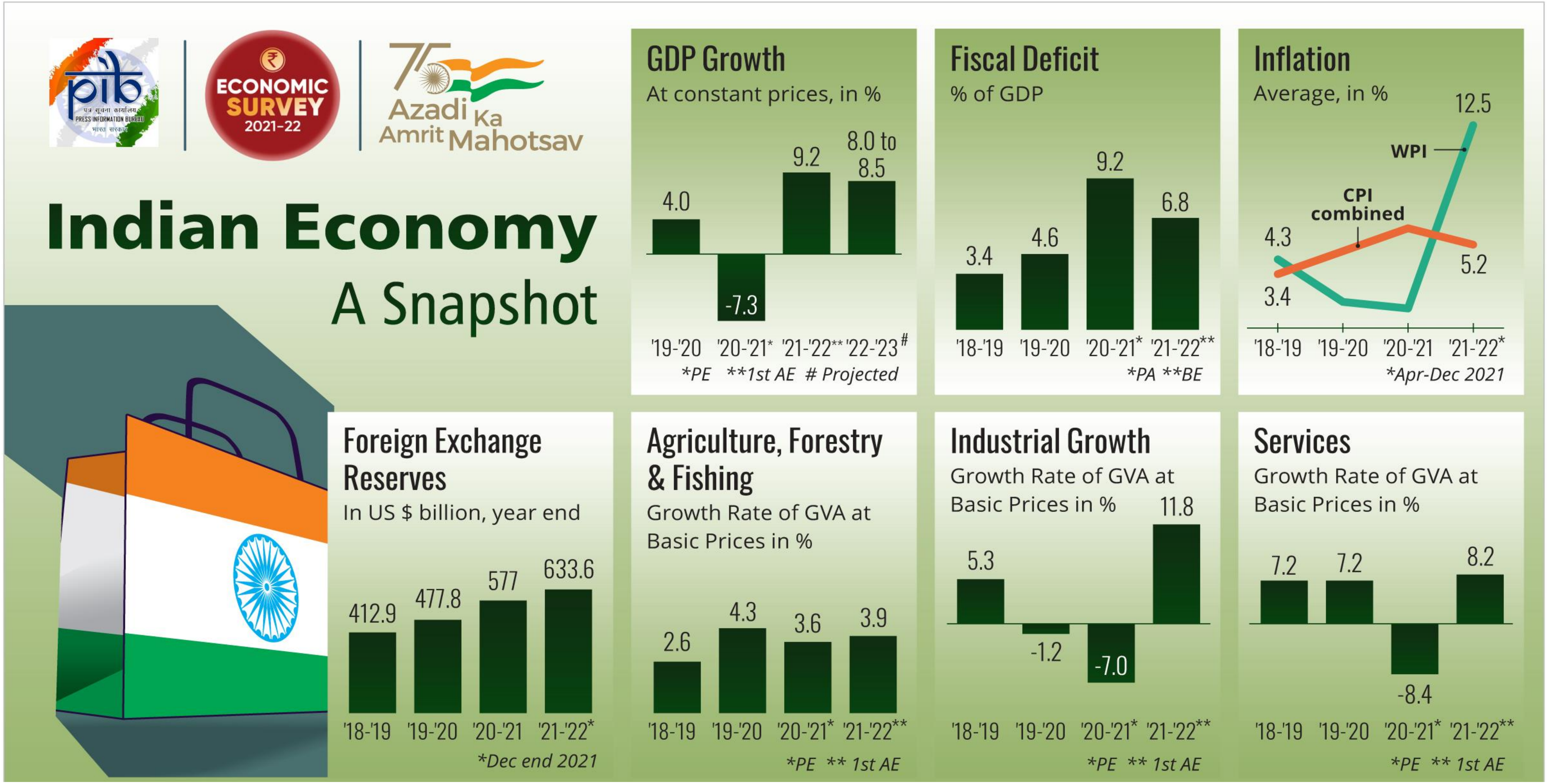
Indian Union Budget Synopsis

2022-23

AKM GLOBAL
TAX | CONSULTING | OUTSOURCING

Table of Contents

Economic Survey 2021-22


ECONOMIC SURVEY 2021-22
Azadi Ka Amrit Mahotsav
Indian Economy
A Snapshot
GDP Growth
At constant prices, in %
4.0
-7.3
9.2
8.0 to 8.5
'19-'20 '20-'21* '21-'22** '22-'23#
*PE **1st AE # Projected
Fiscal Deficit
% of GDP
3.4
4.6
9.2
6.8
'18-'19 '19-'20 '20-'21* '21-'22**
*PA **BE
Inflation
Average, in %
12.5
WPI
CPI combined
4.3
3.4
5.2
'18-'19 '19-'20 '20-'21 '21-'22*
*Apr-Dec 2021
Foreign Exchange Reserves
In US $ billion, year end
412.9
477.8
577
633.6
'18-'19 '19-'20 '20-'21 '21-'22*
*Dec end 2021
Agriculture, Forestry & Fishing
Growth Rate of GVA at Basic Prices in %
2.6
4.3
3.6
3.9
'18-'19 '19-'20 '20-'21* '21-'22**
*PE ** 1st AE
Industrial Growth
Growth Rate of GVA at Basic Prices in %
5.3
-1.2
-7.0
11.8
'18-'19 '19-'20 '20-'21* '21-'22**
*PE ** 1st AE
Services
Growth Rate of GVA at Basic Prices in %
7.2
7.2
-8.4
8.2
'18-'19 '19-'20 '20-'21* '21-'22**
*PE ** 1st AE

State of Economy

Indian economy estimated to grow by 9.2% in real terms in 2021-22

Factors to support growth in 2022-23:

- Widespread vaccine coverage.
- Gains from supply-side reforms.
- Easing of regulations.
- Robust export growth.
- Ramped up capital spending.

Economy recovers past pre-pandemic level
India Projected as Fastest Growing Major Economy in World GDP Projected to grow by 8.0-8.5% in 2022-23 economy estimated to grow by 9.2% in real terms in 2021-22

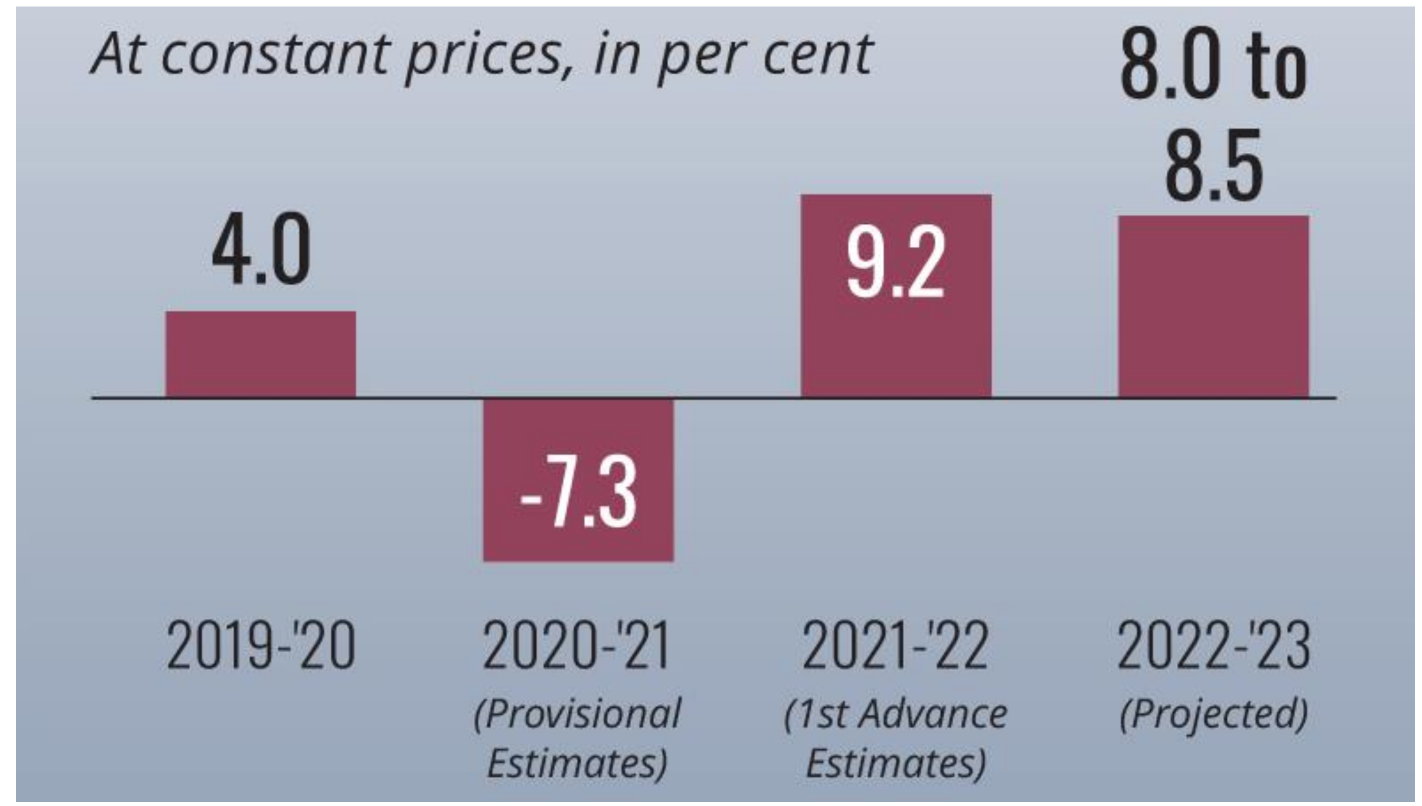
- World Bank's projection of India's GDP: 8.7%
- Asian Development Bank's projection of India's GDP : 7.5%
- World Economic Outlook's projection of India's GDP: 9%

GDP Growth 2022-23

- GDP Projected to grow 8.0-8.5% in 2022-23.
- World bank's and Asian Development bank's projection of India's GDP is 8.7% and 7.5%, respectively.
- IMF's World Economic Outlook (WEO) projected India's real GDP to grow at 9% in 2021-22 and 2022-23 and at 7.1% in 2023-2024.
- This would make India the fastest growing major economy in the world for all 3years.
- Macroeconomic stability indicators suggest that the Indian Economy is well placed to take on the challenges of 2022-23.

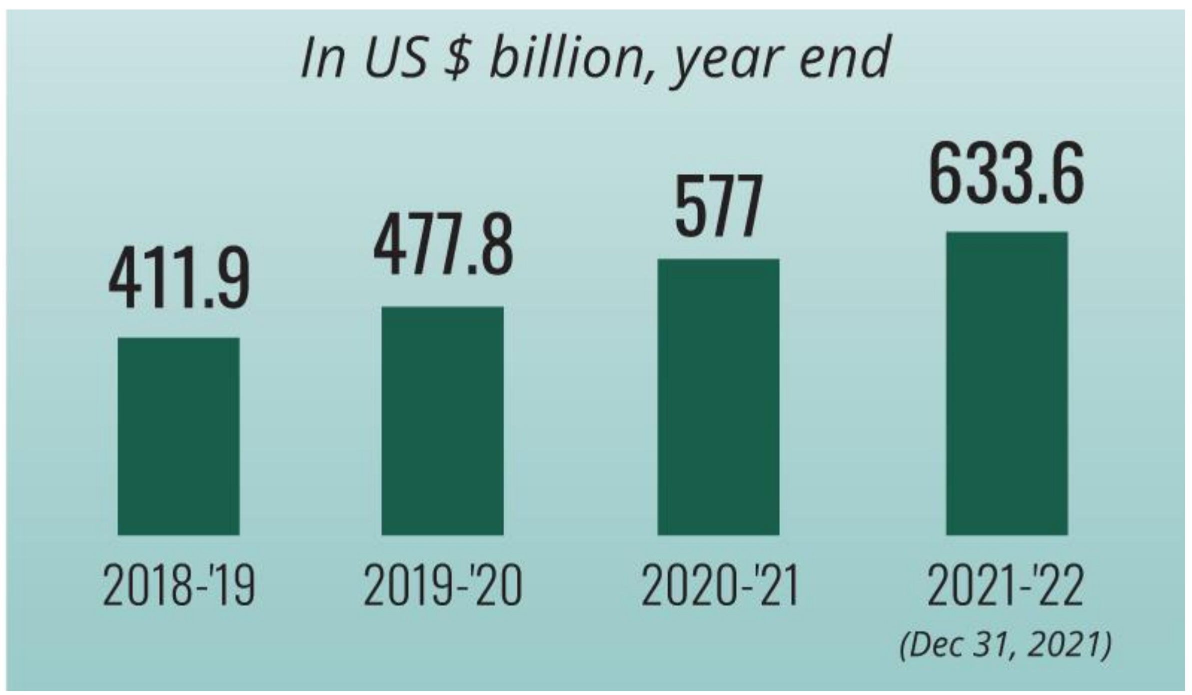
GDP Growth 2021-22

- Indian economy estimated to grow by 9.2 percent in real terms in 2021-22 subsequent to a contraction of 7.3 percent in 2020-21.
- Overall economic activity has recovered past the pre-pandemic levels.



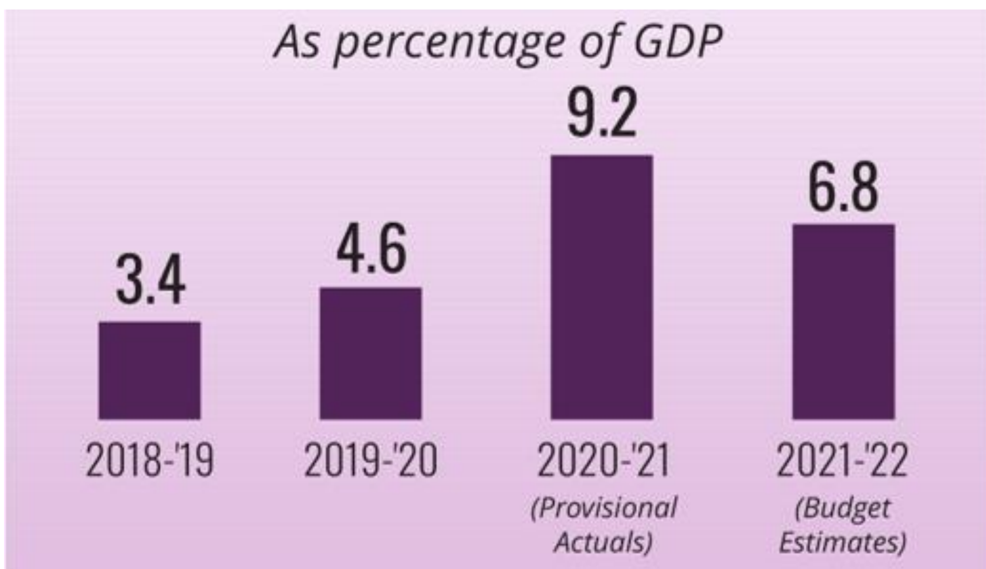
Foreign Exchange Reserves

- India's Foreign Exchange Reserves have observed a massive increase during the financial year 2021-22.
- Forex Reserves has increased from INR 43,27,500 (USD 577 Billion) as at end-March 2021 to INR 47,74,500 Crores (USD 633.6 Billion) as at end-December 2021.
- Import Cover of India's Foreign Exchange Reserves have observed a decline from 17.4 months in 2020-21 to 13.2 months in 2021-22. This was mainly due to the factor that merchandise import were increased with the pick-up in domestic activity.
- As of now, India is the 4th largest foreign exchange reserves holder rallying behind China, Japan and Switzerland.



External Sectors

- Merchandise exports and imports surpassed pre-Covid level.
- Significant pick up in net services.
- Net capital flows at USD 65.6 Billion in the first half of 2021-22.
- BOP Surplus of USD 63.1 Billion in the first half of 2021-22.
- Forex reserves touched US 633.6 Billion as of December 31.
- India was 4th largest forex reserves holder in the world as of November 2021.



Fiscal Developments

- Fiscal deficit for April to November 2021 has been contained at 46.2% of BE.
- Revenue receipts of the central government during April to November 2021 have gone up by 67.2%, as against an expected growth of 9.6% in the 2021-22 Budget Estimates.
- Capex has grown by 13.5%(YoY) with focus on infrastructure intensive sectors.
- Central Government debt has gone up from 49.1% of GDP in 2019-20 to 59.3% of GDP in 2020-21.
- The gross tax revenue April to November 2021 has registered a growth of over 50 per cent in YoY terms.
- Gross monthly GST collections have crossed the INR 1,00,000 Crore (USD 13,333.33 Millions) mark consistently since July 2021.

Monetary Management and Financial Intermediation

- Repo rate was maintained at 4% in 2021-22.
- The economic shock of the pandemic has been weathered well by the commercial banking system: YoY Bank credit growth accelerated gradually in 2021-22 from 5.3% in April 2021 to 9.2% as on 31st December 2021.
- The Gross Non-Performing Advances ratio of Scheduled Commercial Banks (SCBs) declined from 11.2% at the end of 2017-18 to 6.9% at the end of September 2021.
- The Return on Assets and Return on Equity for Public Sector Banks continued to be positive for the period ending September 2021.
- Exceptional year for the capital markets: INR 89,066 crore (UDS 11,875 million) was raised via 75 Initial Public Offering (IPO) issues in April-November 2021, which is much higher than in any year in the last decade.
- Sensex and Nifty scaled up to touch peak at 61,766 and 18,477 on October 18, 2021.
- Among major emerging market economies, Indian markets outperformed peers in April-December 2021.

Sustainable Development and Climate Change

- Necessity to launch LIFE (Lifestyle for Environment) for proper and effective utilisation of resources rather than destructive and mindless consumption.
- Prime Minister in COP 26 Conference announced there further plans to reduce the emissions and other certain targets that are to be achieved by 2030.
- The successive depletion of liquid wastes into the river has been reduced to 280.20 Millions of Litres per day in 2020 from 349.13 Millions of litres per day in 2017.
- Grossly Polluting Industries (GPI) compliances located in Ganga river have been reduced to 81% in 2020 from 39% in 2017.
- India has been announced as the 10th Largest Forest Area in the world. Further, India has been 3rd globally in increasing its forest area from 2010 to 2020 and forests have covered up to 24% of India’s geographical, being 2% of the world’s total forest area.
- Plastic Waste Management Amendment Rules 2021 was launched in August 2021 and is aimed at phasing the single use plastic by 2022. Further, draft regulations have been notified on extended producer responsibility for packaging of plastic.
- Overall Score of India on NITI Aayog SDG India Index and Dashboard has risen and secured a score of 66 in 2020-21, while it was 60 in 2019-20 and 57 in 2018-19 leading to a overall constant growth.

Services

- The Gross Value Added of Services crossed the level which was before pandemic in Q2 of 2021-22.
- It is still to be taken into notice that while this industry is gradually rising in the pandemic, other industries in service sector are taking a hit like contact intensive sectors.
- Further, GVA of this sector is expected to grow by 8.2% in 2021-22.
- 8.2% growth expected in overall services sector.
- Muted response of second wave shown by high frequency indicators like Purchasing Managers' index and air and rail freight.
- 21.6% growth in services export (H1 2021-22) surpasses pre-pandemic level.
- $16.7 billion FDI in services sector, 54% of total FDI inflows in H1 2021-22.
- India is now known to be the 3rd largest start-up ecosystem in the world.

Price and Inflation

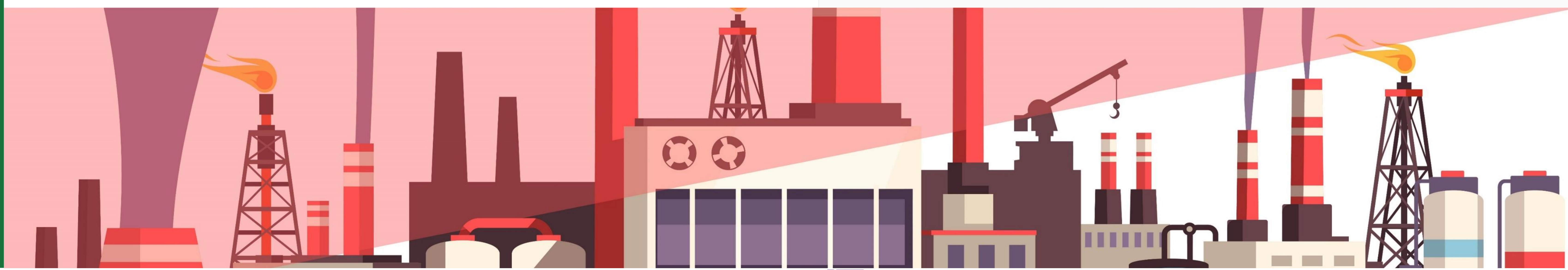
- Average headline CPI – Combined reduced to 5.2% in Apr-Dec 2021 from 6.6% last year.
- Food inflation reduced to 2.9% in Apr-Dec 2021 against 9.1% last year.
- Effective supply-side management kept prices under control
- Proactive measures were taken to contain price rise in pulses and edible oil.
- WPI was risen to 12.5% during Q3 of 2021-22 due to various factors like - previous years base was low, other inputs that were imported etc.

Industry and Infrastructure

- IIP growth at 17.4% during April to November in 2021-22 compared to -15.3% last year.
- All time high net profit to sales ratio of large corporates 10.6% in Q2 of 2021-22.
- 30.4% increase in road construction - 36.5 km per day in 2020-21 compared to 28 kms in 2019-20.
- Capital expenditure of Indian Railways budgeted to increase 5 times over 2014 level to Rs 2.15 lakh crores.
- PLI introduced to scale up industries.
- Major boost provided to physical as well as digital infrastructure.

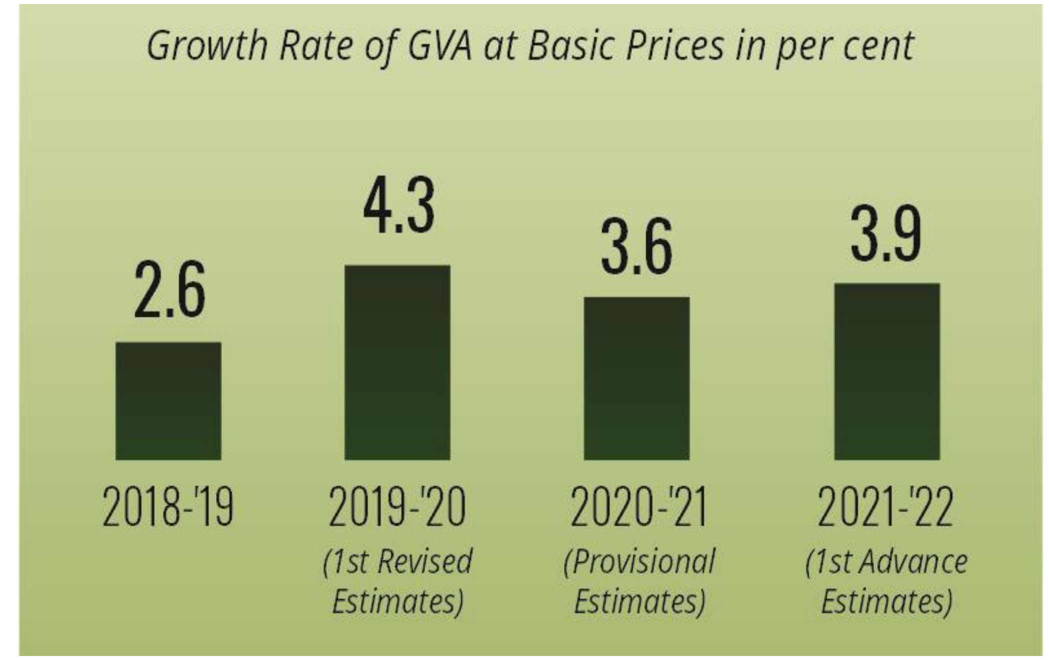
Social Infrastructure & Employment

- 1579.4 millions doses of COVID-19 vaccines administered as on 16 January 2022; 91.39 crore first dose and 66.05 crore second dose.
- Expenditure on social services (health, education and others) by Centre and States as a proportion of GDP increased from 6.2 % in 2014-15 to 8.6% in 2021-22.
- Increased allotment of funds to Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) to provide buffer for unorganized labour in rural areas during the pandemic.
- Under Jal Jeevan Mission (JJM), 83 districts have become 'Har Ghar Jal' districts.
- Employment in urban sector affected by the pandemic has recovered almost to the pre pandemic levels (Quarterly Periodic Labour Force Survey (PLFS) data).



Agriculture and Food Management

- The Agriculture sector experienced bright growth in the past 2 years, accounting for a sizeable 18.8% (2021-22) in Gross Value Added (GVA) of the country registering a growth of 3.6% in 2020- 21 and 3.9% in 2021-22.
- The agriculture credit flow for the year 2020-21 was INR 15,75,398 crore (210.05 Billions) against the target of INR 15,00,000 crore (USD 200 Billions) for the year. The agriculture credit flow target for 2021-22 has been fixed at INR 16,50,000 crore (USD 220 Billions).
- Allied sectors including animal husbandry, dairying and fisheries are steadily emerging to be high growth sectors and major drivers of overall growth in agriculture sector.
- The Livestock sector has grown at a CAGR of 8.15% over the last five years ending 2019-20. It has been a stable source of income across groups of agricultural households accounting for about 15% of their average monthly income.
- Govt. has further extended the coverage of food security network through schemes like PM Gareeb Kalyan Yojana (PMGKY).
- The Government has placed focus on the food processing sector, which is not only a major market of agriculture produce but is also a significant employer of the surplus workforce engaged in agriculture.



Centre's Support to the states during 2021-22

- It is also worthwhile to note that during the year government has provided major reliefs by providing financial support to economy in general and MSMEs by way of extending loans.
- Further, government has the capacity to extend more fiscal support and boost capital expenditure due to the rise in revenue.
- Atma Nirbhar Bharat Package increased the additional borrowing limit of up to 2% of GDSP in 2020-21.
- INR 1.10,208 Crore (USD 1,494.4 Millions) was provided as a relief to states in response to the shortfall noticed in GST compensation.
- 'Scheme for Special Assistance and Capital Expenditure' was approved where INR 11,830 Crore (USD 1,577.33 Millions) was provided as special assistance to the states.

Enhanced limit of borrowing for the States

Loan to States in lieu of GST Compensation shortfall

Scheme for Special Assistance to States for Capital Expenditure

Non-Tax Proposals

Health and Wellbeing

Ayushman Bharat Digital Mission

National Digital Health Ecosystem will be rolled out consisting of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities

National Tele Mental Health Programme (NTMHP)

To better the access to quality mental health counselling and care services, this programme (NTMHP) will be launched including a network of 23 tele-mental health centres of excellence, with NIMHANS being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.

Mission Shakti, Mission Vatsalya, Saksham Anganwadi & Poshan 2.0

These three schemes were launched to provide integrated benefits to women and children. Saksham Anganwadis are a new generation anganwadis that have better infrastructure and audio-visual aids, powered by clean energy and providing improved environment for early child development. Two lakh anganwadis will be upgraded under the Scheme.

Har Ghar, Nal Se Jal

Current coverage of Har Ghar, Nal Se Jal is 87 Million. Of this 55 Million households were provided tap water in last 2 years itself. Allocation of INR 600,000 Million (USD 8000 Million) has been made with an aim to cover 38 Million households in 2022-23.

Health and Wellbeing

Housing for All

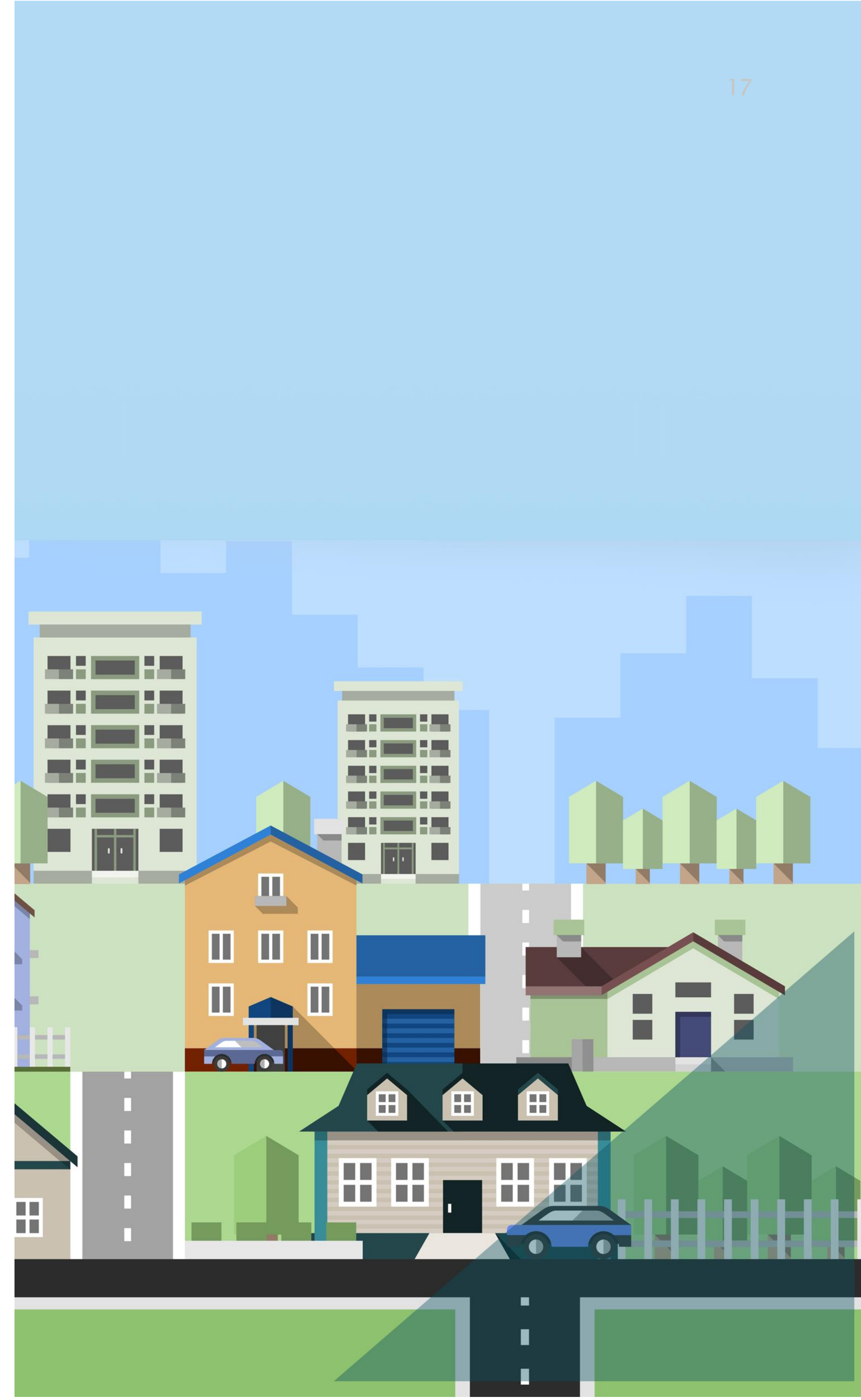
- The Central Government will work with the state governments for reduction of time required for all land and construction related approvals, for promoting affordable housing for middle class and Economically Weaker Sections in urban areas and with financial sector regulators to expand access to capital along with reduction in cost of intermediation respectively.
- In 2022-23 8 Million houses will be completed for the identified eligible beneficiaries of PM Awas Yojana, both rural and urban INR 480,000 Million (USD 6,400 Million)is allocated for this purpose.

Prime Minister's Development Initiative for North-East Region (PMDevINE)

New scheme which will fund infrastructure, in the spirit of PM GatiShakti, and social development projects based on felt needs of the North-East. This will enable livelihood activities for youth and women, filling the gaps in various sectors. An initial allocation of INR 15,000 Million (USD 200 Million) will be made.

Aspirational Blocks Programme

This Programme was launched to improve the quality of life of citizens in the most backward districts wherein 95 per cent of those 112 districts have made significant progress in key sectors such as health, nutrition, financial inclusion and basic infrastructure. However, in those districts, some blocks that are continuing to lag will be focused in FY 22-23.



Health and Wellbeing

Vibrant Villages Programme

This programme will include construction of village infrastructure, housing, tourist centres, road connectivity, provisioning of decentralized renewable energy, direct to home access for Doordarshan and educational channels, and support for livelihood generation. Additional funding for these activities will also be provided.

Anytime- Anywhere Post Office Savings

In 2022, to enable interoperability and financial inclusion,100 per cent of 15 million post offices will come on the core banking system providing the facility of banking, mobile banking, ATMs and also provide online transfer of funds between post office accounts and bank accounts. This will be helpful, especially for farmers and senior citizens in rural areas.

Digital Banking and Digital Payment

- To promote the digital banking and fintech sectors and to mark 75 years of our independence, it is proposed to set up 75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks.
- The financial support for digital payment ecosystem announced in the previous Budget will continue in 2022-23. This will encourage further adoption of digital payments. There will also be a focus to promote use of payment platforms that are economical and user friendly.

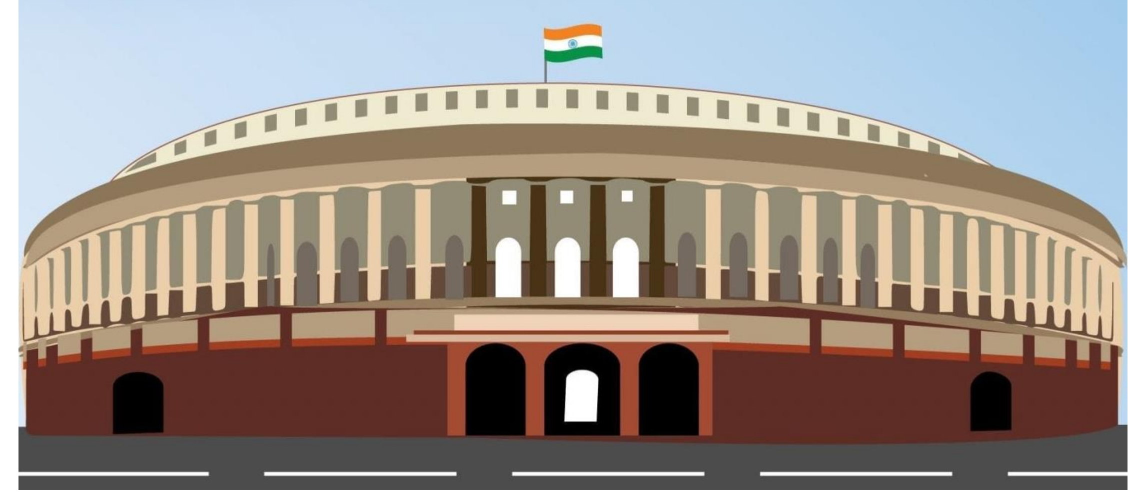
Productivity Enhancement & Investment:Ease of doing business 2.0

Trust based governance

- In recent years, over 25,000 compliances were reduced, and 1486 Union laws were repealed. This is the result of our government's strong commitment for 'minimum government & maximum governance.
- Trust based governance, a new phase will be guided by an active involvement of the states, digitisation of manual processes and interventions, integration of the central and state-level systems through IT bridges, a single point access for all citizen-centric services, and a standardization and removal of overlapping compliances. Crowdsourcing of suggestions and ground level 12 assessment of the impact with active involvement of citizens and businesses will be encouraged.

Land Records Management

- States will be encouraged to adopt Unique Land Parcel Identification Number to facilitate IT-based management of records. The facility for transliteration of land records across any of the Schedule VIII languages will also be rolled out.
- The adoption or linkage with National Generic Document Registration System (NGDRS) with the 'One-Nation One-Registration Software' will be promoted as an option for uniform process for registration and 'anywhere registration' of deeds & documents.



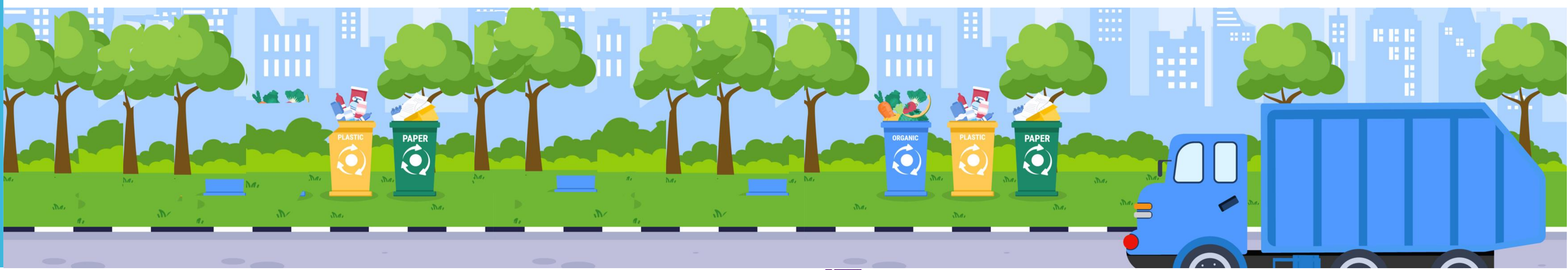
Productivity Enhancement & Investment:Ease of doing business 2.0

Clean & Sustainable Mobility

Public transport in urban areas will be complemented by clean tech and governance solutions, special mobility zones with zero fossil-fuel policy, and EV vehicles.

Green Clearances

The scope of Parivesh portal launched in 2018 for all green clearances will now be expanded, to provide information to the applicants. Based on location of units, information about specific approvals will be provided enabling application for all four approvals through a single form and tracking of the process through Centralized Processing Centre-Green (CPC-Green).



Productivity Enhancement & Investment:Ease of doing business 2.0

Insolvency and Bankruptcy Code

Necessary amendments in the Code will be carried out to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.

Accelerated Corporate Exit

Now the Centre for Processing Accelerated Corporate Exit (C-PACE) with process re-engineering, will be established to facilitate and speed up the voluntary winding-up of these companies from the currently required 2 years to less than 6 months.

AVGC Promotion Task Force

An animation, visual effects, gaming, and comic (AVGC) promotion task force with all stakeholders will be set-up to recommend ways to realize this and build domestic capacity for serving our markets and the global demand.

Government Procurement

- To enhance transparency and to reduce delays in payments, a completely paperless, end-to-end online e-Bill System will be launched for use by all central ministries for their procurements which will enable the suppliers and contractors to submit online their digitally signed bills and claims and track their status from anywhere.
- To reduce indirect cost for suppliers and work-contractors, the use of surety bonds as a substitute for bank guarantee will be made acceptable in government procurements

Productivity Enhancement & Investment: Ease of doing business 2.0

Telecom Sector

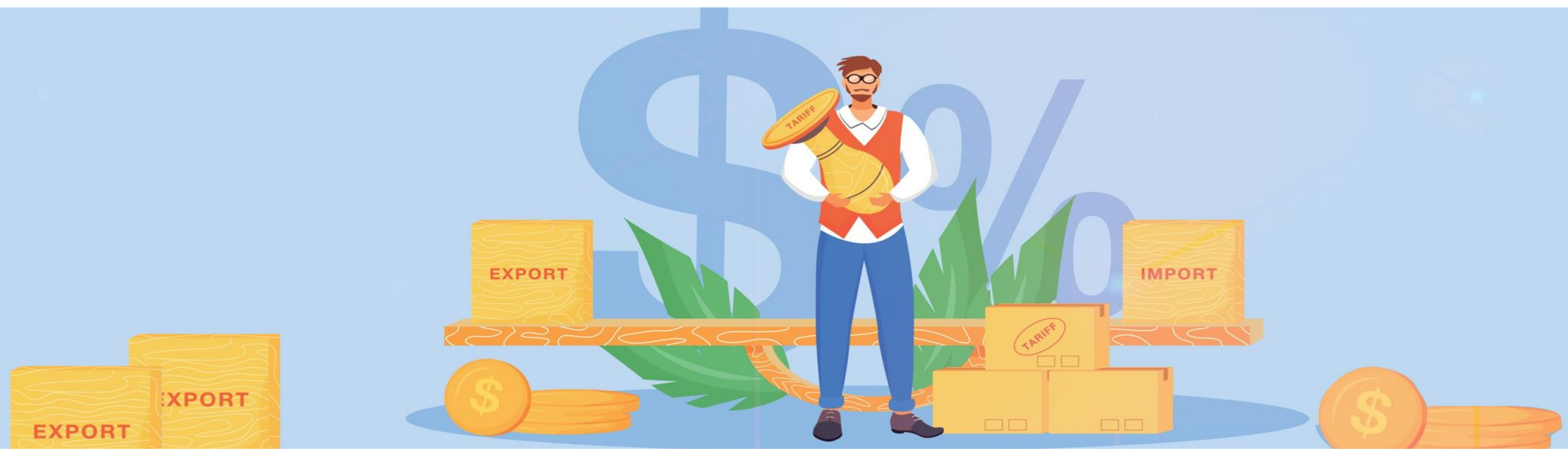
Measures will be taken to enhance financial viability of projects including PPP, with technical and knowledge assistance from multi-lateral agencies. Enhancing financial viability shall also be obtained by adopting global best practices, innovative ways of financing, and balanced risk allocation.

Atma Nirbharta in Defence

Defence R&D will be opened up for industry, startups and academia with 25 per cent of defence R&D budget earmarked. Private industry will be encouraged to take up design and development of military platforms and equipment in collaboration with DRDO and other organizations through SPV model.

Export Promotion

- The Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in ‘Development of Enterprise and Service Hubs partners in ‘Development of Enterprise and Service Hubs’.
- This will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.



Productivity Enhancement & Investment: Ease of Living

Urban Planning Support to States

Modernization of building byelaws, Town Planning Schemes (TPS), and Transit Oriented Development (TOD) will be implemented. This will facilitate reforms for people to live and work closer to mass transit systems which will be leveraged by Central Government.

E-Passport

The issuance of e-Passports using embedded chip and futuristic technology will be rolled out in 2022-23 to enhance convenience for the citizens in their overseas travel.

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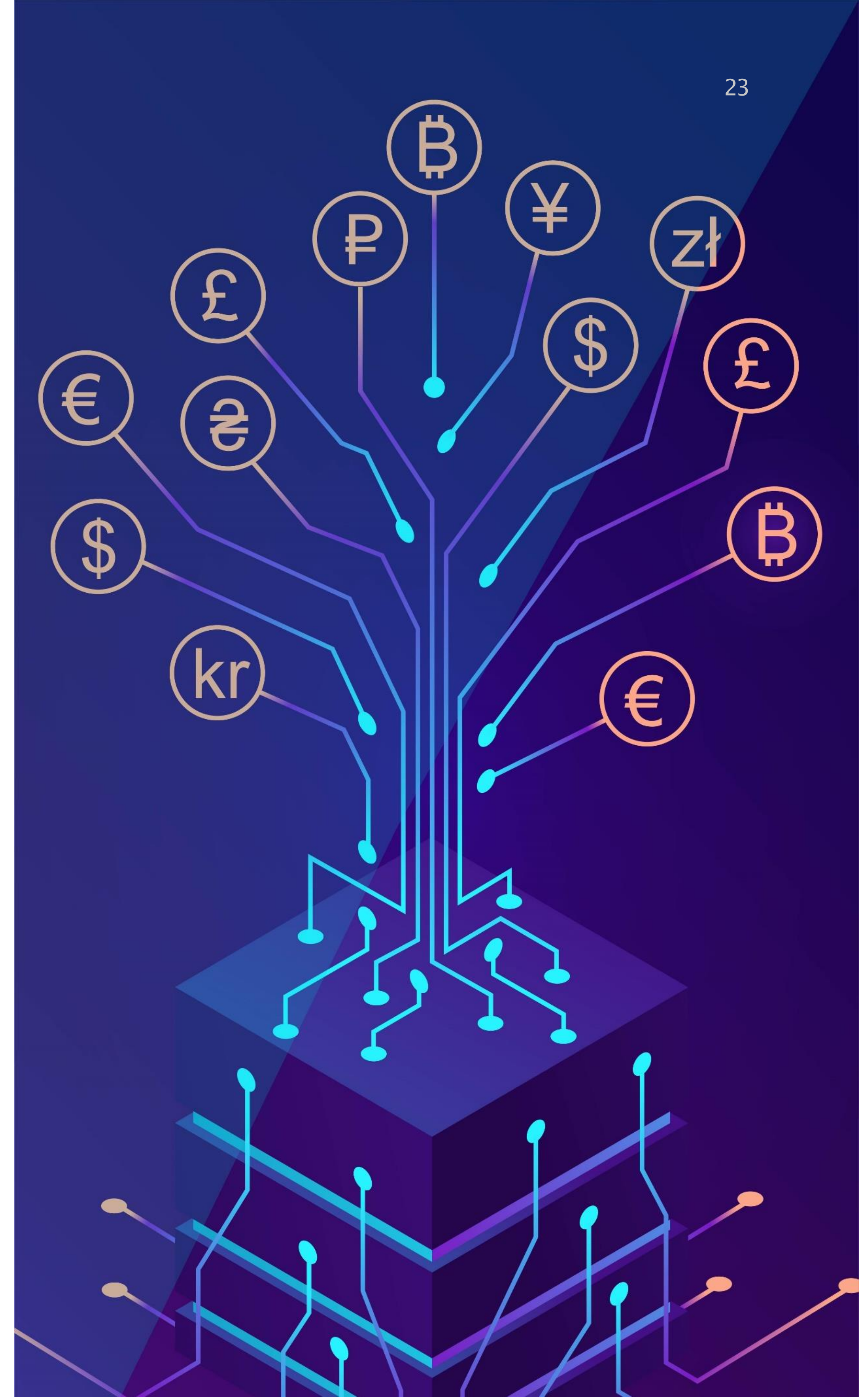
Urban Development

A high-level committee of reputed urban planners, urban economists and institutions will be formed to make recommendations on urban sector policies, capacity building, planning, implementation and governance which will help in realizing the country’s economic potential, including livelihood opportunities for the demographic dividend for all, including women & youth.

Battery Swapping Policy

The private sector will be encouraged to develop sustainable and innovative business models for ‘Battery or Energy as a Service’ which will improve efficiency in the EV ecosystem.



Health and Wellbeing

Micro, Small, and Medium Enterprises

- Interlinking various portals such as Udyam, e-Shram, NCS and ASEEM.
- Extending Emergency Credit Line Guarantee Scheme (ECLGS) with focus on hospitality and related enterprise.
- Revamping Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE).
- Raising and Accelerating MSME Performance (RAMP) programme will be rolled out.

Skill Development

- National Skill Qualification Framework (NSQF) will be aligned with dynamic industry needs.
- Digital Ecosystem for Skilling and Livelihood – the DESH-Stack eportal – will be launched. This aims to empower citizens to skill, reskill or upskill through on-line training.
- Startups will be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service.

Power Infrastructure

Sunrise Opportunities

- Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems have immense potential to assist sustainable development at scale and modernize the country. They provide employment opportunities for youth and make Indian industry more efficient and competitive.

- Supportive policies, light-touch regulations, facilitative actions to build domestic capacities, and promotion of research & development will guide the government's approach. For R&D in these sunrise opportunities in addition to efforts of collaboration among academia, industry and public institutions, government contribution will be provided.

Energy Transition and Climate Action

The low carbon development strategy as enunciated in the 'panchamrit' that he announced is an important reflection of our government's strong commitment towards sustainable development

Solar Power

To facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030, an additional allocation of INR 195,000 million (USD 2,600 million) for Production Linked Incentive for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, will be made.

Power Infrastructure

Transition to Carbon Neutral Economy

Energy efficiency and savings measures will be promoted which will be done in large commercial buildings through the Energy Service Company (ESCO) business model. It will facilitate capacity building and awareness for energy audits, performance contracts, and common measurement & verification protocol.

Four pilot projects for coal gasification and conversion of coal into chemicals required for the industry will be set-up to evolve technical and financial viability.

The policies and required legislative changes to promote agro forestry and private forestry will be brought in.

Circular Economy

The Circular Economy transition is expected to help in productivity enhancement as well as creating large opportunities for new businesses and jobs. The action plans for ten sectors such as electronic waste, end-of-life vehicles, used oil waste, and toxic & hazardous industrial waste are ready.

Financing of Investments

Infrastructure Status

Data Centres and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems will be included in the harmonized list of infrastructure. This will facilitate credit availability for digital infrastructure and clean energy storage.

Venture Capital and Private Equity Investment

Venture Capital and Private Equity invested more than 5.5 lakh crore last year facilitating one of the largest start-up and growth ecosystem requires a holistic examination of regulatory and other frictions.

Digital Rupee

Digital currency will also lead to a more efficient and cheaper currency management system. It is, therefore, proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23

Blended Finance

For encouraging important sunrise sectors such as Climate Action, Deep-Tech, Digital Economy, Pharma and Agri-Tech, the government will promote thematic funds for blended finance with the government share being limited to 20 per cent and the funds being managed by private fund managers

Financial Viability of Infrastructure Projects

Measures will be taken to enhance financial viability of projects including PPP, with technical and knowledge assistance from multi-lateral Agencies which shall be obtained by adopting global best practices, innovative ways of financing, and balanced risk allocation.

Financing of Investments

Public Capital Investment

Private investments seem to require that support to rise to their potential and to the needs of the economy. Public investment must continue to take the lead and pump-prime the private investment and demand in 2022-23.

Considering the above imperative, the outlay for capital expenditure in the Union Budget is once again being stepped up sharply by 35.4 per cent from INR 5,540 Billion (USD 73.68 billion) in the current year to INR 7500 billion (USD 100 billion) in 2022-23. This has increased to more than 2.2 times the expenditure of 2019-20. This outlay in 2022-23 will be 2.9 per cent of GDP.

Effective Capital Expenditure

Effective Capital Expenditure of the Central Government is estimated at INR 106,800 billion (USD 1424 billion) in 2022-23, which will be about 4.1 per cent of GDP.

GIFT-IFSC

World-class foreign universities and institutions will be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by IFSCA to facilitate availability of high-end human resources for financial services and technology.

An International Arbitration Centre will be set up in the GIFT City for timely settlement of disputes under international jurisprudence

Green Bonds

Sovereign Green Bonds will be issued for mobilizing resources for green infrastructure. The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy

Physical and Financial Capital and Infrastructure

PM GatiShakti

PM GatiShakti is the Finance Minister said that it is a transformative approach for economic growth and sustainable development. The approach is driven by seven engines, namely, Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.

PM GatiShakti National Master Plan

PM GatiShakti Master Plan for Expressways will be formulated in 2022-23 to facilitate faster movement of people and goods. The National Highways network will be expanded by 25,000 km in 2022-23. INR 200 billion (USD 2.67 billion) will be mobilized through innovative ways of financing to complement the public resources.

Multi-model Logistics Parks

Contracts for implementation of Multi-model logistics parks at four locations through PPP model will be awarded in 2022-23

Physical and Financial Capital and Infrastructure

Power Infrastructure:

- Addition of 139 Giga Watts of installed capacity, connecting an additional 28 million households and added 0.14 million circuit km of transmission lines.
- To facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030,
- An additional allocation of INR 195 billion (USD 2.6 billion) for Production Linked Incentive for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, will be made.
- Proposal to Ken Betwa river link project, which shall generate 103 MW of Hydro, and 27 MW of solar power.
- Allocations of INR 43,000 million (USD 573.33 million)in RE 2021-22 and INR 14,000 million (USD 186.67 million) in 2022-23 have been made for this project.

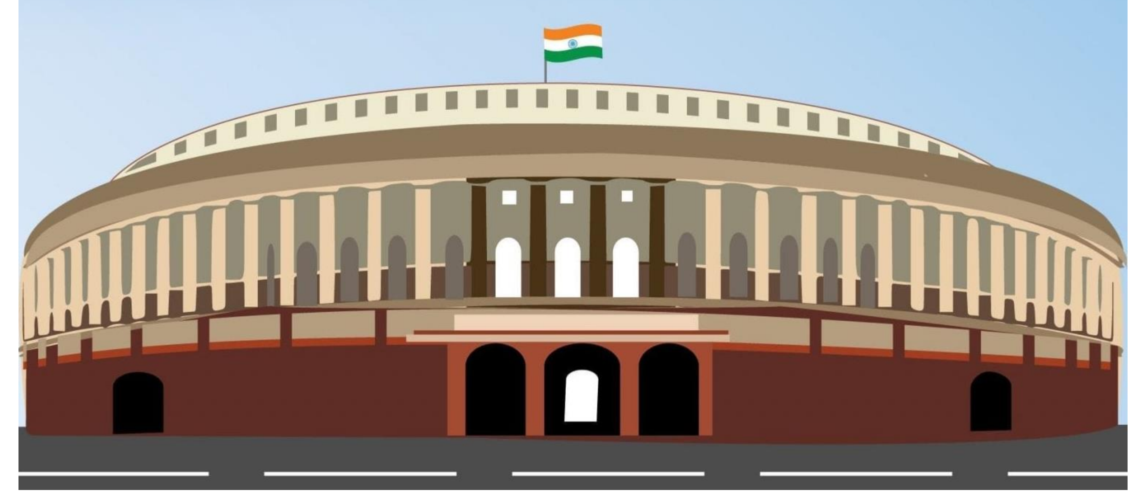
Physical and Financial Capital and Infrastructure

Disinvestment and Strategic Sale:

- The strategic transfer of ownership of Air India has been completed.
- The strategic partner for NINL (Neelanchal Ispat Nigam Limited) has been selected.
- The public issue of the LIC is expected shortly. Others too are in the process for 2022-23.

Government Financial Reforms:

- The autonomous bodies will be able to directly draw funds from the Government's account at the time of actual expenditure under Treasury Single Account which will save the interest costs.
- The detailed exercise to rationalize and bring down the number of centrally sponsored schemes will be done.
- A separate administrative structure will be setup to streamline the ease of doing business for cooperatives.



Inclusive Development for Aspirational India

Agriculture and Allied Sectors:

- The Government has decided to pay INR 2,370 billion (USD 31.6 billion) towards procurement of wheat and paddy under MSP operations.
- New Ken Betwa river Link project cost INR 446.05 billion (USD 5.95 billion) is announced, benefitting 910-thousand-hectare land and 6.2 million people. Further 5 more of such projects have been finalized.
- 2022-23 has been announced as International Year of Millets.
- To reduce our dependence upon import of oil seeds, a rationalized comprehensive scheme will be implemented to increase the production of oil seeds.
- The fund with blended capital, raised under the co-investment model, will be facilitated through NABARD in order to finance the start-ups for agriculture & rural enterprises.

Reinvigorating Human Capital

School Education

- One class-one TV channel' programme of PM eVIDYA will be expanded from 12 to 200 TV channels. This will enable all states to provide supplementary education in regional languages for classes 1-12.
- To promote crucial critical thinking skills, to give space for creativity, 750 virtual labs in science and mathematics, and 75 skilling e-labs for simulated learning environment, will be set-up in 2022-23.

Digital Learning

- A Digital University will be established to provide access to students across the country for world-class quality universal education with personalized learning experience at their doorsteps.
- The University will be built on a networked hub-spoke model, with the hub building cutting edge ICT expertise. The best public universities and institutions in the country will collaborate as a network of hub-spokes.

Fiscal Position

- The global pandemic resulted in weak revenue inflows which was in combination with the high expenditure incurred for the vulnerable sectors (especially poor section of the society).
- Upon the stabilization of the economy and health sector when lockdown was being slowly lifted, the government spending skyrocketed to revive the demand of the economy. Outcome was that, As against a total expenditure of INR 34,830 billion (USD 464.4 billion) projected in the Budget Estimates 2021-22, the Revised Estimate is INR 37,700 billion (USD 502.67 billion). The Revised Estimate of capital expenditure is INR 6,030 billion (USD 80.4 billion)
- This includes an amount of INR 519.71 billion (USD 6.93 billion) towards settlement of outstanding guaranteed liabilities of Air India and its other sundry commitments
- The fiscal deficit for 2021-22 capped at 6.9% of GDP. The projected figure for current y deficit in last year budget was 6.8%.
- To revive the economic situation

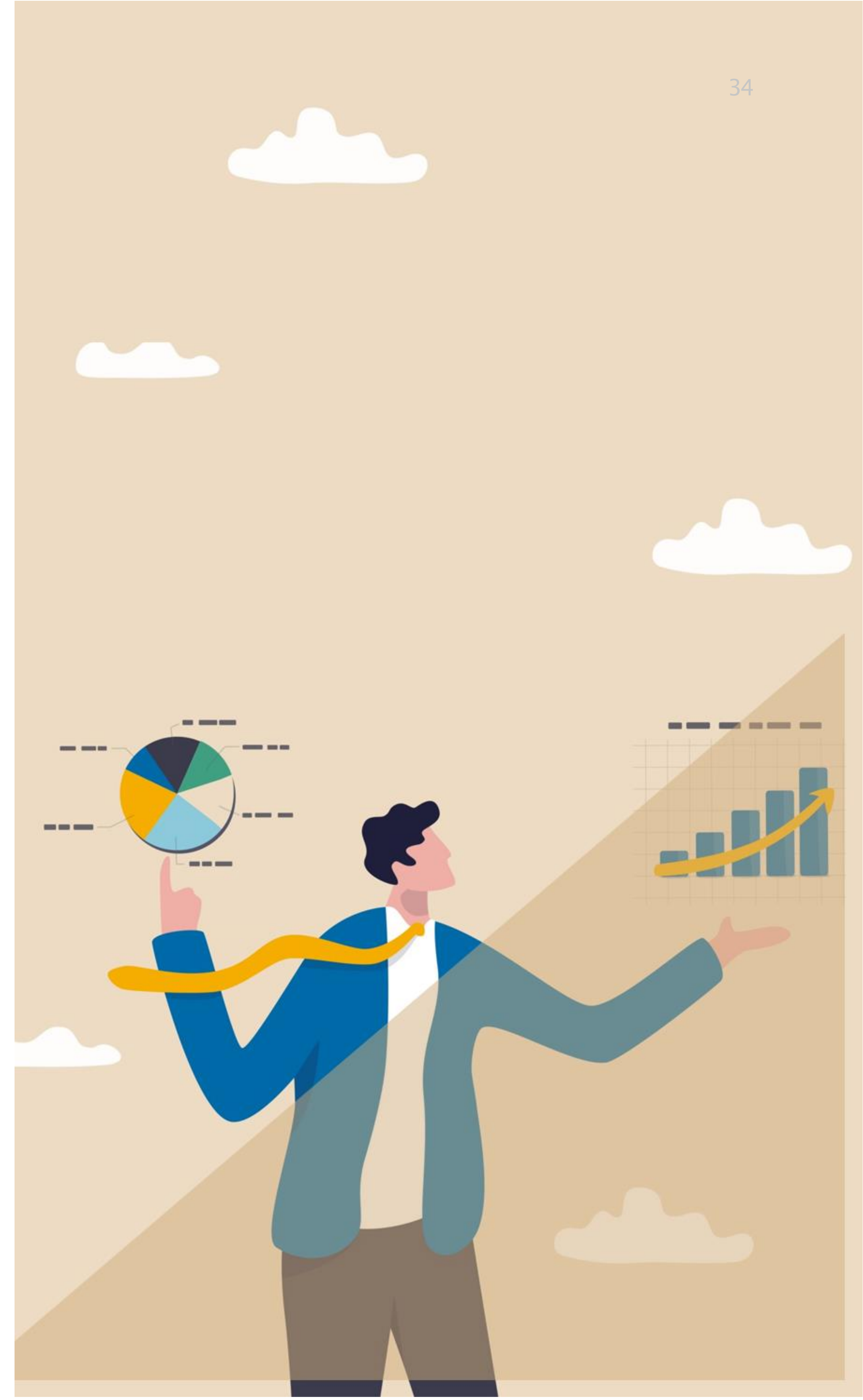
  i. Total expenditure in 2022-23 is estimated at INR 39,450 billion (USD 526 billion) , while the total receipts other than borrowings are estimated at INR 22,840 billion (USD 304.53 billion)

  ii. Fiscal deficit of 6.4% of GDP estimated for 2022-23.

  iii. Gross Borrowing for the year estimated at INR 12,000 billion (USD 160 billion).

  iv. To reach a fiscal deficit below 4.5% of GDP by 2025-26 expenditure by and intend to follow the path of fiscal consolidation.

  v. Normal Ceiling of net borrowing of 5% of GSDP for the year 2022-23.



Tax Proposals

Income Tax

Change in Surcharge Rates under the Income-tax Act

It is proposed to cap the surcharge on Long term Capital Gains on all type of assets to 15% from the existing 25% and 37% in case total income exceeds two crores. This may encourage long-term investing in assets.

It is also proposed to amend the alternate minimum tax rates in case of co-operative societies to 15% from 18.5% to provide a level playing field to the societies as against companies.

Particulars	Existing Provisions	Budget proposals
Surcharge		
Long term capital gains from all assets excluding income u/s 112A	25% having total income exceeding two crore rupees but not exceeding five crore rupees	15%
	37% having total income exceeding five crore rupees	
Cooperative societies having total income exceeding 1 crore but not exceeding INR 10 crore and not opting for Section 115BAD	12%	7%
Domestic Company (Not Opting section 115BAB)	25% whose Total Turnover or Gross Receipts during the PY 2019-20 does not exceed INR 400 crores	25% whose Total Turnover or Gross Receipts during the PY 2020-21 does not exceed INR 400 crore
Association of Person	37%	15%
Alternate Minimum Tax		
Co-operative Societies	18.5%	15%

Income Tax

Corporate Tax Proposal

Amendment pertaining to deductibility of expenditure incurred in relation to exempt income

Section 14A provides that no deduction of expenditure shall be allowed that is incurred in relation income that does not form part of the total income.

It has been proposed to provide Section 14A with the overriding effect over the other contradictory sections of the act by substituting the words “For the purposes of” with “Notwithstanding anything to the contrary contained in this Act, for the purposes of”.

By virtue of the proposed explanation, several judgement have been overruled. The explanation provide that where any expense is done for earning any exempt income, no expenditure shall be allowed if no exempt income accrued during that year.

Clarification regarding treatment of cess and surcharge

Section 40 of the Act specifies the amounts which shall not be deducted in computing the income chargeable under PGBP.

Any sum paid on account of any rate or tax levied on the profits or gains of any business or profession shall not be allowed to be deducted.

It has been clarified that the term ‘tax:’ shall also include and deemed to have always included the cess and surcharge, by whatever name called. Hence, the surcharge and cess shall not be allowed as an expense while calculating business income.

Scientific Business Expenditure

It is proposed to amend Section 35(1A) of the Act to provide that the deduction claimed by the donor with respect to the donation given to any research association, university, college or other specified institution or specified company shall be disallowed unless such research association, university, college or other institution or company files the statement of donations.

This amendment will take effect retrospectively from 1st April, 2021.

Income Tax

Corporate Tax Proposal

Amendment and clarifications on allowability of expenditure under section 37

Section 37 of the Act provides for the allowability of revenue and non-personal expenditure laid out or expended wholly and exclusively for the purposes of business or profession.

By virtue of Explanation 1 to section 37(1), expenditure incurred for any purpose which is an offence or which is prohibited by law shall be disallowed.

A new clarificatory explanation has been inserted to provide that expenditure incurred for any purpose which is an offence or which is prohibited under any law being in force, in India or outside India, shall not be allowed as a business expense. It shall also include expenditure for compounding any offence under any law being in force in India or outside India. Hence, for example, the compounding fee paid to RBI for compounding of any contravention under the Foreign Exchange Management Act, 1999 shall not be allowed as an expense.

Cash credits under section 68 of the Act

Section 68 of the Act provides that where any sum is found to be credited in the books of a taxpayer maintained for any PY, and he offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year.

It is proposed to amend the provisions of section 68 of the Act so as to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of an assessee shall be treated as explained only if the source of funds is also explained in the hands of the lender and AO founds the same to be satisfactory.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

Clarification regarding deduction on payment of interest only on actual payment

Section 43B of the Act provides for certain deductions to be allowed only on actual payment.

Explanation 3C, 3CA and 3D of this section provides that a deduction of any interest payable on loan or borrowing from specified financial institution/NBFC/scheduled bank or a co-operative bank shall be allowed if such interest has been actually paid and any interest which has been converted into a loan or borrowing or advance shall not be deemed to have been actually paid.

It is proposed to amend these explanations to provide that conversion of interest payable into debenture or any other instrument by which liability to pay is deferred to a future date, shall also not be deemed to have been actually paid and deduction shall not be allowed.

This amendment has the effect of the negating the judgements of several courts where a contrary stand has been taken.

Income Tax

Corporate Tax Proposal

Reduction of Goodwill from block of assets to be considered as transfer

From the AY 2021-2022, goodwill of a business or profession is not considered as a depreciable asset and there would not be any depreciation on goodwill of a business or profession in any situation.

In case where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be considered as cost of acquisition for the purpose of computation of capital gains subject to the condition that in case depreciation was obtained by the assessee in relation to such goodwill prior to the AY 2021-22, then the depreciation so obtained by the assessee shall be reduced from the amount of the purchase price of the goodwill.

It has been clarified that for the purposes of section 50 of the Act, reduction of the amount of goodwill of a business or profession, from the block of asset shall be deemed to be transfer w.e.f 01st April 2021 and Capital Gains tax shall be levied on such transfer. However, no such rules have been prescribed till date for taxability of capital gains on transfer of goodwill from block of assets.

Tax on Dividend from Foreign Companies

Dividend declared, distributed or paid by a foreign company and to an Indian company in which the Indian company holds at least 26% of the equity share capital is subject to tax in the hands of said Indian company at the rate of 15% under section 115BBD of the Act.

The benefit available has been withdrawn from 01st April 2023 and the such dividend would be subject to tax at the normal rates in the hands of the company receiving such dividend from the foreign company.

However, the benefit of Double Taxation Avoidance Agreement, can be availed wherever available.

Income Tax

Corporate Tax Proposal

Facilitating strategic disinvestment of public sector companies (Section 79)

Section 79 of the Act provides for carrying forward and set-off of losses in the case of certain companies.

Section 79(1) provides that where a change in shareholding has taken place during the previous year in the case of erstwhile public sector undertaking, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, unless ultimate holding company of such company, immediately after the completion of strategic disinvestment, continues to hold, directly or through its subsidiary or subsidiaries, at least fifty-one percent. of the voting power of such public sector company in aggregate.

This amendment will take effect from 1st day April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

Set off of loss in search cases: Section 79A

It has been proposed to insert a new section 79A in the Income-tax Act w.e.f. 01st April 2022 to provide that where total income of any previous year of an assessee includes any undisclosed income, no set-off, against such undisclosed income, of any loss, whether brought forward or otherwise or unabsorbed depreciation shall be allowed to the assessee under any provision of this Act in computing his total income for such previous year.

For the purpose of the provision of this section, undisclosed income shall mean:

i) that is found in the course of a search under section 132 or a requisition under section 132A or a survey under section 133A, other than under sub-section (2A) of that section, or

(ii) that is represented, either wholly or partly, by any entry in the books of account in respect of an expense or other documents maintained in the normal course relating to the previous year which is found to be false and would not have been found to be so, had the search not been initiated or the survey not been conducted, or the requisition not been made.

Income Tax

Other Corporate Tax Proposal

Provisions pertaining to bonus stripping and dividend stripping to be made applicable to securities and units - Amendment of Section 94

- It is proposed to amend provisions pertaining to bonus and dividend stripping by amending subsection 8 of section 94 that such provisions of bonus stripping would also apply in case of securities as well to units of Infrastructure Investment Trust (InvIT) or Real Estate Investment Trust (REIT) or Alternative Investment Funds (AIFs) to prevent tax evasion.
- Further, is is also proposed to amend the explanation of subsection 7 of section 94 related to dividend stripping to include unites of InvITs, REITs and AIFs.
- This amendment will take effect from 1st April 2023 and hence, will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

To amend the title of the section 179 to “Liability of directors of private company- Amendment of Section 179 of the Act

- It has been clarified that the liability of directors of a private company under this section is not conditional upon the company being in liquidation and the section makes no reference to the liquidation.
- Thus, as per Section 179, Income tax authorities can recover the tax due from its directors, where such tax dues cannot be recovered from the company itself.
- Hence, it is proposed to amend the title of the section to “Liability of directors of private company rather than liability of the director of private company in liquidation. Further as per explanation to the section clarifies that the expression “tax due” in the section includes penalty, interest, fees of any other sum payable under the Act.
- Further, to avoid any unnecessary litigation and to provide further clarity, it is also proposed to insert word “fees” in the scope of expression tax due.
- This amendment will take effect from 1st April 2022.

Income Tax

Personal Tax Proposal

Correction of Anomaly in Section 80CCD with respect to National Pension System (NPS) contributions for state government employees

- Section 80CCD(2) provides deduction of upto 14% for the contribution made by Central Government for its employees. However, this limit is 10% for State Government employees. Hence to correct this anomaly , Section 80CCD(2) is sought to be amended in order to ensure that State government employees as well , get the full benefit of contribution upto 14%.
- This amendment will take effect retrospectively from 1st April 2020 and will accordingly apply for subsequent assessment years to ensure that no additional tax liability arises on any contribution made in excess of 10% during such time.

Condition of releasing of annuity to a disabled person- Amendment of Section 80DD

- A differently-abled person's parent or guardian can enroll in an insurance plan for him or her. As per the existing provisions of section 80DD, the deduction is allowed to the parent or guardian of such persons only if the lump-sum payment or annuity is accessible to the differently-abled person upon the death of the subscriber, i.e. parent or guardian.
- In a situation where policy terms provide that on subscriber attaining the age of 60, the plan will mature, is not covered under this deduction. Hence, to remove the hardship, such a term is also sought to be included in the eligibility for availing the deduction. It is also provided that the amount received by the dependent on such maturity shall also not be taxed in his/her income.
- This amendment will take effect from 1st April 2023 and hence, will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

Income Tax

Covid Related Relief

Amount received for medical treatment and on account of death due to COVID-19

Section 56(2)(x) provides that certain receipts shall be taxed in hands of any person when received from any other person or persons.

It has been proposed to exclude any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of his family member, in respect of any illness related to COVID-19 subject to conditions notified by Central Government.

Any sum of money received by a family member of a deceased person, from the employer of the deceased (without limit), or from any other person or persons not exceeding INR 10,00,000, in aggregate, where the cause of death of such person is illness relating to COVID-19 and the payment is, received within twelve months from the date of death of such person, shall also be exempt in the hands of taxpayer.

Exclusion of reimbursement of expenditure incurred by employee from the perquisites

Perquisites u/s 17(2) includes fringe benefits. By virtue of insertion of new clause, it has been proposed that fringe benefits shall not include any amount paid by the employer in respect of expenditure incurred by the employee where the expenditure is in respect of any illness relating to COVID-19.

However, such expenditure shall be subject to conditions prescribed by the Central Government.

This amendment will take effect retrospectively from 1st April, 2020.

Incentives under concessional tax regime

Section 115BAB provides for concessional tax regime of 15% for new manufacturing domestic companies, last date for commencement of manufacturing or production has been proposed to be extended by one year i.e. from 31st March, 2023 to 31st March, 2024. This has been done as many manufacturing plans of several companies may have been delayed due to COVID-19.

Benefit to Start-ups

Section 80-IAC provides for 100% deduction from income earned by eligible start-ups in any 3 years out of first 10 years of the incorporation. The amendment has been proposed to include those startups which are incorporated upto 31st March 2023 as against 31st March 2022 earlier.

Income Tax

Provisions for filing updated Tax Return

A new sub-section (8A) in section 139 is proposed to be introduced to provide for furnishing of updated return under the new provisions

Currently, a person has time till the 31st March of the Assessment Year to file the belated return. However, a taxpayer may have missed certain incomes for which tax was required to be paid, but presently cannot disclose after this date. The new provision provides a one-time opportunity for taxpayers to rectify any discrepancies or omissions in their ITRs by filing an updated Income Tax Return (ITR) within two years of the relevant assessment year.

A new sub-section (8A) in section 139 is proposed to be introduced to provide for the furnishing of updated returns under the new provisions:

- Any person, whether or not he has furnished a return earlier, for an assessment year, may furnish an updated return within twenty-four months from the end of the assessment year.
- The provisions of this subsection shall not apply, if the updated return, is a return of a loss or has the effect of decreasing the total tax liability or results in a refund or increases the refund.

Persons not to be eligible to furnish an updated return

A person shall not be eligible to furnish an updated return under the proposed sub-section if:

i. search has been initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A, or

ii. a survey has been conducted under section 133A, or

iii. a notice has been issued to the effect that any money, bullion, jewelry or valuable article or thing, seized or requisitioned under section 132 or section 132A in the case of any other person belongs to such person, or

iv. a notice has been issued to the effect that any books of account or documents, seized or requisitioned under section 132 or section 132A in the case of any other person, pertain or pertains to, or any other information contained therein, related to, such person. or

v. the Assessing Officer has information in respect of such person for the relevant assessment year in his possession under the Prevention of Money Laundering Act or the Black Money Act and Imposition of Tax Act or the Prohibition of Benami Property Transactions Act or The Smugglers and Foreign Exchange Manipulators Act and the same has been communicated to him, or

vi. information for the relevant assessment has been received under an agreement referred to in sections 90 or 90A of the Act in respect of such person and the same has been communicated to him, or

vii. any prosecution proceedings under Chapter XXII have been initiated for the relevant assessment year in respect of such person.

Income Tax

Provisions for filing updated Tax return

Additional tax on "updated return"

A new section 140B has been proposed to provide for the tax required to be paid for opting to file a return under the proposed provisions:

Where no return furnished earlier	The assessee is liable for paying tax, interest, and fees due under other provisions of the Act, as well as an additional income tax under section 140B(3).
Where return of income under section 139(1) or section 139(4) or section 139(5) was furnished by the assessee.	The assessee is liable to pay the tax plus interest under any provision of the Act, which is reduced by interest paid under the Act in a previous return. It may be noted, the fee is not payable. Where the return is furnished earlier under section 139(1) no fee is attracted. In the case of return furnished under section 139(4) fee would have been paid already and hence not to be considered again.

Quantum of additional tax

Section 140B(3) deals with the quantum of additional tax payable by filing "updated return"

Where the "updated return" is furnished within 12 months from the end of the relevant assessment year	25% of the aggregate of tax and interest payable shall be the sum payable for availing the benefit of "updated return"
Where the "updated return" is furnished after 12 months from the end of the relevant assessment year but before completion of the period of 24 months from the end of the relevant assessment year	50% of the aggregate of tax and interest payable shall be the sum payable for availing the benefit of "updated return".

Income Tax

Provisions relating to IFSC (GIFT City)

Income of Non-Resident Investor

Proposal has been made to exempt certain incomes under Section 10 for Non-Residents. These include income:

- on transfer of offshore derivative instruments or over-the-counter derivatives entered into with an offshore banking unit of an International Financial Services Centre (“IFSC”).
- from royalty or interest, on account of lease of a ship, as defined in the explanation to the section, in a previous year, paid by a unit of an IFSC
- from portfolio of financial products, managed by a portfolio manager on behalf of such non-resident, in an account maintained with an Offshore Banking Unit in any International Financial Services Centre

Income of Unit of an IFSC

Also, Section 80LA has included under its purview any income arising from the transfer of an asset, being a ship that was leased by a unit to a person provided that the unit has commenced operation on or before the 31st March 2024.

Further, the Ship shall mean a ship or an ocean vessel, engine of a ship or ocean vessel, or any part thereof.

Subscription of shares at a value more than the Fair Value

Section 56(2)(viib) provides that where a private company receives, in any previous year, from any resident person any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable under the head of Income-from other sources.

However, such a clause shall not apply where the consideration for issue of shares is received by a venture capital undertaking from, inter-alia, specified fund.

It has been proposed to amend that “specified fund” included Category I or Category II AIF which is regulated under IFSCA, 2019.

Cryptocurrency Taxation

Virtual Digital Assets (VDA) Defined (Section 2(47A)

A new section 2(47A) is proposed to be inserted by Finance Bill'2022, which defines virtual digital assets to mean any information or code or number or token (not being Indian currency or any foreign currency) generated through cryptography which provides a digital representation of value exchanged with or without consideration. **Non-fungible tokens (NFTs) are included as well, in addition to cryptocurrencies.**

Applicability

These regulations are expected to go into effect on April 1, 2022.

Tax rate (Section 115 BBH)

Section 115BBH is proposed to introduced which would levy a 30% tax on any gains derived from the transfer of any virtual digital asset, plus any appropriate surcharge and cess.

No deductions and set-off available of VDA losses with any other income

Any expenditure (other than the cost of purchase) or set-off of any loss while computing income in the event of a transfer of such asset would be disallowed. Carry forward of such losses is not allowed as well.

Cryptocurrency Taxation

Withholding tax provisions (TDS) (Section 194S):

TDS provisions have been implemented with section 194S to track the transaction trail and broaden the tax base by levying a 1% tax on payments for the transfer of virtual digital assets to a resident. Compliance burden is likely to be increased due to the same.

TDS provisions are not applicable if the consideration payable is less than INR 50,000 by individuals or HUFs who do not have any business income or whose total sales, turnover, or gross receipts do not exceed INR 1 crore in the case of business and INR 50 lakh in the case of the profession during the financial year preceding the year in which such asset is transferred. In the case of any person other than the above, the said limit is proposed to be INR 10,000 during the financial year.

<u>These TDS provisions are likely to take effect from 1st July 2022.</u>

Tax on gifting VDAs/cryptocurrencies/non-fungible tokens

The gifting of cryptocurrencies shall also be taxable in the hands of the recipient. In Section 56(2)(x), the expression “property” shall include virtual digital asset. This shall prevent tax leakages through gifting transactions.

Unaddressed areas:

There are several areas that still need clarity are the manner of determination of situs in case of non-resident sellers, equalisation levy implications on exchanges, how the above TDS needs to be paid, intra-head set off of crypto losses , the taxation of income for prior years , etc. In addition to the same, there are likely to be open issues around the definition of a virtual digital asset in terms of interpretation as well.

Income Tax

Charitable Trusts

Cancellation of registration of trust/institution

For trust or institution claiming exemption under Section 11, 12, 10(23C)(iv)(v)(vi)(via).

Provisional Certificates were granted to such trusts in an automated manner. Registrations were granted to non-genuine trusts and charitable institutions. It has been proposed to amend existing provisions which deals with the cancellation of registration granted to such trust, an institution, medical institution, hospital by the principal commissioner or commissioner, where he has noticed occurrence of one or more specified violations during any previous year.

He shall call for documents and pass an order for cancelling of registration of trust if he is satisfied that one or more specified violations have taken place.

Specified Violation has been defined under the Bill where income has been applied for objects other than the objects of the trust or separate books of accounts are not maintained in respect of the business of the trust incidental to the objects or applied income for benefit of private religious purpose or activities are not genuine

Further, it is provided that such order for cancellation or refusal of cancellation of registration of trust is to be issued under the period of 6 months from the end of quarter in which first notice is issued by the principal commissioner on or after 1st April 2022.

Proposal has been made in section 143 of the Act providing that where the Assessing Officer is satisfied that any trust or institution under both regimes: 12AA/12AB or sec 10(23C) has committed any specified violation, reference to the same can be made to Principal Commissioner or Commissioner to withdraw the approval or registration

Further, no order making assessment of the total income or loss shall be made without giving effect to the above order.

Books of Accounts to be maintained by trust with certain threshold

In order to claim exemption u/s 11, u/s 12, u/s 10(23C)(iv),(v),(vi), charitable trusts are required to fulfill conditions prescribed under relevant provisions. Earlier, where charitable trusts whose income exceeds maximum amount not chargeable to tax, were required to get their accounts audited.

Further, it has been proposed that such trusts are also required to maintain proper books of accounts by virtue of proposed amendment to avail the exemption.

Income Tax

Charitable Trusts

Rationalization of provisions of institutions claiming exemption u/s 11, 12 and u/s 10(23C)

1. Section 13 requires that trusts or institutions claiming exemption under section 11 shall not pass any unreasonable benefits to related parties. However, no such condition is prescribed for institutions claiming exemption under Section 10(23C).

It has been proposed to amend the provisions of institutions claiming exemption under section 10(23C) to bring parity, part of income that has been applied for the benefit of specified persons shall be liable to be included in total income.

2. It has been proposed in order to discourage such misuse of the funds of the trust or institution by specified person, which provides for penalty on trusts or institution under both the regimes.

Such penalty amounts to:

•where the violation is noticed for the first time during any previous year: a sum equal to the aggregate amount of income applied for benefit of specified person

•where violation is noticed again in any subsequent previous year: a sum equal to two hundred percent of the aggregate amount of income of such person applied for the benefit of specified person.

Application of Income to be allowed on payment basis

It is proposed that the application of income shall be considered in respect of the sum payable in the year in which the sum is actually paid irrespective of the liability incurred.

Computation of Income of trusts in certain situations

It is proposed that trusts having commercial receipts over 20% of the annual receipts in violation of the provisions of the proviso to Section 2(15) . The income shall be computed after allowing a expenditure incurred in India for the objects of the trust or institution.

Filing of return of Income within time allowed:

Further, to bring parity between both the regimes, it has been proposed that exemption shall be available to trust or institution claiming exemption under Section 10(23C) by filing return within the time allowed to file return of income.

Income Tax

Charitable Trusts

Accumulation Provisions of Charitable Trusts, institutions

Under the existing provisions of the Act, a trust or institution is required to apply 85% of its income during any previous year. However, if it is not able to apply 85% of its income during the previous year, it is allowed to accumulate such income for a period not exceeding 5 years as per the following provisions, namely:
(I) sub-section (2) of section 11 of the Act for the trusts or institution under the second regime; and
(II) third proviso to clause (23C) of section 10 of the Act for trusts or institution under the first regime.

Further, it has been proposed that the exemption to trust and religious institutions u/s 11 and 12 shall be taxable in the fifth year itself instead of the sixth year due to the non-application of income accumulated for five years.

To bring parity between the institutions claiming exemption under section 11, 12 and Section 10(23C), it is proposed to amend that the period where income could not be applied due to an order or injunction of any court, such period shall be excluded from the five years.

The accumulation of income, as per the provisions of 11(2) of the Act is allowed subject to the fulfillment of certain conditions while there are no such conditions specifically provided under Section 10(23C). Therefore, it has been proposed to insert similar provisions in for institutions claiming exemption under Section10(23C)(iv)(v)(vi)(via).

In continuation to above, if there is violation in specified conditions, then such income shall be deemed to be the income of the previous year in which the violation takes place.

Section 143 has been proposed to be amended. Currently, it provides that no order under this sub section shall be made, denying the benefits of clause (23C) of section 10, unless the Assessing Officer has intimated the Central Government or prescribed authority and approval granted to such trust or institution has been rescinded. There is no such regime under section 12AA/12AB.

Proposal has been made in section 143 of the Act providing that where the Assessing Officer is satisfied that any trust or institution under both regimes: 12AA/12AB or sec 10(23C) has committed any specified violation, reference to the same can be made to Principal Commissioner or Commissioner to withdraw the approval or registration

Further, no order making assessment of the total income or loss shall be made without giving effect to the above order.

Also, under section 13 of the Act, trusts or institution under the second regime are required not to pass on any unreasonable benefit to the trustee or any other specified person.

Income Tax

Charitable Trusts

Tax on Accredited Income of Specified Persons

Section 115TD of the Act provides for taxation of accreted income of the trust wherein a levy is imposed in the nature of exit tax when an institution registered under Section 12AA or Section 12BB carrying on charitable activity voluntarily wind up its activities or dissolve or merges with any other charitable or non-charitable institution or converts it into a non-charitable organization.

It has been proposed that the provisions of accredited income shall be applicable to institutions that have obtained approval under sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 w.e.f 01st April 2023.

Parallel amendments have been proposed to sections 115TE and 115TF of the Act.

115TE provides for payment of interest at 1% for every month or part of the month in case of non-payment of exit tax as provided above by the trust or institutions and will now include specified persons as well.

115TF proposes to deem such specified person, trust, and institutions to be an assessee in default upon non-payment of accredited tax.

Donation for renovation and repair of temples, mosques, gurudwaras, churches

Section 11 of the Act contains provisions in respect of income from property held for charitable or religious purpose. The following explanations are proposed to be inserted to sub-section (1): -

Any sum received by a trust having any temple, mosque, gurdwara, church or other place notified under Section 80G(2)(b) by way of voluntary contributions for the purpose of renovation, repair of such religious place may at its option treat such receipts as forming part of the corpus of the trust subject to the conditions.

Further, where any of the conditions mentioned above are not fulfilled, then in such case it will be treated as the income of such trust or institution during such year.

Income Tax

Charitable Trusts

Tax on Specified income from certain institutions

New section 115BBI has been inserted w.e.f. 1st April 2023 wherein any income by way of any " Specified Income" (as defined below) of:

a. any fund or institution or trust or university or educational institution or any hospital or other medical institution referred to in section 10(23C) or
b. any trust or institution referred to in section 11

will be chargeable to tax at the rate of 30%

While computing such income expenses will not be allowed as deduction nor set off any loss with any other income shall be allowed to the assessee.

"Specified Income" includes:

1. income accumulated or set apart in excess of 15% where such accumulation is not allowed
2. deemed income referred to section 10(23C) or section 11(3)(1B)
3. any income, which is not exempt under clause (23C) of section 10 on account of violation under 10(23C) or section 13
4. any income which is deemed to be income under the twenty-first proviso to clause (23C) of section 10 or which is not excluded from the total income under clause (c) of sub-section (1) of section 13
5. any income which is not excluded from the total income under clause (c) of sub-section (1) of section 11

Income Tax

Provisions related to tax deduction

TDS on transfer of immovable property

Section 194IA provides that any transferee of the immovable property has to deduct tax on making the payment to the transferor at the rate of 1 % of such sum provided the *sale consideration* for the transfer of immovable property is INR 50 lakhs or more.

It has been proposed in case of transfer of immovable property (other than the agricultural land), tax has to be deducted at the rate of 1% of such sum paid to the resident or stamp duty value of such immovable property, whichever is higher.

In case both the consideration paid and stamp duty value are less than INR 50 lakhs, then no tax is required to deducted.

This amendment will take effect from 1st April 2022.

Withholding of tax on Rent

Section 194IB provides that any person being an individual/HUF responsible for paying rent to resident exceeding INR 50,000 per month is liable to deduct tax @ 5% of such payment. It is provided that where the payment is made to such person who has not filed their income tax return then, the payer has to deduct tax at a higher rate prescribed u/s 206AB.

It has now proposed that the provision of higher deduction of tax under section 206AB shall not be applied anymore while deducting the tax under this section.

Additional provisions for Non-Filers of Tax Return

The tax deduction (u/s 206AB) or collected (u/s 206CCA) wherever is required from any person, shall be done at double the applicable rate or 5 %, whichever is higher, if such a person has not filed the return for the last two years for which the timeline of filing the original return has expired.

This will serve as an additional deterrence for non-filers in the form of increased deduction/collection.

In order to ensure that all the persons in whose case significant amount of tax has been deducted do furnish their return of income, it is proposed to reduce two year requirement to one year by amending section 206AB and 206CCA, accordingly.

These amendments will take effect from 1st April 2022.

Income Tax

Provisions related to tax deduction

TDS on benefit or perquisite of a business or profession:

The Finance Bill 2022 proposed a new section 194R on the requirement of TDS on providing benefit or perquisite of a business or profession to the resident taxpayers as follows:

Where any person responsible for providing to a resident any benefit or perquisite whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall, before providing such benefit or perquisite, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of 10% of the value of such benefit or perquisite.

Here, the expression 'person responsible for providing' has been proposed to mean a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.

Where the benefit/perquisite is in kind or partly cash & partly in kind then the payer shall ensure that before releasing such benefit that the tax is paid on that transaction.

The requirement of TDS would not arise if the value of such benefit or perquisite shall not exceeds INR 20,000 during the current FY.

Provisions of this section shall not apply to an individual or a Hindu undivided family, whose total sales, gross receipts, or turnover does not exceed INR 1 crore in case of business or INR 50 lakh in case of the profession during the preceding financial year.

The provision is applicable from 1st July, 2022.

Consequence for failure to deduct/collect or payment of tax

Section 201 provides that where any person fails to deduct or has deducted but fails to pay the taxes to the Government is deemed to be an assessee in default and shall be liable to pay the simple interest 1% per month or part of the month in case of tax has not been deducted, and 1.5% per month or part of the month where tax has been deducted but not deposited to the Government.

It is proposed that where an order is made by the Assessing Officer for the default under sub-section (1) of section 201, the interest shall be paid by the person in accordance with order of assessing officer.

It is further proposed that where an order is made by the Assessing Officer for the default under sub-section (6A) of section 206C, the interest shall be paid by the person in accordance with order of assessing officer.

Income Tax

Taxation : Miscellaneous provisions

Amendment to section 119 providing instructions to subordinate authorities

Section 119 of the Act empowers the Central Board of Direct Taxes ("CBDT") to issue general or special orders, instructions and directions to other income-tax authorities for the proper administration of the Act to provide relaxation of provisions of certain sections of the Act. Section 234F is not covered in such sections

Section 234F provides for a fees of INR 5,000 in case a person fails to furnish return of income under section 139 within the prescribed time

To provide relief to persons facing genuine hardships, it is proposed to insert section 234F so as to enable CBDT to issue orders or instructions, as it deems fit.

Amendments in definitions and further insertion

Section 2(42C) define slump sale as the transfer of one or more undertaking, by any means, for a lump sum consideration without values being assigned to individual assets and liabilities in such sales.

It is has been proposed to widen the scope of the definition of slump sale by replacing the term 'sales' with 'transfer'.

This amendment will take effect retrospectively from the 1st April, 2021.

Transfer Pricing Changes

Delay in implementation of faceless proceedings for transfer pricing

Central Government extended the period of limitation to make scheme and amendments in relation to faceless transfer pricing assessment proceedings from March 31, 2022 to March 31, 2024

The faceless assessment scheme under transfer pricing is intended to align to proceedings and arm's length analysis in line with global standards.

Revision of transfer pricing order

Section 263 of the Act provides for revision of assessment order prejudicial to the interest of revenue. The Finance Bill has now introduced specific provision under this section and in Section 153 to remove any ambiguity to provide power to the relevant jurisdictional officers of transfer pricing to undertake revision of transfer pricing order as per this section.

Income Tax

Taxation : Miscellaneous provisions

Exemption of Income of an Individual

It is proposed to amend clauses (8), (8A), (8B) and (9) of section 10 of the Act to provide that the provisions of the said clauses shall not apply to remuneration, fee or income of the previous year relevant to the assessment year beginning on or after the 1st day of April, 2023 and hence shall be taxable.

Clause (8) provides for exemption to the income of an individual who is assigned duties in India in connection with any co-operative technical assistance programmes and projects

Clause (8A) provides for exemption on the remuneration or fee received by a consultant, directly or indirectly out of the funds made available to an international organization (agency) under a technical assistance grant agreement between the agency and the Government of a foreign state.

Clause (8B) of the said section provides for exemption to an individual who is an employee of the consultant as referred to in clause (8A) of section 10

Clause (9) of the said section provides for exemption to the income of the family members of any individual or consultant as referred in clause (8), clause (8A) and clause (8B), who accompanies such individual or consultant to India

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Income Tax

Measures to Reduce Litigation

As a measure to avoid filing of repetitive appeals, it is proposed to insert a new section 158AB in the Act, to provide that where the collegium (comprising of 2 or more PCITs, CCITs or CITs) is of the opinion that any question of law arising in the case of an assessee for any AY is identical with a question of law already raised in his case or in the case of any other assessee for any AY, which is pending before the jurisdictional HC u/s 260A or the SC in an appeal U/S 261 or in a SLP under Article 136 of the Constitution, it may, decide and intimate the Commissioner or Principal Commissioner not to file any appeal, until disposal of appeal pending before the jurisdictional HC or SC.

Decision on deferment will be subject to acceptance by the assessee that question of law in its case is identical to the question in another case.

Further, sub-section (1) of section 158AA which contained similar provisions has been made ineffective from 1st April, 2022.

Faceless Schemes under the Act

Extension of Date of Issuing Directions

Provisions for notifying faceless schemes under various sections were introduced in the Act through Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 (“TOLA”).

It is proposed to extend the limitation for issuing directions for the purposes of the following sections:

Section	Scheme	Previous Date of Limitation	Date of Limitation as per Finance Bill, 2022
92CA	Faceless Determination of Arm's Length Price	31st March, 2022	31st March, 2024
144C	Faceless Dispute Resolution Panel	31st March, 2022	
253	Faceless Appeal to Appellate Tribunal	31st March, 2022	
255	Faceless Procedure of Appellate Tribunal	31st March, 2023	

Faceless Assessment under section 144B

It is proposed to substitute section 144B to streamline to process of faceless assessment in order to address in order to address various legal and procedural problems being faced in the implementation.

In the substituted provision, sub-section (9) is proposed to be deleted retrospectively from the date of its inception i.e. 1st April, 2021. Section 144B(9) provides for assessment to be void if not made in accordance with the procedure laid down under u/s 144B.

Income Tax

Proposed changes to Provisions relating to Assessment and Reassessment

Amendment in Section 148

It is proposed to add proviso 2 to sub-section (1) to the effect that requirement for approval to issue notice u/s148 shall not be required to be taken by the AO if he has passed an order under 148A(d) with due approval.

Clause (ii) to Explanation 1 has been proposed to be substituted so as to include any audit objection, or receipt of information under treaty network, etc in what constitutes information under the Explanation 1.

Also, it is proposed to amend Explanation 2 to omit the reference to three AYs preceding the AY relevant to the year of search (w.e.f. 1st April, 2021).

Amendment in Section 148A

It is proposed to omit the requirement of approval of specified authority before providing an opportunity of being heard to the assessee in clause (b).

Clause (d) is proposed to be added to the proviso to provide that section 148A shall not apply to a case where information is received u/s 135A (Faceless Collection of Information).

Insertion of Section 148B

It is proposed to insert a new section 148B to provide that no order of assessment or reassessment or recomputation shall be passed by an AO below the rank of Joint Commissioner, except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, in respect of assessments consequent to search, survey and requisition.

Income Tax

Proposed changes to Provisions relating to Assessment and Reassessment

Amendment in Section 149

It is proposed to amend the clause (b) of sub-section (1) to provide that a notice u/s 148 shall be issued only for the relevant AY after three years but prior to ten years from the end of the relevant AY where the AO has in his possession books of account or other evidence which reveal that the income chargeable to tax, represented, (a) in the form of an asset; or (b) expenditure in respect of a transaction or in relation to an event or occasion; or (c) an entry or entries in the books of account, which has escaped assessment likely to amount to fifty lakh rupees or more.

In the first proviso of sub-section (1), it is proposed to be provided that to provide that no notice under section 148 or section 153A or section 153C shall be issued at any time in a case for the relevant AY on or before 1st April, 2021, if such notice could not have been issued at that time on account of being beyond the time limit specified under the provisions of section 149(1)(b) or section 153A or section 153C, as the case may be, as they stood immediately before the commencement of the Finance Act, 2021.

It is proposed to insert a new sub-section (1A) provide that notwithstanding anything contained in sub-section (1), scope of income escaping assessment also includes – expenditure in respect of a transaction or event or occasion; entries in the books of accounts. Where such expenditure has been made in more than one year, notice shall be issues for each such year.

Amendment to Section 153/153B

A new clause is proposed to be inserted retrospectively w.e.f. 1st April, 2021 to section 153/153B to provide for exclusion of the period of limitation (not exceeding 180 days) commencing from the date on which a search/requisition is initiated u/s 132/132A and ending on the date on which the books of account or other documents, or any money, bullion, jewellery or other valuable article or thing seized, are handed over to the jurisdiction AO, in whose case such search is initiated or such requisition is made or to whom any money, bullion, jewellery or other valuable article or thing seized or requisitioned belongs to or to whom any books of account or documents seized or requisitioned, pertains or pertain to, or any information contained therein, relates to.

Sub-section (4) is proposed to be inserted to section 153B to provide that nothing contained in the said section shall apply to any search initiated under section 132 or requisition made under section 132A on or after 1st April, 2021.

Amendment in Section 132/132A/133A

It is proposed to amend sub-section (8) of section 132 and clause (i) of sub-section (1) and sub-section (4) of section 132B to make these provisions also applicable to assessment or reassessment or recomputation under sub-section (3) of 143 or section 144 or section 147.

It is proposed to amend the Explanation to section 133A of the Act to provided that income tax authority shall be sub-ordinate to Principal Director General or Director General or Principal Chief Commissioner or Chief Commissioner, as the case may be, specified by the Board

Income Tax

Rationalization of Penalty Provisions

Sections 271AAB, 271AAC, 271AAD penalise actions pertaining to undisclosed income, unexplained credits or expenditures, or deliberate falsification or omission in books of accounts. It is proposed to amend these sections by enabling the CIT (Appeals) to have concomitant powers along with AO to levy penalty. Definition of “specified date” in clause (a) Explanation to section 271AAB has been amended to make it also applicable to a notice issued under section 148 in case where search is initiated on or after 1st April, 2021

Penalty for failure to comply with section 272(2) has been increased from Rs. 100 to Rs. 500 per day till the failure continues.

Section 271C (1)(b)(ii) is being amended to remove reference of second proviso to section 194B.

Order Giving Effect for Orders passed by DRC

It is proposed to add sub-section 2A to section 245MA to enable the AO to pass an order giving effect to the resolution of dispute by Dispute Resolution Committee (“DRC”) within a period of one month from the end of the month in which such resolution by DRC is received.

Alignment of Provisions pertaining to Offences and Prosecution

It is proposed to amend Section 276AB so as to provide that no fresh prosecution proceeding shall be initiated under this section on or after 1st April, 2022. Section 276AB prescribes prosecution related to failure of compliance under section 269UC, 269UE and 269UL (these provisions were made inapplicable with effect from 01.07.2002) related to transfer of any immovable property.

It is proposed to include section 276BB under sections 278A and 278AA owing to the similar nature of offences that are punishable under section 276B and section 276BB. Sections 278A and 278AA are related to prosecution against persons for failure to pay tax deducted at source. However, similar provisions for offence with respect to tax collected at source was not there under sections 278A and 278AA till now.

Amendment in Instructions to Subordinate Authorities

It is proposed to widen the scope of section 285B to include persons engaged in specified activities to expand the reporting requirements in Form 52A. “Specified Activities” would mean event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Income Tax

Amendments related to successor entity subsequent to business reorganization

It is proposed to insert a sub-section (2A) to section 170, to provide that the assessment or other proceedings pending or completed on the predecessor in the event of a business reorganization, shall be deemed to have been made on the successor.

A new section 170A is proposed to be inserted to enable for the entities going through business reorganization, for filing of modified returns for the period between the date of effectivity of the order and the date of issuance of final order of the competent authority.

Also, section 156A is proposed to be inserted whereby a sum in respect of which a notice of demand has been issued u/s 156, is reduced as a result of an order of the Adjudicating Authority as defined in clause (1) of section 5 of the Insolvency and Bankruptcy Code, 2016, or by National Company Law Appellate Tribunal or the Supreme Court, the AO shall modify the demand payable in conformity with such order and shall thereafter serve on the assessee a notice of demand specifying the sum payable.

Amendments in relation to section 248 and insertion of section 239A

It is proposed that a new section 239A may be inserted in the Act to provide that such a person, who has made the deduction of tax under such an agreement or arrangement and borne the tax liability, when no tax deduction was required, may file an application for refund of such tax deducted before the AO. Such person can, if he is not satisfied with the order of the AO, go into appeal against such order before the CIT (Appeals), under section 246A. Accordingly, the provisions of section 248 will not apply in cases where the date of tax payment, to the credit of Central Government is on or after 01.04.2022.

Goods & Services Tax

- A new clause to Section 16(2) of CGST Act, 2017 is inserted to provide that Input tax Credit with respect to a supply can be availed only if such credit is not restricted by the GSTR 2A/2B returns. Further, Section 16(4) of CGST Act 2017, is amended to provide that the time limit to claim ITC shall be extended from due date of GSTR 3B of September to 30th November of the following financial year to which invoice pertains.
- Clause (b) of Section 29(2) of CGST Act, 2017 is proposed to be amended to give the effect that, proceedings for cancellation of registration can be initiated by Proper Officer against the return defaulters for not filing the GST return
  - in case of composition tax-payers, if the GST return for a Financial Year is not filed beyond three months from the due date of the said return,
  - and in case of regular tax-payers, a cumulative time limit shall be prescribed.
- The time limit to issue a credit note under section 34(2) of CGST Act, 2017 is proposed to be extended from the due date of GSTR 3B of September to 30th November of the following financial year in which such supply is made.
- The first proviso to section 37(1) of CGST Act 2017 and Section 37(2) of CGST Act, 2017 is proposed to be omitted to amend the conditions and restrictions provided under the section 37 for furnishing details of Outward supplies in form GSTR 1 and to delete the process of accepting/rejecting the details communicated among the supplier and recipient.
- Further, Sub-section 3 of Section 37 of CGST Act 2017 is omitted in such a way that the last date for making rectification or correction in the Form GSTR 1 is extended to 30th day of November of the following financial year and a new sub-section 4 to section 37 of CGST Act 2017 is inserted, which puts restriction on filing of GSTR 1 unless previous month's GSTR 1 is duly filed.
- The provisions of section 38 of CGST Act, 2017 is proposed to be modified to provide that an auto-generated statement in Form GSTR 2A/2B will be made available to the recipient, containing details of inward supplies in respect of which ITC shall be available.

Goods & Services Tax

- An amendment to Section 39(5) of CGST Act, 2017 is proposed to provide that the GST return by a Non-Resident Taxable Persons can be filed on or before the 13th day of the following month. Further, first proviso of sub-section 7 is proposed to be amended to introduce the new facility to pay any other amount in addition to the regular tax liability during the month through GSTR 3B subject to the conditions and restrictions as may be prescribed. The section is further amended to provide the rectification of any detail furnished in GSTR 3B that can be made up to 30th November of the following financial year. Section 39(10) of CGST Act is proposed to be amended to provide restriction on filing of GSTR 3B for any tax period unless GSTR 1 for the said tax period is not filed.
- The late fee for Rs. 100 per day is proposed to be inserted in section 47 of CGST Act, 2017 for delay in furnishing of TCS statement.
- Section 48 of the CGST Act, 2017 is proposed to eliminate the requirement of furnishing details of inward supplies in form GSTR 2 by the GST taxpayer. Further, section 168 of CGST Act 2017 is proposed to be amended to remove the reference of section 38(2) of CGST Act 2017, which states the power of commissioner to issue direction for furnishing timely details of inward supplies in form GSTR 2.
- Section 49(10) of CGST Act, 2017 is proposed to be substituted in such a way that widens the scope of Form PMT-09 for transfer of electronic cash ledger balance among distinct person u/s 25(4) and 25(5) (branch/units registered with same PAN) subject to the conditions as may be prescribed and said transfer shall be deemed to have been refunded. Further, sub-section 12 of section 49 is proposed to be amended to impose restrictions on utilization of electronic credit ledger balance and to prescribe the maximum proportion of output tax liability which may be discharged through electronic credit ledger.
- The provision of section 50(3) of CGST Act, 2017 is proposed to be substituted retrospectively w.e.f. 01st July 2017 for levy of interest where the input tax credit has been wrongly availed and utilized. The rate of interest is proposed to be reduced from 24% to 18%. The retrospective changes are also proposed to be made in the respective IGST Act, 2017 and UTGST Act, 2017.
- The proviso to Section 52(6) of CGST Act, 2017 is proposed to be amended to provide that any rectification of error/omission in the particulars furnished in TCS return by Electronic Commerce Operators can be made earlier of the two dates (i) 30th day of November of following financial year or (ii) the date of filing of Annual Return.

Goods & Services Tax

- An amendment to section 54(1) of the CGST Act, 2017 is proposed to explicitly provide the form and manner to file the refund claim of any balance in Electronic cash ledger.
- Further, section 54(2) of the CGST Act, 2017 is proposed to extend the time limit to claim refund of tax paid on inward supplies from six month to 2 Years where the application of refund is filed by specialized agency of the UNO or any MFIO, Consulate or Embassy of foreign countries or any other notified class of person.
- Furthermore, section 54(10) of the CGST Act, 2017 is proposed to extend the scope of withholding of or recovery from refunds in respect of all types of refunds.
- A new clause (ba) to clause (2) of the explanation of Section 54 of CGST Act is proposed to be inserted to provide the clarity regarding the relevant date for filing refund claim in respect of supplies made to SEZ unit or developer.
- Section 146 of CGST Act, 2017 notifies the www.gst.gov.in as common GST electronic portal for facilitating registration, payment of tax, and all functions provided under CGST Rules, 2017. Additionally, for generation of e-way bills and preparation of e-invoices different respective portals are notified.
- The retrospective effect of notification dated 30th September 2019 is proposed which notifies to exclude the service by way of grant of alcoholic liquor license, against consideration in the form of license fee or application fee or by whatever name called, by the State Governments in which they are engaged as public authorities from the definition of Supply u/s 7 of CGST Act, 2017 and no refund will be granted for the tax wrongly collected prior thereupon. The retrospective effect is also proposed to be made in respective IGST Act, 2017 and UTGST Act.
- The retrospective exemption from Central Tax is proposed for supply of unintended waste generated during the production of fish meal (falling under heading 2301), except for fish oil, during the period commencing from the 1st day of July 2017 and ending with the 30th day of September 2019 and no refund will be granted for the tax wrongly collected prior thereupon. The retrospective effect is also proposed to be made in respective IGST Act 2017 and UTGST Act, 2017.
- The provisions related to section 42, 43 and 43A of CGST Act, 2017 is proposed to be removed which states the process of accepting/rejecting the details communicated among the supplier and recipient.

Customs Act

- Definition of ‘Proper Officer’ as per section 2(34) of Customs Act 1962 is amended and new sub section (1A), (1B), (4) and (5) to Section 5 of Customs Act 1962 is inserted to amend the powers of officers of custom. Class of officers under section 3 of customs Act, 1962 is also amended to include the officers of the Directorate of Revenue Intelligence, officers of Customs (Preventive) and audit officers for various purposes. This amendment has been necessitated to correct the infirmity observed by the Courts in recent judgments that the Act required explicit provision conferring powers for assignment of function to officers of Customs as “proper officers” for the purposes of the said Act. The amendment in Section 2, 3 and 5 of customs Act are effective retrospectively.
- Also, a new Section 110AA of Customs Act 1962 is inserted to align the principal that the re-assessment and adjudication etc. shall be completed by the original officer only in cases where the matter is subsequently requires further investigation.
- Section 14 of Customs Act 1962 is amended to empower the Central Government to specify the additional obligations of the importer where the value of imported goods are not declared correctly, the criteria of selection and to check the declared value of such imported goods.
- Section 28E of Customs act 1962 is amended to omit the definition of ‘Joint venture in India’ as per explanation to clause (c) and to omit the definition of ‘Non-Resident' , ‘Indian Company’ and ‘Foreign Company’ as per clause (h) for the provisions related to Advance Ruling.
- Sub Section (1) of Section 28H of Customs act 1962 is amended to prescribe the appropriate fee for application of advance Ruling and Sub-Section (3) is omitted and Sub-Section (4) is amended to Section 28H of Customs Act to provide that an application of advance ruling can be withdrawn any time before a ruling is pronounced.
- Sub-Section (7) to Section 28I of Customs Act 1962 is substituted to remove the reference of 'members' of the authority to sign the advance ruling pronounced by the said authority.

Customs Act

- Sub-Section (2) to Section 28J of Customs Act 1962 is amended to specify that the advance Ruling as pronounced by the any authority shall be valid for a period of three years or till there is any change in law or facts based on which the ruling is pronounced whichever is earlier. Further, a new proviso shall be inserted to said section which states about the existing Advance Rulings, the said period of three Years will be considered from the date on which the Finance bill receives the assent of the president.
- A new Section 135AA of the Customs Act, 1962 is inserted to punish a person who publishes any information related to details of export or import of any goods except where publication is made by on or behalf of Central Government. Section 137 (1) of Customs Act 1962, is amended to provide that no court shall take a note of Section 135AA unless the previous sanction is taken from the Principal Commissioner of Customs or Commissioner of Customs.

Customs Tariff Act

- Concessional rate of Customs duty available for certain items is to be withdrawn with effective dates as mentioned specifically against the respective items in textile Sector, Power Sector, Petroleum Sector, Leather Sector, Food Packaging Sector, and other Sectors etc. However, exemptions related to advanced machinery not manufactured within-country shall continue to be available.
- Concessional rates of basic customs duty of 7.5% have been proposed on the import of capital goods and project imports, earlier the duty was charged at 10%.
- Customs duty rate is proposed to be amended in phased manufacturing program with respect to specific electronic goods such as wearable devices, hearable devices, and meters.
- Basic custom duty/ Health Cess is proposed to be amended for agricultural products and by Products, Fuel Chemicals and Plastics, Paper, Gem and Jewelry Sector, Metals, Medical Devices, toys and Capital Goods through the respective notifications.
- Concession from Customs duty is proposed to be provided on items such as embellishment, trimming, fasteners, buttons, zippers, lining materials, specified leather, furniture fittings, and packaging boxes for the bonafide exporters of handicrafts, textiles and leather garments, leather footwear, and other goods.
- Review of levy of Social welfare Surcharge (SWS) is done on various items like Pine, nuts, olive oils, marbles, woven fabrics etc. by amending the Notification no 11/2018 customs dated 02.02.2018.
- The exemption is provided from Health Cess, Agriculture Infrastructure and Development Cess (AIDC), Road and Infrastructure Cess (RIC) to the import of some specific items notified under the respective notifications such as free gifts imported by Red cross society, transshipment of goods imported to or from Nepal/Bhutan to or from other foreign countries, import of specified goods from Nepal, Bangladesh, Bhutan, China, import of drugs or medicines for treatment of rare diseases etc.
- Customs duty has been reduced on inputs required for shrimp agriculture.

Customs Tariff Act

- Anti-Dumping duty and CVD on stainless steel and coated steel flat products, bars of alloy steel, and high-speed steel are being revoked.
- Export duty for export of Raw hides and skin of Buffalo is reduced from 40% to 30%.
- Customs (Import of goods at concessional rate of duty) Rules 2017 is proposed to be amended to facilitate the end-to-end automation in entire process, Standardizing and notifying the various forms in which details are to be submitted electronically, etc. To make the custom process fully IT driven with higher facilitation and risk-based checks.

Proposed Changes in the Rate of Customs Duty

S. No	Description of Goods	From (%)	To (%)
1	Microbial fats and oils and their fractions	30	100
2	Umbrella	10	20
3	Single loudspeaker, Multiple loudspeakers, headphone and earphone and others	15	20
4	Flat panel display modules- of liquid crystals	Nil	15
5	Photosensitive semi-conductors- photovoltaic cells not assembled in modules or made up into panels	20	25
6	Photosensitive semi-conductors- photovoltaic cells assembled and others	20	40
7	AC Current meters	15	25
8	Electricity meters	10	20
9	Live animals- pure bred breeding animal	30	Nil
10	Vannamei shrimp, black tiger shrimp	30	10
11	Artemia	30	5
12	Coral	30	Nil
13	Cashew nuts (in shell)	30	2.5
14	Pistachios- in shell and shelled	30	10
15	Dates (soft and hard)	30	20
16	Oranges, lemons, fresh grapes	40	30
17	Pears and quinches	35	30

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Customs Tariff Act

Proposed Changes in the Rate of Customs Duty

S. No	Description of Goods	From (%)	To (%)
1	Natural barium sulphate, siliceous fossil meals, pumice stones	10	5
2	Pebbles, gravel, stones, magnesite, sintered etc.	10	5
3	Gypsum- Natural, marine and others	10	2.5
4	Precious stones such as diamond gems etc	10	5
5	Items of machinery including prime movers, instruments, apparatus, and appliances etc.	10	7.5
6	Lead, Zinc and tin ores and concentrators	5	2.5
7	Motor gasoline and others	10	2.5
8	Oils, base oil, lubricant oil etc	10	5
9	Copper oxides, Germanium oxides, tin oxide, other	10	7.5
10	Fluorides, Chlorides, Hypo chlorides, Chlorates, sulphites, Sulphates, Nitrites, Carbonates	10	7.5
11	Radioactive, chemical elements, and radioactive isotopes etc.	10	7.5
12	Cyclic Hydrocarbons- o-Xylene and p-Xylene	10	Nil
13	Cyclic Hydrocarbons	10	2.5
14	Ethylene dichloride (ISO) (1, 2-dichloroethane)	10	Nil
15	Vinyl chloride (chloroethylene)	10	5
16	Chloroethane (ethyl chloride), Carbon tetrachloride, others	10	5
17	Parts and components for manufacture of tunnel boring machines with actual-user condition	Nil	2.5
18	HALOGENATED DERIVATIVES OF HYDROCARBONS	10	7.5
19	Cotton sewing thread, cotton yarn not put up for retail sale	20	10

Customs Tariff Act

Proposed Changes in the Rate of Customs Duty

S. No	Description of Goods	From (%)	To (%)
1	Cotton waste, Other Cotton yarn put up for retail sale	25	10
2	Petroleum crude	5	Rs. 50 per tonne
3	Petroleum oil solvent 145/205, Motor gasoline conforming to standard IS 2796, IS 17021 or IS 17076	10	Nil
4	Motor Gasoline conforming to standard IS 2796, E 20 Fuel conforming to standard IS 17021, E 12 Fuel conforming to standard IS 17586, E 15 Fuel conforming to standard IS 17586, M 15 Fuel conforming to standard IS 17076	10	14 + Rs. 15/ Litre
5	Prepared binders for foundry moulds or cores (other than in aqueous solution and others)	10	7.5
6	Cyclic alcohols, phenols, phenol-alcohols, halogenated, sulphonated, or nitrosated derivatives of phenols	10	7.5
7	Methanol (methyl alcohol)	10	2.5
8	Alcohols and their halogenated, sulphonated, nitrated, or nitrosated derivatives	10	7.5
9	Mannitol, D-glucitol (Sorbitol)	30	20
10	Frozen mussels and Frozen squids	30	15
11	Cocoa beans (whole or broken) both raw or toasted	30	15
12	Breathing appliance other than protective masks not having replaceable filters or mechanical parts, Orthopedic appliances like crutches, surgical belts and trusses, splints etc	10	7.5

S. No	Description of Goods	From (%)	To (%)
1	Grain sorghum	80	50
2	Aviation Turbine Fuel (ATF)	10	5
3	Propane	10	2.5
4	Liquefied petroleum gases (LPG)	10	5
5	Liquefied natural gas (LNG)	10	2.5
6	Essential oils	30	20
7	Trawlers and other fishing vessels	10	Nil
8	Dredgers	10	Nil
9	Inflatable Rafts	10	Nil
10	Bovine semen	2.5	Nil
11	Sweet Biscuits, Waffles and wafers	45	30
12	Portland Cement (other than white Portland cement)	10	Nil
13	Ballasts for discharge lamps or tubes	10	7.5

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About Us

Headquartered in Delhi NCR, AKM Global is a leading consulting firm with a presence PAN India. The firm has **extensive** experience in serving Multi-Nationals clients **spread across 30 countries worldwide**. The firm provides a full spectrum of traditional tax and accounting; financial, risk, and transaction advisory services; valuation, Joint Ventures & Restructuring and M&A services; Transfer Pricing study and documentation services; Outsourcing and managed services; and an extensive portfolio of industry-focused practices. From taxes to business consulting and wealth management, AKM Global delivers proactive services in a cost-effective manner to help its clients achieve their distinct business and financial goals. With a growing network of local and international accounting and law firms, the Firm has been assisting clients across different industries and in different geographies.

Contact Information

Suite # 344, Tower A, Spaze I-Tech

Park, Sector - 49, Sohna Road,

Gurgaon - 122018, Haryana,

India Phone No: +91 124

6647500

Mobile No: +91 9810188104, +91 9811987402

info@akmglobal.com

www.akmglobal.com

GURGAON | DELHI | MUMBAI | BANGALORE | PUNE | HYDERABAD | SINGAPORE