivity of the same. You are going to hear the word 'digital initiatives' quite a time in the publication as Government considers it a strategic move. However, given the era we live in, these digital initiatives comprising of building websites, combining websites, constructing databases and online training or libraries, aren't a big thing that deserves a mention in the annual budget. Besides, taxpayers who have experienced the digital initiatives of GST Portal, Eway Bill Portal, MCA 2.0 and the latest "high-tech" Income Tax Portal, would be well-aware of the ground reality. It has been announced that 400 Vande Bharat trains will be 'manufactured over the next 3 years and that shouldn't be confused with 400 new trains on the railway tracks! 'Kavach' security measures for the safety of railways would be extended to 2,000 kilometres of railway track. Few announcements such as the faster implementation of metro systems, multimodal data connectivity and 'One station, one product' are vague announcements for 'vocabulary analysis of budget' and not required mention.

Agriculture

Farm bill protests were the political highlight of the past year and there were high expectations that Government would try to lure these voters. The allocation for minimum support price is right there, as usual, to garner the trust of the farmers and stay in line with promises made by the Government. The introduction of 'Kisan Drones' is a good push towards innovation in the agriculture sector, something that can uplift the efficiency of farming in the country. Other announcements for millets, oilseeds, packages for fruits and vegetables, digital and hi-tech services are vague announcements as they neither specify the amount allocated nor elaborate the scheme (if any planned). We would know more about these schemes as and when concerned ministries chalk out the detailed plan and scheme. Ken-Betwa project will take more time before the benefits reap and consensus on the river linking project may be a more critical task than the actual project.

Digital Rupee and Cryptoassets

As was already expected, India has followed the Chinese way of dealing with Cryptoassets (Cryptocurrencies). Similar to how China launched Digital Yuan, India is going to launch its own Central Bank Digital Cryptocurrency (CBDC) which will be known as 'Digital Rupee'. It is expected that the same will be launched in FY 2023 itself. We had already elaborated on how this in our June 2021 Newsletter.

'Digital Rupee' will be issued by the Reserve Bank of India (RBI) to Commercial banks and other payment networks adhering to RBI guidelines. Thereon, the digital rupee can be obtained by citizens and saved in crypto wallets (digital lockers). However, the budget announcement only explains the approach while leaving behind many other questions on privacy, technology and the accessibility of the same. Since the Government has already listed a new law on Cryptoassets which is expected to ban private cryptocurrencies, if one read between the lines, the following is the status of the crypto assets –

1. There is only one legal tender in India – Indian Rupees (INR) and 'Digital Rupee' will be the virtual

version of the same. It is next to impossible that government would ever accept any other currency as legal tender unless the country's economy is in a dire state. Legal tender means the coins or currencies which can be used to settle the debt or financial obligation.

2. Anything other than 'Digital Rupee' will be allowed to operate as 'Virtual Digital Assets'. For issuing, exchanging or providing services to virtual digital assets owners, there will be registration formalities and only those qualifying the same would be considered as legal, all others would become illegal. These registration and other regulations together will ensure compliance, transparency and reporting of those dealing in the same. Thus, cryptocurrencies (as we call them) would be similar to equity shares, gold, bonds, etc. – an investment tool and not a medium of exchange like currency notes.

3. Digital Rupee is merely a digital version of INR and therefore, it would be a stable currency and its value would be equal to the value of INR, as it may appear in foreign exchange markets. Conversion of paper currency to digital currency will not involve any cost on the part of the citizens since the same is expected to be equivalent.

4. All foreign exchange regulations will be equally applicable to conversion of 'Digital Rupee' to any other foreign currency, as it would apply otherwise to the paper currency.

5. As per Budget 2022, cryptocurrencies would be taxable at a 30% tax rate. Only the cost of acquisition would be allowed as a deduction against the same. Thus, one cannot claim other administrative expenses, finance costs, depreciation, etc against the same. This income will be taxed as 'Capital Gains' and cannot be taxed as 'Business income'.

6. As per Budget 2022, losses arising from cryptocurrencies would carry no value i.e. no setoff against any other income and also no carry forward of losses to any other year. So, if you incur a loss, there are no tax implications. If you incur profit, you will have to pay 30% tax.

7. As per Budget 2022, TDS is required to be deducted at 1% on the 'Sale value' by the Cryptocurrency exchanges that buy the cryptocurrency. Thus, the compliance burden is on the cryptocurrency exchanges who are fewer and thus, can be regulated, traced and forced to report appropriate details, so that the ultimate traders are traced and taxed by the income tax department with ease.

8. Virtual Digital Assets (VDA) would also include Non-Fungible Tokens (NFTs) and other similar digital assets which may be issued in future.

The new announcements have made life difficult for the cryptocurrency traders as they are now in partnership with the income tax department where the IT department is a partner in profits only – if you make a profit of 30% tax if you don't, your loss. Cryptocurrency trading is already risky and now will become less compensatory as well, thus, reducing the trading in same, which is the intent of the Government. Meanwhile, people looking for cryptocurrencies as a long term investment option may try their luck, following the basic principle of investment in high-risk assets – invest an only amount that you can afford to lose and not your entire wealth. Since the taxes are 30% only, if a cryptocurrency gives a better return than other assets, you can easily compensate the difference of 10-15% as compared to other assets such as land, equity shares, bonds, etc.

5G spectrum auction and strategic disinvestment

Finance Minister Nirmala Sitharaman has also announced that the 5G Telecom Spectrum Auction would take place in 2022, for rollout in 2022-23. While this should be good news, the real situation is dire as there are few telecom players left in India, with Vodafone Idea 'trying' to revive and BSNL in losses. So finding bidders and also finding cash-rich buyers would be difficult for the Government, as the telecom sector is making move towards Duopoly and the Government hasn't done anything major apart from the Telecom Relief Package, revive the same. The Government is expected to make the most of the spectrum auction as it would result in huge revenue for the Government.

In this context, it is important to mention that the expected target of strategic disinvestment has been drastically lowered for FY 2023 to INR 65,000 crore only. Besides, according to the budget documents, the target for FY 2022 has also been revised to INR 78,000 crore from the estimated INR 1,75,000 crore, announced in the previous budget. This is an INR 97,000 crore downward revision – such a gross error in estimating? The centre had planned major divestments and strategic sales of Air India, BPCL, public sector banks and the insurance company. However, only a few have been completed while there is a question mark over others. While FM Nirmala Sitharaman had gladly announced generating 1,75,000 crore divestment revenue, which was opposed by many, the budget 2022 has tried to silently cover the traces. As per the budget documents, 'Disinvestment in Public Sector Banks and Financial Institutions' has been revised for FY 2022 from INR 1,00,000 crore to Nil. Should even trust the announcements in the budget anymore?

'Updated Returns' in income tax, announcement and reality

Finance Minister started the exciting Part B of her budget with the announcement of 'Updated Returns'.

While listening to the budget announcement, it added a vow factor to the speech, as the 'Updated Returns' made headlines everywhere in the news. However, on reading the fine print of the budget, we realised that it was barely useful to the taxpayers, and only a means of avoiding tax litigations for the tax officers, better call it a tool for tax officers to force taxpayers to pay taxes. This isn't a trust-based scheme, as the finance minister called it. What her budget speech missed to mention was that the updated return can only be filed to increase your income, and such incremental income has to be paid along with original taxes as applicable, additional taxes at 25% and 50% if a return was filed earlier, or not filed earlier respectively. Isn't it an important point to be mentioned while announcing the scheme? Well, the Finance Minister didn't think so.

Since the income tax department is increasingly relying on information received from other departments, it will now send notices to taxpayers to file 'Updated return' and include the income in such return. This return cannot be filed without paying the taxes first. If you don't file the same, you will end up in scrutiny and litigations. This is a good provision for the tax officers, however, harsh for the taxpayers who may have genuinely missed to disclose certain income and 50% - 80% tax on such income doesn't seem fair and is far away from 'trust based' return filing.

Rationalisation of tax laws

Unlike other budgets, this year's budget didn't introduce new concepts or provisions in the tax laws, instead only removed, cleaned up or rectified the errors. The faceless assessment scheme, the goods and services tax old return filing system, the assessment and reassessment provisions, various sections where judicial pronouncements varied or have been heavily litigated or judicial decisions didn't match with the intent of law have been amended, rectified or substituted. Similarly, tax duties under customs have also been rationalised to suit the 'Aatmanirbhar Bharat' agenda of the Government.

The bottom line

The truth is there were no major announcements. However, this is India, and the budget needs to have some punchlines so that the news media can convert them into headlines. Please do note here, this is the shortest budget speech by Nirmala Sitharaman which lastest merely for 92 minutes (1 hour, 32 minutes) including more than usual water breaks. Nirmala Sitharaman is already holding the record for longest budget speech and spoke for 162 minutes (2 hours, 42 minutes) in 2020. She broke her record for the longest budget speech of 2019 where she spoke for 137 minutes (2 hours, 17 minutes). This year's performance didn't seem as enthusiastic as the other years which also explains there wasn't much to mention. We expected a lot more from the Budget 2022. However, we are happy that the finance minister kept the regulations close and tight, without any rejig in the tax regime. When there's nothing much to do, it's better to let it be the way it is! Though the budget didn't present anything exciting, we rated it, based on the professionalism and the restraint depicted in proposing unnecessary reforms. Although the budget would have been rated higher had the government shown more intent and newer schemes. The Government also failed to satisfactorily address the looming problems of the economy, unemployment, higher education, preventive health measures post-pandemic, and the creation of growth opportunities. It's done and dusted, so let's analyse the budget and stay put for new mid-year announcements, as the Government is known to do so.

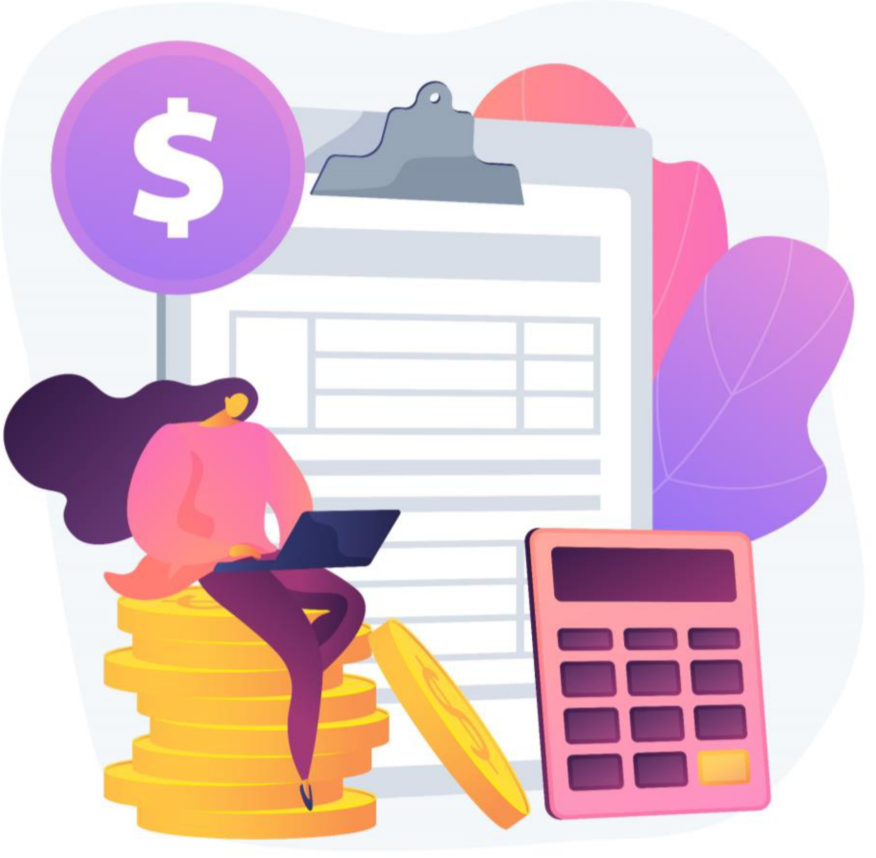
Do you know what does the halwa ceremony before budget signify?

The printing of the budget papers starts a week ahead of the date of presentation of the bill. All printing is done at a press in the basement of the finance ministry to maintain secrecy. The occasion is flagged off by a halwa ceremony where the desi sweet is served by the Finance Minister to around 100 officers and staff involved in the budget papers printing process.

All these officers and staff remain at the Finance Ministry North Block, for next 7 days until the budget is presented. These officials are not allowed to even use their mobile phones and have to remain cut off from their family till the presentation of the Budget.

Do you know why are budget papers printed in North block basement?

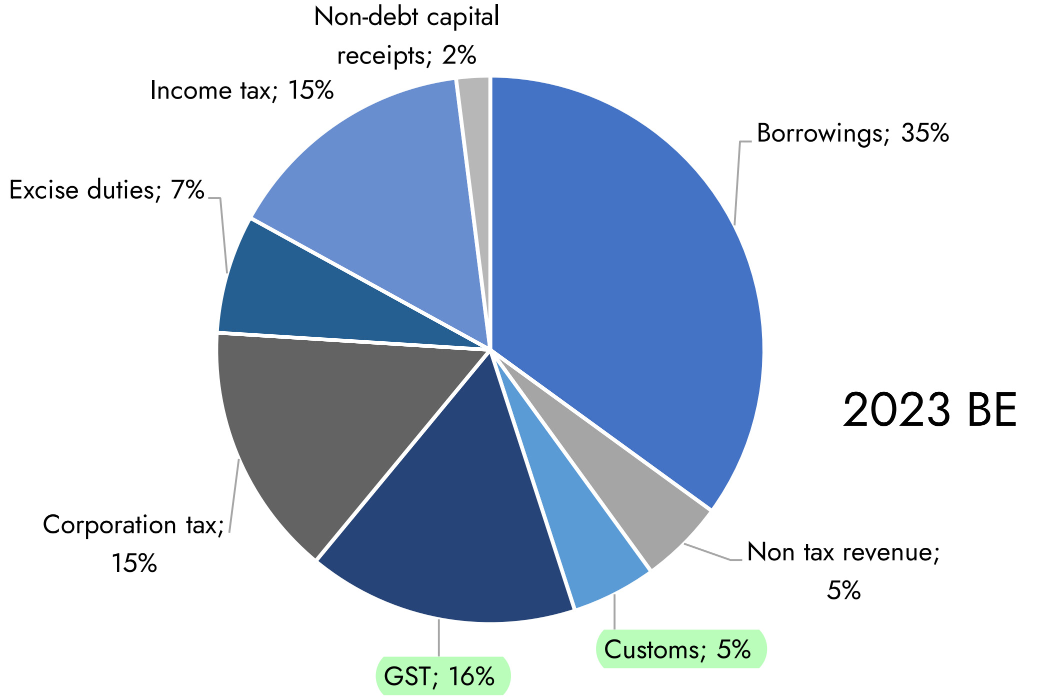
In 1950, a portion of the Union Budget was leaked when John Matthai was the finance minister. Until 1950 the Budget papers were printed at the Rashtrapati Bhawan. However, following the leak government moved the printing process to Minto Road. In 1980, the place for printing budget was changed to the North Block basement and the same has been continued till date. Tight security measures including tapping of phones and computers, high-tech surveillance, sweeps for electronic bugs, hidden cameras, jammers and scanners are all brought into action, to ensure nothing gets leaked before presentation as it did in the 1950.



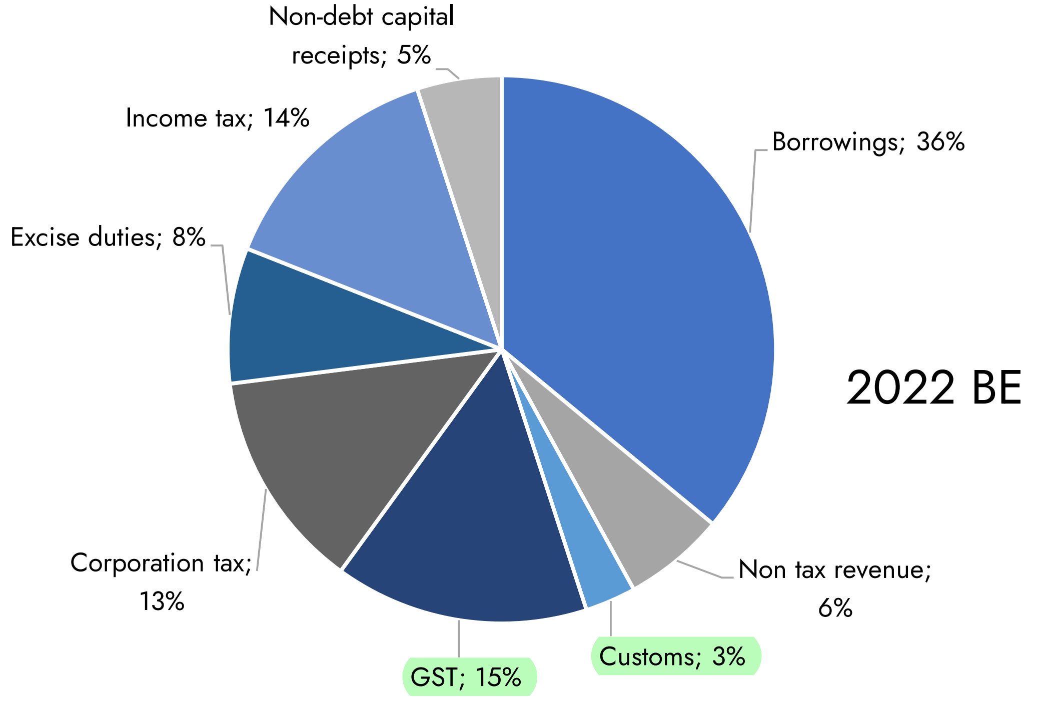
BUDGET HIGHLIGHTS

Every year the finance minister presents the budget of the country in the Lok Sabha. Budget explains how the government is planning to collect taxes or earn through other sources and how the government is going to spend the same. Governments in developing countries, usually spend more than the earnings by borrowing funds from market or other countries, as higher spending means better public infrastructure and other schemes for developments in the country. The budget papers contain details about how the government performed in past years, its estimate for ongoing year and budgets for next year. During budget speech, the finance minister talks about the highlights of his budget explaining the key developments that the Government intends to bring, the expected deficit as a result of spending and sources of borrowing and the changes in the tax structures and legal provisions to implement the budget.

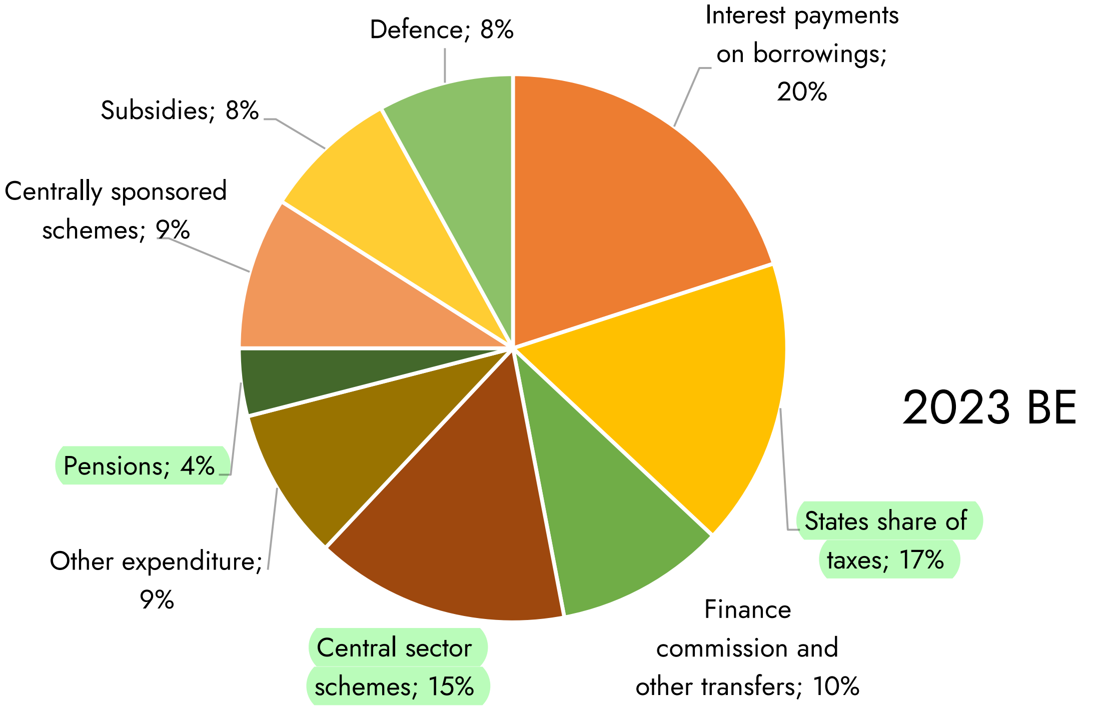
Sources of Government's Receipts



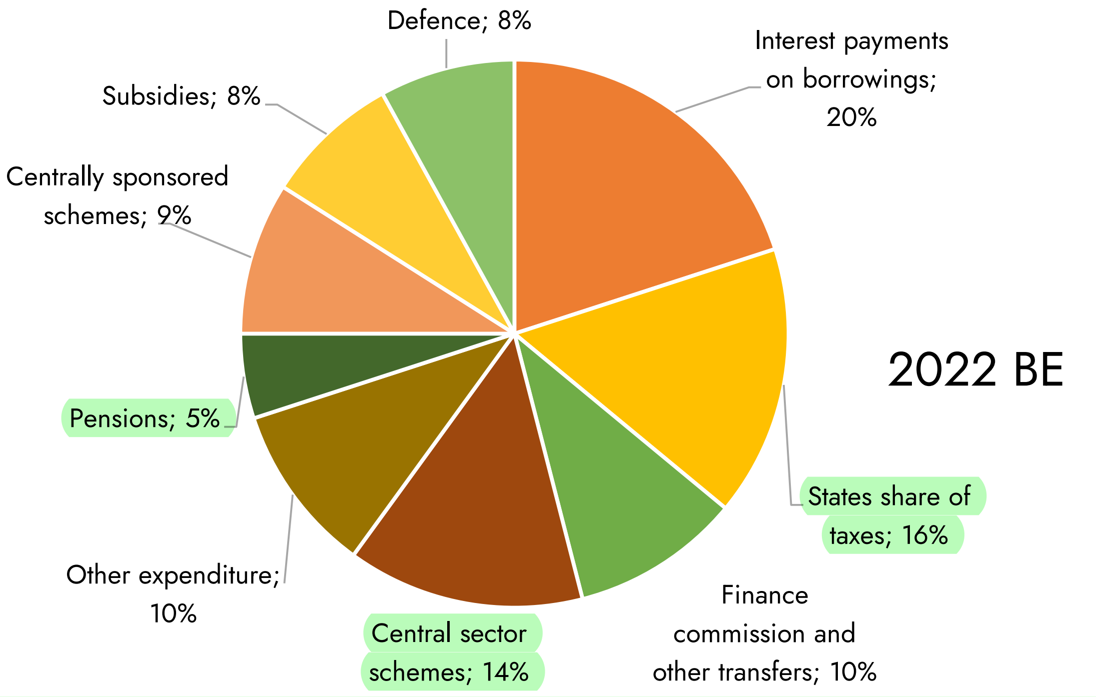
Sources of Government receipts explains where the Government obtains funds for its budgeted allocations and how dependent it is each source. Presently, Union Government is heavily reliant on borrowings which account for 35% of the total receipts. Amongst tax revenues, Goods and Services Tax (GST) tops the list with 16% collection while collection from income tax and corporation tax is 15% each.



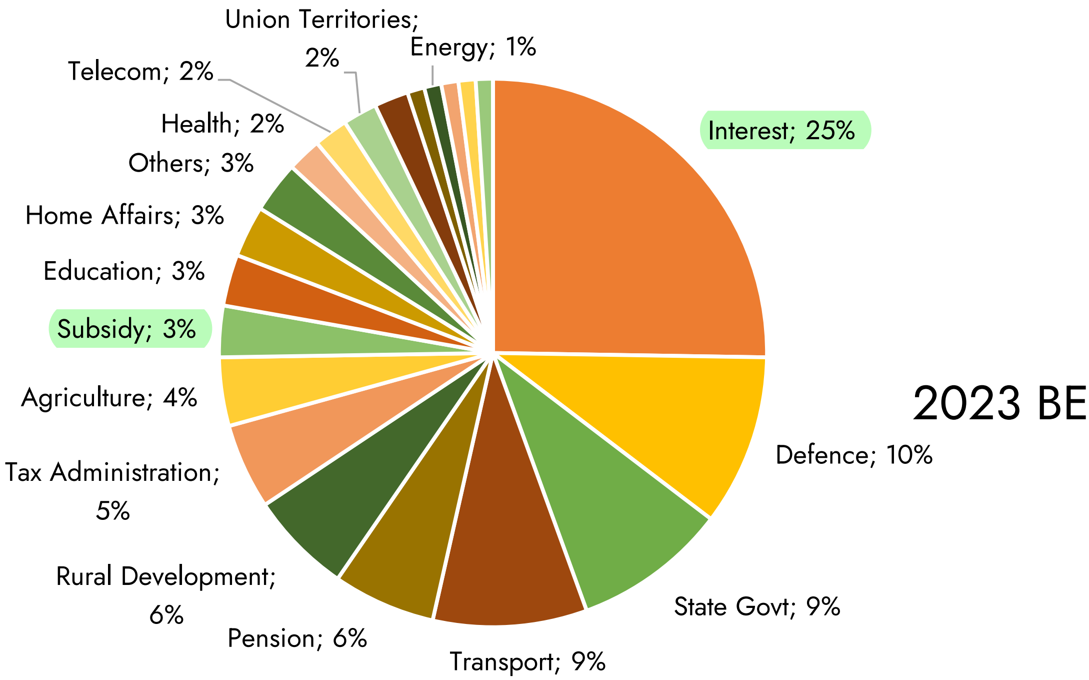
Application of Government's Receipts



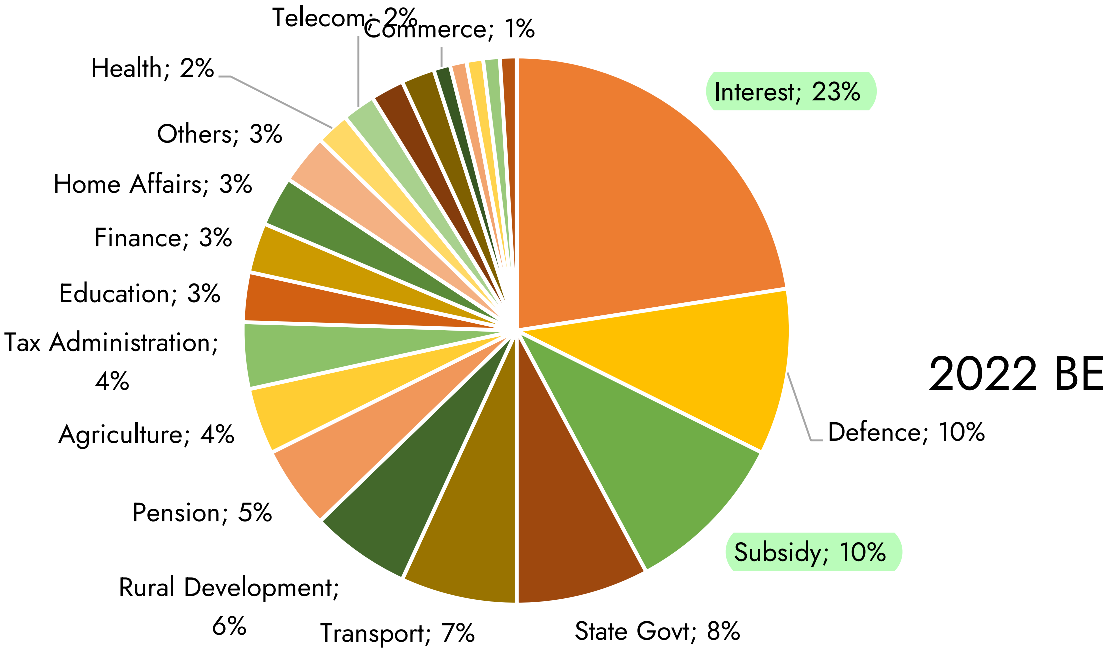
Application of Government receipts explains how the Government utilises the funds and its allocation. Government spends 20% of the funds on interest payments, as borrowings are the major source of funds. 17% funds are distributed amongst state as their share in taxes and duties. Defence accounts for 8% while central sector schemes, centrally sponsored schemes and subsidies account for 14%, 9% and 8% of budget.



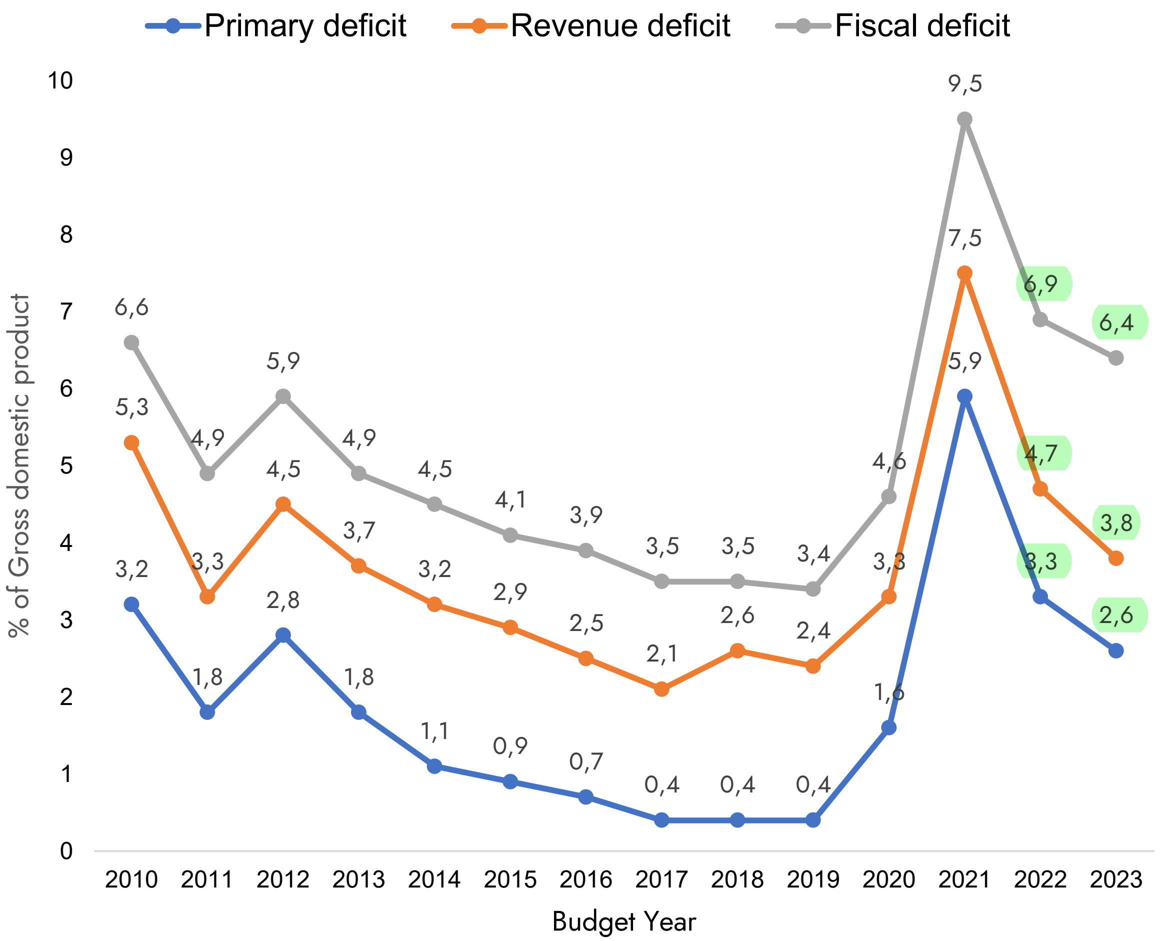
Composition of Government's Expenditure



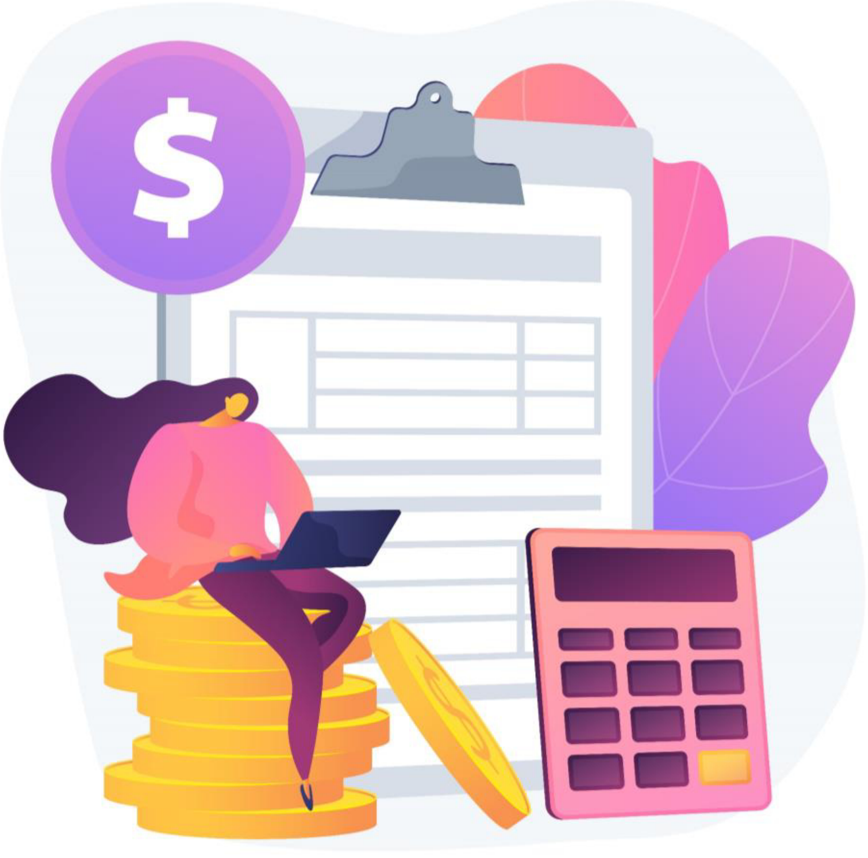
Composition of Government's expenditure explains where the Government is focusing for development. Government's major expenditure incur on defence, subsidies and transfer of taxes to state governments. Transport, rural development, pensions, agriculture and allied activities, tax administration, home affairs, education and this year health as well, is amongst the areas where major expenditure is incurred.



Deficit Trends of Budget



Deficit is the difference by which the expenditure exceed the earnings. The Government's deficit is a figure set by the government, by which the spending shall surpass the revenue earned by the government. The deficit presents a picture of the financial health of the economy and to minimise the deficit or the gap, the government may reduce a few expenditures or increase revenue points. Revenue deficit is the gap between expenditure and income. It explains how inefficient the government has been in maintaining balance between receipts and expenditures. Fiscal deficit is the gap between revenue and expenditure after excluding borrowings. Fiscal deficit reflects how much the government is going to borrow. Primary deficit is the money that the government has to borrow apart from the interest payments on existing borrowings. Indian government's deficit estimates for 2021 have increased owing to the pandemic which led to unplanned expenditures and for revival of the economy.



BUDGET ANNOUNCEMENTS

The prime focus of entire budget presentation is announcing schemes and missions that the government will be undertaking in the upcoming year. The entire budget is prepared accordingly while allocating the requisite amount to departments and missions. Although most people focus on the tax proposals, smart businesspeople focus on these announcements. This is because when government policy decides to spend on a particular project or subsidize or support any segment, there are business opportunities that emerge and the economic activity in the market is affected as a result of the same. This also reflects in the stock prices of segments / companies trading on the stock markets.

Public Infrastructure

1. New mission – 'PM GatiShakti National Master Plan' has been announced which will focus on the development of – Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics infrastructure.
2. Road projects – 20,000 crores has been allocated for the development of 25,000 km national highways
3. Digital enhancement – 'Unified Logistics Interface Platform (ULIP)' will be developed for data exchange amongst all modes of transportation of goods and passengers
4. Warehousing – Contracts for developing 'Multimodal Logistics Park' at four locations, under Public-Private Partnership (PPP) model. Logistic parks are industrial areas designed for storage, management, distribution and transportation of goods.
5. Railway projects – 400 new Vande Bharat trains to be manufactured (over next 3 years)
6. Railway projects – 'Kavach' technology of Indian railways for safety and capacity augmentation will be increased to cover a 2,000 km rail network
7. Marketing initiative – Railways will launch new products and efficient logistics services for farmers and small enterprises; 'One station one product' to popularise local products; Railways and postal network to be integrated.
8. Water transportation – 100 PM GatiShakti Cargo terminals to be developed (over next 3 years)
9. Remote connectivity – Contracts for 8 ropeway projects for a length of 60 km to be awarded under the Public-Private Partnership (PPP) model
10. City transportation – Faster implementation and standardisation of metro systems

Agriculture

1. MSP procurements – 2.37 lakh crore allocated for procurement of wheat and paddy through Minimum Support Price (MSP) arrangements
2. River linking project – Implementation of 'Ken-Betwa Link Project' with an estimated cost of 44,605 crores which will provide irrigation, water supply, hydroelectricity generation and solar power generation; 1,400 crores have been allocated for FY 2023
3. River linking project – Support for five river linking projects will be provided once consensus is reached amongst concerned states; namely Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery
4. Drones for farming – 'Kisan Drones' for crop assessment, digitization of land records, spraying of insecticides, and nutrients
5. Sustainable farming – Chemical-free Natural Farming to be promoted, with 5 km corridor along river Ganga in the first stage
6. Millets – Support for Millets production, as 2023 has been declared International Year of Millets
7. Oilseed – A rationalised comprehensive scheme to increase oilseed production
8. Digital enhancement – Digital and hi-tech services to farmers through public-private partnership (PPP) model
9. Fruits and vegetables – Comprehensive package for the adoption of suitable varieties of fruits and vegetables for food processing

Small businesses and corporates

1. Digital rupee – Central Bank Digital Currency (CBDC) 'Digital Rupee' to be launched for a more efficient and cheaper currency management system, using blockchain and other technologies. It will be issued by the Reserve Bank of India (RBI) starting FY 2023.
2. New mission – 'Ease of Doing Business EODB 2.0' and 'Ease of Living' to be launched
3. New mission – 'Raising and Accelerating MSME Performance (RAMP)' programme to be launched for strengthening the MSME sector, estimated outlay of 6,000 crores (over next 5 years)
4. Green clearances – Single window portal 'Parivesh' for green clearances (launched in 2018) to be expanded; application for all four approvals through a single form and tracking through Centralized Processing Centre-Green (CPC-Green)
5. Drones – 'Drone Shakti' project will promote startups that facilitate Drone-as-a-Service (DrAAS)
6. Emergency credit – Emergency Credit Line Guarantee Scheme (ECLGS) extended till March 2023 with guaranteed cover increased by 50,000 crores to existing 5 lakh crores; of which certain amount will be earmarked for the hospitality sector
7. Credit guarantee – Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme to be revamped with a required infusion of funds, to facilitate additional credit of 2 lakh crore
8. Digital enhancement – Udyam, e-Shram, NCS and ASEEM portals to be interlinked, and to provide providing G2C, B2C and B2B services concerning credit facilitation, skills development and recruitment
9. Digital enhancement – 100% of the 1.5 lakh post office savings bank to integrate with core banking system (CBS)
10. Digital banking – 75 Digital Banking Units (DBUs) to be set up in 75 districts of the country by Scheduled Commercial Banks.

12. Digital payments – Financial support for developing digital payment ecosystem to be continued
13. Cross border insolvency – Amendments in the Insolvency and Bankruptcy Code (IBC) to be carried out to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.
14. Accelerated corporate exit – Digital systems to be established for Processing Accelerated Corporate Exit (C-PACE) to facilitate and speed up the voluntary winding-up of companies within 6 months, instead of 2 years (only for companies registered through 'Accelerated Registration')
15. Special Economic Zones (SEZ) – Special Economic Zones Act to be replaced with new legislation to enable the states to become partners in 'Development of Enterprise and Service Hubs'.
16. Government procurements – Payment of 75% of the Government procurements, mandatorily within 10 days and encouraging settlement of disputes through conciliation; Online e-bill system for all central government ministries to be launched.
17. Government procurements – Surety bonds will be accepted as a substitute for bank guarantee

Defence

1. Domestic manufacturing – 68% of the capital procurement to be earmarked for the domestic industry in FY 2023 (58% in FY 2022)
2. Research and development – Defence R&D will be opened up for private industries, startups and academia with 25% of defence budget earmarked for this purpose; independent nodal umbrella body to be set up for testing and certification requirements.

Education and employment

1. Animation, Visual Effects, Gaming, and Comic (AVGC) sector – AVGC promotion task force to be set up to recommend to build domestic capacity in the sector.
2. Sunrise opportunities – Support for research and development in Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems
3. Financing of Sunrise opportunities – For encouraging important sunrise sectors, thematic funds with blended finance consisting of 20% government funds and managed by private fund managers to be launched.
4. GIFT City– World-class foreign universities and institutions to be allowed to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, in the Gujarat International Finance Tec-City (GIFT City), an under-construction central business district in Gandhinagar.
5. VC and PE investments – Expert committee to examine and suggest appropriate measures for scale-up Venture Capital and Private Equity investments
6. Educational qualifications – National Skill Qualification Framework (NSQF) which organises qualifications according to levels of knowledge, skills and aptitude, to be realigned
7. Digital skills and training – 'Digital Ecosystem for Skilling and Livelihood' (DESH-Stack) e-portal to be launched to empower citizens to skill, reskill or upskill through online training
8. School education – PM eVIDYA 'One class, One TV channel' to be expanded from 12 to 200 television channels, enabling states to provide supplementary education in regional languages for classes 1-12
9. Urban planning courses – Courses in urban planning and design to be set up in 5 academic institutions designated as centres of excellence, with endowment funds of 250 crores each

10. Digital university – Establishment of 'Digital University to provide access to world-class universal education
11. Vocational courses – Promotion of vocational courses related to critical thinking skills, creativity; 750 virtual labs in science and mathematics, and 75 skilling e-labs for simulated learning to be set up; digital teachers to provide high-quality e-content

Urban development and living

1. Urban planning – High-level committee of reputed urban planners, urban economists and institutions to be formed to recommend policies, capacity building, planning, implementation and governance.
2. Urban planning support – Support to state governments will be provided for modernization of building bye-laws, Town Planning Schemes (TPS), and Transit-Oriented Development (TOD)
3. Electronic land records – State governments to be encouraged to adopt the 'Unique Land Parcel Identification Number' to facilitate electronic management of land records.
4. Property registration – 'National Generic Document Registration System (NGDRS)' to be rolled out nationwide under 'One-Nation One Registration Software' scheme to facilitation 'anywhere registration' of deeds & documents.
5. E-passports – e-Passports using embedded chips and futuristic technology to be rolled out in FY 2023 to enhance convenience for the citizens in their overseas travel.
6. Battery swapping policy – Battery Swapping Policy to be introduced and private sector to be encouraged to develop sustainable and innovative business models for 'Battery or Energy as a Service, to address the space constraint in urban areas for setting up charging stations.

Health and sanitation

1. New mission – 'National Digital Health Ecosystem' to be rolled out consisting of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities.
2. Mental health – 'National Tele Mental Health Programme' to be launched which will include 23 tele-mental health centres, with NIMHANS being the nodal centre and International Institute of Information Technology – Bangalore (IIITB) providing technical support.
3. Women and children – Mission 'Shakti', Mission 'Vatsalya', 'Saksham Anganwadi' and 'Poshan 2.0' to continue providing integrated benefits to women and children. Two lakh anganwadis to be upgraded.
4. Water supply – Coverage of 'Har Ghar, Nal Se Jal' to be expanded from existing 8.7 crores (5.5 crore new connections in last 2 years) to cover 3.8 crore additional households in next year; 60,000 crores allocated to the scheme
5. Small housing – 80 lakh houses to be identified as eligible beneficiaries of 'PM Awas Yojana' with 48,000 crore allocation
6. Projects for Northeast – 'Prime Minister's Development Initiative for North-East' (PM-DevINE) to be implemented through the North-Eastern Council for social development projects in North-east; an initial amount of 1,500 crores allocated
7. Backward districts – 'Aspirational District Programme' to continue improving 112 backward districts of the country
8. Remote villages – 'Vibrant Villages Programme' to develop infrastructure in remote villages (in northern states).

Energy

1. Data Centres and Energy Storage – Data Centres and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems to be included in the harmonized list of infrastructure, to facilitate credit availability for digital infrastructure and clean energy storage.
2. Solar energy – Production Linked Incentive (PLI) scheme for the manufacture of high-efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules will receive an additional allocation of 19,500 crores to facilitate a target of 280 gigawatts installed solar capacity by 2030
3. Recycling products – Active public policies covering regulations, extended producers' responsibilities framework and innovation facilitation as a part of the action plan for electronic waste, end-of-life vehicles, used oil waste, and toxic & hazardous industrial waste
4. Thermal power – 5-7% biomass pellets to be co-fired in thermal power plants to save CO_2 of 38 MMT annually.
5. Coal gasification – 4 pilot projects for coal gasification and conversion of coal into chemicals required for the industry to be set up
6. Forests – Policies and legislative changes to be brought in to promote agroforestry and private forestry
7. Green bonds – Sovereign Green Bonds to be issued for mobilizing resources for green infrastructure; proceeds to be deployed in public sector projects that help in reducing carbon

Telecom

1. 5G Spectrum Auctions – Spectrum auctions to be conducted in 2022 to facilitate the rollout of 5G mobile services in FY 2023
2. Production Linked Incentive (PLI) scheme – A PLI scheme for design-led manufacturing to be launched to build a strong ecosystem for 5G telecom services.
3. Affordable telecom services – 5% of annual collections in 'Universal Service Obligation Fund' to be allocated to promote research and development, and commercialization of technologies and solutions for affordable broadband and mobile services
4. Optical Fibre – Contracts for laying optical fibre in villages and remote areas to be awarded under the 'Bharatnet' Project through in FY 2023, expected to be completed by FY 2025

Do you know about the 'Black budget', 'Epochal Budget', and 'Dream Budget' of India?

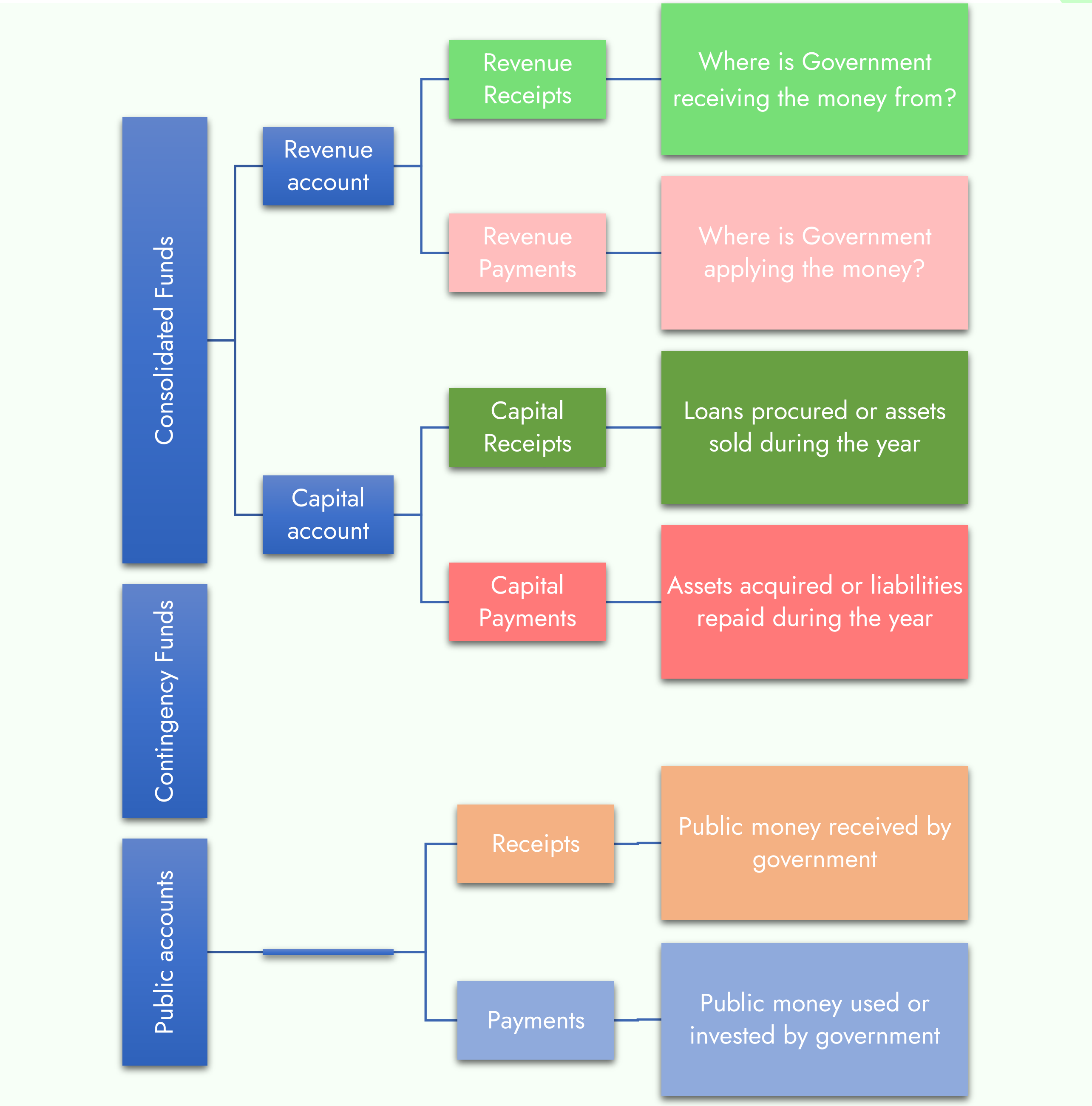
In 1973-74, Finance Minister Yashwantrao Chavan presented a budget with fiscal deficit of about INR 500 crore the maximum in those times. (Today India's fiscal deficit is INR 9 lakh crore in 2019, INR 18 lakh crore in 2020 and INR 15 lakh crore budgeted in 2021.) Therefore, it was termed as Black Budget by many. The budget was preceded by India-Pakistan war in 1971 and a failed monsoon season.

In 1991, Manmohan Singh presented the most historically significant budget for India when he marked the beginning of Economic Liberalisation in India. The budget of 1991 is therefore, recognized as the Epochal Budget.

In 1997-98, P Chidambaram presented a budget where he lowered taxes for individuals as well as corporates. IT sector received a huge boost from the budget and India experienced an IT boom thereafter. The budget for the reforms it brought, is therefore, popularly remembered as the Dream Budget.

FINANCIAL STATEMENTS

The Annual Financial Statements (AFS) shows the estimated receipts and expenditure of the Government of India for FY 2022 commonly called as ‘Budget’. The statements depict where the Government of India would receive funds from and where the same shall be disbursed. Comparison is drawn with budget estimates (BE) for FY 2021 (as announced last year), revised estimates (RE) for FY 2021 (as expected today after 10 months) and the actual expenditure (AE) for FY 2020 (completed year). These are estimates while the actual expenditure of FY 2022 shall be presented in the budget 2023, two years later. There are three accounts which the Government maintains – 1) Consolidated Fund of India (CFI) where all Government receipts and expenditure are recorded, 2) Contingency Fund which is reserved fund maintained at the disposal of President of India for contingencies, 3) Public Accounts where all funds held in trust by the Government of India on behalf of the public are recorded.



An analysis of the Government's budgeted receipts and payments is helpful in understanding where the Government is focusing for tax collections and how such money collected would be utilized or which sectors are on priority for development. Further, a comparison with past actuals and revised estimates helps in analyzing how well the Government is implementing its planned policies and announcements.

2021 AE – Actual figures as per accounts for the last year
2022 BE – Budget estimates as per announcements prior to beginning of current year
2022 RE – Revised estimates after completion of 10 months of the current year
2023 BE – Budget estimates announced now, for next year

REVENUE RECEIPTS - *Recurring receipts of the Government* *(INR Crores)*

Receipts	2021 AE	2022 BE	2022 RE	2023 BE
Taxes on income and expenditure (income tax and other direct taxes)	9,27,936	10,95,500	12,30,000	14,00,000
Taxes on property and capital transactions (Securities transaction tax)	16,939	12,500	20,000	20,000
Taxes on commodities and services (Goods and services tax	5,51,541	6,33,327	6,78,327	7,83,705
Taxes on commodities and services other than Goods and services tax (Custom duties, Excise duties and others)	5,28,115	4,72,000	5,84,000	5,50,000
Taxes of union territories	2,572	3,732	3,732	4,115
Gross tax revenue	20,27,104	22,17,059	25,16,059	27,57,820
Less: State Government's share	5,94,997	6,65,563	7,44,785	8,16,650
Tax Revenue	**14,32,107**	**15,51,497**	**17,71,275**	**19,41,171**
Fiscal services (Currency, coinage and mint)	1,169	702	1,184	1,296
Interest, dividends and profits (Receipts from State Governments and others)	1,56,406	1,54,024	1,85,679	1,48,801
General services (Public Service Commission, Police, Jail, Public Works, Administration Services)	39,566	50,303	43,966	47,566
Defence services (Army, Navy, Air Force, Ordinance Factories)	9,725	8,679	6,982	6,670
Social and community services (Education, Arts, Sports, Culture, Housing, Water Supply, Labour and Employment)	3,791	2,881	3,375	2,945
Economic services (Diary, Animal husbandry, Food, Agriculture, Petroleum, Railways, Roads and bridges, Communication services, Research)	2,28,125	3,43,024	3,44,208	3,72,252
Non-tax revenue from union territories	1,598	2,531	2,531	2,807
Grants, aids and contributions	1,752	747	1,345	620
Non Tax Revenue	**4,32,406**	**5,54,211**	**5,82,287**	**5,76,286**
TOTAL REVENUE RECEIPTS	**19,48,083**	**23,31,445**	**17,97,188**	**21,05,708**

REVENUE SURPLUS (DEFICIT)	(14,50,338)	(11,40,704)	(10,89,131)	(9,90,835)

***REVENUE PAYMENTS** - Recurring payments of the Government*

(INR Crores)

Payments	2021 AE	2022 BE	2022 RE	2023 BE
Organs of the state (Parliament, President, Ministers, Justice, Elections)	8,009	9,619	10,607	9,566
Tax collection (Expenses for collecting tax revenue)	17,019	31,755	85,061	51,771
Other fiscal services	587	667	641	689
Interest payment and debt servicing (Interest paid on borrowings)	7,20,984	8,47,196	8,29,687	9,56,004
Administrative services (Public service, Police, Jails, Stationery, Public Works, External Affairs)	1,05,083	1,14,249	1,21,749	1,27,892
Pension and miscellaneous services	2,27,573	2,10,729	2,20,302	2,28,932
Defence services	2,15,514	2,20,707	2,36,549	2,39,670
General Services	**12,94,769**	**14,34,922**	**15,04,596**	**16,14,524**
General and technical education	42,348	47,681	47,525	53,381
Medical and public health	31,498	67,468	71,079	41,011
Other social services (Art, Culture, Housing, Sanitation, Labour etc.)	92,512	81,091	1,03,494	1,20,267
Social Services	**1,66,359**	**1,96,240**	**2,22,098**	**2,14,659**
Agriculture and allied activities	7,00,537	3,82,204	4,75,096	3,70,678
Rural development	1,13,910	76,179	10,08,866	77,023
Special areas programmes	1,885	55,840	57,931	66,317
Irrigation and flood control	4,314	5,265	9,823	8,762
Energy	56,648	37,441	29,086	33,014
Industry and minerals	1,16,627	95,919	1,21,481	1,21,637
Transport	1,53,465	2,29,237	2,16,159	2,59,295
Communications	50,688	49,020	43,377	44,907
Science, technology and environment	24,516	30,604	29,097	32,565
Other economic services	34,422	25,087	24,054	25,656
Economic Services	**12,57,013**	**9,86,796**	**11,07,038**	**10,39,855**
Grants, aids and contributions	**5,84,627**	**6,14,656**	**5,94,522**	**6,24,484**
Payments to union territories	**12,085**	**13,797**	**14,439**	**14,769**
TOTAL REVENUE PAYMENTS	**33,14,852**	**32,46,412**	**34,42,693**	**35,08,291**

CAPITAL RECEIPTS - *Non-recurring receipts of the Government*

(INR Crores)

Receipts	2021 AE	2022 BE	2022 RE	2023 BE
Securities against small savings	5,26,235	4,83,270	6,78,273	5,66,959
Market loans	12,60,116	12,05,500	10,46,500	14,95,000
Treasury and cash management bills	57,87,375	55,62,358	59,16,762	60,31,528
Ways and means advances	3,98,990	10,00,000	-	5,00,000
Issue of special securities and others	20,000	20,000	15,000	0.01
Others	46,256	30,628	38,053	35,476
Internal Debt of Government	**80,38,972**	**83,01,756**	**76,94,588**	**86,28,963**
External Debt	**1,23,938**	**86,022**	**76,954**	**80,242**
Recovery of Loans and Advances	**29,923**	**64,375**	**32,600**	**24,666**
Miscellaneous Receipts	**37,897**	**1,75,000**	**78,000**	**65,000**
TOTAL CAPITAL RECEIPTS	**82,30,730**	**86,27,153**	**78,82,142**	**87,98,871**

CAPITAL SURPLUS (DEFICIT)	**14,56,300**	**9,83,309**	**9,78,052**	**9,41,802**

The 1947 Budget — First budget of independent India

The first budget of independent India was presented on November 26, 1947. It was a provisional budget presented by India's first Finance Minister R K Shanmukham Chetti, as the country became independent three months before. A revised budget was presented in March, 1948 later.

The total revenues of the Government of India stood at INR 171 crore as per the 1947 budget. (The total revenue is budgeted to be INR 21 lakh crore for 2022.)

CAPITAL PAYMENTS - *Non-recurring payments of the Government* *(INR Crores)*

Payments	2021 AE	2022 BE	2022 RE	2023 BE
Defence services	1,34,305	1,35,061	1,38,851	1,52,370
Other general services	8,441	15,875	15,209	21,049
General Services Capital	**1,42,746**	**1,50,935**	**1,54,060**	**1,73,419**
Medical and public health	3,578	2,434	3,741	5,537
Urban development	1,721	3,485	4,360	3,732
Other social services	1,811	2,192	2,129	2,609
Social Services Capital	**7,110**	**8,111**	**10,230**	**11,878**
Agriculture and allied services	2,292	5,883	8,682	3,954
Special areas programmes	288	12,080	13,133	13,688
Irrigation and flood control	133	289	170	350
Energy	3,019	1,171	3,619	1,963
Industry and minerals	5,212	7,441	6,597	7,676
Transport	1,22,449	2,08,240	2,93,649	3,18,047
Communications	4,928	25,973	5,525	53,650
Science, technology and environment	6,029	10,505	9,421	10,535
Other economic services	46,794	98,452	55,532	10,526
Economic Services Capital	**1,91,146**	**3,70,035**	**3,96,330**	**4,20,388**
Disbursements to union territories	**1,948**	**5,781**	**5,478**	**5,504**
CAPITAL EXPENDITURE	**3,42,949**	**5,34,862**	**5,66,098**	**6,11,189**
Market loans	2,27,208	2,87,792	2,70,729	3,76,388
Buyback and switching	1,53,418	1,80,000	1,20,000	1,00,000
Ways and means advances	3,98,990	10,00,000	-	5,00,000
Treasury and cash management bills	53,59,760	53,32,357	56,28,224	60,50,394
Redemption of securities and others	10,544	1,03,076	7,601	7,675
Internal Debt of Government	**61,49,920**	**69,03,225**	**60,26,554**	**70,34,457**
External Debt	**34,715**	**40,926**	**36,024**	**40,610**
PUBLIC DEBT	**61,84,635**	**69,44,151**	**60,26,554**	**70,34,457**

***CAPITAL PAYMENTS** - Non-recurring payments of the Government*

(INR Crores)

Payments	2021 AE	2022 BE	2022 RE	2023 BE
Social Services Loans	**6,992**	**19,837**	**18,942**	**20,060**
Agriculture and allied services	10,049	50,049	10,049	10,050
Special areas programmes	-	120	10	-
Energy	2,535	4,520	9,395	6,397
Industry and minerals	1,291	724	859	677
Transport	79,398	-	4,500	-
Science, technology and environment	-	2	2	2
Other economic services	90	2,090	321	281
Economic Services Loans	**93,363**	**57,504**	**25,135**	**17,408**
Other Loans	**1,49,490**	**57,985**	**2,01,835**	**1,33,341**
Transfer to Contingency Fund	**-**	**29,500**	**29,500**	**-**
LOANS	**2,49,846**	**1,64,830**	**2,75,414**	**1,70,812**
TOTAL CAPITAL PAYMENTS	**67,74,430**	**76,43,844**	**69,04,090**	**78,57,069**

Do you know who is the Sachin Tendulkar of Indian Budget?

Sachin Tendulkar holds the record for most runs in cricketing world. When it comes to budgets, former Prime Minister Moraraji Desai holds the record of presenting the most number of budgets in the history of our country. Morarji Desai presented 10 budgets during his run as a Finance Minister from 1962 to 1969, the Sachin Tendulkar of Indian Budget.

P Chidambaram reached close enough to break the record with 9 budget presentations. Pranab Mukherjee and Yashwant Sinha each presented 8 budgets while Manmohan Singh presented 6 budgets. Finance Minister Nirmala Sitharaman has presented her third budget this year.

RECEIPTS – Funds received on behalf of the citizens

(INR Crores)

Receipts	2021 AE	2022 BE	2022 RE	2023 BE
National Small Savings Fund	**15,23,074**	**12,99,005**	**13,66,736**	**14,91,501**
State Provident Fund and others	**1,37,905**	**1,62,634**	**1,33,835**	**1,39,874**
Railway funds	82,247	56,512	51,450	66,435
Other funds	-848	98	135	135
Interest bearing reserve funds	**81,400**	**56,610**	**51,584**	**66,569**
Road infrastructure fund	1,82,363	2,44,146	2,47,858	2,95,150
Permanent bridges fund	11,518	12,670	12,650	13,915
Monetisation of national highways fund	11,518	12,670	12,650	13,915
Guarantee redemption fund	1,600	600	939	1,000
Primary education fund	30,168	37,000	35,000	38,000
Secondary and higher education fund	-	25,000	25,000	24,350
Health safety fund	-	20,000	21,499	23,750
Railway safety fund	1,000	40,600	45,600	52,000
Rural employment guarantee fund	1,11,171	73,000	98,000	78,000
Disaster response fund	5,820	6,100	6,130	6,400
Other reserve funds	1,19,956	1,26,287	1,16,648	1,32,950
Non-interest bearing reserve funds	**4,70,859**	**5,85,404**	**6,24,344**	**6,85,520**
Family pension cum life assurance funds	20,964	19,963	25,021	25,327
Other deposits		5,655		
Interest bearing deposits	**30,163**	**25,618**	**31,467**	**32,198**
Civil deposits	21,179	20,000	20,000	20,000
National investment fund	31,908	97,100	1,18,864	64,865
Other deposits	2,33,704	1,39,947	1,11842	1,23,086
Non-interest bearing deposits	**2,86,790**	**2,57,047**	**2,50,706**	**2,07,961**
Advances	**2,35,414**	-	-	-
Suspense (net)	**58,594**	-	-	-
Remittances	**24,681**	-	-	-
PUBLIC ACCOUNT RECEIPTS	28,48,879	23,86,618	24,58,672	26,23,613

PAYMENTS *– Funds disbursed on behalf of the citizens*

(INR Crores)

Payments	2021 AE	2022 BE	2022 RE	2023 BE
National Small Savings Fund	**14,04,464**	**12,99,005**	**15,01,864**	**14,91,500**
State Provident Fund and others	**1,15,916**	**1,40,041**	**1,22,586**	**1,31,446**
Railway funds	50,285	56,500	55,102	63,098
Other funds	318	24	24	24
Interest bearing reserve funds	**50,603**	**56,524**	**55,126**	**63,122**
Road infrastructure funds	1,81,132	2,44,146	2,47,858	2,95,150
Permanent bridges funds	11,500	12,670	12,650	13,915
Monetisation of national highways fund	7,262	10,000	15,020	20,006
Primary education fund	30,168	37,000	35,000	38,000
Secondary and higher education fund	-	25,000	25,000	24,350
Health safety fund	-	20,000	21,499	23,750
Railway safety fund	311	40,600	45,600	52,000
Rural employment guarantee fund	1,11,171	73,000	98,000	78,000
Disaster response fund	5,822	6,100	6,100	6,400
Other reserve funds	1,49,744	1,19,923	1,15,750	1,31,574
Non-interest bearing reserve funds	**4,97,110**	**5,80,439**	**6,22,477**	**6,83,144**
National defence fund	53	61	71	71
Other deposits	6,289	7,032	6,078	6,469
Interest bearing deposits	**6,341**	**7,093**	**6,148**	**6,539**
Civil deposits	18,095	18,000	18,000	18,000
National investment fund	31,668	97,100	1,18,864	64,865
Other deposits	2,35,889	1,31,604	1,06,216	1,16,715
Non-interest bearing deposits	**2,85,652**	**2,46,704**	**2,43,080**	**1,99,580**
Advances	**2,34,692**	-	-	-
Miscellaneous	**2,47,596**	-	-	-
Remittances	**2,278**	-	-	-
PUBLIC ACCOUNT PAYMENTS	28,84,653	23,29,806	25,51,281	25,75,331

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TAX PROPOSALS

At the time of presentation of the Budget before the Parliament, a Finance Bill is also presented detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the budgeted estimates. The Finance bill is introduced every year to give effect to the financial proposals of the Government for the subsequent financial year and any supplementary financial proposals for any period. In simple terms, Government presents its budget estimates in Annual Financial Statements, however, to achieve those estimates various laws may be required to be amended. A gist of all such amendments and other provisions is presented as a Finance bill. The finance bill can only be introduced in Lok Sabha and also requires prior recommendation of the President. Thus, before presenting budget in Lok Sabha, the salient features of the budget are first presented to President of India, then to the cabinet ministry and finally in the Lok Sabha.

Income tax slabs

Individuals and HUF (Option A) and AOP, BOI, AJP

Income slab	Tax rate applicable (slab rates) for FY 2023
0 to 2,50,000	Nil
2,50,000 to 5,00,000	5% (no tax if total income less than 5 lakh)
5,00,000 to 10,00,000	20%
10,00,000 and above	30%

Note: For senior citizens with age between 60 to 80 years, income up to 3,00,000 is tax free. For super senior citizens with age above 80 years, income up to 5,00,000 is tax free.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 50 lakh – Nil, 50 lakh to 1 crore – 10%, above 1 crore – 15%, Capital Gains – Maximum 15%

Individuals and HUF (Option B)

Income slab	Tax rate applicable (slab rates) for FY 2023
0 to 2,50,000	Nil
2,50,000 to 5,00,000	10% (no tax if total income less than 5 lakh)
5,00,000 to 7,50,000	15%
10,00,000 to 12,50,000	20%
12,50,000 to 15,00,000	25%
15,00,000 and above	30%

Note: 70 different exemptions and deductions cannot be claimed under this option. The rates are same for all irrespective of their age, under this option.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 50 lakh – Nil, 50 lakh to 1 crore – 10%, 1 crore to 2 crore – 15%,
2 crore to 5 crore – 25%, 5 crore and above – 37%, Capital Gains – Maximum 15%

Partnership Firms , LLP, Local Authority

Partnership firms and Limited Liability Partnerships (LLP) are taxable at 30%. There are no tax slabs or basic exemption limits for these entities. There's no alternate tax regime for these entities.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 1 crore – Nil, Above 1 crore – 12%

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Domestic Companies

Turnover in FY 2020	Tax rate applicable (flat rates) for FY 2023
0 to 400 crore	25% (or 15% MAT, whichever is higher)
400 crore and above	30% (or 15% MAT, whichever is higher)
Option under 115BA (manufacturing companies formed after March 1, 2016 and not opting for deductions or setoff of losses)	25% (or 15% MAT, whichever is higher)
Option under 115BAA (any company not opting for deductions or setoff of losses)	22%
Option under 115BAB (manufacturing companies formed after October 1, 2019 commencing production before March 31, 2023 and not opting for deductions or setoff of losses)	15%

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 1 crore – Nil, 1 crore to 10 crore – 7%, above 10 crore – 12%
If opted for 115BAA or 115BAB – 10%

Foreign Companies

Foreign companies are taxable at 40%. There are no tax slabs or exemption limits for these entities. There's no alternate tax regime for these entities.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 1 crore – Nil, 1 crore to 10 crore – 2%, above 10 crore – 5%

Co-operative Societies

Income slab	Tax rate applicable (slab rates) for FY 2023
0 to 10,000	10%
10,000 to 20,000	20%
20,000 and above	30%

Note: Resident co-operative societies can opt for paying tax at flat rate of 22% under section 115BAD if they forgo specified deductions and setoff of losses. AMT shall not be applicable in such cases.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 1 crore – Nil , 1 crore to 10 crore – 7%, above 10 crore – 12%, If opted for 115BAD – 10%

Higher education cess at 4% on the amount of income tax and surcharge, is applicable to all taxpayers.

Goods and services tax

No two-way communication in GST returns

Section 38 has been substituted whose title is now 'Communication of details of inward supplies and input tax credit'. The section prescribes the manner, conditions and restrictions for availing input tax credit and also governs the communication of details of inward supplies and input tax credit to the recipient via GSTR-2B and does away with a two-way communication process in return filing. In the original GST law, the seller's details from GSTR-1 were expected to be populated in the GSTR-2, and the buyer had to accept the same before claiming the same in GSTR-3B. However, since the complexity of the GST return filing process was opposed, new GSTR-2A and GSTR-2B auto-statements were introduced which did away with the process. Since the same has been successful so far, the budget has removed the earlier provisions.

Additional condition for availing input tax credit

Section 16(2) has been amended to introduce a new clause (ba) with an additional condition to avail input tax credit. Accordingly, ITC can be availed only if the same is not restricted under Section 38, as per the details communicated to the buyer in GSTR-2B. GSTR-2B is now the legal document for determining input tax credit eligibility.

Amendment of invoices, debit notes and credit notes

Section 16(4) has been amended to provide more time to the taxpayers to amend and claim the input tax credit for invoices and other documents for the financial year concluded until November 30 of the following financial year, as against September 30, currently being followed. A taxpayer cannot utilise ITC on any invoice or debit note after November 30 following the end of the financial year to which such invoice pertains. However, this is subject to the date of filing of annual return, if the same is filed earlier.

Cancellation of GST registration

Section 29 has been amended to provide that the GST registration can be cancelled by the officer if a composition taxable person (paying tax under Section 10) has not filed GSTR-4 for a financial year within 3 months from the April 30 of the following financial year. For all other taxpayers, default in filing returns for any continuous tax period (as may be prescribed by way of rules) can result in cancellation of GST registration.

Stricter filing of tax returns

Section 37 provides for rules to file the return of outward supplies i.e. the GSTR-1. Similarly, section 39 provides rules to file a summary return of inward and outward supplies, i.e. the GSTR-3B. New sub-sections 37(4) and 39(10) have been added to state that taxpayers will be not be allowed to furnish their details of outward supplies for a tax period if the same remains pending for any previous tax period. The amendments aim at ensuring that all pending returns of a taxpayer are filed before filing any new return. Also, taxpayers will have to sequentially file returns without skipping tax periods. Besides, filing of GSTR-1 is now also mandatory for filing GSTR-3B for the same tax period.

No concept of 'Provisional ITC'

Central Board of Indirect Taxes and Customs (CBIC) has already stated via a notification that taxpayers can no longer claim provisional ITC from January 1, 2022. The budget further cleans up the law by amending section 41 of the CGST Act to completely do away with the concept of provisional ITC and also omits sections 42, 43 and 43A to corroborate the same. Sections 42 mentioned rules regarding matching, reversal and reclaim of ITC, section 43 mentioned rules regarding matching, reversal and reclaim of reduction in output tax liability and section 43A mentioned rules regarding the procedure for furnishing returns and availing ITC. Thus, the input tax credit can now be claimed only if it reflects in GSTR-2B. Taxpayers will now have to accurately report ITC each month as excess ITC could lead to scrutiny and notices.

Reduction in rate of interest

Notification No. 13/2017 – Central Tax, dated June 28, 2017, Notification No. 6/2017 – Integrated Tax, dated June 28, 2017, and Notification No. 10/2017 – Union Territory Tax are being amended retrospectively with effect from July 1, 2017, to notify rate of interest as 18%, instead of 24% specified earlier. Further, interest shall be levied only if the interest on input tax credit is wrongly 'availed and utilized' instead of merely 'availing' it. This will be implemented retrospectively from July 1, 2017.

The due date for filing GSTR-5

A non-resident taxable person is now expected to file a monthly return in GSTR-5 by the 13th of the following month, instead of the 20th of the following month.

Waste generated from fishmeal

The CGST, UTGST and IGST on the supply of unintended waste generated during the production of fish meal (falling under heading 2301), except fish oil, is now exempt for the period from July 1, 2017, to September 30, 2019 (both days inclusive). However, if tax has been already collected, the same cannot be claimed for a refund.

Service of granting liquor license is Non-GST supply

When State Governments grant alcoholic liquor licenses against consideration in the form of license fees or application fees, the activity or transaction will neither be a supply of goods nor a supply of service. Notification No. 25/2019 - Central Tax (R) dated September 30, 2019, and similar notifications in IGST and UTGST already exempt the same prospectively, however, now the provisions shall apply with retrospective effect from July 1, 2017. However, no refund shall be given for tax that has been collected.

Refund of unutilised ITC

Section 54 of the CGST Act has been amended to provide that refund of any balance in the electronic cash ledger will be made as per rules that will be prescribed for this purpose.

The time limit for claiming a refund of the input tax credit on inward supplies of goods or services or both under section 55 will also be 'two years from the last day of the quarter' in which the said supply was received.

The scope of GST officers has been extended to withhold refunds or recover taxes from any refund granted to the taxpayer.

Utilisation of ITC available in the electronic credit ledger

Section 49 of the CGST Act has been amended to provide restrictions for utilizing the amount available in the electronic credit ledger. The rules in this regard will be prescribed later. However, more importantly, the section now allows the transfer of the amount available in electronic cash of a registered person to the electronic cash ledger of a distinct person i.e. another GSTIN of the same person. The amendments also provide that the maximum proportion of output tax liability to be discharged through the electronic credit ledger will be prescribed by way of rules. Currently, a maximum of 99% of the tax liability can be paid by using an electronic credit ledger, while 1% of the outward tax payable must be mandatorily paid by challan, in the case of specified taxpayers.

Income Tax

New option to file 'Updated Return' after paying 25 - 50% additional taxes

After filing the return, a taxpayer has an option to file a revised return or if not filed altogether, an option of filing of belated return. The period to file such returns is 5 months in the case of the individual assessee, 2 months for audited businesses, and 1 month for assessees with transfer pricing transactions. Since this period is too limited, the income tax law is introducing a new option to file 'Updated Return'. Taxpayers who may realize that they have committed omissions or mistakes while correctly estimating their income for tax payment will now have an opportunity to correct their errors by filing an updated return under section 139(8A). Updated returns can be filed within three years from the end of the financial year. This option has been introduced so that department does not have to go through a lengthy process of adjudication. Although from the wording it seems a taxpayer can file 'Updated return' at his option when he feels so, on analysis of the provisions, it seems the other way around. Since the income tax department is extensively collecting information from other Government departments, it may now send notices to the taxpayers to file an 'Updated return' to declare income as per information available with the income tax department. Usually, the income tax department goes ahead with show-cause notice, then assessment notice, passing final order and then recovery of taxes – the process is lengthy for the tax department. Therefore, it will now ask the taxpayer to file an updated return, before they begin the assessment. Sounds nice? But there's more to the story that wasn't part of the budget speech, instead of embedded in the finance bill.

Under new section 140B, for filing an updated return, a taxpayer has to mandatorily disclose additional income that has to mandatorily result in additional taxes. You cannot file a loss return, or decrease your income, the income must mandatorily increase as a result of the return.

Further, on such incremental income, 25% additional tax has to be paid apart from the tax as per normal provisions i.e. tax slabs or 25% - 30% as may be applicable. If a taxpayer has not filed any return, or any belated return, and is now filing an updated return, additional tax has to be paid at 50% of the total tax payable, on the income disclosed in the updated return. Thus, taxpayers would effectively pay around 50% - 80% of the income in taxes, additional taxes and interest on such taxes.

Therefore, though Finance Minister may call it a "trust-based" approach, it is effectively a useful provision for the income tax officers to avoid litigations and collect taxes quickly. It is quite unlikely that people would voluntarily file such a return unless forced to file by way of a tax notice. Updated returns cannot be filed in cases where a survey, search or seizure has been conducted or is in process.

Further, such assessee is barred from filing the updated return for the previous two years apart from the year in which survey, search or seizure proceedings have been initiated. This is because such taxpayers may update returns to nullify the effects of such proceedings which result in higher outgo of taxes, penalties etc.

Reduced alternate minimum tax rate and surcharge for Cooperatives

Currently, cooperative societies are required to pay Alternate Minimum Tax (AMT) at the rate of 18.5%. However, companies pay the same at the rate of 15%. To provide a level playing field between co-operative societies and companies, the rate of AMT has been reduced to 15% for co-operative societies. Further, the surcharge on the income of co-operative societies is also reduced from 12% to 7% for those having income of more than INR 1 crore and up to INR 10 crores. These amendments are applicable from FY 2023 onwards.

New surcharge at 12% on transfer pricing, buyback, dividend distribution

The surcharge has been increased to 12% in cases where tax has to be paid under section 92CE(2A) relating to transfer pricing or section 115QA which relates to buyback of shares by a domestic company; on dividend distribution tax at 20% under section 115TA Tax on distributed income to investors or Section 115TD tax on accreted income.

Giving effect to orders of the Dispute resolution committee

A new section 144C has been added to allow the assessing officer to give effect to the orders of the dispute resolution committee passed under section 245MA. The option of DRC was introduced in Budget 2021.

Litigations when an identical question of law is pending before a court

Section 158AA provides when an assessee has received a favourable decision in a question of law and the income tax department has filed an appeal to the court, the Commissioner or Principal Commissioner may direct the assessing officer to file appeals to the tribunal in other similar cases of the assessee in the different assessment year, only when the decision on the earlier case becomes final and is accepted by the assessee, to reduce time in litigation. On same principles, a new section 158AB has been introduced to provide that where the collegium (of two or more Chief Commissioners or Principal Commissioners or Commissioners of Income-tax) is an opinion that a similar case of the question of law is pending in case of any other assessee, they may defer the appeal in his case, subject to the decision on the earlier case. Earlier, these provisions only allowed deferment where the case pertained to the same assessees. Now, the same can be of different assessees as well. Thus, while it saves time and litigation cost for the department, the taxpayers will have to wait for a longer period before receiving final decisions, as the appeal by the department may be deferred subject to the decision in case of other taxpayers, by the high court or supreme court. Since this new section already covers the cases covered by section 158AA, the latter now has a sunset clause and will not be used for new orders effective from FY 2022 onwards.

Clarification regarding the treatment of cess and surcharge (Retrospective amendment)

Section 40 specifies amounts that are not allowed as deductions while computing business income. The said section disallows income tax paid from being claimed as deductible expenses against business income. However, many assessees have litigated in the past that the said section does not mention cess or surcharge and therefore, the same are tax-deductible expenses. This view has been upheld by courts in a few judgements. The Finance Minister has clarified that the same is not the intent of the law and therefore, to override all such judgements, diverging views and pending cases, the section has been amended retrospectively from April 1, 2005, to specify tax to include surcharge or cess.

According to section 14A deductions are not allowed if expenditure incurred by the assessee is concerning exempt income. However, in various tax disputes, it has been contended that expenditure (concerning exempt income) incurred in years where exempt income is not earned, should be allowed as tax-deductible expenses. For example, expenditure of INR 1,00,000 may have been incurred in FY 2022 to earn exempt income, however, such exempt income may be earned and become taxable in FY 2023 only. In such cases, many tax payers have claimed the expenses incurred in FY 2022 as tax-deductible expenses since there is no exempt income in such a year. To clarify the intent of the law, an explanation has been added to section 14A, to remove this anomaly and will be effective from FY 2022 onwards.

Gift, travel facility, hospitality, cash or monetary grant in the pharmaceutical sector

Under section 37, any expenditure concerning an offence prohibited by law cannot be claimed as a tax-deductible expenditure. As per Indian Medical Council's directions, medical professionals are prohibited from accepting any Travel facility, Hospitality, Cash or monetary grant from the pharmaceutical and allied health sector industries. Thereby, when a pharma company incurs such expenses, the same would be prohibited by law and disallowed expenses. However, the same has been litigated several times and there are diverging views on the same. To clarify the intent of the law, necessary amendments have been made in section 37, effective from FY 2022 onwards.

Deduction of interest under 43B

Section 43B provides that deductions for any interest payable on loan or borrowing from a specified financial institution/ NBFC/ scheduled bank or a co-operative bank shall be allowed only if such interest has been paid. Any interest converted into a loan or borrowing or advance is not to be deemed to have been paid, as per explanations to section 43B. However, many companies have claimed deductions for such interest by converting interest into debentures and even courts have upheld their decisions. To clarify the intent of the law, necessary amendments have been made and the same shall be applicable effective from FY 2023 onwards.

Interest on late deposit of TDS/TCS

To avoid litigations concerning interest on late deposit of Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) since diverging views and court decisions exist, amendments have been made in section 201(1A) and 206C(7) to provide that interest on late deposit of TDS / TCS shall be payable as mentioned in an order made by the assessing officer. Thus, the order of assessing officers will be final concerning the amount of interest and the manner of computation of interest. This is effective from FY 2022.

Tax incentives to IFSC

To further promote the International Financial Services Centre (IFSC), the income of a non-resident from offshore derivative instruments or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC are now exempt from tax subject to certain conditions. Section 10(4E), (4F), and (4G), Section 56(viib) explanation, and section 80LA(2)(d) have been amended for this purpose. This

This will be effective from FY 2023 onwards.

Section 115BAB last date for commencement of manufacturing or production extended

Section 115BAB provides a concessional rate of taxation at 15% for new domestic manufacturing companies if they do not avail of any specified incentives or deductions. Such new companies are required to be set up and registered on or after October 1, 2019, and must commence manufacturing or production of any article or thing on or before March 31, 2023. The section was introduced to attract investment, create jobs and trigger overall economic growth. Since the pandemic has slowed down the efforts of many enterprises looking forward to the concession under this section, the last date for commencement of an article or thing has been extended by a year to March 31, 2024.

Date of incorporation for eligible startups for the tax holiday

Under section 80-IAC startups registered after April 1, 2016, who obtain a certificate of eligible business from the Inter-Ministerial Board of Certification and has a total turnover of less than INR 100 crore are eligible for 3 year tax holiday in any of the ten assessment years from the year of incorporation. This was applicable only if the startup was incorporated before March 31, 2022. However, the last date is now extended by a year to March 31, 2023, for more startups to avail benefits under this scheme.

Tax incentives to IFSC

To further promote the International Financial Services Centre (IFSC), the income of a non-resident from offshore derivative instruments or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC are now exempt from tax subject to certain conditions. Section 10(4E), (4F), and (4G), Section 56(viib) explanation, and section 80LA(2)(d) have been amended for this purpose. This will be effective from FY 2023 onwards.

Parity between NPS taxation of State and Central government employees (Retrospective amendment)

The Central Government contributes 14% of the salary to the National Pension System (NPS) Tier-I which is an eligible deduction for computing the income of the employee. However, in the case of State Government employees, such deduction is restricted to 10%. To provide equal treatment to both Central and State government employees, the tax deduction limit has been increased from 10% to 14% on employer's contribution to the NPS account of State Government employees as well. This would enhance the social security benefits of the state government employees and bring them at par with central government employees, for NPS contribution. Thereby, in section 80CCD, for the words 'Central Government' wherever they occur, the words 'Central Government or the State Government' have been substituted. This amendment is applicable retrospectively from FY 2020 onwards.

Compensation for COVID-19 is tax-exempt (Retrospective amendment)

Proviso to section 56(2)(x) has been amended to provide that any sum of money received by an individual, from any person, in respect of any expenditure incurred by him on his medical treatment or of any family member, for any illness related to COVID-19 as exempt from taxation.

Further, section 17(2) has been amended to provide that any such amount received from employers will not be treated as 'Perquisite'. Proviso to section 56(2)(x) has been further amended to also provide that any amount received on account of the death of a family member from COVID-19 or related illnesses, such amount shall be exempt if it does not exceed INR 10 lakh. It is important to note that if the amount exceeds INR 10 lakh entire amount would be taxable. However, there is no maximum limit in case the amount is received from the employer of the deceased person. There will be other conditions for claiming exemption which will be notified by the central government. These amendments will take effect retrospectively from FY 2020 onwards.

Carry forward of losses in case of disinvestment of PSE

To facilitate the disinvestment of public sector companies, section 79 has been amended to provide that section 79(1) shall not apply to a public sector company if the ultimate holding company of such public sector company, immediately after the completion of strategic disinvestment, continues to hold, directly or through its subsidiaries, 51% of the voting power, in aggregate. This shall be effective from FY 2022.

TDS under section 206AB and 206CCA

In the previous budget, a new provision to deduct TDS was introduced, from payments to any person who has not filed an income tax return for the past two years, immediately preceding the current financial year, for which the due date for filing return under section 139(1) 'Original return' has expired. The TDS/TCS of such person must exceed INR 50,000 in each such two years for these provisions to apply.

These provisions are not applicable when TDS is required to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N. These provisions are now amended to change the period of two preceding years to one preceding year. Further, individuals and Hindu undivided families (HUF) are not required to deduct TDS on such persons if covered by sections 194-IA, 194-IB and 194M. These amendments will be effective from FY 2023 onwards.

TDS on perquisite in respect of business or profession under section 194R

Many companies often transfer benefits arising out of sale or service directly to their agents. Thus, such benefits are neither reported to the income tax department nor the agent discloses such benefits in his income tax return. Therefore, section 194R has been inserted to provide that any person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from business or profession, should ensure that tax has been deducted in respect of such benefit or perquisite at the rate of 10% of the value of such benefit or perquisite. The deduction is not required if the value of benefits do not exceed INR 20,000. This new section will be effective from FY 2023 onwards. The provisions shall not be applicable in the case of individuals or HUF with turnover less than 1 Crore in case of business and 50 lakh in case of the profession.

Taxation of Virtual Digital Assets (Cryptocurrencies, NFTs, etc.)

Section 115BBH seeks to provide that where total income includes any income from transfer of any virtual digital asset (i.e. 'Cryptocurrencies' as popularly known, and 'Cryptoassets' as Government calls them, and also Non-fungible tokens, or any other new concept that may be considered a digital virtual asset), the income tax payable shall be calculated at the rate of 30%. Deductions cannot be claimed against such income except the cost of acquisition of such assets. Any loss that arises from these transactions cannot be set off against any other income. Further, such losses cannot be carried forward to subsequent years. Thus, the tax on virtual digital assets is a classic 'Partners in Profit only' case where if you make profits, the income tax department is a 30% profit partner, however, if you make losses that's all yours! Further, even if a taxpayer gifts such virtual digital assets, the same shall be liable to tax in the hands of the recipient. These amendments will be applicable from FY 2023 onwards.

To ensure that the transaction details are reported, TDS under section 194S has been introduced. As per section 194S, any payment made to transfer of virtual digital asset shall be liable to TDS at the rate of 1% of such consideration. Thus, the cryptocurrency exchanges or the NFT providers are now liable to deduct TDS at 1% on the sale amount. This will ensure that the traders or investors in such digital assets pay taxes to the government. TDS is required to be deducted even if the consideration is in kind e.g. exchange of one NFT against another, TDS is to be deducted at 1% on the value of NFT given. The provisions of section 203A and 206AB are not applicable in this case. TDS is not required to be deducted if the total annual consideration to a resident does not exceed INR 50,000 and INR 10,000 to any other person. Section 194S also overrides section 194O. These amendments are applicable from July 1, 2022, onwards.

Withdrawal of concessional rate of tax on dividend income under section 115BBD

Section 115BBD of the Act provides for a concessional rate of tax of 15 % on the dividend income received by an Indian company from a foreign company in which the said Indian company holds 26 % or more equity shares. To provide parity in the tax treatment in the case of dividends received by Indian companies from domestic companies, section 115BBD shall not be applicable from FY 2023 onwards. Thus, all kinds of dividends whether received from foreign companies or domestic companies would be taxable at the same rate, in the hands of an Indian company. Section 248 provides that in a case where, under an agreement or other arrangement, a person who has deducted tax on any income paid to a non-resident under section 195, can file an appeal to the Commissioner (Appeals) for a declaration that no tax was deductible on such income. However, to obtain a refund of the tax deducted and paid by a person where it was not deductible as per section 248, the taxpayer has no recourse to approach the Assessing Officer. Therefore, a new section 239A has been introduced to allow such an application for refund to Assessing Officer. This is applicable from FY 2023.

Source of income for unexplained Cash Credits

Section 68 provides that any sum credited in the books for which assessee does not explain the nature and source thereof or the explanation offered is not satisfactory, the sum so credited can be charged as income. Share capital, share premium, share application money, unsecured loans, etc are covered by these provisions where the onus of satisfactorily explaining such credits is on the receiver of such sums. Such unexplained cash credits are taxable at the rate of 60% along with a 25% surcharge, 6% penalty and interest as applicable. Many courts have held that proving the identity and creditworthiness of the creditor, along with the genuineness of the transactions is a sufficient explanation. However, section 68 has been amended to provide that the nature and source of such sum shall be considered as explained, only if the source of funds in the hands of the creditor is also explained. This would not apply if the creditor is a well-regulated entity i.e. Venture Capital Fund, Venture Capital Company registered with Securities Exchange Board of India (SEBI). The amendment is applicable prospectively from FY 2023.

More time to release new faceless assessment schemes

The scheme for faceless assessment for determination of arm's length price under section 92CA, dispute resolution panel under section 144C and appeal to the appellate tribunal under section 253, were required to be issued by March 31, 2023; and for the procedure of appellate tribunal under section 255 were required to notified by March 31, 2024. These dates have been extended to March 31, 2024.

Set-off of losses against undisclosed income

According to the income tax department, assessee claim set-off of losses or unabsorbed depreciation, against undisclosed income corresponding to the difference in stock, undervaluation of stock, unaccounted cash payment etc. detected during search or survey proceedings. Allowing the adjustment of undisclosed income against the loss or unabsorbed depreciation is resulting in a short levy of tax. Undisclosed income detected under sections 68, 69, 69B etc already contain a provision to disallow such setoff, however, there is no such provision for undisclosed income detected in income tax raids. Therefore, a new section 79A has been introduced to provide that set-off of losses brought forward, or otherwise, or unabsorbed depreciation under Section 32(2) will not be allowed to an assessee while computing his total income in any previous year which includes undisclosed income founded in the course of a search under section 132 or a requisition under section 132A or a survey under Section 133A, other than under section 133(2A). This amendment is applicable prospectively from FY 2022 onwards.

Definition of Slump Sale (Retrospective amendment)

Definition of slump sale under section 2(42C) has been amended to replace the word 'sales' with 'transfer'. This amendment is applicable retrospectively from FY 2021 onwards.

Reduction of Goodwill from a block of assets is 'transfer' (Retrospective amendment)

From FY 2021 onwards, goodwill is not considered a depreciable asset. In the case where goodwill is purchased by an assessee, the purchase price of the goodwill is considered as the cost of acquisition for computation of capital gains under section 48 as reduced by depreciation availed until FY 2021. Section 50 has been amended to clarify that the reduction of the amount of goodwill from the block of asset following 43(6)(c)(ii)(B) shall be deemed to be 'transfer' and therefore, taxed accordingly. This amendment will take effect retrospectively from FY 2021 onwards.

Penalty under section 272A for false information

Under section 272A penalty for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections etc. At present, the amount of penalty for failures listed under sub-section (2) of section 272A is INR 100 per day during which the failure continues. This penalty is now increased to INR 500 per day, based on recommendations of the Comptroller and Auditor General of India (CAG). This is applicable from FY 2022 onwards.

Withdrawal of certain exemptions

Exemptions under clauses (8), (8A), (8B) and (9) of section 10 has been withdrawn with effect from FY 2023 onwards.

Changes to faceless assessment scheme under section 144B

Under the faceless assessment scheme, the board shall establish the National Faceless Assessment Centre (NaFAC). The Assessing Officers would be known as Assessing Units (AU). In addition, Verification Units (VU) will provide verification facilities such as verifying evidence and documents, cross-verification with information available, etc. Review Units (RU) will review the communications such as Notices, Demand Orders, Computations etc. Technical Units (TU) will provide additional support for complex areas such as the determination of arms-length price.

Section 144B has been substituted to provide that –

(a) Section shall apply for faceless assessment, reassessment or recomputation under section 143(3) or 144 or 147

(b) the National Faceless Assessment Centre (NaFAC) shall assign the case selected to a specific Assessment Unit (AU) and intimate the assessee

(c) the assessee shall be served notice through the NaFAC. The assessee may file his response within the date specified in such notice in this regard, to the NaFAC, which shall forward the reply to the AU.

(d) Thereafter, the AU may make a request, through the NaFAC, for obtaining further information, documents or evidence. The AU may also make a request, through the NaFAC, for conducting enquiry or verification by Verification Unit (VU) or Technical United (TU) through an automated allocation system.

(e) The assessee or any other person, as the case may be, shall file his response to the notice served by NaFAC, If the assessee fails to comply with the said notice the NaFAC shall intimate the same to the AU. The AU will issue a show-cause giving him the opportunity.

(f) The assessee shall file his response to the show-cause notice within the time specified. If the assessee fails to respond, the NaFAC shall intimate the same to the AU.

(g) The AU shall, after taking into account all the relevant material available on the record, prepare in writing, an income or loss determination proposal and send the same to the NaFAC. If a variation is being proposed, then a show cause notice is served on the assessee stating the variations proposed to be made to the income of the assessee and calling upon him to submit as to why the proposed variation should not be made.

(h) The assessee shall file his reply to the show-cause notice to the NaFAC. If he fails to respond within the specified time.

(i) Upon receipt of the income or loss determination proposal, with or without any variations proposed to the income of the assessee, NaFAC may, based on guidelines issued by the Board, convey to the AU to prepare a draft order following such income or loss determination proposal, which shall thereafter prepare a draft order, or assign the income or loss determination proposal to a Review Unit (RU) through an automated allocation system, which shall conduct a review of such order, prepare a review report and send it to NaFAC.

(j) The NaFAC shall forward the review report received from the RU to the AU. The AU may accept or reject some or all of the modifications proposed in such review report, prepare a draft order accordingly, and send it to NaFAC. The AU shall record reasons in writing if it is rejecting the modifications proposed by the RU.

(k) The NaFAC shall, upon receiving draft order where a proposal to make any variation which is prejudicial to the interest of such assessee under section 144C(1) for reference to Dispute Resolution Panel, serves such draft order on the assessee. In any case, other than that of the eligible assessee under section 144C, the NaFAC shall convey to the AU to complete the assessment following such draft order, which shall thereafter pass the final assessment order and initiate penalty proceedings

(l) An eligible assessee shall, upon receiving the draft order as served on him above, file his acceptance of the variations proposed in such draft order or file objections, if any, to such variations, with the Dispute Resolution Panel

(m) In case the variations proposed in the draft order are accepted by the assessee or not objected to within the time given, NaFAC shall intimate the AU of the same, which shall complete the assessment, based on the draft order.

(n) Where the eligible assessee files objections with the Dispute Resolution Panel, against the variations proposed in the draft order in his case, the NaFAC shall send such intimation along with a copy of such objections to the AU.

(o) The NaFAC shall, upon receipt of the final assessment order, serve a copy of such order and notice for initiating penalty proceedings, if any, on the assessee, along with the demand notice. The NaFAC shall, after completion of the assessment, transfer all the electronic records of the case to the Assessing Officer having jurisdiction over the said case for recovery.

(p) Faceless assessment shall be made in respect of persons or class of persons as may be specified.

(q) All communication, among the AU, RU, VU or TU or with the assessee or any other person for the information or documents or evidence or any other details, shall be through the NaFAC.

(r) Electronic record shall be authenticated by affixing the digital signature, electronic verification code or by logging into his registered account in the designated portal. Every communication shall be delivered to the addressee, in the registered account of the assessee or by sending to the registered email address or by uploading an authenticated copy on the assessee's mobile app, followed by a real-time alert.

(s) Assessee shall file his response to any notice or order or any other electronic communication, through his registered account, and once an acknowledgement is sent by the NaFAC containing the hash result generated upon successful submission of a response, the response shall be deemed to be authenticated.

(t) A person shall not appear personally or through an authorised representative in connection with any proceedings.

(u) Where a variation is proposed in the income or loss determination, the assessee may request for a personal hearing to make his oral submissions or present his case before the income-tax authority.

(v) The Central Board of Direct Taxes (CBDT) shall establish suitable facilities for video conferencing or video telephony including telecommunication application software at such locations so that assessee is not denied the option merely because of the absence of the requisite facilities.

(w) The AU can inform the Principal Commissioner to invoke a special audit under section 142(2A).

Rationalisation of provisions relating to 'Assessment' and 'Reassessment'

Provisions relating to assessment and reassessment have been rationalised to provide –

(a) Approval to issue a notice under section 148 will not be required if the Asessing officer has passed an order under 148A(d) with prior approval

(b) Provisions of section 132(8) shall apply to assessment/reassessment or recomputation under 143(3), 144, or section 147.

(c) New section 148B provides that order of assessment or reassessment or recomputation shall be passed by an Assessing Officer below the rank of Joint Commissioner, except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, in respect of assessments consequent to search, survey and requisition to reduce avoidable inaccuracies.

(d) Section 153 has been amended to provide for the exclusion of the period of limitation for assessment, reassessment or recomputation, not exceeding 180 days from the commencement of search to the date of seizure. (retrospectively from FY 2021 onwards)

(e) Section 149(1)(b) has been amended to provide that a notice under section 148 shall be issued for 3-10 preceding assessment years only when the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented, (a) in the form of an asset; or (b) expenditure in respect of a transaction or to an event or occasion; or (c) an entry or entries in the books of account, which has escaped assessment amounts to or likely to amount to fifty lakh rupees or more. Earlier there was no requirement of having documents or evidence in possession but was merely based on an estimate.

Rationalisation of the provisions of Charitable Trust and Institutions

The provisions applicable to charitable trusts & institutions have been thoroughly reviewed and rationalised. It was important to ensure that the income of any fund, institution, trust, university, educational institution, hospital or other medical institution, which is exempt, is effectively monitored and implemented, is consistent and clear on taxation. Thereby, various provisions of section 10(23C) and 12AA/12AB have been accordingly amended.

Do you know, why budget is presented on February 1, 11:00 am?

There are various traditions attached to the presentation of annual budget ever since the Republic of India presented its first budget in 1950. The entire process of presenting budget starts about five to seven months before the scheduled date to prepare the annual budget of our Union Government. It's the budget for the entire country and hence, it is important to adhere to the schedules, as delay may hamper the progress of various schemes and projects.

Earlier, the budget used to be presented on the last working day of February. However, in 2017, the Finance Minister Arun Jaitley changed the date to February 1 to allow more time for the ministries, tax departments and the citizens to plan their year.

Even the timing of presenting the budget is fixed at 11:00 am. This scheduled time of presenting budget used to be 5:00 pm until 1999 when Finance Minister Yashwant Sinha set a new tradition of the budget at 11:00 am. Before independence, the British officials – 'House of Lords' and 'House of Commons' also used to take part in the budget presentation. The time for presentation of budget was set at 11:30 am in London and accordingly, the budget was presented at 5:00 pm in India.

Customs and excise

SEZ administration to be reformed

Necessary reforms are to be undertaken in Customs Administration of Special Economic Zones (SEZs) to make the same fully IT-driven and function on the Customs National Portal for better facilities and risk-based checks. It is expected that these reforms would be implemented by September 30.

Phasing out exemptions for Project imports and capital goods

National Capital Goods Policy, 2016 aimed at doubling the production of capital goods by 2025 to create employment opportunities and increased economic activity. However, duty exemptions granted to capital goods for sectors like power, fertilizer, textiles, leather, footwear, food processing and fertilizers have hindered the growth of the domestic capital goods sector, according to Finance Minister. Since project import duty concessions deprive the domestic producers of a level playing field in areas like coal mining projects, power generation, transmission or distribution projects, railway and metro projects, the concessional rates in capital goods and project imports would be gradually phased out with a moderate tariff of 7.5%. This will not include advanced types of machinery that are not manufactured in the country yet and exemptions in such cases would continue. A few new exemptions are also introduced on inputs such as specialised castings, ball screw and linear motion guide, to encourage domestic manufacturing of capital goods.

Phasing out 350+ exemptions

To rationalise customs exemptions, in continuation with previous budgets, after consultations, more than 350 exemption entries will be gradually phased out. These include exemptions on certain agricultural products, chemicals, fabrics, medical devices and drugs and medicines for which sufficient domestic capacity exists. As a simplification measure, several concessional rates are now incorporated in the Customs Tariff Schedule instead of prescribing them through notifications. It is expected to simplify the customs rate and tariff structure for sectors like chemicals, textiles and metals.

Customs duty rates for electronics

Since electronic manufacturing has grown rapidly, customs duty rates will now have a graded rate structure for the import of electronic to support domestic manufacturers of wearable / hearable devices and electronic smart meters. New duty concessions are introduced for transformer parts of mobile phone chargers and camera lens of mobile camera module amongst other items.

Duty on Gems and Jewellery

To boost the Gems and Jewellery sector, Customs duty on cut and polished diamonds and gemstones is now reduced to 5% while simply sawn diamond will have nil customs duty. Besides, a regulatory framework will be implemented to allow the sale of gems and jewellery through e-commerce. The customs duty on imitation jewellery has been introduced to ensure at least INR 400 per kg duty is paid on their imports.

Customs duty rate on Chemicals

Customs duty on certain critical chemicals such as methanol, acetic acid and heavy feedstocks for petroleum refining has been reduced. Meanwhile, duty on sodium cyanide for which adequate domestic capacity exists has been increased.

Customs duty on Umbrellas

The customs duty on umbrellas has been raised to 20% while exemption to parts of umbrellas now stands withdrawn.

Duty exemption for steel scrap

Customs duty exemption to steel scrap has been extended for another year to provide relief to small secondary steel producers. Anti-dumping and countervailing duty on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel are revoked owing to high metal prices.

Products used in exports

To incentivise exports, new exemptions have been introduced on embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes that may be useful for exporters of handicrafts, textiles and leather garments, leather footwear and other goods. Customs duty has been reduced on inputs required for shrimp aquaculture to promote its exports.

Encouraging blending of fuel through excise tariff

To encourage the blending of fuel, unblended fuel will now attract an additional differential excise duty of INR 2/ litre from October 1, 2022.

Publication by:

Greenvissage

Greenvissage Business Consulting LLP

LLPIN: AAB-9132

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