GREEN SIGNALS AND WISE OPINIONS

GREENWISE

SPECIAL ISSUE

FEBRUARY, 2023

47 PAGES

92 MINUTES

BUDGET 2023

FOR PRIVATE CIRCULATION ONLY

GREENVISSAGE BUSINESS CONSULTING LLP

GREENVISSAGE.COM

Disallowance for delayed payments to MSME

Election budget

No clarity on infra spending

Silence on devils

Capital expenditure ↑

Surcharge reduced for ultra rich !

Railway budget ↑

New tax regime ↑

Life insurance ↓

No proposal to widen taxbase

8.5/10

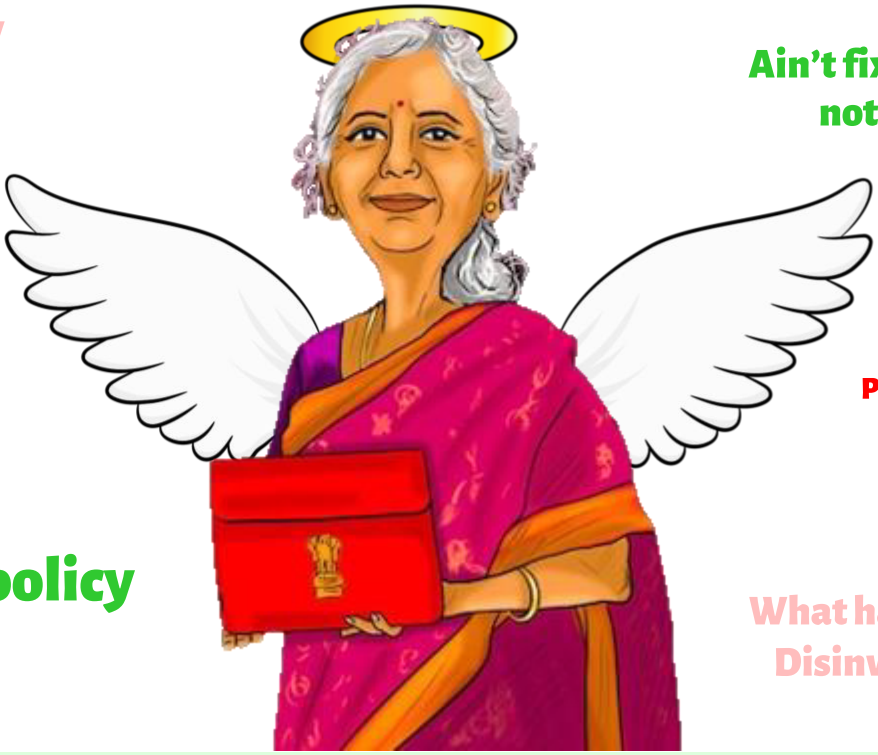
Let's make voters happy !

Middle class people ↑

Previous budget = 6.4 (2.1 ↑)

"No devils, only angels"

Customs duty reversed



Ain't fixing, what's not broken

No tinkering with GST laws

Promotes spending, deters saving

Stable policy

What happened to Disinvestment?

CONTENTS

EDITORIAL KEYNOTE

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.

There's no surprise, that the surprise.

Introduction

Budget 2023 was the fifth consecutive budget presented by the current finance minister, Nirmala Sitharaman, joining the league of Manmohan Singh, Arun Jaitley and P Chidambaram. Over the past four budgets, we have seen everything – record-breaking marathon speeches, fiery statements, poetries, quotes from religious texts, and of course, devils in budget documents without any mention in the budget speech. However, this year was quite different. Firstly, the finance minister looked pretty relaxed. She seemed like 'let me just warp this up and go home' rather than 'let me present the budget of the largest democracy in the world'. And then, there were no poetries, no aggression, no melodrama, no scolding of the opposition party leaders, and most importantly no controversial policy changes. We are not sure if it was Nirmala Sitharaman presenting the budget, or her alter ego. The budget speech sounded picture-perfect, but we knew, as usual, the devil will be in the budget documents. So we scanned through the budget documents – end to end – and to our surprise, we found nothing that would raise our eyebrows. Welcome to the election years – when you know you have to get their vote, you don't do anything that people will note, or say something that the media will later quote!

Why did the Government provide tax relief?

The mega election is due next year – although that's not the only reason why the budget for 2023 was such a sweet tooth. The tax collections during the current financial year have beaten even the Government's budgeted targets – actual collection exceeding the budgeted? - when was the last time you heard something like that? Well, it is expected that the tax collection would exceed the budget by a staggering INR 4 lakh crore and during the last 22 years, this has happened only on two occasions, as the Governments are fairly consistent in meeting their tax collection targets, irrespective of the regime. Then, the tax incentives were also long due, as the expectations around the same have been building up over the past 4-5 years as all the recent past budgets were barren when it came to providing incentives to the middle-class people. However, we feel there was one important reason why the Government provided tax relief that probably nobody is talking about – the new tax regime!

Old tax regime vs new tax regime

"I come from two India" – one that opts for the old regime, the other that opts for the new regime! Oh yes, she did it again! If the existing confusion around the old tax regime and new tax regime wasn't enough, the Budget 2023 has further intensified it. Going by the current scale of discussion on this topic, this certainly seems to be the debate of the year, and from social media, it also seems to be the meme topic of the year. The old tax regime has many tax exemptions which are not available under the new regime. That's what most of the news channels, articles, social posts and forwarded messages might have already told you. However, the part that most people don't talk about is – it is beneficial only if you are claiming it. Take housing loans, for example, everyone won't need to have them. Similarly, there are other items that you may or may not be investing in. Thus, the first conclusion is that no 'one size fits for all' here – each person needs to evaluate this decision according to their investment strategy.

Then, for salaried taxpayers, the option is available to change every year, so you can shift between regimes each year according to your new investments and choose whichever is beneficial to you. So salaried taxpayers, if you are reading this, just leave this tax calculation to your Chartered Accountants and remember only one thing – there's no mandatory investment any more. You can invest in NPS and claim the tax benefit, or you can opt to not invest in NPS but instead invest in equity shares and still pay the same tax by opting for the new regime, and most probably earn higher returns on equity shares. The second conclusion here is that investments and taxation are no longer linked to each other – they are now two independent decisions. For people engaged in business, once you opt for the new regime, you have one chance to switch back from the new regime to the old regime. Thus, unlike salaried taxpayers, you have to make a consistent choice in your decision. However, keep in mind, one open secret – "the old tax regime is now very old, almost a senior citizen, and therefore, it might soon take complete retirement from all forms of taxes."

How does the Government benefit from the new tax regime?

If you buy items online or through stores, chances are you have already experienced this marketing strategy. Companies often enter into new markets and new segments where the competition is already stiff. In such cases, it is difficult to sell its products against the established ones. Therefore, to gain the attention of the customers, they offer the product with attractive packaging at a deep discount. So, if you are not a brand-loyal person, which in a price-sensitive market like India is very common, most probably you will try the new product, or even consider replacing your existing one. Slowly, you grow habitual in using the product and meanwhile, the company increases the price, reduces the quantity, or brings a new pro version with a premium price for its popular features. The company loses some customers due to the changes, however, by then, it has already gained enough popularity, brand recognition and a customer base. This strategy has become common these days and there's a good chance that the Government too is tapping into this same behavioural bias here.

Government is pretty clear with its agenda – reduce the number of exemptions and simplify the taxation laws. While it seems to be (since you are made to believe) in the interest of the taxpayers, the Government too has a lot to gain from the same. Currently, the Government is providing a lucrative option in the form of new tax regime – it frees you from all those year end drama of collecting bills, rent receipts, investment proofs, etc. and is also allowing you to freely investment your money wherever you want to without worrying about taxes. This is really good and progressive. For the corporates too, alternative schemes with lower tax rates are already available under which tax holidays are not available. However, on the flipside, if more and more taxpayers opt for new tax regime without deductions, the Government has multiple benefits.

Bringing more people under the tax net has been the focus of all Governments to date. The Government may lure people into opting new tax regime. When enough people have already opted for a new regime, the Government will have a strong reason to shut down the old regime. Thereafter, it can simply increase the tax rates, tweak the slabs and increase the tax collection.

Deductions add uncertainty. The Government cannot estimate its tax collections, because it doesn't know if you are going to claim housing loan interest this year, or if a corporate is going to opt for a tax holiday. With the new tax regime, the government can estimate its tax collection better and in turn, budget its expenses in a planned manner. Better tax estimates also mean that the Government is in driving seat now. If it needs more money, it can simply tweak the tax rates and collect higher taxes. This happens more assuredly under the new regime.

Collecting higher taxes with higher collection expenses is not fruitful. No tax deductions would mean no false claims, thus, fewer tax assessments. This saves a lot of time for tax officers who can focus on bigger issues and also improves the cost and efficiency of tax collection. Thus, net tax collection i.e. tax collected less the expenses incurred to collect the tax, which is the real figure that matters to the Government can increase in long run. Deductions and exemptions are also the underlying cause of various tax litigations. It only brings disrepute to the tax department, increases its cost, and red tape for the taxpayers. Reducing the exemptions and deductions can significantly reduce litigations.

When the tax slab limit is higher, people will also report their taxes on a higher side, thereby, bringing down the shadow economy a little. In later years, the Government can simply tax this income and people wouldn't have the choice but to pay taxes. Besides, with the digitisation of the economy, it would be difficult to escape from taxation in later years.

Budget proposals that we admire

1. Promotion of GIFT IFSC – The government has made several changes to promote GIFT City – the international financial services centre in Gujarat, including the introduction of data embassies and acquisition financing.

2. KYC-related proposals – Declaring PAN as a common business identifier has a deeper impact than it appears to. It would simplify the KYC process, however, it would take a lot of effort from the Government over multiple years. Meanwhile, the Government has made a fascinating move to introduce Entity DigiLocker, which is well-implemented, and will go long way in truly digitising various processes.

3. Municipal bonds – Funding is the biggest impediment to local development projects in towns and cities. If municipal corporations become transparent and develop their creditworthiness, municipal bonds can become a reality. This would allow banks to project local projects and local bodies too will get the required funding, instead of simply relying on the State Governments. However, its success needs long-term continued oversight of the Government.

4. Increasing capital expenditure – The government has given a huge boost to developing long-term infrastructure, meaning the taxpayers' money is going to be converted into wealth and not expenses. Railway has received a huge budget, however, there is no mention of what it is going to do.

5. Relaxations in customs duty – The customs duties which were increased during the past year have been reversed now on several items and therefore, would ease the prices.

6. Taxing the investments of the ultra-rich – Last year it was a provident fund, this year it is insurance and deductions against capital gains. There are new thresholds for these tax saving options which deter the ultra-rich from saving on taxes

7. Tax slabs under the new regime – The new tax regime now seems at par, or better placed in comparison to the old tax regime. Allowing standard deductions to salaried employees under both regimes will help salaried individuals to save taxes.

8. Extension of startup benefits – Recognised startups can carry forward losses for 10 years now. The scheme has also been extended for one year.

9. Increasing presumptive taxation threshold – This will allow more small taxpayers to exit the clutches of the tax department and liberate them from maintaining books and documents.

Budget proposals that we critise

1. Strategic disinvestment – This was the biggest talking point during the past budgets. The government had announced mega sales of public assets. Many of these announcements haven't seen any further action. There was no mention of the same in the economic survey, budget speech, or budget documents. Are these proposals shelved? Maybe the Government will talk about it only when the elections are done and dusted.

2. Higher TCS on foreign remittances – This is going to hurt a lot of people, as all foreign remittances without any minimum threshold will attract TCS. Although this will boost reporting of remittances to the Government, the tax rate of 20 per cent is too high. It will unnecessarily block the funds of genuine taxpayers. This provision will also hurt people who invest directly in US stocks.

3. Disallowing delayed payments to MSMEs – Firstly, this is going to be very difficult to evaluate in the case of private and small businesses. And then, it is going to result in huge disallowances for large corporates and also all classes of businesses. The provision was introduced to benefit the taxpayers, however, if strictly implemented, this would cause more havoc than benefit. Several industries have a longer credit period for payment and therefore, this tax provision is going to be an obstacle in well-settled practices.

4. Unified filing process – Please don't misunderstand here – the policy proposal is fantastic – a common portal to report the information, instead of reporting to multiple authorities. However, given the Government's history of implementing the GST portal, Income Tax portal, and MCA portal and keeping all other Government websites, we are pretty sure this will be another mess that people (Chartered Accountants) will have to face.

5. Energy-related proposals – The Government has declared support for Green hydrogen, renewable energy, energy storage, and energy transition, which would most probably be utilised to incentivise the corporates. Given the current fiasco, as apparent in the news, it seems either this amount is going into the wrong hands, or else the Government would end up delaying the projects.

6. Unity Malls – Earlier Government had launched the 'one district, one product' scheme which hasn't been much successful. To revive the same it is now building malls to promote the products. Seriously? "Government has no business to do business" This was the motto of the current Government and it is diverting from the same.

7. Health and education – Ideally, these two should be the highest priority of the Government, however, after recovery from the pandemic, once again, these segments seem to have taken the back seat with no major announcements.

8. Rural development – The policy names are much bigger and sound more vibrant than the projects themselves. Most of the schemes seem to be renamed versions of old and existing schemes and projects.

Conclusion

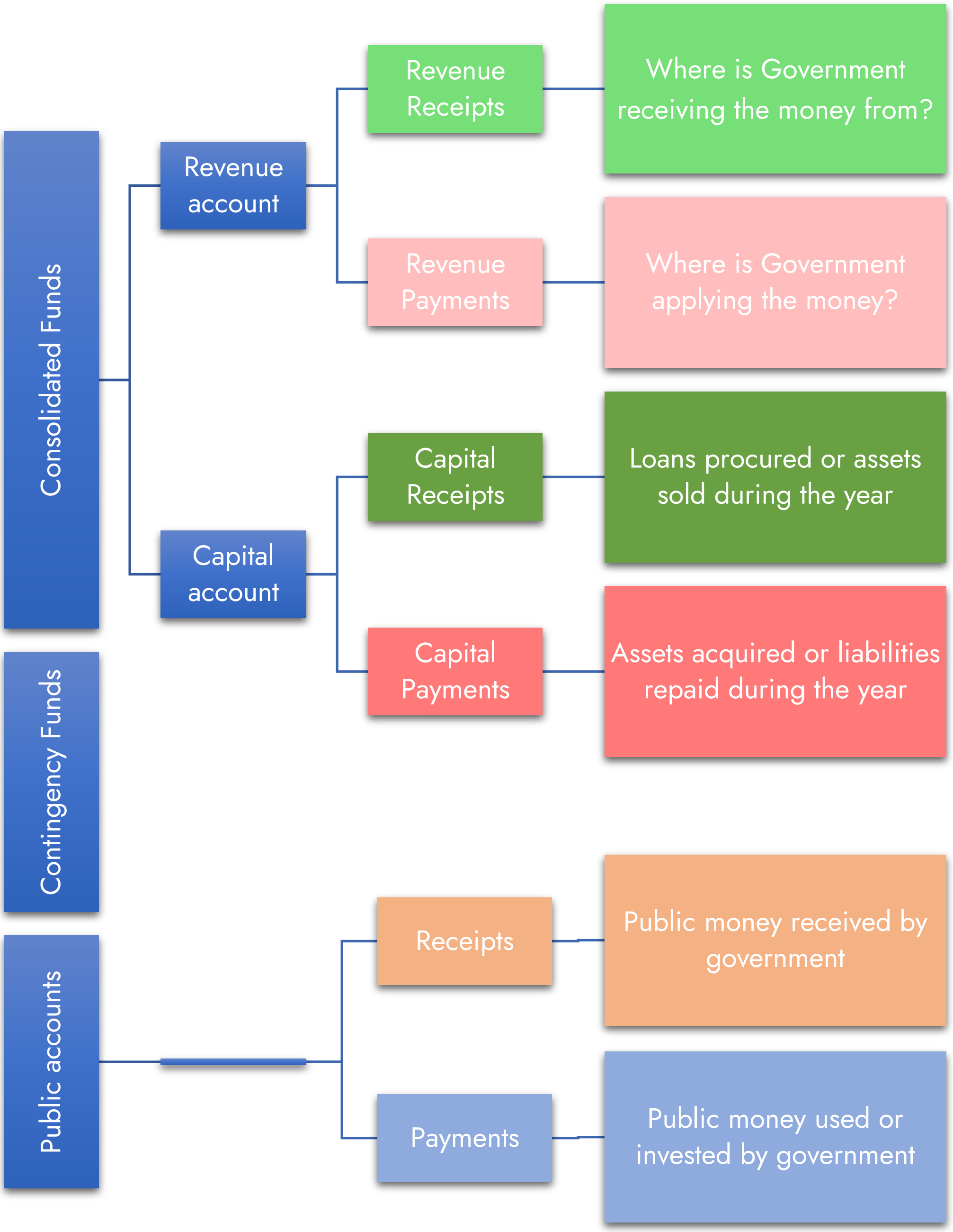
Taxation needs stability and policies need time to reap their benefits. This is the reason why we rated this year's budget a higher rating. Although, we missed the zeal in the budget proposals this year, as it was mostly mild with no major announcements or improvements. From a policy point of view, the Government hasn't made any ambitious announcements this year – it was mostly checking the boxes to ensure everybody is mentioned. Most probably the same is being saved for the post-election budget next year. From a tax perspective, the Chartered Accountants are really happy, as the finance minister hasn't fiddled much with the tax laws this year, which means, savings in time, efforts and hassles. Overall, that's our opinion. You can read through the following sections which are free from any opinion and present highlights of the budget in a simple jargon-free manner – so that you can form your independent opinion.

Budget Facts: 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.

LAYMAN'S BUDGET

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. 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.



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.

2020 AE – Actual figures as per accounts for the last year
2021 BE – Budget estimates as per announcements prior to beginning of current year
2021 RE – Revised estimates after completion of 10 months of the current year
2022 BE – Budget estimates announced now, for next year

What are Annual 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.

What does Government's sources of receipt and application of receipts signify?

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 34% of the total receipts. Amongst tax revenues, Goods and Services Tax (GST) tops the list with 17% collection while collection from income tax and corporation tax is 15% and 15% respectively.

Application of Government receipts explains where the Government uses the funds available and how much funds are allocated for the same. The Government spends 20% of the funds on interest payments as borrowings are one of the major source of funds. 18% funds are distributed amongst state as their share in taxes and duties. 17% of the funds are incurred central sector schemes. Defence of the country accounts for 8% of the total budget while centrally sponsored schemes, state finance commission and subsidies account for 9%, 9% and 7% of the total budget respectively.

What is revenue deficit and fiscal deficit?

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.

Receipts (In ₹ Cr)

Revenue Receipts	**₹ 23,48,413**
Tax Revenue	₹ 20,86,662
Non Tax Revenue	₹ 2,61,751
Capital Receipts	**₹ 18,38,819**
Recovery of Loans	₹ 2,35,00
Other Receipts	₹ 60,000
Borrowings & Other Liabilities	₹ 17,55,319

₹ 41,87,232

₹ 41,87,232

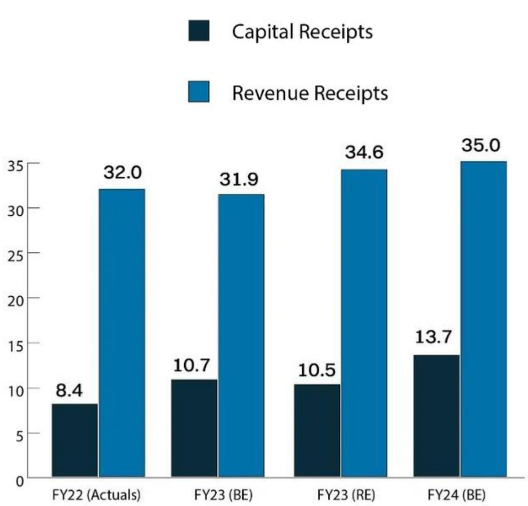
Revenue expenditure (interest payment on debt, subsidies, etc.)	**₹ 34,58,959**
Interest Payments on loans	₹ 9,40,651
Capital Expenditure (building of long-term assets like roads, buildings, etc)	**₹ 10,53,862**

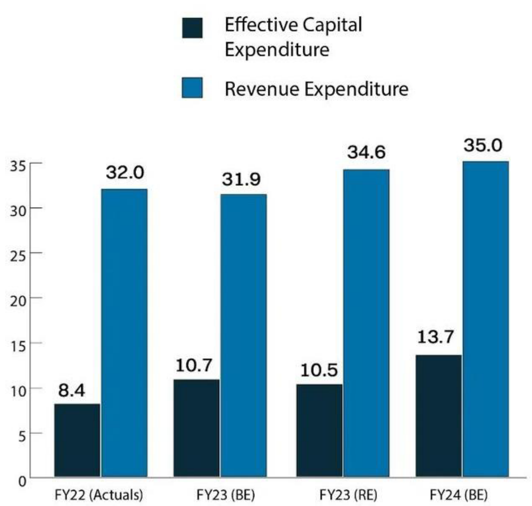
Expenditure (In ₹ Cr)

Fiscal deficit
₹ 17,55,319 Cr.

or

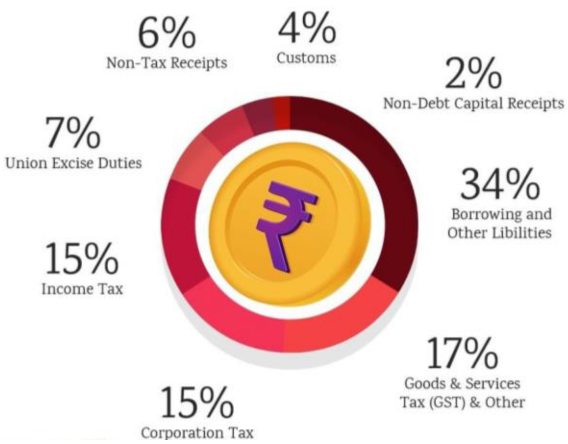
6.4% of GDP



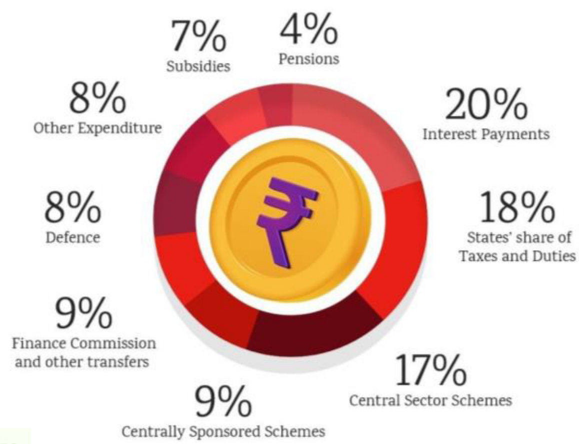


www.greenvissage.com

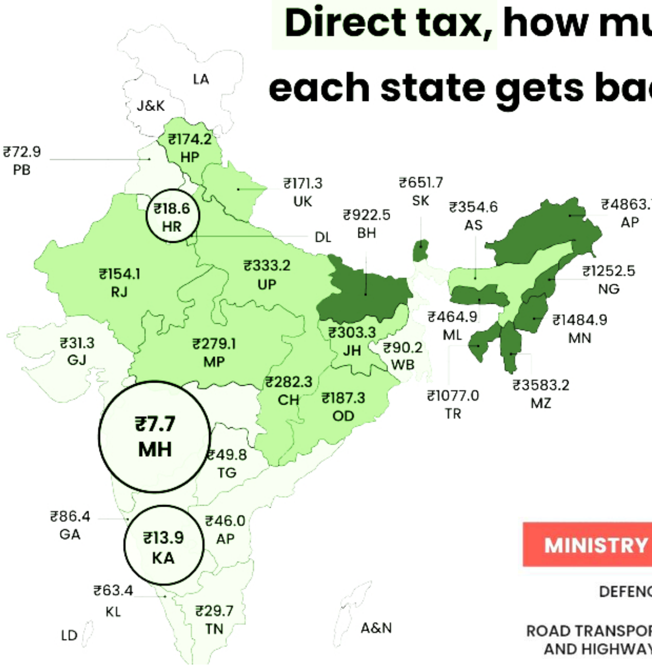
Rupee **Comes From**



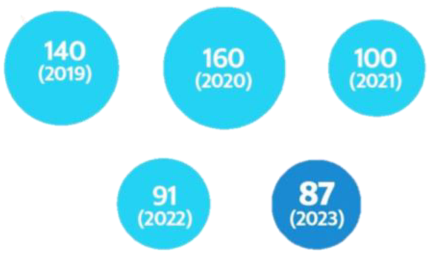
Rupee **Goes To**

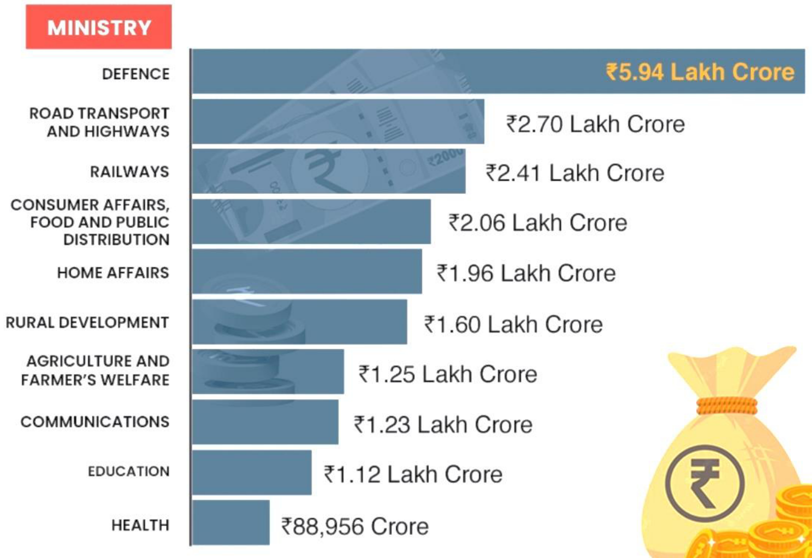


For every ₹100 paid in Direct tax, how much each state gets back?

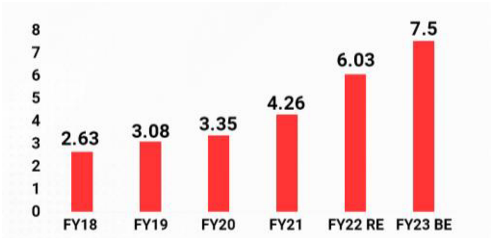


Budget Speeches by Nirmala Sitharaman
(total time in minutes)





Capital Expenditure (Lakh Crore)



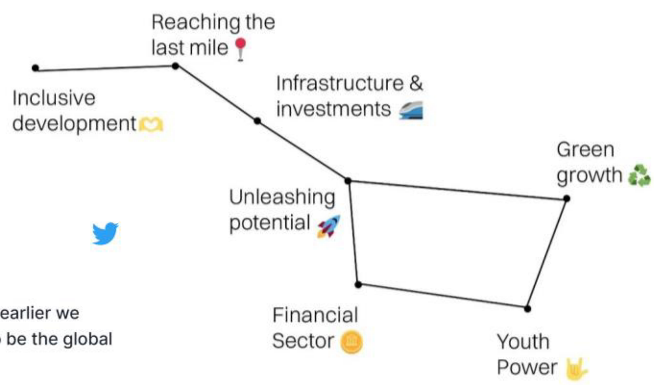
P. Chidambaram
@PChidambaram_IN

The mystery of the New Tax Regime (NTR) is unravelling

Read the analysis and the tables in the major newspapers

3:04 AM · 2 Feb 2023

Saptarishi (7 key priorities)



Harsh Goenka
@hvgoenka

As I think about about the progress of the country, it fills me with delight that earlier we thought about the basics- 'roti kapda and makaan' and now we are aspiring to be the global leaders in digital, technology and net zero.
What an awesome journey !#Budget2023

11:50 AM · 1 Feb 2023

anand mahindra
@anandmahindra

Before commenting, I always wait a day to absorb the details. First, the context is that India's the only major economy in good shape & the budget's task was to preserve that status. So I was gratified to see the higher capex. That's all about investing for higher growth.(1/3) twitter.com/rohitroy500/status/1621014747494883329

9:37 AM · 2 Feb 2023

anand mahindra
@anandmahindra

Second, the DNA of our finance ministry has embedded in it a strong sense of fiscal discipline & an aversion to profligacy & bankruptcy. (Unlike a rather fragile neighbour of ours) This budget lived up to that conservative tradition. (2/3)

9:37 AM · 2 Feb 2023

anand mahindra
@anandmahindra

In line with our conservatism, it was good to see us back on a trajectory towards a lower fiscal deficit. It will be a stretch to achieve, but I believe the Govt. can speed up disinvestment in order to provide the necessary resources. (3/3)

9:37 AM · 2 Feb 2023

Radhika Gupta
@iRadhikaGupta

I am most happy to see the thrust on tourism in the budget. India has huge untapped potential as a destination and tourism can make a significant contribution to GDP, in addition to its soft power. Looking forward to seeing and supporting action on the grounds.
#DekhoApnaDesh

7:31 AM · 1 Feb 2023

Nithin Kamath
@Nithin0dha

For retail investors, I guess the only material change in the budget is for people who invest in international stocks. Money sent out using LRS now has a Tax Collection at Source (TCS) of 20% with no upper or lower threshold, compared to 5% over Rs 7lks earlier. 1/3

3. The current and proposed TCS rates are tabulated as under:

S.No	Type of remittance	Present rate*	Proposed rate*
(i)	For the purpose of any education, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E.	0.5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	No change.
(ii)	For the purpose of education, other than (i) or for the purpose of medical treatment.	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	No change.
(iii)	Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
(iv)	Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	20% without any threshold limit.

28

11:03 AM · 1 Feb 2023

Ashok Malik
@MalikAshok

A very good budget, thinks longterm:

1. Capex and infrastructure spending up
2. Custom duties rejigged to encourage domestic manufacture
3. Green transitions incentivised
4. Fiscal discipline maintained
5. Tax cuts for salaried sections, makes new tax regime more attractive

7:05 AM · 1 Feb 2023

Budget Speech – Most used words

Kunal Bahl
@1kunalbahl

Budget '23 is a reassuring balance between investing for growth & maintaining fiscal discipline. Emphasis on infrastructure spending, green tech and further development of public digital infrastructure augur well. Tax breaks for the middle class will boost spending sentiment IN IN

8:36 AM · 1 Feb 2023

Neelkanth Mishra
@neelkanthmishra

The government's choice of stability over populism is a good starting point for the budget. As the resilience of the domestic economy gets tested by global headwinds, deft fiscal management will be necessary. My article in the Indian Express: bit.ly/3kXXloi

3:00 AM · 2 Feb 2023

Confederation of Indian Industry
@FollowCII

It is heartening to see the govt's continued thrust on supporting the MSME sector. The infusion of Rs 9,000 cr in the revamped Credit Guarantee Scheme, enabling collateral-free guaranteed credit of Rs 2 lakh cr, will help address the working capital issues of small businesses.

1:24 PM · 1 Feb 2023

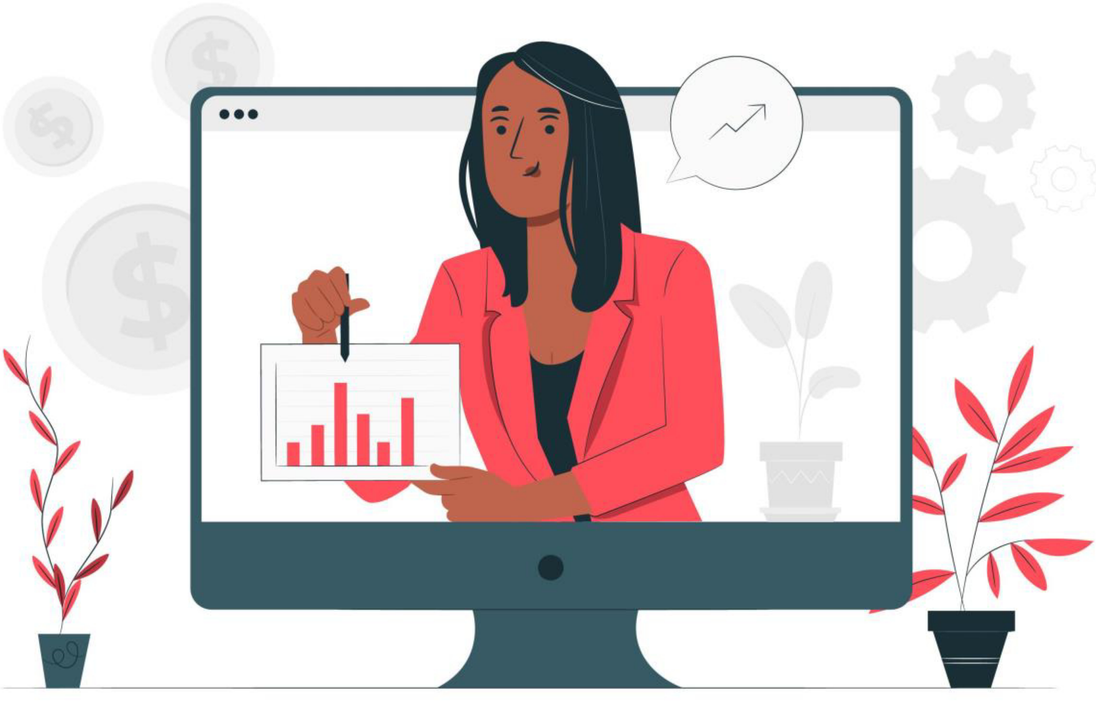
Prashant Bhushan
@pbhushan1

The budget's hit job on the Kisan

Major Budget Slash in Agriculture & MGNREGS

Item	2022-23 Budget	2023-24 Budget	Increased/ Reduced
Total Agriculture & Allied Sectors	151,521 Cr	144,214 Cr	Reduced by 5%
Agriculture & Allied as % of Total Budget	3.84%	3.20%	Reduced drastically
Pradhan Mantri Fasal Bima Yojana (PMFBY)	15,500 Cr	13,625 Cr	Reduced by 12%
PM KISAN	68,000 Cr	60,000 Cr	Reduced by 13%
MGNREGS	73,000 Cr	60,000 Cr	Reduced by 18%
Rashtriya Krishi Vikas Yojana	10,433 Cr	7,150 Cr	Reduced by 31%
Krishionnati Yojana	7,183 Cr	7,066 Cr	Reduced by 2%
PSS-MIS (Price Support & Market Intervention)	1,500 Cr	0.1 Cr	Wiped Out
PM-AASHA (for ensuring MSP)	1 Cr	0.01 Cr	Wiped Out

1:05 PM · 1 Feb 2023



ECONOMIC SURVEY

A day before presenting the budget, the Finance Minister presents the Economic Survey of the country. This is a review document that provides information on key developments in the economy over the past 12 months. It also highlights the policy initiatives, the performance of development programs, and the prospects of the economy. This document is prepared by the Ministry of Finance and the Department of Economic Affairs. The survey analyses the economic issues and provides reasons for the same. It is segmented into two parts where Part A consists of major economic developments in the year and a broad review of the economy, while Part B covers specific issues such as social security, poverty, education, healthcare, human development, and climate. The economy survey also provides useful insights into the country's growth outlook, inflation rate and projection, forex reserves, and trade deficits.

India completes recovery from pandemic

Nirmala Sitharaman, the Finance Minister, presented an economic survey for FY 2023, before presenting the budget for the upcoming year. Following are the highlights of the economic survey.

1. **Recovery from the Pandemic** - Indian economy is experiencing a broad recovery across sectors, recovering from the contraction due to the pandemic, the Russian-Ukraine war, and inflation. According to the economic survey, the Indian economy is once again on the growth path, as it was before the pandemic.

2. **Balance Sheet Stress** - The Indian economy has undergone structural and governance reforms that have strengthened the fundamentals and enhanced the overall efficiency during 2014-2022. However, balance sheet stress caused by the credit boom and global shocks has adversely impacted credit growth, capital formation, and hence economic growth. The economic situation is analogous to the 1998-2002 era when reforms lagged due to shocks in the economy and paid dividends from 2003.

3. **GDP Growth** - GDP growth is expected to remain robust in FY 2024 and is forecasted to be in the range of 6 - 6.8 per cent. Private consumption has led to a boost in production. This has increased capacity utilisation across sectors.

4. **Tax Revenue** - Gross Tax Revenue increased by 15.5 per cent, year-on-year basis, from April to November 2022. Gross GST collections have increased at 24.8 per cent year on year basis during the same period.

5. **Capital Expenditure** - Capital expenditures by the government and by corporates with strong balance sheets are driving the growth of the Indian economy. The government's capital expenditure stood at 2.5 per cent of GDP during the last financial year and has steadily increased from a long-term average of 1.7 per cent of GDP.

6. **Foreign Exchange** - Indian Rupee performed well compared to other emerging economies. Forex Reserves stood at USD 563 billion covering 9.3 months of imports, making India the sixth largest forex reserve holder in the world. India is also the largest recipient of foreign remittances with USD 100 billion in receipts in 2022. These remittances are the second largest source of external financing, after service exports.

7. **Credit Growth** - Reserve Bank of India (RBI) has adopted monetary tightening since April 2022 and has raised the repo rate by 225 basis points. Cleaner balance sheets have allowed banks to lend more. Lending by NBFCs has also increased. The Gross Non-Performing Assets (GNPA) ratio of commercial banks has fallen to a seven-year low of 5.0 while Capital-to-Risk Weighted Assets Ratio (CRAR) has remained healthy at 16.0. Credit Growth to the MSME sector was over 30.6 per cent on average.

8. **Inflation Control** - The government has adopted a multi-pronged approach to ease inflation. Prices of fuels have been decreased in a phased manner. Import duty on inputs was brought down to zero, while the same on the export of iron ores and concentrates was increased from 30 to 50 per cent to protect domestic industry. Meanwhile, customs duty on the import of cotton was waived from April 14 to September 30 to ease the cotton shortage. The export of wheat and rice has been curbed through different measures. Customs duty on the import of palm oil, soya bean and sunflower oil has been reduced to control prices.

9. **Retail Inflation** - India's retail inflation rate peaked at 7.8 per cent in April 2022, higher than RBI's upper tolerance limit of 6 per cent. However, according to the economic survey, this overshoot of inflation above the tolerance level was the lowest in the world. Retail inflation is back within Reserve Bank's target range in November 2022.

10. **Housing** - Composite Housing Price Indices (HPI) have increased indicating a revival in the housing finance sector. Timely policy intervention and low home loan interest rates have been the key reasons for the same.

11. **Health** - Centre and State Government's expenditure on the health sector was 2.1% of GDP in FY 2023 (Budgeted), 2.2% in FY 2022 (Estimated) as against 1.6% in FY 2021 (Actual). Social expenditure has increased from 9.1 lakh crore in FY 2016 (Actual) to 21.3 lakh crore in FY 2023 (Budgeted). Due to several steps taken, out-of-pocket expenditure as a percentage of total health expenditure has declined from 64.2 per cent in FY 2014 to 48.2 per cent in FY 2019. More than 220 crore Covid vaccine doses have been administered, as on January 6, 2023.

12. **Employment** - eShram portal developed for creating a National database of unorganised workers, verified with Aadhaar, has over 28.5 crore unorganised workers registered on it, as on December 31, 2022. Unemployment rates have fallen from 5.8 per cent in FY 2019 to 4.2 per cent in FY 2021.

13. **Climate Change** - India has declared to achieve a net zero emissions goal by 2070. The target of 40 per cent installed electric capacity from non-fossil fuels has been already achieved, ahead of its target of 2030. Installed capacity from non-fossil fuels will be more than 500 GW by 2030. RBI has also auctioned two tranches of INR 4,000 crore Sovereign Green Bonds (SGB). National Green Hydrogen Mission is expected to make India energy independent by 2047. Green hydrogen production capacity of at least 5 million metric tonnes per annum is expected to be developed by 2030. Solar power capacity installed under the National Solar Mission stood at 61.6 GW as on October 2022.

14. **Rural Development** - 62.8 lakh household toilets and 6.2 lakh community and public toilets constructed

15. **Agriculture** - Private investment in agriculture has increased to 9.3% in FY 2021. Institutional credit to agriculture has increased to 18.6 lakh crore in FY 2022. Free food grains were provided to about 81.4 crore beneficiaries for one year. National Agriculture Market (e-NAM) has 1.74 crore farmers with 2.39 lakh traders bidding on the platform.

16. **Manufacturing sector -** Overall Gross Value Added (GVA) by the industries rose 3.7 per cent in the first half of FY 2023, higher than the average growth of 2.8 per cent in the first half of the last decade. Merchandise exports were USD 332.8 billion for April-December 2022. Electronics exports have increased threefold from USD 4.4 billion in FY 2019 to USD 11.6 billion in FY 2022. India has become the second-largest mobile phone manufacturer with 29 crore units being produced in FY 2021, rising from 6 crore units in FY 2015. Foreign Direct Investment (FDI) inflow in the Pharma sector has increased four times from USD 180 million in FY 2019 to USD 699 million in FY 2022. Over 39,000 compliances and 3500 provisions have been reduced or decriminalized.

17. **Service sector -** India is among the top ten service exporting countries in FY 2021 with its share in such global exports increasing from 3 per cent in 2015 to 4 per cent in 2021. Credit to the service sector has grown 16 per cent since July 2022 while the FDI equity inflows to the service sector stood at USD 7.1 billion in FY 2022. The hotel occupancy rate has improved from 30-32 per cent in April 2021 to 68-70 per cent in November 2022. The E-commerce market is projected to grow at 18 per cent annually through 2025.

18. **Infrastructure -** 1009 projects worth INR 5.5 lakh crore have been completed while 89,151 projects costing INR 141.4 lakh crore are under progress. In-principal approval has been granted to 56 projects with a total cost of INR 57,870 crore under the viability gap funding, from FY 2015 to FY 2023. 10,457 km of roads and highways were constructed in FY 2022 compared to 6,061 km in FY 2016. 2,359 Kisan rails transported 7.91 lakh tonnes of perishables.

19. **Electricity -** 17.2 lakh GWh of electricity was generated during FY 2022 compared to 15.9 lakh GWh during FY 2021. The entire target capacity of 40 GW has been sanctioned for the development of 59 solar parks in 16 states. Installed power capacity has increased from 460.7 GW in FY 2021 to 482.2 GW in FY 2022.

20. **Digitalisation -** UPI transactions grew 121 per cent in value and 115 per cent in volume between FY 2019 and FY 2022. The telephone subscriber base in India stands at 117.8 crores with 44.3 per cent in rural India. 98 per cent of the total telephone connections are wireless. Tele-density in India stood at 84.8 per cent in FY 2022.

Budget Facts: 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.

POLICY PROPOSALS

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. A good study of the annual budget announcements can help you in many ways – a) Capture new upcoming opportunities created by the Government, b) Avail subsidies, grants, or concessions offered by the Government, c) Manage your finances by planning taxes and expenditure, d) Understanding impact on the economy, the industry and your business, or your employer's business, e) Making long term investment decisions based on sectors being focussed on, economic factors and tax implications of investment

Business and finance

1. **KYC process -** KYC process will be simplified by adopting a risk-based approach. Digilocker and Aadhaar will be used to develop a one-stop solution for reconciling and updating the identity and address of individuals. The scope of documents available in DigiLocker for individuals will be expanded.

2. **Credit Guarantee -** Revamped Credit Guarantee scheme will be launched effective from April 1, 2023, with an infusion of INR 9,000 crore to the corpus. This will in turn enable additional collateral-free guaranteed credit of INR 2 lakh crore.

3. **Common Business Identifier -** For business establishments, PAN will be used as the common identifier for all digital systems of government agencies.

4. **Central Data Processing Centre -** A Central Processing Centre will be set up to ensure faster response to companies through centralized handling of forms filed under the Companies Act.

5. **Entity Digilocker -** An Entity DigiLocker will be set up for MSMEs, large businesses and charitable trusts, to allow online storage and sharing of documents with authorities, regulators, banks and other business entities.

6. **Unified filing process -** Unified filing process will be set up through a common portal to avoid filing the same data to multiple Government agencies.

7. **Vivad se Vishwas I -** 95 per cent of the forfeited amount relating to performance security for failure to perform Government contracts during the Covid pandemic, will be returned to the MSMEs.

8. **Vivad se Vishwas II -** A voluntary settlement scheme with standardized terms will be introduced to settle contractual disputes of government where arbitral award is under challenge in a court.

9. **Women savings -** Mahila Samman Savings Certificate will be launched for women, for two years up to March 2025 with a maximum deposit limit of INR 2 lakh which will earn a fixed interest rate of 7.5 per cent.

10. **Senior citizens -** The maximum deposit limit for Senior Citizen Savings Scheme has been enhanced from INR 15 lakh to INR 30 lakh. The maximum deposit limit for Monthly Income Account Scheme has been enhanced from INR 4.5 lakh to INR 9 lakh for a single account and from INR 9 lakh to INR 15 lakh for a joint account.

11. **Reclaiming shares and dividends -** To reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority, an integrated portal will be established.

12. **GIFT IFSC -** To enhance business activities in GIFT city – a) powers under the SEZ Act will be delegated to IFSCA b) a single window system would be established for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI, c) acquisition financing will be permitted to foreign banks in IFSC, d) subsidiary of EXIM bank will facilitate trade re-financing.

Technology and digitalisation

1. **Artificial Intelligence -** Three centres of excellence for Artificial Intelligence will be set up in top educational institutions where leading industry players can partner in conducting research, and developing applications and solutions.

2. **Data Embassy -** Data Embassies will be set up in GIFT city to enable foreign countries to store their data securely at an offshore location.

3. **Data Governance -** National Data Governance Policy will be brought out to enable access to anonymized data.

4. **Lab Grown Diamonds -** Indigenous production of Lab Grown Diamonds (LGD) seeds and machines will be promoted through a research and development grant to one of the IITs for five years.

5. **Financial Information Registry -** A national financial information registry will be set up to serve as the central repository of financial and ancillary information. A new legislative framework will govern the same.

6. **E-Courts -** Phase-3 of the E-Courts project will be launched with an outlay of INR 7,000 crore.

7. **5G Services –** For developing applications using 5G services, 100 labs will be set up in engineering institutions. The focus will be on developing smart classrooms, precision farming, intelligent transport systems, and health care applications.

Energy and resources

1. **Green hydrogen -** National Green Hydrogen Mission with an outlay of INR 19,700 crores will facilitate the transition to low carbon intensity, and reduce fossil fuel imports. Annual production of 5 MMT by 2030 is being targeted.

2. **Energy transition –** INR 35,000 crore has been budgeted for capital investments towards energy transition, energy security and net zero objectives.

3. **Energy storage -** Viability Gap Funding will be provided to battery energy storage systems with a capacity of 4,000 MWH

4. **Green credit -** A Green Credit Programme will be notified under the Environment (Protection) Act to incentivize environmentally sustainable and responsive actions amongst companies and individuals.

5. **Renewable energy -** Evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with a budgeted outlay of INR 20,700 crore including central support of INR 8,300 crore.

6. **Fertilizers -** PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM) will promote alternative fertilizers and balanced use of chemical fertilizers.

7. **Biogas plants -** 500 new 'waste to wealth' plants will be established under Galvanizing Organic Bio-Agro Resources Dhan (GOBARdhan) scheme to promote a circular economy. 200 compressed biogas (CBG) plants with a budgeted outlay of INR 10,000 crore.

8. **Natural farming -** 10,000 Bio Input Resource Centres will be set up to create a national-level micro-fertilizer and pesticide manufacturing network.

9. **Mangroove forestation -** Mangrove Initiative for Shoreline Habitats and Tangible Incomes (MISHTI) scheme will be taken up for mangrove plantations along the coastline and on saltpan lands.

10. **Wetlands -** Amrit Dharohar scheme will be implemented over the next three years to encourage optimal use of wetlands, enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.

11. **Coastal shipping -** Coastal shipping will be promoted for both passengers and goods transportation through Public Private Partnerships (PPP) mode with viability gap funding.

12. **Vehicle replacement –** Adequate funds have been allocated to scrap old vehicles of the Central Government. States will also receive support for replacing old vehicles and ambulances.

Infrastructure development

1. **Capital investment -** Capital investment outlay has been increased steeply by 33 per cent to INR 10 lakh crore, which is 3.3 per cent of the GDP. Capital assets through Grants-in-Aid to the states will have a budgeted outlay of INR 13.7 lakh crore, which is 4.5 per cent of the GDP.

2. **Interest-free loan to State Governments -** 50-year interest-free loan to state governments has been extended for one more year with an outlay of INR 1.3 lakh crore.

3. **Unity malls –** State Governments will be encouraged to set up Unity malls in their state capital or prominent tourism centre or the financial capital for promoting products from the 'one district, one product' scheme.

4. **Railways –** A capital outlay of INR 2.40 lakh crore has been budgeted for the Railways.

5. **Logistics –** With an investment of INR 75,000 crore including 15,000 from the private sector, critical transport infrastructure projects will be developed for connecting ports, coal, steel, fertilizer, and food grains sectors

6. **Regional connectivity –** 50 new airports, heliports, water aerodromes and advanced landing grounds will be revived.

7. **Private infrastructure investment -** Newly established Infrastructure Finance Secretariat will assist all stakeholders with private investment in infrastructure

8. **Master list of infrastructure -** An expert committee will review the Harmonized Master List of Infrastructure for classification and financing framework

9. **Municipal bonds -** Cities will be incentivized to improve their creditworthiness for municipal bonds. This will be achieved through property tax reforms and user charges on urban infrastructure.

10. **Sustainable cities -** Urban planning reforms and actions to develop sustainable cities will be promoted among states

11. **Urban Infrastructure Development Fund -** Urban Infrastructure Development Fund (UIDF) will be established through priority sector lending shortfall which will be managed by the National Housing Bank. INR 10,000 crore per annum has been budgeted for this purpose.

12. **Urban sanitation -** Mechanical desludging of septic tanks and sewers will be enabled throughout the country. Scientific management of dry and wet waste is also a key focus.

Agriculture and fisheries

1. **Digital infrastructure -** Digital public infrastructure will be built for farmer-centric solutions such as crop planning and health, improved access to farm inputs, credit, and insurance, crop estimation, market intelligence, etc.

2. **Agriculture Accelerator Fund -** Agriculture Accelerator Fund will be set up to encourage agri-startups to bring innovative and affordable solutions for challenges faced by farmers.

3. **Cooperative societies -** 63,000 Primary Agricultural Credit Societies (PACS) will be computerised with a budgeted outlay of INR 2,516 crore and model bye-laws will be formulated for them. A national cooperative database is also being built for mapping cooperative societies. Massive decentralised storage capacities are being planned to help farmers store their produce and realize remunerative prices, and the same will also support multipurpose cooperative societies, primary fishery societies and dairy cooperative societies.

4. **Productivity of the cotton crop –** Through Public Private Partnerships (PPP), a cluster will be developed for long-staple cotton crops, to collaborate with farmers, the state and industry for input supplies, extension services, and market linkages.

5. **Atmanirbhar Horticulture Clean Plant Program –** To boost the availability of disease-free, quality planting material for high-value horticultural crops, with a budgeted outlay of INR 2,200 crore.

6. **Agriculture Credit –** The credit target increased to INR 20 lakh crore with a focus on animal husbandry, dairy and fisheries.

7. **Fisheries -** A new sub-scheme of PM Matsya Sampada Yojana with a budgeted outlay of INR 6,000 crore will be launched.

Health and education

1. **Global hub for Millets –** India is the largest producer and second largest exporter of 'Shree Anna' i.e. jowar, ragi, bajra, kuttu, ram dana, kangni, kutki, kodo, Sheena, and sama. To make India a global hub for the same, the Indian Institute of Millet Research, Hyderabad will be developed as the Centre of Excellence.

2. **Mission Karmayogi -** Capacity-building plans for civil servants and an integrated online training platform, iGOT Karmayogi, will provide learning opportunities to government employees.

3. **Securities market -** To build the capacity of functionaries and professionals in the securities market, SEBI will develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets and also award degrees, diplomas and certificates.

4. **Pradhan Mantri Kaushal Vikas Yojana 4.0 –** 30 Skill India International Centres will be set up across different states. Now new age courses such as coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills will also be covered.

5. **Skill India Digital Platform –** A unified Skill India Digital platform will be launched for formal skilling, linking with employers, and entrepreneurship schemes.

6. **National Apprenticeship Promotion –** Under a National Apprenticeship Promotion Scheme, stipend support will be provided to 47 lakh youth in 3 years.

7. **Nursing colleges –** 157 new nursing colleges will be established in co-location with the existing 157 medical colleges established since 2014.

8. **Sickle Cell Anaemia -** A mission to eliminate Sickle Cell Anaemia by 2047 is being launched which will include awareness creation, universal screening in affected tribal areas, and counselling.

9. **Medical research -** Select ICMR Labs will be made available for public research, to private college faculty and private sector research teams

10. **Pharma innovation -** A new programme to promote research and innovation in pharmaceuticals will be taken up through centres of excellence.

11. **Courses for medical devices -** Dedicated multidisciplinary courses for medical devices will be supported in existing institutions

12. **Teachers' training -** The District Institutes of Education and Training will be developed as vibrant institutes of excellence to enhance teacher training through pedagogy, curriculum transaction, continuous professional development, dipstick surveys, and ICT implementation.

13. **National Digital Library for Children and Adolescents -** A National Digital Library for children and adolescents will be set up. Additionally, the National Book Trust, Children's Book Trust and other sources will be encouraged to provide and replenish non-curricular titles.

Rural development

1. **Aspirational Districts and Blocks -** Aspirational Blocks Programme is being relaunched to cover 500 blocks for developing essential government services such as health, nutrition, education, agriculture, water resources, financial inclusion, skill development, and basic infrastructure.

2. **Eklavya Model Residential Schools -** 38,800 teachers and support staff will be recruited for 740 Eklavya Model Residential Schools over the next 3 years

3. **Drought Prone Regions –** Karnataka will receive the assistance of INR 5,300 crore for the Upper Bhadra Project to develop sustainable irrigation and surface tanks.

4. **Bharat Shri -** Bharat Shared Repository of Inscriptions (Bharat Shri) will be set up in a digital museum with the digitization of one lakh ancient inscriptions in the first stage.

5. **Pradhan Mantri PVTG Development -** Pradhan Mantri PVTG Development Mission with a budgeted outlay of INR 15,000 crore over the next 3 years will focus on providing basic public facilities to Particularly Vulnerable Tribal Groups (PVTGs)

6. **PM Awas Yojana –** The outlay of 'PM Awas Yojana' will be enhanced by 66 per cent to INR 79,000 crore.

7. **Eklavya Model Residential Schools -** 38,800 teachers and support staff will be recruited for 740 Eklavya Model Residential Schools over the next 3 years

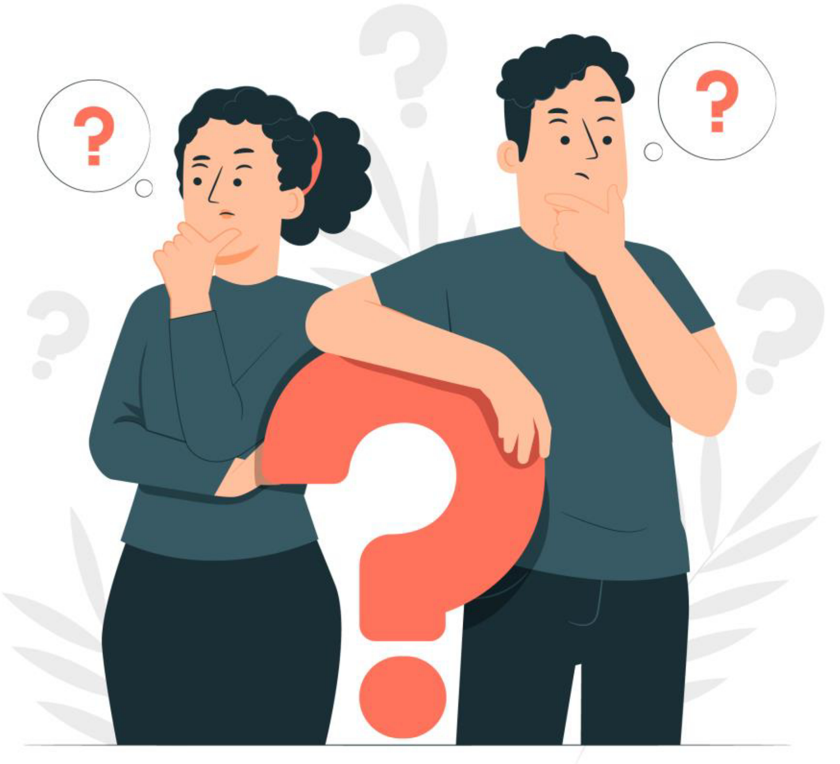
8. **Poor prisoners -** For poor persons in prisons, financial assistance will be provided for penalty and bail amounts.

Budget Facts: Who holds the record for most number of 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. Current finance minister Nirmala Sitharaman has presented her fifth budget this year.

Budget Facts: 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.



TAXATION UPDATES

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

Section A – Tax Rates

Taxation under the new tax regime becomes more lucrative

Changes in tax rates from FY 2024 onwards are as follows:

1. The new tax regime is now the default tax regime for all taxpayers. If the taxpayer is desirous of opting for the old tax regime, they will have to specifically opt for it, while filing returns.

2. The new tax regime is now extended to the Association of Persons (AOP), Body of Individuals (BOI) and Artificial Juridical Person (AJP), apart from Individuals and HUF.

3. For individuals and HUF, there is no change in tax rates under the old regime.

4. For individuals and HUF, the tax slabs have been improved under the new regime. There will be no tax on total income up to INR 3,00,000. Thereafter, the tax slabs increase by an additional INR 3,00,000 with tax rates being 5%, 10%, 15%, 20% and 30%. The tax slab of 25 per cent has been eliminated. Income above INR 15,00,000 continues to be charged at 30 per cent.

5. Under the new regime, the threshold for rebates under section 87A has been increased. Now, no tax shall be payable if the total income is less than INR 7,00,000. Under the old regime, this threshold continues to remain at INR 5,00,000.

6. Under the new regime, the highest rate of surcharge has been reduced to 25 per cent instead of 37 per cent earlier, for taxpayers with total income exceeding INR 5 crore.

7. Under the new regime, salaried employees will now receive a standard deduction of INR 50,000, similar to the old tax regime.

8. Co-operative societies engaged in manufacturing can now pay tax at a reduced rate of 15 per cent plus a 10 per cent surcharge and cess under new section 115BAE, if established on or after April 1, 2023, and production begins on or before March 31, 2024. Certain exemptions and incentives shall not be available under this option.

9. As a result of changes in the new tax regime, taxpayers will need to re-evaluate their taxes under both schemes. What may be beneficial to one taxpayer will not necessarily be beneficial to others.

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

Income slab	Tax rate applicable (slab rates) for FY 2024
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, HUF, AOP, BOI and AJP (Option B)

Income slab	Tax rate applicable (slab rates) for FY 2024
0 to 3,00,000	Nil
3,00,000 to 6,00,000	5% (no tax if total income less than 7 lakh)
6,00,000 to 9,00,000	10%
9,00,000 to 12,00,000	15%
12,50,000 to 15,00,000	20%
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 and above – 25%, 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%

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

Domestic Companies

Turnover in FY 2020	Tax rate applicable (flat rates) for FY 2024
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% (MAT not applicable)
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% (MAT not applicable)

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, exemption limits or alternate tax regimes 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 2024
0 to 10,000	10%
10,000 to 20,000	20%
20,000 and above	30%
Option under 115BAD (for resident co-operative societies, if they forgo specified deductions and setoff of losses.)	22% (AMT not applicable)
Option under 115BAE (for resident co-operative societies, if they forgo specified deductions and setoff of losses.)	15% (AMT not applicable)

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.

Section B – Business Taxpayers

Delayed payments to MSMEs will be disallowed under section 43B

From FY 2024 onwards, any pending dues to micro or small enterprises will be disallowed under section 43B(h). This is going to result in huge disallowances for taxpayers who generally purchase on credit with longer payment settlement periods. While the law intends to promote timely payment to MSME enterprises, various industries have mutually negotiated longer credit periods such as 50 days, 2 months, 3 months, etc. The new provision would also boost tax collection for the Government, on the back of corporate taxpayers.

1. For expenses listed under section 43B, the deduction is allowed only if the payment has been made. As per the newly inserted clause (h), payments to MSMEs must be paid within the time limit specified under per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.
2. As per MSMED Act, dues to MSMEs must be settled within 15 days, if there is no written agreement, or otherwise, within the time specified in the written agreement. However, such a period cannot exceed 45 days even if there is a written agreement. Thus, any payment outstanding on the balance sheet will be disallowed if the same is not paid by April 15, or May 15 of the next year, as applicable. The such disallowed expense would be allowed in the next financial year when such payment is made.
3. Enterprises with turnover less than INR 5 crore and fixed assets less than INR 1 crore are termed Micro enterprises. Similarly, enterprises with turnover less than INR 50 crore, and fixed assets less than INR 10 crore are termed Small enterprises. Only payments to micro and small enterprises are covered under section 43B(h). Payments to Medium enterprises that have turnover less than INR 100 crore and fixed assets less than INR 20 crore are not covered by this new law.
4. Tax auditors are required to such disallowances under section 43B in their audit report and therefore, it is not possible to escape such disallowance.
5. Proviso to section 43B allows claiming such disallowed expenses if the same is paid off before filing an income tax return. However, this proviso will not apply to payments made to MSMEs.

Threshold for the presumptive taxation scheme has been increased

Under section 44AD, a taxpayer can opt to declare profits at 6-8% of the gross turnover, and thereafter, be exempt from the provisions of maintaining books of account and tax audit. Similarly, under section 44ADA, a professional can opt to declare profits at 50% of the gross receipts. Currently, the threshold under sections 44AD and 44ADA is INR 2 crore and INR 50 lakh respectively. Now, these thresholds have been increased to INR 3 crore and INR 75 lakh respectively. However, these increased thresholds shall apply only if the total cash receipts do not exceed 5% of the total turnover for the year. These amendments will be effective from FY 2024 onwards.

Recognised startups are allowed to carry forward losses for ten years

Section 79 restricts carrying forward and setting off losses if there is a change in more than 51% shareholding of a company. However, this restriction does not apply to startups recognised under the 'Startup India, Standup India' programme. Under section 80-IAC, the recognised startups are allowed to carry forward losses incurred in the first ten years since incorporation, in general, while allowed to carry forward losses incurred in the first seven years if there is a change in shareholding but the existing shareholders continued to hold their stake. Section 79(1) is now amended to allow the carrying forward of losses incurred in the first ten years since incorporation in the case of recognised startups, even if there is a change in shareholding by more than 51% if the existing shareholders continue to hold their stake.

Extension of the 'Startup India, Standup India' scheme benefits

Section 80-IAC provides tax benefits to startups recognised under the Startup India, Standup India scheme. To avail of the benefits, the startup must be incorporated between April 1, 2016, to March 31, 2023. The last date to be eligible to avail of the benefits of this scheme has been extended to March 31, 2024.

Cost of acquisition of intangible assets to be Nil

Section 55(1)(b)(1) and 55(2)(a) have been amended to provide that cost of acquisition and cost of improvement of an intangible asset or any right, other than those specifically mentioned in the section, shall be Nil. The amendment has been brought in to put an end to numerous litigations surrounding the same since there was no specific provision in the law. This amendment is effective from FY 2024 onwards.

Valuation of inventories by Cost Accountant to prevent undervaluation

Businesses often undervalue their inventory and defer taxes. To ensure inventory is valued as per income tax rules, section 142 now permits the Assessing Officer to obtain an inventory valuation report from a Cost Accountant nominated by the Principal Commissioner at the expense of the Central Government. The period of such valuation shall be excluded from the time limit for assessment under section 153. Section 295 is also amended to provide powers to make rules in this regard and prescribe the format of such a report. These amendments will be effective from FY 2023 onwards.

Relaxations in preliminary expenditure

Preliminary expenses such as feasibility reports, project reports, etc. which are incurred before the commencement of business, or after commencement, concerning the setting up of a new unit, are allowed to be claimed as expenses by way of amortisation. Such expenses are allowed to be claimed only if such preliminary activity is carried out by the company itself, or by a concern approved by the CBDT. This condition has been relaxed and now the company only needs to submit a statement containing particulars of expenditure to the income tax department. This amendment will be effective from FY 2024 onwards.

Miscellaneous

1. Section 56(2)(xii) has been introduced to tax income received by a unit holder from a business trust which is not covered under section 10(23FC) or 10(23FCA) and is not taxable under section 115UA(2). This provision has been introduced to tax the distribution of money by business trust i.e. REIT and InVIT, to its unit holders under the name of 'repayment of debt'.

2. If a company receives any consideration for the issue of shares that exceeds the fair value of such shares, such excessive consideration is taxable under income from other sources under section 56(2)(viib). This is commonly referred to as 'Angel Tax'. This section has been amended to include consideration received from a non-resident company as well, by removing the phrase 'being a resident'.

3. Under section 10AA, 15 years tax holiday is provided to a unit established in Special Economic Zone (SEZ). Now, the benefit shall be available only if the return is filed within the due date. Further, deduction under this section shall be available only if the proceeds from the sale of goods or services are received within six months from the end of the financial year.

4. Under section 44BB and section 44BBB, if a taxpayer is opting for the presumptive schemes, brought forward losses and unabsorbed depreciation will not be allowed to be set off against presumptive income.

Section C – Withholding of Taxes

Higher TCS on foreign remittances

Indian Residents are allowed to make foreign payments up to INR 7 lakh without any permission, as per the rules specified under Liberalised Remittance Scheme (LRS). These payments can be for any purpose such as gift, donation, education, medical treatments, etc. and can be through any mode such as direct remittance, credit card, debit card, travel cards, forex cards, etc. Under section 206(c) of the income tax act, banks and financial agencies are liable to collect TCS i.e. tax collected at source, on such foreign remittances at 5 per cent. Such TCS can be reclaimed as a tax credit while filing the income tax return, similar to TDS deductions. TCS is applicable only if the total remittance during the year exceeds INR 7 lakhs. However, payments for tour packages are not covered under this limit and TCS is applicable on all remittances for tour packages without any minimum limit. Now, this TCS rate on foreign remittances has been increased to 20% and the minimum threshold of INR 7 lakh has also been removed, irrespective of whether the same is for tour packages or any other purposes. This new rule shall affect foreign payments, especially payments made for direct investments in foreign stocks. This amendment is applicable from July 1, 2023, onwards.

Miscellaneous

1. Under section 192A, payment of the accumulated balance due to an employee under the Employees' Provident Fund Scheme, 1952 above INR 50,000 will now attract TDS at 20 per cent, instead of the maximum marginal rate, where the employees have not furnished their PAN.

2. Under section 193, TDS on interest earned from securities is not applicable, if such security is held in dematerialised form and is listed on the stock exchange. However, owing to underreporting of income by taxpayers, in abuse of the exemption provided under this section, Section 193(ix) has been omitted and therefore, now TDS shall be applicable on such interest.

3. Under section 194N, the threshold limit for deducting TDS has been raised from INR 1 crore to INR 3 crore, if the recipients are cooperative societies.

4. Section 9(1) has been amended to provide that gift or any sum received by a person, not ordinarily resident in India, without any consideration above INR 50,000, shall be deemed to be accrued in India and therefore, taxable. Earlier this applied only to Non-residents.

5. Section 17(2) has been amended to provide powers to prescribe the method for calculating perquisites relating to rent-free accommodation provided by the employer to their employees.

6. New penalty provisions have been introduced for non-compliances related to tax deducted at source (TDS) under sections 194R and 194S.

7. Often income is offered for tax during a financial year following the accrual basis of accounting, however, the tax on the same is deducted in the next year when the payment is settled. As per the rules, such a tax credit cannot be claimed as the income is not offered for tax in the same year. Under section 155(20), a taxpayer can now make an application to allow a tax credit of tax deducted at source (TDS) within two years from the end of the financial year in which such tax was deducted. Section 244A is also amended to provide that the interest on such refund shall be paid from the date of the application. (Effective from October 1, 2023)

8. Under section 196A, tax is deducted at source (TDS) on income earned by a notified Mutual Fund under section 10(23D), being a non-resident or a foreign company, at the rate of 20 per cent. This is now amended to allow the benefit of the Double Taxation Avoidance Agreement (DTAA). Therefore, the rate shall

be 20 per cent or rates as specified in DTAA.

9. Under sections 206AB and 206CCA, TDS and TCS are required to be deducted or collected at a higher rate for certain specified persons who have not filed their tax returns. The definition of 'Specified Person' has been amended to clarify that it does not include any person who is not required to file a tax return and who is notified by the Central Government.

Section D – Investments and Savings

Life insurance proceeds to be taxable if the premium exceeds INR 5 lakh

Under section 10(10D), maturity proceeds from a life insurance policy are exempt, if the premium does not exceed 10% of the sum assured. The purpose of the exemption was to promote the social welfare of the common citizens. To avoid this benefit to high net worth individuals, in Budget 2022, Unit Linked Insurance Policies (ULIP) where annual premiums exceeded INR 2,50,000 were excluded from such exemption. If a taxpayer had multiple unit-linked policies, this limit was to be considered in aggregate, and only proceeds from policies up to an aggregate premium of INR 2,50,000 were exempt. This is applicable for policies issued from February 1, 2021, onwards. Now, another amendment has been introduced to tax the proceeds from all other policies apart from unit-link policies where the aggregate annual premium is more than INR 5,00,000. This is applicable for policies issued from April 1, 2023, onwards. Thus, going forward, maturity proceeds from ULIPs with premiums up to INR 2,50,000 and from other policies with premiums up to INR 5,00,000 would be tax-exempt. In the case of multiple policies, if the premium exceeds the aforesaid limits, the aggregate proceeds from policies up to the threshold specified would be exempt, and those exceeding the threshold would be taxable. Keyman insurance policies would not be covered by these rules. Such maturity proceeds would be taxable under section 56(2)(xiii). These amendments would be applicable from FY 2023 onwards.

Conversion of physical gold to electronic gold will not be taxable

The establishment of Gold Exchanges in India was announced during the previous budget and the Securities and Exchange Board of India (SEBI) has been appointed as its regulator. SEBI has drawn a detailed regulatory framework for the Gold Exchanges and is authorising vault managers to manage the physical gold. To promote Electronic Gold Receipts (EGR) which are traded on these exchanges, the conversion of physical gold into EGR through the SEBI registered vault managers is being excluded from the purview of Capital Gains tax. The same would not be considered a 'transfer' and therefore, would not be taxable. Further, the cost of acquisition and holding period for the EGR would be reckoned from the date the physical gold was originally purchased. Necessary changes have been introduced in section 2(42A), section 47 and section 49. These provisions are applicable from FY 2024 onwards.

A new maximum threshold for deduction under sections 54 and 54F

Under section 54, a deduction can be claimed against capital gains from the sale of residential property, if a taxpayer purchases or constructs another residential property. For capital gains arising from any other asset, a similar deduction is available under section 54F. These deductions were introduced to promote housing for all citizens. Until now, there was no maximum limit of deductions under this section. However, such deductions are now restricted to a maximum of INR 10 crore, to ensure high net worth individuals do not get the benefit of the same. This amendment is effective from FY 2024 onwards.

Interest on housing loan cannot be claimed twice

Interest on housing loans is allowed as a deduction under section 24 while calculating income from house property and in certain cases under Chapter VIA. Some taxpayers when selling the property, after claiming such deduction over the years, were adding the interest cost to the purchase value, and reclaiming the same once again while calculating capital gains. This resulted in a double deduction of the same expense. Therefore, section 48(ii) has been amended to provide that interest cost claimed under section 24 or Chapter VIA will not be included in the Cost of acquisition or cost of improvement while calculating capital gains. This amendment is effective from FY 2024 onwards.

Taxability of winnings from online games

Since there has been a rise in online gaming, taxation of the same has been reviewed. Section 194B has been amended to include gambling or betting of any kind, however, would exclude online games from July 1, 2023, onwards. A new section 194BA has been introduced, with effect from July 1, 2023, to provide for TDS on online games, on net winnings in the user account at the end of the financial year, or at the time of withdrawal of such winnings. Section 194B and 194BB are also amended to clarify that the deduction under these sections is applicable on the aggregate amount exceeding INR 10,000 and not individual transactions above this threshold. A new section 115BBJ has been introduced to tax winnings from online games at the rate of 30 per cent. These amendments are effective from FY 2024 onwards.

Taxation of market-linked debentures

Market Linked Debentures are hybrid securities listed on exchanges that combine the features of plain vanilla debt securities and exchange-traded derivatives. Long-term capital gains arising on such debentures are currently taxed at 10% without any indexation benefit. Since these debentures have a derivative component, a new section 50AA has been introduced to specifically tax such market-linked debentures as Short term capital gains only. Therefore, any capital gains arising from such debentures would be deemed to be short-term capital gains, irrespective of the holding period, and would be taxed at normal slab rates as applicable in the case of short-term capital gains. This new rule with be effective from FY 2024 onwards.

Miscellaneous

1. The Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, and Rajiv Gandhi Foundation have been excluded from the list of eligible funds for deductions under Section 80G.

2. Under section 45(5A) proportionate share in stamp duty value of land or building under a Joint Development Agreement, as increased by any other consideration received in cash or otherwise, would be considered as full value consideration received, to calculate capital gains.

3. Under the Prohibition of Benami Property Transactions Act, 1988, an appeal to the tribunal can now be filed within 45 days from the date of receipt of the order, instead of the date of order.

Section E – Tax Assessments

Changes related to assessments

1. In Budget 2022, the time limit for summary or scrutiny assessment under section 143 or best judgement assessment under section 144 was reduced to 21 months from the end of the financial year. Earlier, this time limit was 33 months. The reduced time limit is proving insufficient and therefore, the same has been now increased to 24 months from the end of the financial year. The aforementioned time limit relates to assessments for FY 2022 onwards.

2. The time limit for assessment in case of an Updated Return is also increased from 9 months to 12 months from the end of the year in which such a return is filed.

3. The time limit for assessment shall be extended by further 12 months if any search under section 132, or a requisition under 132A is made. These amendments are effective from FY 2023 onwards.

4. On receipt of a notice under section 148, a return has to be filed within 3 months from the end of the month in which such notice is issued. The tax officer may allow a further period on receipt of a request from the taxpayer.

5. Income tax refunds can be adjusted with any outstanding tax, only after providing written intimation mentioning the reasons.

6. Penalty interest in case of Updated Returns will be calculated on the differential tax and not the total tax.

7. Under section 92D, the Assessing Officer can request for transfer pricing report during proceedings. This report will now be required to be submitted within 10 days, instead of 30 days, from the date of receipt of the notice. On application, this period can be extended by 30 days.

Changes related to appeals

1. A new level of income tax authority with the title Joint Commissioner (Appeals) / Additional Commissioner (Appeals) has been added to handle the pending appeals, in certain cases relating to Individuals and HUFs where the disputed amount is small. (Effective from FY 2024 onwards)

2. Taxpayers are now allowed to file appeals against the penalty orders imposed by the Commissioner (Appeals) under sections 271AAB, 271AAC, and 271AAD and revision orders by the Principal Chief Commissioner or Chief Commissioner under Section 263. Taxpayers can also file a memorandum of cross-objections in all cases which can be appealed to an Appellate Tribunal.

3. The time limit for disposing of pending rectification applications with the Interim Settlement Commission has been increased to September 30, 2023. The erstwhile Settlement Commission was abolished on February 1, 2021, onwards, in the Budget 2021.

Changes related to survey, search and seizure

1. If any search-related information is available after March 15 of financial year, additional time of 15 days will be allowed for issuing notice under section 148.

2. To address technological aspects during search and seizure, the tax officers need to employ professionals with expertise in data forensics, archiving, decoding data, valuation of digital assets, etc. Further, services of locksmiths, carpenters etc are also becoming a common requirement. Therefore, tax officers are now being allowed to hire any such professional for search and seizure after obtaining approval from the higher authorities.

Section F – Charitable Trusts

Application of funds

In the case of a charitable or religious trust, utilization of corpus, loans or borrowings before April 1, 2021, will not be considered an application for charitable or religious purposes, if the amount is subsequently deposited back into the corpus or if the loan is repaid. Further, repayment of a loan or investment into the corpus will be considered as an application for charitable or religious purposes only if it occurs within 5 years of the initial utilization. Any donation made by one trust or institution to another trust or institution shall be deemed to be the application of funds only up to 85% of the donated amount.

Miscellaneous

1. Trusts and institutions which have initiated their activities must apply for regular registration rather than provisional registration.

1. A registration application containing false, inaccurate, or incomplete information shall be considered a designated violation and may result in the revocation of the registration,
2. Tax on accreted income under section 115TD is being extended to trusts or institutions if they fail to apply for re-registration.
3. To claim the accumulation of income, trusts must file Form 9A and Form 10 at least two months before the deadline for filing the return of income.
4. Time provided for furnishing a return of income for claiming exemption under Section 10(23C), 11 or 12 will not include the time provided for furnishing an updated return. Thus, the exemption shall be allowed only if the return is filed within the due date of filing the original return.
5. Provisional registration must be applied for, before the commencement of activities.

Section G – Other Updates

Additional incentives to International Financial Services Centre (IFSC)

India has been rigorously promoting the Gujarat International Finance Tec-City (GIFT City) as an international hub for financial activities. GIFT City is an IFSC, an offshore financial centre where companies provide world-class financial services such as fundraising, global tax management and corporate treasury management. Such a centre is assumed to be a foreign territory for Foreign Exchange Management Act (FEMA) regulations and therefore, allows the free flow of foreign currency transactions. The hubs attract foreign investors and London, Singapore and New York already boast such centres. To further boost the prospects of the IFSC in India, the budget has proposed further incentives and relaxations.

1. For a non-resident, any income arising from offshore derivative contracts, non-deliverable forward contracts and over-the-counter derivatives, with a banking unit of an IFSC, will be tax-exempt, subject to certain conditions.
2. To avoid double taxation, the distribution of income on offshore derivative contracts is now tax-exempt.
3. For a fund to relocate to IFSC, the timeline is now extended from March 31, 2023, to March 31, 2025.
4. The definition of the specified fund, investment fund and a resultant fund has been introduced, to give effect to references in the IFSCA (Fund Management) Regulations, 2022.
5. Necessary changes have been made to Section 47(viiad) Explanation (b) and Section 10(4E), and the same will be effective from FY 2024 onwards.
6. Foreign banks who have set up their base in the IFSC are now allowed to provide or service its funds for acquisition finance, the financing that companies seek when they intend to acquire other entities. Currently, the corporates are heavily dependent on NCDs or financing from NBFCs, since RBI does not permit banks in India to finance for such purposes.
7. A subsidiary of the EXIM bank is proposed to be established to specifically offer trade refinancing options.
8. Section 18A of the Securities Contract Regulation Act, 1956 has been amended to include offshore derivative instruments as valid contracts.
9. Since concerns around data security are high globally, a new concept of Data Embassy has been introduced. The Government is now allowing any country to set up a data embassy in the IFSC, to securely store their crucial data in this offshore location.

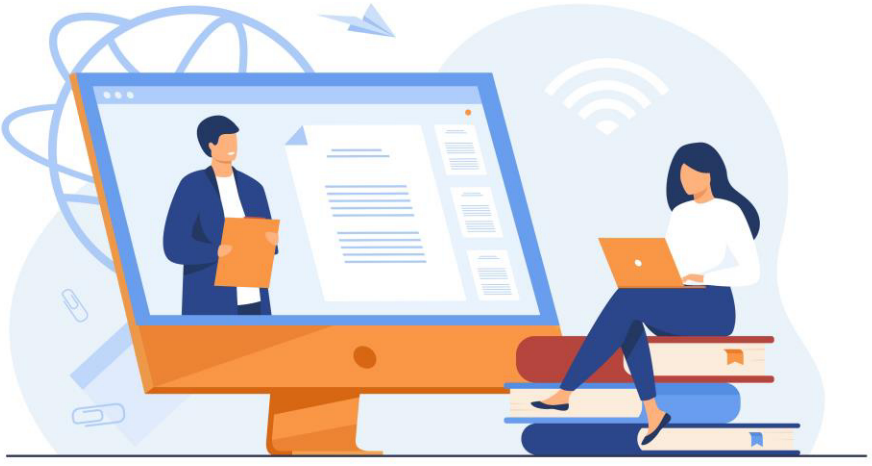
Tax benefits to Agniveers for their contributions to Seva Nidhi

The Ministry of Defence introduced Agnipath Scheme, 2022 tariff lines or rationalise the customs duty rate structure. After the rationalisation of customs duty rates, on goods excluding textiles and agriculture, the number of rates has been reduced from 21 to 13. The Second Schedule and General Explanatory Notes have also been amended along the same lines. These amendments will be effective from May 1, 2023, if they do not involve a change in rate of duty.

Changes in customs duties

1. Basic Customs Duty (BCD), Agriculture Infrastructure and Development Cess (AIDC) and Social Welfare Surcharge (SWS) have been recalibrated without changing the total tax incidence on gold, gold dore, platinum, coal, peat and lignite. Similar changes have been made in respect of aircraft and aircraft tyres.
2. The basic customs duty on seeds for manufacturing rough lab-grown diamonds has been reduced to Nil subject to IGCR conditions for two years. Further, the basic customs duty for certain inputs used for aquatic feed has also been reduced.
3. Concerning Petrochemicals, basic customs duty has been reduced on denatured ethyl alcohol, acid-grade fluorspar and crude glycerin. The same has been increased on Naphtha, Styrene and Vinyl Chloride Monomers.
4. Concerning Electronic Goods, basic customs duty has been reduced on camera lenses, parts of camera lenses for mobile, Pre-calcined Ferrite Powder, Palladium Tetra Amine Sulphate for Connectors, and parts of open cells of TV panels. Meanwhile, the same has been increased on electric kitchen chimneys and heat coils used in such chimneys.
5. Concerning Automobiles, basic customs duty has been reduced on specific vehicles if imported for testing or certification. Meanwhile, the same on vehicles imported in semi-knocked down form, or completely built form has been increased. Customs duty on specified capital goods and machinery for manufacturing lithium-ion cells for batteries used in electric vehicles has been exempted.
6. The basic customs duty on bicycles, toys and their parts, coal, peat, lignite, and compounded rubber has been increased. The same on pecan nuts and Warmblood horse imported by sports person is reduced.
7. Silver, imitation jewellery, platinum, bicycles, motor vehicles, aeroplane and other aircraft, and toys are now exempted from Social Welfare Surcharge. The Agriculture Infrastructure and Development Cess (AIDC) has been increased on the Silver bar and Silver Dore.
8. Customs duty exemption has been extended on the following items for five years – used items of a deceased person, challenge cups and trophies won by Defence Force, Cups and trophies to be awarded to winning teams in an international tournament or world cup to be held in India, specified sports goods imported by National Sports Federation or a sportsperson, goods from Antarctica used for Indian Antarctic Expedition or Indian Polar Science Programme.
9. Customs duty exemption has been extended on the following items for two years - inputs for manufacturing telecommunication grade optical fibre, silica and preform of silica, raw materials and parts for manufacture of Wind operated electricity generators, including permanent magnets.

Customs and foreign trade



Certain exemptions not to expire automatically

In 2021, the Central Government introduced a new section 25(4A) in the Customs Act, to make all conditional exemptions to be valid only for two years. The provision aimed to eliminate outdated exemptions and introduce new exemptions with limited validity. Thereby, all exemptions were automatically liable to expire after two years, on March 31. Now, this section has been amended once again to exclude certain conditional exemptions from such automatic expiry. These are –

1. Multilateral or bilateral trade agreements
2. Obligations under international agreements, treaties, conventions or such other obligations including concerning United Nations agencies, diplomats and international organisations
3. Privileges of constitutional authorities
4. Schemes under the Foreign Trade Policy
5. Central Government Schemes having a validity of more than two years
6. Re-imports, temporary imports, goods imported as gifts or personal baggage
7. Any duty of customs including IGST under Section 3(7) of the Customs Tariff Act, other than BCD leviable under section 12 of the Customs Act.

Disposal of Settlement Commission applications

Section 127C of the Customs Act has been amended to specify a time limit for disposal of the application filed before the Settlement Commission. All applications will now be required to be disposed of within 9 months from the date of application.

Determination and review of duties

Section 9, 9A and 9C of the Customs Tariff Act have been amended to clarify that determination and review of countervailing duty and anti-dumping duty refers to determination and review in a manner prescribed by the rules. This amendment is effective retrospectively from January 1, 1995.

Modification of tariff lines

The First Schedule to the Customs Tariff Act has been amended to introduce new tariff lines, modify existing for enrolling Agniveers in Indian Armed Forces from November 1, 2022. Under the scheme, the Agniveers contribute 30% of their package to an Agniveer Corpus Fund known as 'Seva Nidhi' and the Government also contributes a matching amount which is taxable under the head salary. Since this fund is similar to the employees' provident fund, the income tax act is now providing tax deductions under section 80CCH for contributions made by individuals who enrol in the Agnipath Scheme. This deduction shall be available under both tax regimes. Further, any proceeds received from the Agniveer Corpus Fund by the Agniveers or their nominees would also be exempt from tax under section 10(12C). These provisions are effective from FY 2023 onwards.

Relief to sugar co-operatives from past demands

Co-operative sugar mills usually pay their farmers a Final Cane Price (FCP), over and above the Statutory Minimum Price (SMP) fixed by the Central Government. However, the tax deduction of the same had become a heavily litigated area, as the tax officers disallowed the FCP expense, terming the same as 'Appropriation of Profits'. Section 36(1)(xvii) was introduced to specifically provide for a deduction towards the FCP expense, however, the same was applicable only from April 1, 2016, onwards. Therefore, section 155(19) has been introduced to allow the recomputation of taxes where a cooperative sugar mill was disallowed such expense in any prior year. Necessary amendments have also been made in section 154(7). Applications can be made under these new provisions from April 1, 2023, onwards.

Exemption to agricultural cooperatives for transactions in cash

Section 269SS prohibits loans or deposits in cash, while section 269T prohibits repayment of loans or deposits in cash if the amount exceeds INR 20,000. To provide relief to agriculture-based groups, this threshold is being revised to INR 2,00,000 for loans taken from, or repaid to Primary Agricultural Credit Societies (PACS) and Primary Co-Operative Agricultural and Rural Development Bank (PCARD), by its members. This amendment is effective from FY 2024 onwards.

Miscellaneous

1. Exemption under Section 10(22B), to income earned by news agencies who are engaged in the collection and distribution of news, and who do not distribute their income, but reinvest the same, is now being removed.
2. To settle the litigations surrounding commercial income earned by urban development authorities, section 10(46) has been amended to exclude income earned by any notified authority, board, trust or commission established by Government which is not engaged in any commercial activity. A new clause (46A) has been introduced to specifically exempt any income earned by such authority, board, trust or commission.
3. A new penalty of INR 5,000 has been imposed for furnishing inaccurate details in a Statement of Specified Financial Transactions (SFT). Certain authorities and institutions such as banks, depositories, etc are required to file such with the income tax department at the end of every year. The institution has the right to recover such amounts from contravening customers.
4. Under section 94B, provisions relating to thin capitalization will not apply to certain notified NBFCs.

Goods and services tax

Decriminalisation of certain offences

The government has been focussing on ease of doing business for a long time and decriminalisation of offences under business laws is an important part of it.

1. The minimum threshold to launch a prosecution under GST law is currently set at INR 1 crore, except for offences relating to the issue of invoices without a supply of goods or services or both. Now, the same limit has been increased to INR 2 crore.

2. The compounding range of taxes is reduced from the present range of 50 to 150 per cent of the tax amount, to the range of 25 to 100 per cent. Section 132 and section 138 of the CGST Act have been amended for this purpose.

3. Offences specified under section 132(1)(g), (j) and (k) of the CGST Act which relates to creating an obstruction or preventing tax officers from discharging their duties, deliberate tempering of material evidence and failure to supply the required information, have been decriminalised now.

Input Tax Credit for CSR expenses

For the past few years, the issue relating to input tax credits on corporate social responsibility has been part of several litigations. The government has clarified its stance by clearly specifying that input tax credit on such expenses towards CSR will not be available. Thereby, section 17(5) of the CGST Act has been amended to provide that input tax credit will not be available in respect of goods or services used or intended to be used, for activities relating to obligations under corporate social responsibility as per section 135 of the Companies Act, 2013.

Composition scheme for enterprises operating through e-commerce

Section 10(2) and section 10(2A) of the CGST Act allow certain categories of registered taxpayers to opt for composition schemes. However, registered taxpayers who were engaged in the supply of goods or services through an electronic commerce operator were not eligible for the composition scheme, if the operator was required to collect TCS under section 52. This has been amended now to allow such taxpayers operating through electronic commerce operators, to opt for a composition scheme. However, there is no change in the provisions related to the interstatesupply of goods by such taxpayers. Therefore, taxpayers opting for a composition levy, cannot sell their goods outside the state, as earlier.

Penalty for contravention by e-commerce sites

Under a new section 122(1B), a penalty has been specified for Electronic Commerce Operators who allow the supply of goods or services by an unregistered person other than a person exempted from registration, or allow an interstate supply of goods by a person who is not allowed to do so, or if it fails to furnish correct details in returns in respect of outward supplies effected through it by a person exempted from obtaining registration. The penalty shall be the amount of tax involved, or INR 10,000 whichever is higher.

Input tax credit on sale of warehoused goods

When a taxpayer is engaged in supplying both taxable and exempt supplies, sections 17(2) and 17(3) restrict the availing of the proportionate input tax credit on exempt supplies. Explanation to section 17(3) has been amended to restrict the availing of the proportionate input tax credit on a transaction covered in Para 8(a) of Schedule III by including it in the value of exempt supplies. Thereby, the value of exempt supply, to apportion input tax credit will include the value of warehoused goods sold to any person, before clearance for home consumption. Earlier only transactions specified in Para 5 of Schedule III i.e. sale of land and incomplete building was included in the value of exempt supply.

Retrospective amendment to Schedule III

Schedule III of the CGST Act has been amended retrospectively apply Para 7, 8(a) and 8(b) of the said Schedule which relates to high seas sales, supply of warehoused goods before clearance, and supply by the endorsement of documents of title before clearance for home consumption. These provisions will be effective from July 1, 2017. Thus, these activities or transactions will neither be treated as a supply of goods nor supply of services. It has been further clarified that tax shall not be refunded in cases where such tax has been already paid in respect of such transactions during the period from July 1, 2017, to January 31, 2019.

Belated returns cannot be filed after three years

A time limit of three years from the due date of filing the return has been specified for filing the GSTR-1, GSTR-3B, GSTR-8 and Annual returns. An extension may be provided in future to certain classes of taxpayers, subject to certain conditions and restrictions. To restrict the filing of returns to a maximum period of three years from the due date of filing of the relevant return or statement, sections 37, 39, 44 and 52 of the CGST Act have been amended.

Provisional refund in case of zero-rated supplies

Section 54(6) of the CGST Act provides for a provisional refund of 90 per cent of the provisionally claimed input tax credit in case of zero-rated supplies. This rule is now amended to remove the reference to the provisionally accepted input tax credit to align the same with the present scheme of availing of the self-assessed input tax credit.

Sharing of information

Section 158A has been introduced in CGST Act to enable sharing of the information received from taxpayers with other systems. This information can be from returns filed by taxpayers, registration applications, statements of outward supplies, details uploaded for the generation of electronic invoices, or any other details on the common portal. Rules will be prescribed later on this behalf.

Definition of Online information and database access or retrieval services

Section 2(17) of the IGST Act has been amended to revise the definition of 'Online information and database access or retrieval services'. The condition of rendering the said supply essentially automated and involving minimal human intervention has been removed.

Definition of Non-taxable online recipient

Section 2(16) of the IGST Act has been amended to revise the definition of 'Non-taxable online recipient'. The amendment has removed the condition of receipt of online information and database access or retrieval services for purposes other than commerce, industry or any other business or profession, to provide for taxability of OIDAR service provided by any person located in non-taxable territory to an unregistered person, receiving the said services and located in the taxable territory. The amendment also clarifies that the persons registered under section 24(vi) of the CGST Act will be treated as unregistered persons for the aforementioned clause.

Place of supply in case of transportation

Proviso to section 12(8) of the IGST Act has been omitted. Thereby, the place of supply in case of services by way of transportation of goods to a registered person shall be the location of the recipient, or else the location at which goods are handed over for their transportation if the supplier of services and recipient of services are located in India. The destination of goods will be disregarded for this purpose.

Budget Facts: What are 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.

Greenvissage is a CFO consulting firm with the passion and expertise in helping companies set up in India and in managing their finances, accounts, payroll, taxes and compliances.

At Greenvissage, our constant endeavor is to help companies achieve growth that is scalable, sustainable and hassle-free through our CFO Consulting and Business Advisory Services.

Greenvissage, one of the trusted and top CFO Consulting firms serves clients from over 12 countries and wades them through hundreds of statutory and internal target lines every year.

We are one of India's Largest Business advisory service providers with world-class finance talent.

Greenvissage Business Consulting LLP

LLPIN: AAB-9132

Greenvissage

PUNE

106, Mayfair Tower I,
Wakdewadi, Pune – 411005, India

Google Maps

7, Kunal Puram Commercial Complex,
Opp Atlas Copco, Old Mumbai – Pune Highway,
Dapodi, Pune – 411012, India

Google Maps

MUMBAI

904, 9th Floor, Bhumiraj Costarica,
Off Palm Beach Road, Sector 18, Sanpada,
Navi Mumbai – 400705, India

Google Maps

Email: info@greenvissage.com

Call: +91 20 6764 0900

www.greenvissage.com www.greenvissage.com www.greenvissage.com www.greenvissage.com www.greenvissage.com www.greenvissage.com

If you have any queries, please write to us at info@greenvissage.com