

UNION BUDGET 2023

February 2023





KEY ECONOMIC INDICATORS



BUDGET HIGHLIGHTS

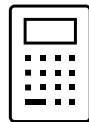
- Policy Stimulus
- Administrative Reforms



SECTORAL REFORMS



DIRECT TAX

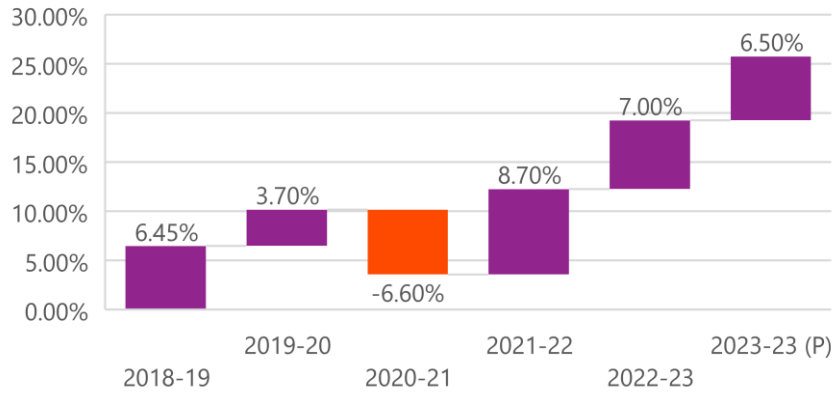


INDIRECT TAX

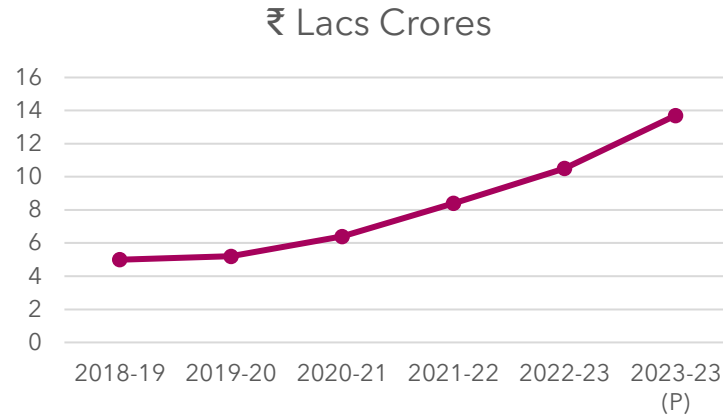


KEY TAKEAWAYS

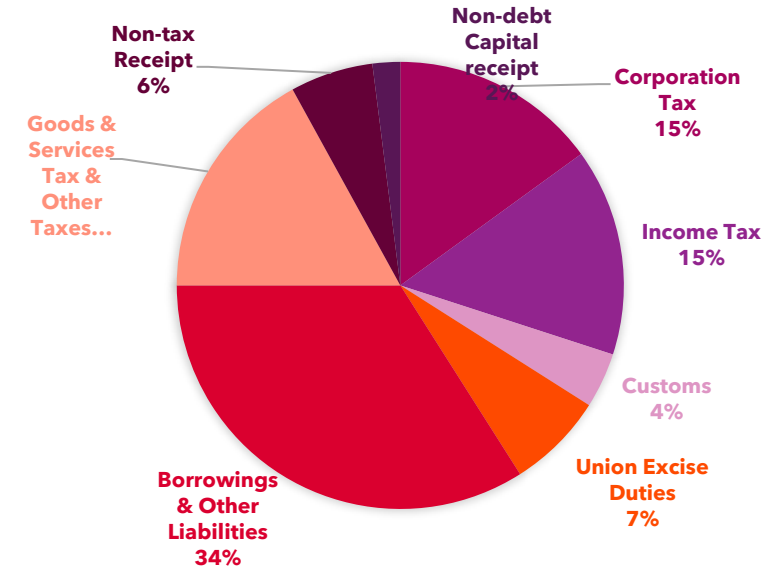
GDP Growth



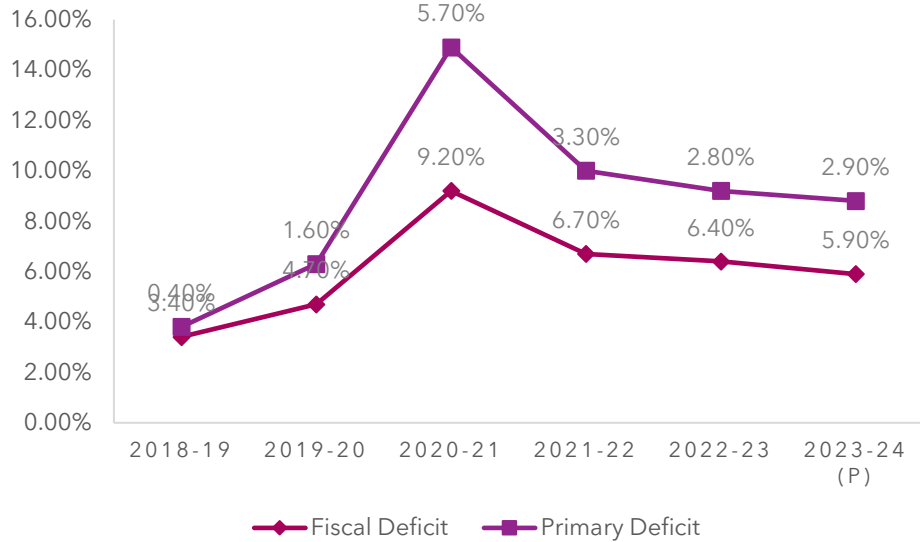
Capex Growth



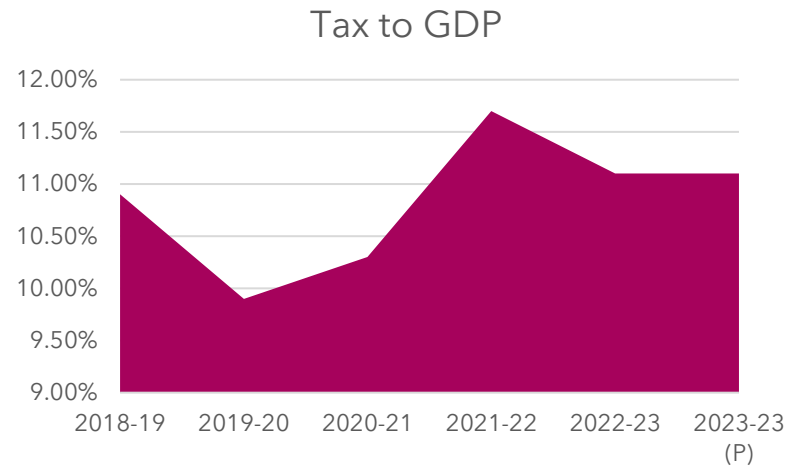
Sources of Funds



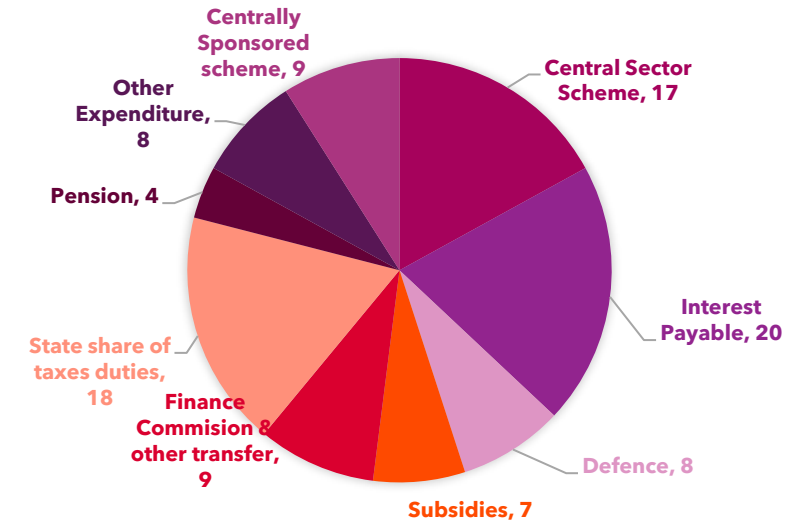
Fiscal Deficit



Tax Buoyancy



Fund Utilisation



PM Vishwakarma Kaushal Samman (PM VIKAS) announced to provide fiscal support and skill development to traditional artisans and craftsman.

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

Settling Contractual Disputes - Voluntary settlement scheme with standardized terms will be introduced.

Pradhan Mantri Kaushal Vikas Yojana 4.0 - to skill youths within the next 3 years in new age courses for Industry 4.0 like coding, AI, robotics, mechatronics etc. with 30 Skill India International Centres

PM Garib Kalyan Anna Yojana (PMGKAY) to continue food and nutritional security for next 1 year with outlay of over ₹ 2 Lacs Crores.

Under the Govardhan scheme 500 new 'waste to wealth' plants will be established for promoting circular economy at total investment of ₹ 10,000 crore.

PM Matsya Sampada Yojana for investment of ₹6,000 Crores to enable activities of fishermen, fish vendors, and micro & small enterprises, improve value chain efficiencies, and expand the market.

Mahila Samman Bachat Patra scheme enabling ₹ 2 Lacs investment by household woman for 2 years period up to March 2025 with 7.5% interest rate with partial withdrawal facility

iGOT Karmayogi will help the government to make the Government employee future ready by upskilling them.

Introduction of **Joint Commissioners (Appeals)** under Income tax will help reducing pending appeal cases which were highlighted as concern by C&AG in his report.

Setting up of **Entity DigiLocker** and Single Identifier will enable uniformity in data for the MSMEs and unorganized business sectors.

Tax Benefits & other supports to **Agniveers** will help the GoI to employ Quality Defence personnel

National Financial Information Registry to enable flow of financial data with ease between regulators and private entities.

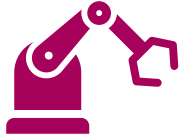
Launch of Phase 3 of **e-Courts Module** will help the courts in faster adjudication of the impending cases.

National Data Governance Policy will help to make anonymized data available for businesses

Vivaad se Vishwas 2 to help MSMEs and other businesses to settle disputes with government and government undertakings



Capital Goods



- ❖ W.E.F. 02.02.23 there would be reduction in basic customs duty to reduce input costs, deepen value addition, to promote export competitiveness, correct inverted duty structure so as to boost domestic manufacturing
- ❖ Specified capital goods / machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs) would be NIL (upto 31.03.2024).

Logistics



- ❖ One hundred critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified. They will be taken up on priority with investment of INR 75,000 crore, including INR 15,000 crore from private sources.
- ❖ Fifty additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- ❖ A capital outlay of INR 2.40 lakh crore has been provided for the Railways.

Infrastructure & Real Estate



- ❖ Continuation of 50-year interest free loan to state governments for a year to spur investment in infrastructure and to incentivize them for complementary policy actions, with a significantly enhanced outlay of INR 1.3 lakh crore.
- ❖ Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending shortfall. This will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.



Travel & hospitality



- ❖ Integrated and innovative approach for 50 destinations will be selected through challenge mode.
- ❖ Sector specific skilling and entrepreneurship development will be dovetailed to achieve the objectives of the 'Dekho Apna Desh' initiative.
- ❖ For integrated development of theme-based tourist circuits, the 'Swadesh Darshan Scheme' was also launched. Under the Vibrant Villages Programme, tourism infrastructure and amenities will also be facilitated in border villages.

Agriculture & Chemicals



- ❖ An Agriculture Accelerator Fund will be set-up to encourage agri-startups by young entrepreneurs in rural areas.
- ❖ Agriculture credit target will be increased to 20 lakh crore with focus on animal husbandry, dairy and fisheries.
- ❖ Basic customs duty on denatured ethyl alcohol used in chemical industry is proposed to be exempted.
- ❖ Basic customs duty being reduced on acid grade fluorspar and crude glycerine.

Consumer Goods



- ❖ Reduction in basic customs duty to reduce input costs, deepen value addition, to promote export competitiveness, correct inverted duty structure so as to boost domestic manufacturing etc [with effect from 02.02.2023]
 - ✓ IT and Electronics
 - ✓ Electronic Appliances
 - ✓ Others including vehicles and specified automobile components



Mobility



- ❖ To avoid cascading of taxes on blended compressed natural gas, exemption proposed on excise duty on GST-paid compressed bio gas contained in it.
- ❖ To further provide impetus to green mobility, customs duty exemption is being extended to import of capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles.
- ❖ Custom Duty waived on the testing vehicles being imported.

Startups & technology



- ❖ The benefit of carry forward of losses on change of shareholding of start-ups has now been increased from seven years of incorporation to ten years.
- ❖ Extension of date of incorporation for income tax benefits to start-ups from 31.03.23 to 31.3.24.
- ❖ Setting up of National Data Governance Policy to unleash innovation and research by start-ups and academia.

Healthcare



- ❖ A Mission to eliminate Sickle Cell Anaemia by 2047 will be launched.
- ❖ 157 new nursing colleges will be established in co-location with the existing 157 medical colleges established since 2014.
- ❖ Facilities in select ICMR Labs will be made available for research by public and private medical college faculty and private sector R&D teams for encouraging collaborative research and innovation.



Highlights related to section under 115BAC

S.NO	Total Income	Rate of Tax*
1	Upto Rs. 3,00,000	Nil
2	From Rs. 3,00,001 to Rs. 6,00,000	5%
3	From Rs. 6,00,001 to Rs. 9,00,000	10%
4	From Rs. 9,00,001 to Rs. 12,00,000	15%
5	From Rs. 12,00,001 to Rs. 15,00,000	20%
6	Above Rs. 15,00,000	30%

* Rebate u/s 87A shall be allowed upto ₹ 7,00,000

Surcharge Rates

Clause	Income	Surcharge
i	More than Rs. 50 Lakhs but not exceeding Rs. 1 Crore	10%
ii	More than Rs. 1 Crore but not exceeding Rs. 2 Crore	15%
iii	Exceeding Rs. 2 Crore	25%

Other Considerations

- Income from Insurance policy issued after 01 April 2023 having premium over ₹ 5 Lakhs is taxable
- Exemption for Exchange of gold against gold receipts. Relief may be abused by taxpayers.

Other Considerations

- Standard deduction of Rs. 52,500 under new scheme for specified persons u/s 16(ia) for income of Rs 15.5 lakhs or more.
- Deduction for sum paid or deposited in Agniveer Corpus Fund u/s 80CCH(2)
- Once option is exercised to pay tax under new tax regime for income under PGBP, it shall apply to subsequent years.
- For persons having income other than PGBP can pay tax under new tax regime can will have to exercise to this option every year.
- Limit on Leave encashment has been revised from Rs. 3,00,000 to Rs. 25,00,000
- Proposed that the maximum limit for exemption under section 54 and 54F is amended to Rs. 10 crore.



Incomes u/h PGBPPresumptive Taxation

- The limit for presumptive taxation u/s 44ADA for MSME has increased to ₹ 3 Crore from ₹ 2 Crore.
- The limit for presumptive taxation u/s 44DA for Professionals from ₹ 50 Lakhs to ₹ 75 Lakhs.
- Provided that the receipts in both cases should not exceed 5% in cash.
- No set off of unabsorbed depreciation and carry forward losses to be allowed to assessee under presumptive income (44AA).

Others

- Section 35D amendment proposed to allow deduction of all preliminary expenses.
- Business Expenses to be disallowed if the payment is not made to MSME u/s 43B before the due date of return of Income.

Income under Other Sources

- Angel tax applicable if money received by a private company from non-resident as well exceeding FMV of shares
- Gifts received by the Non-Residents taxable u/s 56
- Income tax applicable on winning from online game @30%. TDS to be also deducted on such incomes.

Cooperative Societies - Tax Rationalized

- Cooperatives starting manufacturing before 31 March 2024 can claim lower tax rate of 15% plus 10% surcharge akin to manufacturing companies.
- In case of Cooperative sugar mills the govt. to allow expenditure on purchase of sugarcane to the specified prices fixed by the government.

Startups

- Due date for incorporating Startup for claiming Tax exemption u/s 80-IAC extended to 31 March 2024
- Benefits of carry forward & set off losses extended to 31 March 2024
- The time period for carryforward of losses extended from 7 to 10 years for eligible startups.

Plugging Loopholes

- Section 50AA introduced to tax STCG for market linked debentures
- Cost of acquisition of Intangibles not in books will be Nil for all transactions.
- Timelines for filing of TP Reports for TP Assessment rationalized



TDS Provisions Rationalized

- Prosecution powers expanded to cover all TDS provisions
- TCS Rates increased from 5% to 20% for payment for overseas tour package & **all other LRS payments**
- Proposed that cooperatives will be able to withdraw cash up to the limit of Rs. 3 crore without any TDS being deducted on it.
- TDS on withdrawal from EPF Account is aligned from 30% to 20% in case of non-PAN cases.
- Proposed benefit to persons to claim TDS in the earlier year for which TDS will be deducted in future.
- TDS to be deducted on payment of interest on listed debentures to a resident.
- Proposed that LDC will be allowed for certain income from business trusts in India(194LBA) which was not allowed earlier.

Tax Administration strengthened

- 100 joint commissioners to be appointed to quickly dispose appeals pending with CIT(A).
- In case of Cooperative sugar mills, allowed expenditure on purchase of sugarcane to the specified prices fixed by the government.

Gift City Promoted

- Added new provisions to pass powers of SEZ to IFSC Authority.

Strategic Divestment

- Amendment proposed in section 72AA allowing amalgamated banks to carryforward accumulated losses or unabsorbed depreciation within 5 years of strategic divestment (done for IDBI stake sale).

Startups

- Due date for incorporating Startup for claiming Tax exemption u/s 80-IAC extended to 31 March 2024
- Benefits of carry forward & set off losses extended to 31 March 2024

Plugging Loopholes

- Section 50AA introduced to tax STCG for market linked debentures
- Cost of acquisition of Intangibles not in books will be Nil for all transactions.
- Section 142 to be amended empowering AO to require cost audit for the inventory held by the business.



Goods and Services Tax

ITC not available in respect of goods or services or both which are used or intended to be used for activities relating to obligations under CSR

Decriminalization of :

- Minimum threshold for prosecution raised from 1 crore to 2 crore except for offences of issuance of invoices without supply of Goods or services.
- Compounding amount range is reduced as follows:
 - Minimum from 50% to 25%
 - Maximum from 150% to 100%
- Obstruction or preventing any officer in discharge of his duties.
- Tampering or Destruction of material evidences or documents
- Fail to supply the information required under law or supplying false information.

The value of supply goods to any person before clearance for home consumption shall be considered for the computation of value of exempt supply for the purpose of ITC reversal.

- W.e.f 01.02.2019 the following transactions will be treated as outside the purview of GST:
 - Supply between to nontaxable territory (Merchant Trade)
 - High Sea Sales
 - Supply of Warehoused goods before their home clearance
- No refund is available if any tax has been paid on such supplies during 01.07.2017 to 31.01.2019

For transportation of goods POS will be determined as follows:

- If recipient is registered, location of such person.
- If the recipient is unregistered, then the location at which such goods are handed over for their transportation.

A maximum time limit of 3 years from due date for GSTR-1, GSTR-3B, GSTR-9 & 9C, GSTR-8

Customs

- BCD exemption for specified goods changed for periods of 1 and 5 years for specified items.
- BCD exemptions discontinued for specified items.
- Exemption of specified goods from Social welfare Surcharge(SWS).
- Change in rates of Agriculture Infrastructure and Development Cess
- Validity period of 2 years shall not apply to exemption notifications issued in relation to obligations under International agreements, schemes under FTP, Central Government Schemes, Re-imports etc.
- Tariff Rates rationalized for various products.



Being the last budget before the General elections, it was expected that the Budget will be the populist one, however, the Government has continued their consolidation mechanism disregarding political motives.

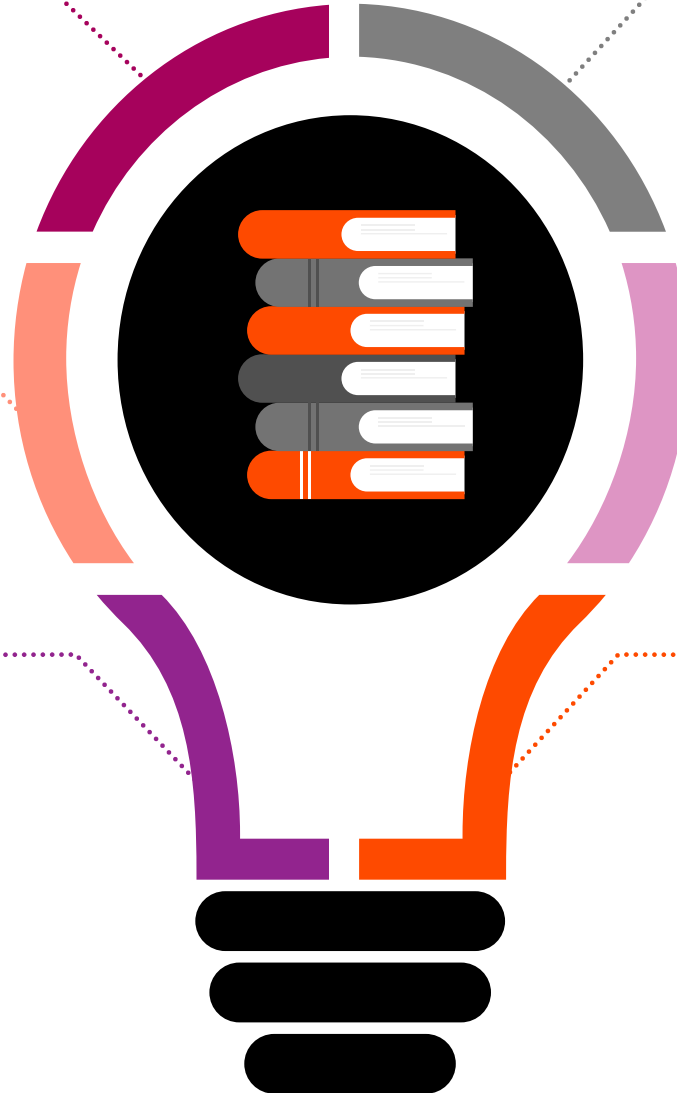
Gol has introduced various new social schemes supporting the MSME's, Agri-economy and education such as PM-PRANAM, MISHTI, GOBARdhan, Unity Malls & Amrit Dharohar.

The Budget allocation for the PLI Schemes seems to be disappointing considering the significant values being announced through the different schemes. Additional allocation for incentives to nudge the industry for the sunrise sectors is missing in the budget.

Various policy measures to promote AI and deep technology will help India to boost R&D in these areas.

The custom tariff rationalisation is a commendable step to further improve impetus on localising supply chain thereby supporting Gol agenda of Make in India.

Direct tax measures are smartly crafted and provided administrative relief to the taxpayers while plugging some loopholes. However, the TCS provisions on LRS will definitely create significant burden on taxpayers and it is suggested that the Gol to keep TCS rate at 5% for the LRS transactions to ease burden on taxpayers.



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