



BUDGET 2023

DIRECT TAX HIGHLIGHTES

FINANCE BILL 2023

J.C BHALLA & COMPANY

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REVISED NEW TAX REGIME



REVISED NEW TAX REGIME

| EXISTING TAX SLAB UNDER NTR | | |
|-----------------------------|----------------------------------|-----------|
| Sr. No | Individual/HUF | Tax Rates |
| 1. | Taxable Income upto Rs.2.5 Lakhs | Nil |
| 2. | Rs.2,50,001 to Rs.5,00,000 | 5% |
| 3. | Rs.5,00,001 to Rs.7,50,000 | 10% |
| 4. | Rs.7,50,001 to Rs.10,00,000 | 15% |
| 5. | Rs.10,00,001 to Rs.12,50,000 | 20% |
| 6. | Rs.12,50,001 to 15,00,000 | 25% |
| 7. | Above Rs.15,00,001 | 30% |

| PROPOSED TAX SLAB UNDER NTR | | |
|-----------------------------|--------------------------------|-----------|
| Sr. No | Individual/HUF/AOP/BOI/AJI | Tax Rates |
| 1. | Taxable Income upto Rs.3 Lakhs | Nil |
| 2. | Rs.3,00,001 to Rs.6,00,000 | 5% |
| 3. | Rs.6,00,001 to Rs.9,00,000 | 10% |
| 4. | Rs.9,00,001 to Rs.12,00,000 | 15% |
| 5. | Rs.12,00,001 to Rs.15,00,000 | 20% |
| 6. | Above Rs.15,00,001 | 30% |

- ❖ The slab rates under the new tax regime ('NTR') (Section 115BAC of the IT Act) has been revised from FY 2023-24 (AY 2024-25).
- ❖ NTR has been proposed to be extended to AOP (other than co-operative society),BOI and AJI
- ❖ The NTR will be the default one. A person has to now opt for old tax regime before filing of tax return.
- ❖ Rebate under section 87A of the IT Act has now been proposed to be increased from Rs.5 lakhs to Rs.7 lakhs
- ❖ Standard Deduction of Rs. 50,000 from salary income is proposed to be introduced under the NTR

REVISED NEW TAX REGIME

- ❖ Surcharge under NTR has been capped at 25%

| Sr. No | Existing surcharge rates - NTR | Tax Rates |
|--------|--------------------------------|-----------|
| 1. | Taxable income upto 50 lacs | Nil |
| 2. | Rs.50 lacs to Rs.1 Crore | 10% |
| 3. | Rs. 1 crore to 2 crore | 15% |
| 4. | Rs.2 crore to 5 crores | 25% |
| 5. | Above 5 crores | 37% |

| Sr. No | Proposed surcharge rates - NTR | Tax Rates |
|--------|--------------------------------|-----------|
| 1. | Taxable income upto 50 lacs | Nil |
| 2. | Rs.50 lacs to Rs.1 Crore | 10% |
| 3. | Rs. 1 crore to 2 crore | 15% |
| 4. | Above Rs.2 crore | 25% |

- ❖ It is proposed to introduce concessional tax rate of 15% (surcharge of 10% on tax) to new manufacturing Co-operative societies subject to certain conditions under NTR (Section 115BAE introduced).
- ❖ Deduction under section 57(iia) of the IT Act from the family pension income and deduction as per proposed Section 80CCH towards contribution to Agniveer Corpus Fund of the IT Act proposed under NTR.

Other slab rates remain unchanged

INDIVIDUAL TAXATION



INDIVIDUAL TAXATION

❖ **Receipts under the life insurance policy (other than ULIPs)**

It is proposed to amend section 10(10D) of the IT Act to provide that receipts (including bonus) from insurance policies where aggregate annual premium exceeds Rs. 5,00,000 (per policy) will be taxable under the head 'Income from other sources' under section 56(2)(xiii) of the IT Act. The deduction will be allowed for the amount of premium paid if not claimed as deduction otherwise. Income will still be exempt in case of death of an insured person. This is applicable for policies issued on or after 1st April 2023.

❖ **Prevention of double deduction of interest on borrowed capital**

It is proposed to exclude from Cost of acquisition/ improvement under section 48 of the IT Act any interest on borrowed capital for house property if claimed as deduction under section 24 of the IT Act against income from house property or Chapter VIA.

❖ **Valuation of residential accommodation provided to employees**

It is proposed to amend section 17(2) of the IT Act to prescribe the method for computation of value of rent-free accommodation provided to the assessee by his employer and value of any accommodation provided to the assessee by his employer at a concessional rate.

❖ **Extension of section 9 to Not-ordinarily resident**

It is proposed to insert clause (viii) in Section 9(1) of the IT Act to provide that any sum of money received (without consideration) by a person being Resident but not-ordinarily from a resident will be considered as income deemed to accrue or arise in India.

❖ **Agniveer Scheme – Income Tax**

It is proposed to introduce Section 10(12C) and Section 80CCH in IT Act to make agniveer corpus fund deposition and withdrawal tax free.

CAPITAL GAINS



CAPITAL GAINS

❖ **Tax on Market linked Debentures**

It is proposed to insert Section 50AA in IT Act to tax the transfer, redemption or maturity of Market Linked Debentures as short term capital gain.
Capital gains = Full value of consideration received / accrued (-) cost of acquisition and expenditures incurred.

❖ **Scope of Capital gains w.r.t. intangible assets/ rights with indeterminate cost expanded**

It is proposed to amend Section 55 of the IT Act to provide for the following:
Cost of acquisition for self generated intangible assets / other rights - Nil
Cost of improvement for self generated and acquired intangible assets/ other rights - Nil

❖ **Conversion of gold to Electronic Gold Receipt and Vice Versa**

It is proposed to insert clause (viid) in section 47 of the IT Act to exclude conversion of gold into an Electronic Gold receipt issued by a vault manager and vice versa from the purview of 'transfer'. and thus not to be considered as transfer of capital asset.

❖ **Limit on claim of exemption from eligible capital gains**

It is proposed to cap the maximum exemption that can be claimed under section 54 and 54F of the IT Act from eligible capital gains upon purchase of residential property to a purchase value of Rs.10 crores.

❖ **Alignment of provisions of section-45(5A) with the TDS provisions of section-194-IC**

It is proposed to amend the provisions of sub-section (5A) of section 45 so as to provide that the full value of consideration shall be taken as the stamp duty value of his share as increased by any consideration received in cash or by a cheque or draft or by any other mode.

BUSINESS INCOME



BUSINESS INCOME

❖ **Benefit or Perquisite to Include Cash**

It is proposed to amend clause (iv) of section 28 of the IT Act to clarify that provisions of said clause also applies to cases where benefit or perquisite provided is in cash or in kind or partly in cash and partly in kind.

❖ **Preventing Misuse of Presumptive Taxation under Sections 44BB & 44BBB**

It is proposed to amend section 44BB of the IT Act to not allow set off of losses/unabsorbed depreciation for entities opting for presumptive taxation scheme under section 44BB (non-resident oil field service providers) and section 44BBB of the IT Act in order to prevent misuse of IT provisions.

❖ **Relaxation in Conditions for Deduction under Section 35D**

It is proposed to amend section 35D of the IT Act to provide that any assessee claiming deduction of certain preliminary expenses would now be required to furnish a statement containing the prescribed particulars of expenditure.

❖ **Increase in Threshold for Presumptive Taxation**

It is proposed to increase the threshold for availing presumptive taxation schemes (if cash receipts less than 5% of gross receipts) as follows:

- ✓ Turnover threshold increased to Rs. 3 crores for eligible businesses under section 44AD of the IT Act
- ✓ Turnover threshold increased to Rs. 75 Lakhs for professionals covered under section 44ADA of the IT Act.

❖ **Valuation of inventory as per ICDS**

It is proposed to amend section 142(2A) of the IT Act and grant power to tax authorities to initiate special audit for inventory valuation by a 'cost accountant'. Also, the time period taken for special audit is to be excluded in computation of limitation period for assessment.

BUSINESS INCOME

❖ **Section 43B Amended**

- ✓ Section 43B is proposed to be amended to cover payments made to MSME such that deduction shall be allowed only if made within permissible period under section 15 of MSMED Act, 2006.
- ✓ In line with introduction of new category of NBFC's by RBI, suitable changes in NBFC categories are proposed to be made in section 43B/43D of the IT Act.

❖ **Additional conditions for claim of deduction by SEZ under section 10AA**

It is proposed to amend section 10AA of the IT Act to provide for following:

- ✓ Export proceeds to be received in India within a period of 6 months/ extended period from the end of the financial years
- ✓ Tax return to be furnished on or before statutory due date of filing original return.

TDS/ TCS



TDS/ TCS

- ❖ **TDS Deduction by EPFO in Non-PAN cases**

TDS has been proposed to be restricted at 20% under section 192A of the IT Act instead of Maximum Marginal rate of 30% in case of failure by employee to furnish the PAN at the time of payment of accumulated balance of PF.

- ❖ **TDS on payment of interest on listed debentures**

Section 193 of the IT Act has been proposed to be amended to withhold tax on interest on listed debentures at the rate of 10%

- ❖ **TDS on online gaming**

It is proposed to insert section 194BA in the IT act (w.e.f. 1st July 2023) to provide for deduction of tax at the rate of 30% on the net winnings from online gaming.

- ❖ **Increase in Threshold for TDS on cash withdrawal by Co-operative societies**

It is proposed to increase the threshold limit for cash withdrawal subject to TDS under section 194N of the IT Act for co-operative societies from Rs.1 crore to Rs.3 crores.

- ❖ **Widening of Scope of Section 194R**

It is proposed to insert an Explanation under section 194R of the IT Act to clarify that provisions of Tax Deduction at Source shall apply to any benefit or perquisite, whether in cash or in kind or partly in cash and partly in kind.

- ❖ **Lower Withholding Certificate for TDS under section 194LBA**

Eligibility of persons to apply for lower withholding of tax certificate under section 197 of the IT Act is proposed to be extended to assessee liable to withholding taxes on distribution of income by the business trust under section 194LBA of the IT Act.

TDS/ TCS

❖ Tax Treaty Relief for TDS under Section 196A on payment of certain income

It is proposed to provide that the TDS on specified mutual funds under section 196A of the IT Act to be lower of:

- ✓ 20% or
- ✓ Rate as per DTAA under section 90(1) or 90A of the IT Act

❖ Special Provision for Higher Rate of TDS/TCS

Proposed amendment in section 206AB and 206CCA of the IT Act to exclude a person who is not required to furnish the return of income in the preceding financial year and notified by the Central government in the official gazette.

❖ TCS on Certain Foreign Remittances

It is proposed to amend section 206C(1G) of the IT Act to enhance the TCS on overseas tour package and overseas remittances (other than for education and medical treatment) from 5% to 20% without any thresholds

| S.No. | Type of remittance | Present rate | Proposed rate |
|-------|-----------------------|---|---------------------------------|
| 1 | Overseas tour package | 5% without any threshold limit | 20% without any threshold limit |
| 2 | Any other case | 5% of the amount or the aggregate of the amounts in excess of Rs.7 lacs | 20% without any threshold limit |

START-UPS/IFSC



START-UPS/IFSC

- ❖ **Extension of Time Period for Adjustment of Losses for Start-ups**

It is proposed to amend proviso to section 79(1) of the IT Act to allow carry forward and set off of losses for 10 years instead of 7 years from the date of incorporation.

- ❖ **Extension of date of incorporation for eligible Start-ups for exemption**

It is proposed to amend the provisions of section 80-IAC of the IT Act so as to extend the period of incorporation of eligible start-ups to 1st day of April 2024 i.e. start ups incorporated before 1st April 2024 will now be eligible for profit linked tax exemption.

- ❖ **Deemed tax on issue of share capital**

It is proposed to amend provisions of section 56(2)(viib) of the IT Act to make them applicable on receipt of consideration for issue of shares from any person irrespective of the residential status.

- ❖ **Relocation of funds to IFSC – extension of due date for relocation**

It is proposed to extend the due date for availing exemption by shareholder on relocation of Funds to IFSC from March 31, 2023 to March 31, 2025.

- ❖ **Income of non-residents from Offshore Banking Units ('OBU') in IFSC**

It has been proposed to provide exemption to any income distributed (which was restricted to capital gains earlier) on the offshore derivative instruments, entered into with an OBU in IFSC in order to avoid double taxation.

CHARITABLE TRUST



CHARITABLE TRUST

- ❖ **Depositing Back of Corpus and Repayment of Loans on Borrowings**

It is proposed to provide that application out of corpus or loans or borrowings made before 01.04.2021 shall not be allowed as application for charitable or religious purposes when such amount is deposited back or invested in to corpus or when the loan or borrowing is repaid.

It has been proposed to insert time-limit of 5 years for such “repayment of loan/deposit back to corpus”, to qualify as application of income. Further such application shall be subject to the fulfilment of the conditions specified under the said provisions of the Act.

- ❖ **Treatment of Donation to Other Trusts**

It is proposed to amend section 10(23C) and section 11 of the IT Act that only 85% of the eligible donations made by a trust or institution under the first or the second regime to another trust under the first or second regime shall be treated as application only to the extent of 85% of such donation.

- ❖ **Time Limit for Compliance**

Form No. 10A/9A is proposed to be filed at least two months prior to the due date specified under sub-section (1) of section 139 of the IT Act for furnishing the return of income for the previous year.

- ❖ **Registration Application not Filed within Specified Period**

It has proposed that the trusts/institutions not applying for registration/ re-registration/ renewals in the manner prescribed under section 10(23C) and Section 12A of the IT Act shall be subject to taxability as per the provisions of section 115TD of the IT Act.

ASSESSMENT/APPEAL/ OTHER PROCEDURES



ASSESSMENT/APPEAL/OTHER PROCEDURES

❖ **Rationalization of Appeals to ITAT**

The following amendments are proposed under Section 253 of the IT Act:

- ✓ Enable filing of the memorandum of cross-objections in all classes of cases against which appeal can be made before ITAT
- ✓ Appeal against penalty orders passed by CIT(Appeals) under section 271AAB, 271AAC and 271AAD of the IT Act shall be made to ITAT.
- ✓ Appeal against an order passed under section 263 of the Act by Principal Chief Commissioner or Chief Commissioner or an order passed under section 154 of the IT Act in respect of any such order shall also be made to ITAT

❖ **Introduction of the authority of Joint Commissioner (Appeals)(JC(A))**

In order to clear the bottleneck at CIT(A) level, it is proposed to introduce new authority for appeals JC(A).

- ✓ Powers of JC(A) commensurate with the CIT(A)
- ✓ Identified orders/issues to be appealed before the JC(A) in alternative to CIT(A)
- ✓ Orders passed by JC(A) will be appealable to ITAT

❖ **Issue of TDS Credit gap, provides for rectification of assessment/ intimation**

It is proposed to insert sub section (20) to Section 155 of the IT Act, where income has been offered to tax by the Assessee in a FY and Tax on such income has been deducted by the payer in subsequent FY, in such a case, an application can be filed in prescribed form with the AO within two years from the end of FY in which such tax is deducted and accordingly tax credit shall be allowed for the same in the FY in which income has been offered for tax.

❖ **Time limit for filing of ITR in response to notice under section 148 of the IT Act**

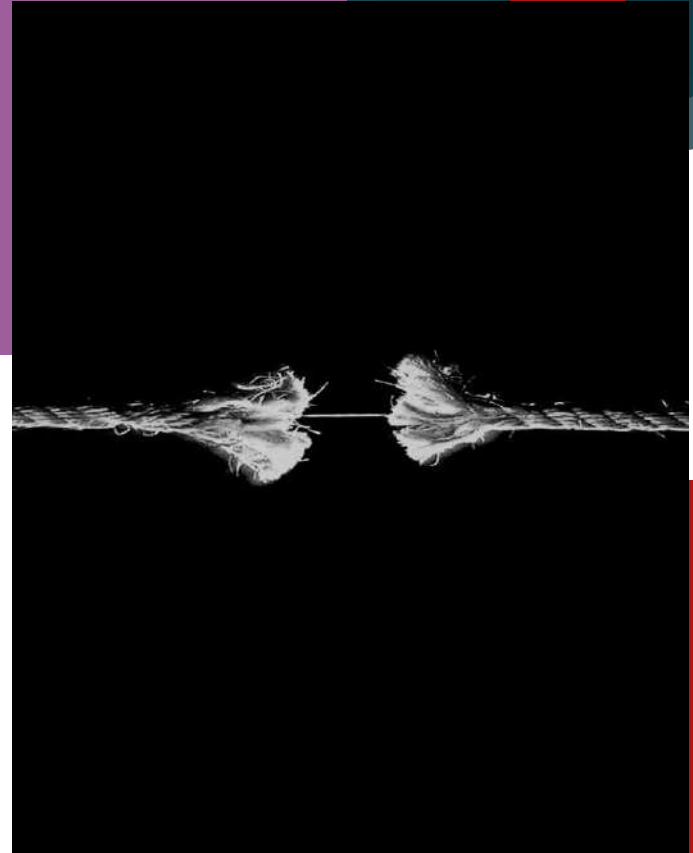
It has been proposed to insert time limit of filing the tax return in response to notice under section 148 of the IT Act, within 3 months from the end of the month in which the notice is issued.

ASSESSMENT/APPEAL/OTHER PROCEDURES

❖ Extension in time limit for completion of assessment, reassessment and re-computation:

| S.No. | Assessment | Existing provisions | Proposed Provisions |
|-------|---|---|---|
| 1 | Assessment proceedings under section 143/144 of the IT Act ✓ For regular return ✓ For updated return | ✓ 9 months from the end of relevant AY ✓ 9 months from the end of the FY in which such return is furnished | ✓ 12 months from the end of relevant AY ✓ 12 months from the end of the FY in which such return is furnished |
| 2 | Where assessment or reassessment is pending on the date of initiation of search under section 132 or making of requisition under section 132A where: ✓ search is initiated under section 132 or such requisition is made under section 132A or ✓ assessee to whom any money, bullion, jewellery or other valuable article or thing seized or requisitioned belongs to or ✓ assessee to whom any books of account or documents seized or requisitioned pertains or pertain to, or any information contained therein, relates to | 9 months /12 months from the end of relevant AY | 24 months from the end of relevant AY |

MISCELLANEOUS



MISCELLANEOUS

❖ **Taxability of Online Gaming**

It is proposed to Insert a new Section 115BBJ in IT Act to provide that any income by way of winning from online game shall be taxed at the rate of 30%.

❖ **Provision related to business reorganization**

It is proposed to amend provisions of Section 170A of the IT Act to provide for the following:

- ✓ Allow the assessing officer to revise the assessment order if the order is already passed on the date of filing the modified return filed pursuant to the business reorganization or
- ✓ Allow the assessing officer to consider the modified return if the assessment proceedings are pending on the date of filing the modified return.
- ✓ Possible to modify the return filed by the predecessor wherever required

❖ **Refund and interest on refunds**

- ✓ It is proposed to realign section 245 and section 241A of the IT Act to enable tax authorities to set-off refunds determined pursuant to preliminary assessment and continue to withhold balance amount
- ✓ It is also proposed to amend section 244A of the IT Act to provide that an assessee will not be eligible for additional interest of 3% per annum for the period for which refund is withheld as above.

❖ **Taxability of distributions other than capital gains/interest/rental**

Distributions made by the business trusts to its unit holders in the form of repayment of debt does not suffer tax either in the hands of unit holder or business trusts. Section 56(2)(xii) of the IT Act has been proposed to be inserted to provide that such sum received by unit holder from business trusts is now taxable in the hands of unitholders as 'income from other sources'.

❖ **Thin capitalization norms – NBFC's now excluded**

It is proposed to amend Section 94B of the IT Act to exclude certain class of NBFC's from restriction on interest deductibility under section 94B of the IT Act.

MISCELLANEOUS

❖ **Reduction of time in furnishing Transfer Pricing report**

It is proposed to tighten the time limit for furnishing of transfer pricing documentation from 30 days to 10 days during assessment proceedings.

❖ **Co-operative societies in the ambit of SDT Regime**

It is proposed to insert new clause (vb) in the section 92BA of the IT Act to include the transaction between the Cooperative society and the other person with close connection within the purview of 'specified domestic transaction' ('SDT').

❖ **Amendment in section 80G of the IT Act**

- ✓ It has been proposed to omit deduction under section 80G available for donation Jawaharlal Nehru Memorial Fund, the Indira Gandhi Memorial Trust and the Rajiv Gandhi Foundation mentioned under sub-clause (ii), (iiic) and (iiid) of clause (a) of sub-section (2) of section 80G.
- ✓ It has been proposed to amend first proviso to 80G(5)(iv) to allow entities who have already commenced activities to apply for registration before the PCIT/CIT for grant of approval.
- ✓ Similar changes have been proposed for section 12A and section 10(23C) of the IT Act.



Thank

You!