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INDIA Budget 2023

Analysis of Tax Changes – Impact on Business



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1 FOREWORD

Being the last full budget before the election year, there were huge expectation from the Union Budget 2023 presented by the Honorable Finance Minister on 1 February 2023. The budget was presented in the backdrop of the impact on the world economy due to the Russia Ukraine war, global recession and need for job creation. India has been considered as the bright spot with estimated nominal GDP growth of 7%, which is the highest amongst major economies of the world. According to the projections of the World Economic Outlook, India's GDP is expected to grow to USD 5.4 Trillion by 2027 making it the third largest economy of the world.

With the above targets in mind, the finance minister stuck to the principles of fiscal discipline by announcing that the targeted fiscal deficit for FY24 is 5.9% and reaffirmed that the same will be brought down to under 4.5% by FY26.

The Finance Bill outlines its seven priorities based on which the proposals have been made which includes inclusive development, reaching the last mile, infrastructure and investment, unleashing the potential of India's technology, green growth, youth power and promoting the financial sector.

The other big announcement was the increase in the outlay towards capital expenditure by 33% totaling to INR 10 Trillion. This spending on capex will have a multiplier effect on the economy as it helps boost both demand and job creation. The very high allocation to roads and railways sector is good a good move as the said sector has high outreach and have been traditionally able to support Government's objectives.

Focus on achieving India's Green Energy Targets, allocations were made for energy transition and PPP-based battery energy storage systems with viability gap funding. Several announcements were also made for cooperatives, farmers and the disadvantaged.

The announcements made for supporting the MSMEs including continuation of the Credit Guarantee Line will facilitate further access to credit facilities. The setting up of unity malls to showcase and sell products under the "One District One Product Scheme" will provide a platform to MSME's to market unique products and increase demand.

In order to further promote Ease of doing business in India, several measures have been announced including a one-stop solution of identity and address update using the Digi locker and Aadhar, PAN being the common business identifier and a sharing of information/documents submitted to one authority across different agencies.

The Government continued its push towards Make in India by increasing Customs Duty on several articles to facilitate domestic manufacturing of such products in India. However, at the same time, it also reduced Customs Duty on goods such as mobile phones, electrical goods and parts and components of Electrical Vehicles to boost demand.

The announcements on the personal income-tax were expected as they are incentivizing taxpayers to move to the new tax regime, wherein the tax slabs have been enhanced and rates have been reduced. The said regime is also made the default option for the taxpayers. The lower taxes will lead to higher disposable incomes at the lower end of the income-tax brackets and will in turn boost demand of household commodities.

The Finance Minister has done an excellent job in balancing collections and spending and has tried to cover all sectors in her Budget exercise, in order to achieve the long-term objectives of the Government

2 BUDGET HIGHLIGHTS

2.1 ECONOMIC OVERVIEW

- Announcement of India's plan to continue on the path of fiscal consolidation resulting into a decline in the fiscal deficit of below 4.5 per cent of the GDP by FY 2025-26.
- Proposal to increase the capital investment outlay with emphasis on critical transport infrastructure projects, urban planning reforms including establishment of an Urban Infrastructure Development Fund for Tier 2 and Tier 3 cities and making investment in priority capital investments towards energy transition and net-zero objectives.
- Digital Public Infrastructure to be introduced for agriculture and support of agri-tech industry and start-ups.
- Various proposals to promote Artificial Intelligence Industry, setting up a digital library for children and adolescents and set-up laboratories for developing applications using 5G services in engineering institutions
- Launch of Atmanirbhar Clean Plant Program to boost availability of high value horticulture crops.
- Introduction of dedicated multidisciplinary courses for medical devices for futuristic medical technologies, high-end manufacturing and research
- Proposal to encourage indigenous production of the Lab Grown Diamond seeds and machines.

2.2 POLICY AND REGULATORY FRAMEWORK

- Introduction of the Ministry of Cooperation to promote cooperative-based economic development model.
- Formation of the Ministry of AYUSH, Fisheries, Animal Husbandry and Dairying, Skill Development, Jal Shakti and Cooperation.
- Establishment of the Infrastructure Finance Secretariat for private investment in infrastructure.
- Introduction and review of the Harmonized Master List of Infrastructure for recommending the classification and financing framework.
- Enhancement of ease of doing business by reduction and decriminalization of compliances and legal provisions.
- Proposal to formulate a National Data Governance Policy to enable access to anonymized data.
- Proposal to simplify the Know Your Customer process.
- Proposal to establish a "one stop solution" for identity and address updating of individuals.
- Proposal to use Permanent Account Number as a common identifier for all digital systems.

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- Proposal to set-up a system of “Unified Filing Process”.
- Proposal to enable more Fintech innovative services and set-up of Entity Digi Locker for use by MSMEs, large business and charitable trusts.
- Proposal to establish a voluntary settlement scheme to settle contractual disputes of government and government undertakings.
- Proposal to launch Phase 3 of the E-courts project.
- Proposal for relief to MSMEs for refund of the forfeited amount relating to bid or performance security.
- Focus on the National Green Hydrogen Mission to facilitate the transition of the economy to low carbon intensity technology.
- Proposal to formulate a framework for Pumped Storage Projects along with Battery Energy Storage Systems supported with Viability Gap Funding.
- Proposal to introduce the Green Credit Programme for incentivising environmentally sustainable and responsive actions.
- Proposal to replace old polluting vehicles in furtherance to the vehicle scrapping policy.
- Proposal to launch the Pradhan Mantri Kaushal Vikas Yojana 4.0 (Prime Minister Skill Development Scheme) to develop and enhance skills of the youth.
- Proposal to set-up centres of Excellence for Artificial Intelligence.
- Proposal to launch the National Apprenticeship Promotion Scheme.
- Proposal to set-up a National Financial Information Registry to serve as a central repository of financial and ancillary information.
- Proposal to initiate a process of review and formulate regulations for the Financial Sector.
- Proposal to amend certain banking related legislations to enhance governance and investor’s protection.
- Proposal to set-up a single window system for registration and approval from the Authorities for ease of doing business in GIFT IFSC.
- Proposal to set-up Data Embassies in GIFT IFSC.
- Proposal to set-up a Central Processing Centre under the Companies Act, 2013.
- Proposal to set-up integrated portal to reclaim unclaimed shares and unpaid dividends.

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2.3 INCOME TAX

2.3.1 CHANGES IN TAX RATE

For Individuals:

- Rates under New Tax Regime ('Simplified Personal Income Tax Regime' or 'SPITR') are as follows:

Income Slab (INR)	Revised Tax Rate proposed under New Tax Regime (per cent)
0-300,000	Nil
300,001 - 600,000	5 per cent
600,001 - 900,000	10 per cent
900,001 - 1,200,000	15 per cent
1,200,001 - 1,500,000	20 per cent
Above 1,500,000	30 per cent

- Comparison with old rates:

Total Income (INR)	New Tax Regime (Sect. 115BAC) Proposed Tax Rate in Finance Bill 2023 (per cent)	Old Tax Regime (with Deductions) Tax Rate (per cent)
Up to 2,50,000	Nil	Nil
From 2,50,001 to 3,00,000	Nil	5
From 3,00,001 to 6,00,000	5	5
From 6,00,001 to 9,00,000	10	20
From 9,00,001 to 10,00,000	15	20
From 10,00,001 to 12,00,000	15	30
From 12,00,001 to 15,00,000	20	30

- Tax rates proposed under new tax regime are to be default rates.
- Surcharge proposed under new tax regime to be restricted to 25 per cent (from earlier 37 per cent).
- Health and Education Cess remain unchanged.
- Rebate limit of 100 per cent of tax amount under new tax regime increased from existing INR 0.5 million to INR 0.7 million.
- Rates under old tax regime remain unchanged

For Corporates:

- Income tax rate for companies (including rates of Surcharge and Health and Education Cess) remain unchanged.
- Concessional tax rates for new manufacturing and other companies continue subject to the fulfilment of prescribed conditions.

For Others:

- New tax regime for Individuals - SPITR to apply to cover Association of Persons (other than Co-operative Societies), Body of Individuals and Artificial Juridical Persons.
- Concessional tax regime of 15 per cent (plus 10 per cent surcharge) extended for newly setup co-operative societies engaged in manufacturing subject to fulfilment of conditions.

2.3.2 TAX PROPOSALS

Personal Taxation:

- Sum of money received without consideration exceeding prescribed threshold from a person "Resident" in India to be treated as income deemed to accrue or arise in India.
- Deduction under Sect. 54 and 54F of the Income Tax Act in respect of capital gains arising from transfer of capital asset proposed to be capped at INR 100 Million.
- Uniform methodology introduced for calculating value of perquisites of rent-free accommodation provided to employees at concessional rate.
- Interest paid on capital borrowed for acquiring, renewing or reconstructing a property and allowed as a deduction from "House Property" income not to be included in the cost of acquisition or cost of improvement for capital gain's purpose.
- Gains arising from redemption, transfer or maturity of "Market Linked Debentures" to be taxed as short-term capital gains at the applicable rates.
- Failure by an employee to furnish Permanent Account Number at the time of payment of accumulated balance of Employees Provident Fund due to him, shall attract tax deduction at source of 20 per cent, instead of the present maximum marginal rate.
- New scheme introduced for taxation of income from online gaming at 30 per cent (plus surcharge and cess).
- Sum received from insurance policies (other than Unit Linked Insurance Policy), issued on or after 1 April 2023, having premium or aggregate of premium above INR 0.5 Million in a year proposed to be taxable. However, sum received on death of the person shall remain exempt.
- Leave encashment limit announced to increase from existing INR 0.3 Million to INR 2.5 Million.

Domestic Taxation:

- It proposed to clarify that benefits or perquisites provided in cash or kind or partly in cash and kind to be included as business income in the hands of the recipient; withholding tax under Sect. 194R proposed to apply on such amounts.
- Period of incorporation of eligible start-ups proposed to be extended to 1 April 2024 from existing 1 April 2023. Further, period for carry forward and setting off losses for start-ups proposed to be increased from existing 7 years to 10 years from the date of incorporation.
- Additional conditions proposed for units claiming Sect. 10AA benefits.

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- Deduction of preliminary expenses on 1/5th basis in respect of certain expenditure based on a prescribed form and self-certification instead of approval by CBDT.
- Expenditures incurred towards Micro and Small Enterprises proposed to be allowed on payment basis.
- Threshold limits for presumptive taxation for professionals and other prescribed businesses proposed to be enhanced to INR 7.5 million and INR 30 million respectively, provided cash transactions do not exceed 5 per cent.
- Cost of acquisition and improvement of self-generated intangible assets or other rights proposed to be Nil.

International Tax:

- It is proposed that the share premium received from non-resident investors in excess of “fair market value” to be taxed in the hands of the company issuing shares as Income from other sources; Rules for determining “fair market value” exist.
- In respect of certain presumptive schemes applicable to non-residents, it is proposed that set-off of unabsorbed depreciation and brought forward losses shall not be allowed.

Transfer Pricing:

- Time limit for submitting transfer pricing documentation proposed to be reduced from existing 30 days to 10 days during transfer pricing assessment proceedings.
- Scope of specified domestic transactions proposed to be extended to cover transactions with newly set up manufacturing cooperative society availing a concessional tax rate of 15 per cent.

Withholding Tax:

- Payment or accrual of interest on listed debentures to residents proposed to be subjected to withholding tax.
- Income from online gaming (incl. withdrawals) to be 30 per cent (plus surcharge and cess) proposed to be subject to withholding tax.
- Tax treaty relief proposed to be granted at the time of payment or accrual of income to non-residents in respect of Mutual Funds.
- It is proposed to exclude persons who are not required to furnish the income tax return from rigours of higher rates of TDS and TCS.
- TCS on foreign remittances through Liberalized Remittance Scheme and on sale of overseas tour package proposed to be enhanced to 20 per cent.

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Procedures:

- Time limit for completion of assessment proposed to be extended to 12 months [from erstwhile 9 months] for Assessment Year 2022-23 onwards.
- Measures to rationalise cases of mismatches in income offered in return and TDS on payment proposed; taxpayers permitted make a claim of TDS before the tax officer in such mismatch cases; Interest on income-tax refund arising from claim for the period starting from the date of the claim proposed.
- Procedural amendments proposed for processing of modified tax return in merger and demerger cases. Tax Officer obligated to take modified return into account for the relevant year regardless of whether the assessment of the original return is complete.
- A new appellate authority (Joint Commissioner [Appeals]) proposed to be designated to handle appeals involving a small amount of disputed demand.
- For ensuring inventory valuation in accordance to prescribed norms, Tax Officer proposed to be empowered to direct the taxpayer to get the inventory valued by a Cost Accountant and furnish the report of inventory valuation in the prescribed form.

Others:

- Relief proposed to be provided to notified NBFCs from the restrictions imposed on excess interest deduction for payments to non-resident associated enterprises.
- Slew of measures have been introduced in respect of Co-operative societies, along with extension of concessional tax rate regime to manufacturing co-operative societies, increase in limit of cash withdrawals for applicability of tax withholding etc
- Conversion of gold into electronic gold receipts and vice versa proposed not to be considered as 'transfer' for the purposes of capital gains.

2.4

INDIRECT TAXES

Goods and Services Tax ('GST')

- Section 10 of the Central Goods and Services Tax ('CGST') Act, 2017 is being amended to allow registered persons engaged in supplying goods through electronic commerce operators to opt for Composition Scheme subject to other conditions prescribed in section 10. Therefore, such persons would be allowed to opt for composition scheme in case they carry out intra-state supply of goods through electronic commerce operators.
- Second proviso section 16(2) of the CGST Act is being amended to provide for payment of tax along with interest where input tax credit ('ITC') is availed but the payment is not made to supplier within 180 days instead of adding the same to the output tax liability. This has been done to align the law with present return filing system. Further third proviso to above sub-section also amended to specifically provide that the recipient is required to make the payment "to the supplier" for availment of ITC which may create interpretational issues.
- An amendment is being made in Explanation to Section 17(3) of the CGST Act so as to restrict availment of ITC in respect of sale of warehoused goods to any person before clearance for home consumption, by including the value of such transactions in the value of exempt supply. It may be noted that out of the transactions prescribed in Schedule III, only transactions of sale of land and incomplete building were included in value of exempt supply prior to this amendment.

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- Section 17(5) of the CGST Act, 2017 is being amended to provide that ITC shall not be available in respect of goods or services received by a taxable person, used for activities relating to his obligations under corporate social responsibility as per Section 135 of the Companies Act, 2013.
- Section 23(1) which exempts persons engaged exclusively in the business of exempt supply of goods or services from taking compulsory registration is being amended retrospectively to provide that the said section will override section 22 and 24 of the CGST Act, which provides for compulsory registration.
- The time limit of furnishing of GSTR-1, GSTR 3B, GSTR- 8 and GSTR- 9 is being capped to three years from the due date of furnishing of the said return/statement
- Section 54(6) is being amended to remove the reference of provisionally accepted ITC in respect of refund of GST in cases of zero-rated supplies.
- Section 56 of the CGST Act is being amended to prescribe manner of computation of interest on delayed refunds beyond a period of 60 days from the date of receipt of application till date of refund.
- A new section 122(1B) is being inserted which has provided for penal provisions to Electronic Commerce Operators in certain prescribed offences.
- Proposal has been made to amend Section 132 of the CGST Act to decriminalize certain offenses, such as:
 - Obstructing or preventing any officer in the discharge of his duties;
 - Tampering with or destroying any material evidence or documents;
 - Failure to supply any information which he is required to supply or supplies false information.
- The monetary threshold for launching prosecution for the offences under the CGST Act is being increased from INR 10 million to INR 20 million, except for the offences related to issuance of invoices without supply of goods or services or both.
- Provisions relating to compounding of the offences have been rationalized. An amendment to Section 138(1) has been proposed to allow compounding of all cases without any monetary limit (earlier INR 10 million) except for offences relating to issuance of invoices without supply of goods or services or both. Section 138(2) has been amended to enhance the lower and upper limits of the amount for compounding of an offence to 25% of tax and 100% of the tax respectively.
- A new Section 158A has been proposed to be inserted to enable for the consent-based sharing of information furnished by the taxable person. The manner and conditions for sharing of the information furnished by the registered person, will be prescribed and notified separately.
- Schedule III of the CGST Act is being amended retrospectively, so as to treat supply of warehoused goods before clearance and supply by endorsement of documents of title before clearance for home consumption as neither supply of goods nor supply of services with effect from 01st July, 2017. It is also being clarified that where the tax has already been paid in respect of such transactions/activities during the period from 01st July, 2017 to 31st January 2019, no refund of such tax paid shall be available.

- The definition of 'OIDAR' has been proposed to be amended to exclude the condition of 'essentially automated and involving minimum human intervention' from the said definition thereby expanding the scope of such services.
- Further, the definition of non-taxable online recipient is also proposed to be revised to mean "any unregistered person receiving online information and database access, or retrieval services located in taxable territory". The said amendment will widen the tax base as the non-resident supplier will be liable to discharge GST for services provided to all unregistered recipients irrespective of whether such services are used for business or commerce. It is further clarified that unregistered person shall include persons who are solely registered for the purpose of TDS such as department or establishment of Central Government, State government, local authority, government agencies.
- It is proposed to omit the proviso to Section 12(8) of the IGST Act which provides that the place of supply of services, in case of transportation of goods to a place outside India, where supplier and recipient are located in India, shall be the place of destination of such goods. With the said amendment, the place of supply of such services will either be the location of the recipient in case of a registered person or the location where goods were handed over for transportation in other cases.

Customs and allied laws

- With an aim to rescind outdated exemptions under the Customs Act, Section 25(4A) of the Customs Act was amended in 2021 to provide that all conditional exemptions provided are valid only up to 31st March falling immediately after two years from the date of exemption or from 1st February 2021, in case of exemptions provided earlier. The said section has now been amended to exclude certain specific exemptions from the above sunset.
- Section 127C of the Customs Act is proposed to be amended to provide a time limit of 9 months for disposal of cases referred to Settlement commission extendible by another 3 months. It also provides that in case the Settlement Commission fails to dispose the application within the prescribed timeframe, the case will be reprimanded to original adjudicating authority.

Excise and Central Sales Tax

- The NCCD levy on cigarettes have been increased effective from 2 February 2023.
- To focus on green energy, it is proposed to exempt excise duty leviable on CNG to the extent GST is paid on biogas/compressed bio-gas components contained in CNG.
- It is proposed that all disputes pending with the Central Sales Tax Appellate Authority and Authority for Advance Rulings under the Central Sales Tax Act will now be transferred to Central Excise and Service Tax Appellate Tribunal (CESTAT).

3 ECONOMIC OVERVIEW

3.1 FISCAL DEFICIT TO BE BROUGHT DOWN TO BELOW 4.5 PER CENT BY FY 2025-26

In the Budget Speech, it was announced that the estimated net tax receipts for FY 2023-24 are at INR 23.2 trillion. The fiscal deficit is estimated to be 5.9 per cent of GDP. Considering the steady growth in the revenue collections every month in the last FY 2022-23, if India continues the path of fiscal consolidation, there will be a fairly steady decline over a period and fiscal deficit below 4.5 per cent of the GDP would be reached by FY 2025-26.

3.2 INVESTMENTS IN INFRASTRUCTURE

The infrastructure development capex will be hiked by 33 per cent to INR 10 trillion for FY 2023-24 and will be 3.3 per cent of the Gross Domestic Production. The focus will be mainly on the development of the urban infrastructure, green hydrogen mission, energy transition and energy storage projects. The emphasis was also given on the establishment of critical transport infrastructure projects, encouraging states and cities to undertake urban planning reforms and actions and establishment of an Urban Infrastructure Development Fund to create urban infrastructure in Tier 2 and Tier 3 cities, including urban sanitation.

3.3 PROMOTION OF ARTIFICIAL INTELLIGENCE INDUSTRY

The announcement was made for the establishment of three centres of excellence for Artificial Intelligence in top educational institutions noting that 'Make AI in India' and to 'Make AI work for India'. Leading market participants are expected to involve themselves in interdisciplinary research, along with creation of cutting-edge applications and scalable problem solutions in sectors such as agriculture, health, sustainable cities, among others.

3.4 SET UP OF DIGITAL PUBLIC INFRASTRUCTURE FOR AGRICULTURE

Digital public infrastructure for agriculture will be set up as an open source, open standard and interoperable public group. This will enable inclusive farmer centric solutions through relevant information services of planning and health, improved access to farm inputs, credit and insurance help for crop estimation, market intelligence and support for growth of agritech industry, and start-ups.

3.5 LAUNCH OF ATMANIRBHAR CLEAN PLANT PROGRAMME

Atmanirbhar Clean Plant Programme will be launched with an outlay of INR 22 billion to boost availability of disease-free and quality planting material for high value horticultural crops. An Agriculture Accelerator Fund will be set-up to encourage agri-start ups by young entrepreneurs in rural areas. The fund will aim at bringing innovative and affordable solutions for challenges faced by farmers and will also bring in modern technologies to transform agricultural practices, increase productivity and profitability.

3.6 INTRODUCTION OF MULTIDISCIPLINARY COURSES FOR MEDICAL DEVICES

The introduction of multidisciplinary courses for medical devices will ensure the availability of skilled human resources for futuristic medical technologies, high end manufacturing and research. These courses will be introduced at the existing colleges and institution.

3.7 SET UP OF NATIONAL DIGITAL LIBRARY FOR CHILDREN, ADOLESCENTS

National Digital Library for children and adolescents is proposed to be set up for facilitating the availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility.

3.8 ENCOURAGEMENT TO INDIGENEOUS PRODUCTION OF LAB GROWN DIAMONDS

It was announced that the production of lab grown diamonds in the country will be encouraged via an R&D grant to an IIT for five years and reduction in import duties of raw material. The government will look to boost indigenous production of such diamonds and reduce import liability.

4 POLICY/REGULATORY CHANGES

4.1 INTRODUCTION OF THE MINISTRY OF COOPERATION AND OTHER MINISTRIES

To further boost the vision of the Budget 2023 of “Sabka Saath Sabka Prayas” (Everyone’s Efforts) a sharper focus has been provided to the objective of “reaching the last mile”. Various Ministry of AYUSH, Fisheries, Animal Husbandry and Dairying, Skill Development, Jal Shakti and Cooperation have been formed in furtherance of the objective. Ministry of Cooperation was created by the Government to promote and strengthen a cooperative-based economic development model.

These Ministries are set-up to develop various aspects related to research and education in Ayurveda, Yoga, Naturopathy, Unani, Homeopathy, etc. as well as to build a vocational and technical training framework to build and enhance new skill and innovative thinking of manpower. The Ministries also provide for a separate administrative, legal and policy framework for strengthening cooperative movement and an enhanced platform for farmers, especially small and marginal farmers and other marginalized sectors.

In furtherance to this, the Government intends to implement a plan to set-up a decentralized storage capacity, which will enable farmers associated with cooperative societies to get the fair price for their produce by selling it at appropriate time.

4.2 ESTABLISHMENT OF INFRASTRUCTURE FINANCE SECRETARIAT

In this budget, enhancement of strong public finances and a robust financial sector is given a priority. With an intent to garner more private investments in infrastructure, including railways, roads, urban infrastructure and power, the Government has established an Infrastructure Finance Secretariat.

This division of the Ministry of Finance focuses on Infrastructure Policy and Planning Division, including matters relating to the Harmonized List of Infrastructure, matters and proposals relating to the scheme for financial support to Public Private Partnerships in Infrastructure, India Infrastructure Project Development Fund among other things.

The Harmonized Master List of Infrastructure is meant to guide all the Government financing agencies responsible for supporting infrastructure in various ways for categories of Transport, Energy, Communication, Water Sanitation and Social and Commercial Infrastructure. This Harmonized Master List of Infrastructure is proposed to be reviewed by an expert committee for recommending the classification and financing frameworks suitable to respective categories.

4.3 DECRIMINALIZATION OF LEGAL PROVISIONS

To achieve the Government's goal for a "trust-based governance" mechanism, various measures have been implemented by reducing more than 39,000 compliances by adopting measures by means of simplification, elimination and decriminalization of more than 3,400 legal provisions by introducing the Jan Vishwas (Amendment of Provisions) Bill, 2022 ("the Amendment Bill").

The Amendment Bill decriminalizes offences with an imprisonment term in certain Acts by imposing only a monetary penalty. Various Acts are proposed to be amended under this Amendment Bill, including but not limited to, the Information Technology Act 2000, the Patents Act 1970.

The Amendment Bill also revises the fines and penalties for various offences in the specified Acts and includes provisions for the Central Government to appoint Adjudicating Officers for conducting inquiries for violation of certain Acts including but not limited, to the Air (Prevention and Control of Pollution) Act 1981, the Environment (Protection) Act 1986.

4.4 INTRODUCTION OF THE NATIONAL DATA GOVERNANCE POLICY

In order to transform and modernize the data collection and management processes and systems, the Government has proposed to formulate and implement the National Data Governance Policy in order to enable access to anonymized data.

This National Data Governance Policy will be applicable to all Government departments, and entities. The rules and standards prescribed under the National Data Governance Policy will cover all data collected and managed by any Government entity.

4.5 EASE OF DOING BUSINESS

To enhance the ease of doing business in India, it has been proposed to introduce a Know Your Customer (KYC) procedure for the banking customers, which will adopt a "risk-based" approach instead of "one size fits all" approach.

KYC is a mandatory verification procedure carried out by financial institutions with the goal of minimising illegal activities. Since 2004, the Reserve Bank of India has prohibited individuals to open a bank account, trading account or DEMAT account without fulfilling the KYC procedure for KYC.

The Government has further proposed that for business establishments required to have a Permanent Account Number (PAN), the PAN will be treated as a common identifier for all digital systems of specified Government Agencies. This proposal steps towards simplification and transparency for compliance's, investments and taxation of the businesses.

Further to this, the Government aims to establish a one stop solution for reconciliation and updating of identity and address of individuals maintained by various Government Agencies, regulators and regulated entities using Digi Locker service and Aadhar as foundational identity.

To facilitate the vision of the Government of ease of doing business and to boost the technology-driven Indian economy to meet the needs of a Digital India, the Government has proposed to set-up a Unified Filing Process which will prevent the need for separate submission of same information to different Government Agencies. The Unified Filing Process would be filing of information or a return in simplified forms on a common portal, which will be shared with other Government Agencies as per the filer's choice.

The Government has further proposed to set-up an Entity Digi Locker for use by MSMEs, large business and charitable trusts which will be towards storing and sharing documents online securely and whenever needed, with other authorities, regulators, banks and other entities.

In order to expand fintech services in India, the digital public infrastructure including Aadhaar, Prime Minister Jan Dhan Yojana, Video KYC, India Stack and Unified Payments Interface (UPI), are also proposed to be enhanced for individuals with regards to the scope of documents available in Digi Locker.

4.6 DISPUTE MANAGEMENT

The e-Courts Project was introduced as a Pan-India Project monitored and funded by the Government of India for providing the necessary hardware and software application to enable courts to deliver e-services, and the judiciary to be able to monitor and manage the functioning of courts.

It was announced in the Budget 2023 that Phase III of this e-Courts Project will be launched with an outlay of INR 7 Billion. Phase III of the e-Courts Project envisions digital courts that deliver justice as a service to all, beyond simply replicating offline processes digitally.

Furthermore, the Government has also proposed to introduce a voluntary settlement scheme with standardized terms to settle contractual disputes of Government and Government undertakings, wherein arbitral award is under challenge in a court. This is proposed to be done by offering graded settlement terms depending on pendency level of the dispute.

4.7 RELIEF FOR MSME

Recognising the lingering impact of COVID-19, the Government has announced relief for the Micro, Small and Medium Enterprises (MSME), 95 per cent of the forfeited amount relating to bid or performance security in cases of failure by MSMEs to execute contracts during the COVID-19 period will be returned to them by Government and Government undertaking.

4.8 FOCUS ON GREEN GROWTH

Recognizing the importance of clean energy and climate change, the Government promotes a vision for “LiFE”, or Lifestyle for Environment, moving forward for net-zero carbon emissions by 2070. The Government has launched a National Green Hydrogen Mission with an outlay of INR 197 Billion in order to facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports among other things. The Government estimates that by 2030, the annual production of Hydrogen will reach around 5 Million Metric Tonne (MMT).

Currently, Hydrogen is consumed in India for various industrial purposes like petroleum refining, manufacturing of ammonia for fertilizers, methanol production, treatment and production of metals etc.

The Government also provides for INR 350 Billion for priority capital investments towards energy transition and net zero objectives and energy security by Ministry of Petroleum and Natural Gas. Furthermore, in order to steer the economy towards a sustainable development path, Battery Energy Storage Systems with capacity of 4,000-megawatt hour (MWH) is proposed to be supported with the Viability Gap Funding.

In order to regulate the Battery Energy Storage Systems, a detailed framework for Pumped Storage Projects is also proposed to be formulated by the Government.

Further, to encourage behavioral change amongst individual and businesses alike, a Green Credit Programme is to be notified under the Environment (Protection) Act. This will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such actions.

4.9 FOCUS ON VEHICLE REPLACEMENT

It was announced that to further the Government's goal for green growth, adequate funds will be allocated to scrap old vehicles of the Central and the State Governments. This announcement is in furtherance to the Vehicle Scrappage Policy implemented by the Government, is a Government-funded programme to scrap old and unfit vehicles and replace them with modern and new vehicles. The primary goal of the Vehicle Scrappage Policy is to create an ecosystem for phasing out unfit and polluting vehicles to achieve a lower carbon footprint in India.

4.10 FOCUS ON SKILLS AND JOB CREATION OF YOUTH

With the objective of rapid progress of the country and in order to empower the youth, it is announced by the Government that a Pradhan Mantri Kaushal Vikas Yojana 4.0 (Prime Minister Skill Development Scheme) is proposed to be launched to provide and enhance on-job training, industry partnership and alignment of courses with needs of industry.

The Government has also proposed to set-up centres for excellence for Artificial Intelligence in top educational institutions to realise the vision of "Make AI in India and Make AI work for India".

It is proposed that leading industry players will partner in conducting interdisciplinary research, develop cutting-edge applications and scalable problem solutions in the areas of agriculture, health, and sustainable cities to establish an effective AI ecosystem and nurture quality human resources in the field.

A unified Skill India Digital Platform is also proposed to be launched for enabling demand based formal skilling, linking employers including MSMEs and facilitating access to entrepreneurship schemes.

Furthermore, a National Apprenticeship Promotion Scheme ("NAPS") was introduced by the Government in 2016 to promote the apprenticeship in the country by providing financial incentives, technology and advocacy support.

It was announced in this Budget 2023 that a Direct Benefit Transfer under the pan-India NAPS will be introduced to provide stipend support to 4.7 Million youth in India.

4.11 REGULATION OF FINANCIAL SECTOR

The present framework for registration of financial information requires multiple registrations with multiple authorities. In order to register the particulars of a loan, the lender must submit information at multiple platforms.

With an aim to avoid the overlapping of registering the same information a proposal for setting-up a central repository for financial and ancillary information has been made. This will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability. A new legislative framework will govern this credit public infrastructure, and it will be designed in consultation with the Reserve Bank of India.

Further, to facilitate optimum regulation in the financial sector and to simplify, ease and reduce cost of compliance, the process of regulation-making and issuing subsidiary directions and a comprehensive review of the existing regulations will be implemented in consultation with the public, as necessary and feasible.

In order to improve bank governance and to enhance investor's protection, the Government has proposed various amendments to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act.

4.12 GUJARAT INTERNATIONAL FINANCE TEC-CITY

Gujarat International Financial Tec-City ("GIFT") International Financial Services Centre ("IFSC") is established to become India's gateway for inbound and outbound requirements of the international financial service. The Government of India provides for new initiatives to undertake international financial services business in India. The regulators namely RBI, Securities & Exchange Board of India (SEBI), Insurance Regulatory & Development Authority of India (IRDAI) issue regulations allowing Indian and foreign institutions to open their office in the IFSC.

In order to enhance business in GIFT IFSC, the Government has proposed to implement measures to delegate powers under the Special Economic Zone (SEZ) Act to the IFSC Authority in order to avoid dual regulation and amendment of IFSC Authority for inclusion of statutory provisions for arbitration and ancillary services.

Further, a single window system is to be set-up for registration and approval from IFSC Authority, SEZ Authorities, Goods and Services Tax Network, RBI, SEBI and IRDAI. The Government has also permitted acquisition financing, i.e., the funding a company uses specifically for the purpose of acquiring another company by IFSC Banking unites of foreign banks situated in GIFT IFSC and provides recognition for offshore derivative instruments as valid contracts.

The Government has also announced that it proposes to facilitate the set-up Data Embassies in GIFT IFSC to promote seamless digital transfers and continuity for other nations. A Data Embassy is a solution implemented by nation states to ensure a country's acquisition and availability of unenhanced data.

4.13 INTRODUCTION OF THE CENTRAL DATA PROCESSING CENTRES

Importance is given to ease of doing business by the Government and hence, a proposal to introduce and implement a Central Data Processing Centre to garner faster response to companies through centralized handling of various forms filed with field officers under the Companies Act, 2013.

4.14 CLAIM OF UNCLAIMED SHARES AND UNPAID DIVIDENDS

It has been announced that an integrated IT portal will be established for the benefit of the investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority.

The Investor Education and Protection Fund Authority was established to administer the Investor Education and Protection Fund, make refunds of shares, unclaimed dividends, matured deposits/debentures etc. to investors and to promote awareness among investors. by the Government of India.

5 INCOME TAX

5.1 CHANGES IN TAX RATES

Personal Tax Rates:

- No change in tax rates under Old Tax Regime, in which various tax exemptions and income deductions could be availed.
- Tax rates revised under New Tax Regime, in which most of the tax exemptions and income deductions cannot be availed. Refer Revised Tax Rates under New Tax Regime in Para 4.2 under the title "Simplified Personal Income Tax Scheme Incentivised".

Corporate Tax Rates:

No changes.

Below are the corporate tax rates applicable for FY 2023-24:

Option 1 – Regular Income Tax Rates

Particulars	Taxable Income <= INR 10 million (per cent)	INR 10 Million < Taxable Income <= INR 100 Million (per cent)	Taxable Income > INR 100 million (per cent)
Foreign companies	41.60	42.43	43.68
Domestic companies' set-up and registered on or after 1 March 2016 and engaged in manufacturing*	26	27.82	29.12
Domestic Companies having Total Turnover/gross receipts not exceeding INR 4,000 Million in Financial Year 2021-22	26	27.82	29.12
Domestic Companies having Total Turnover/gross receipts of INR 4,000 Million or more in Financial Year 2021-22	31.20	33.38	34.94
Minimum Alternate Tax	15.60	16.69	17.47

Option 2 – Concessional tax rate regime*

Particulars	Section	Effective Tax rate (per cent) *
All domestic companies	115BAA	25.17
Companies' set-up and registered on or after 1 October 2019 and engaged in manufacturing	115BAB	17.16

*Subject to prescribed deductions and incentives forgone

(Details of the above provided for in Annexure A to this Document)

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5.2 KEY PROPOSALS RELATING TO PERSONAL TAXATION

Simplified Personal Income Tax Scheme Incentivised [Sect. 115BAC]

- The Simplified Personal Income Tax Scheme was introduced vide Union Budget 2020. However, given that there was not much tax incentive under this New Tax Regime, many taxpayers had continued under Old Tax Regime, where they could avail various tax exemptions and income deductions.
- This Scheme applies in respect of total income, of an Individual or Hindu Undivided Family or Association of Persons (other than a Co-operative society), or a body of individuals, whether incorporated or not, or an artificial juridical person.
- It is now proposed to offer a higher tax benefit to the taxpayers, who opt for the New Tax Regime. Revised tax rates under the New Tax Regime proposed in the Budget under Sect. 115BAC (1A) of the IT Act are as follows:

Income Slab (INR)	Revised Tax Rate proposed under New Tax Regime (per cent)
0-300,000	Nil
300,001 - 600,000	5 per cent
600,001 - 900,000	10 per cent
900,001 - 1,200,000	15 per cent
1,200,001 - 1,500,000	20 per cent
Above 1,500,000	30 per cent

Income Slab (INR)	Existing Tax Rate under New Tax Regime (per cent)	Revised Tax Rate proposed under New Tax Regime (per cent)	Additional Incentive due to Revised Tax Rate (in INR)
0 - 250,000	Nil	NIL	
250,001 - 300,000	5	NIL	2,500
300,001 - 500,000	5	5	
500001 - 600000	10	5	5,000
600,001 - 750,000	10	10	
750,001 - 900,000	15	10	7,500
900,001 - 1,000,000	15	15	
1,000,001 - 1,200,000	20	15	10,000
1200001 - 1,250,000	20	20	
1,250,001 - 1,500,000	25	20	12,500
Above 1,500,000	30	30	
Total			37,500

- Illustrative list of exemptions or deductions that would have to be foregone for applying the above rates as follows:
 - Sect.10(5) - leave travel concession
 - Sect.10(13A) - house rent allowance
 - Sect.10(14) - specific allowances

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- Sect. 16(iii) – deduction on account of professional tax
 - Sect. 24(b)- interest on capital borrowed for property acquired or constructed
 - Chapter VI-A (other than Sect. 80CCD or Sect. 80CCH or Sect. 80 JJA)
 - Sect. 32 (1)(ia) – additional depreciation on plant and machinery
 - Sect. 32AD – Investment in plant and machinery in notified backward area
 - Sect. 33AB – Expenditure on know how
 - Sect. 33ABA – Site restoration fund
 - Sect. 35 – Scientific research expenditure
 - Sect. 35AD – Deduction in respect of capital expenditure for Specified business
 - Sect. 35CCC – Expenditure on agricultural extension project
- However, it is proposed that standard deduction of INR 50,000 for salaried individuals is allowable under the New Tax Regime.
- Revised Tax Rates proposed under New Tax Regime are proposed to be default rates. As a consequence, persons who wish to continue with the Old Tax Regime and claim the available tax exemptions and income deductions, will be required to opt for the Old Tax Regime by filing an online declaration in the prescribed form, on or before the due date of filing of original return of income.
- Person not having income from business or profession will be required to exercise this option of opting for Old Tax Regime every year. Persons having income from business or profession, who have exercised the above option of shifting out of New Tax Regime, shall be able to exercise the option of opting back to the Old Tax Regime only once.

It is also proposed to restrict the surcharge rate to 25 per cent in case of income offered to tax under New Tax Regime, where aggregate income (excluding income by way of dividend or incomes of nature referred to in Sect. 111A, 112 and 112A of the IT Act) exceeds INR 50 Million.

This amendment will apply to assessment year 2024-25 and subsequent assessment years

Gifts of money to Residents but Not-Ordinarily Resident deemed to accrue or arise in India

- Under the IT Act, certain income streams are deemed to accrue or arise in India. As per existing provisions, any sum of money exceeding INR 50,000, received by non-residents without consideration from a person resident in India is deemed to accrue or arise in India.
- The above provisions were introduced as an anti-abuse measure, as it was observed gifts made by persons resident in India to resident and not ordinarily residents were claimed as non-taxable in India by such non-residents.
- It is proposed to extend this deeming provision to sum of money received by a person, who is Resident but not ordinarily resident in India, without consideration from a person resident in India.

This amendment will apply to assessment year 2024-25 and subsequent assessment years

Restriction imposed for claiming benefit under Sect. 54 and Sect. 54F in respect of deduction from Capital gains

- The existing provisions of Sect. 54 and Sect. 54F of the IT Act provide for deduction on account of investment in residential property in India from the Capital gains arising on transfer of specified long-term capital asset if taxpayer purchases any residential property in India within the timelines specified.
- It is proposed to impose a limit on the maximum deduction under these sections to INR 100 Million. It is proposed to provide that if the cost of the new asset purchased is more than INR 100 Million, then such excess shall be ignored for.
- Consequentially, the amount exceeding INR 100 Million shall also be ignored while granting benefit in respect of the amount deposited in the Capital Gains Account Scheme.

These amendments will apply in relation to the assessment year 2024-25 and subsequent assessment years.

Provisions relating to perquisite valuation of rent-free accommodation provided to employees rationalised

- Perquisites are presently defined to; inter-alia include values of:
 - rent-free accommodation provided by employer; or
 - accommodation provided by employer at concessional rate.
- Further, the methodology to compute the value of perquisite in respect of the above is provided for in the IT Rules.
- It is proposed to rationalise the above provisions to provide that accommodation shall be deemed to have been provided at a concessional rate if the value of the accommodation computed in the prescribed manner exceeds the rent recoverable from, or payable by the employee. Thus, value of accommodation at concessional rate, as per prescribed Rules less rent recoverable will be the perquisite value.

This amendment shall apply in relation to Assessment Year 2024-25 and subsequent assessment years.

Deduction on account of interest on borrowed capital for acquiring property

- The amount of interest expenditure on borrowed capital for acquiring, renewing or reconstructing a property is allowed as a deduction under the head "Income from house property".
- While computing income under the head "Capital gains" cost of acquisition and cost of improvement are allowed to be deducted from the consideration received on transfer of capital asset.
- To prevent double deduction of interest on borrowed capital, i.e., once against Income from House Property and secondly, as a part of cost of acquisition while computing Income from Capital gains, it is proposed that the cost of acquisition or cost of improvement shall not include the amount of interest claimed as a deduction from Income from House Property.

This amendment shall apply in relation to the assessment year 2024-25 and subsequent assessment years.

Introduction of new scheme of taxation of capital gains in case of Market Linked Debentures

- Redemption, Transfer or Maturity of “Market Linked Debentures” are proposed to be taxed as short-term capital gains at the applicable rates.
- To facilitate this, it is proposed to insert a new Sect. 50AA in the IT Act to treat the full value of the consideration received from transfer or redemption or maturity of the “Market Linked Debentures” as reduced by the cost of acquisition of the debenture and the expenditure incurred in connection with transfer or redemption of such debenture, as capital gains arising from the transfer of a short-term capital asset.
- ‘Market linked Debentures’ are proposed to be defined as securities which have an underlying principle component in the form of a debt security and where the returns are linked to market returns or classified or regulated as a “Market Linked Debenture” by SEBI.

This amendment shall, apply in relation to the Assessment Year 2024-25 and subsequent assessment years.

Rebate under Sect. 87A of IT Act

- Under the existing provisions of Sect. 87A of the IT Act, a resident individual, having total income not exceeding INR 0.5 Million is provided a rebate of 100 per cent of the amount of income-tax payable i.e., an individual having income till INR 0.5 Million is not required to pay any income-tax.
- It is now proposed that a resident individual, whose income is chargeable to tax under the New Tax Regime for taxation of individuals, shall be entitled to a rebate of 100 per cent of the amount of tax on total income not exceeding INR 0.7 Million. Thus, an individual having income up to INR 0.7 million would not be required to pay income tax, if such individual does not opt out from taxation under New Tax Regime governed by the provisions of proposed sub-section (1A) of Sect. 115BAC of the IT Act.

This amendment shall, apply in relation to the Assessment Year 2024-25 and subsequent assessment years.

Rationalization of exempt income under life insurance policies

- Sect. 10(10D) of the IT Act provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy.
- It is proposed to tax income from insurance policies having premium or aggregate of premium above INR 0.5 million in a year.
- It is further proposed that such income will be exempt if received on the death of the insured person, otherwise would be taxable under the head “income from other sources”.
- It is also proposed that deduction shall be allowed for premium paid, if such premium has not been claimed as deduction earlier.
- Further the proposed provision shall apply for policies issued on or after 1 April 2023.

- These amendments shall apply to the assessment year 2024-25 and subsequent assessment years.

5.3 KEY PROPOSALS RELATING TO DOMESTIC TAXATION

Clarification on “benefits and perquisites in cash” to be included as profits and gains of business

- Sect 28 of the IT Act defines “Profits and gains of business or profession” to include “value of any benefit or perquisite whether convertible into money or not, arising from business or the exercise of a profession”. Courts have interpreted this clause to exclude benefits or perquisites in cash.
- It is proposed to clarify that the above clause applies to cases where benefits or perquisites provided are “in cash” or “in kind” or “partly in cash and partly in kind”.
- Consequential amendments are also made in provisions of Sect. 194R dealing with tax deduction at source on such benefits or perquisites (elaborated in the Section relating to Withholding Tax).

This amendment will apply to Assessment Year 2024-2025 and subsequent assessment years.

Relaxation of certain provisions for start ups

- Budget announcements of recent years have provided several reliefs to Start-ups. This year too, reliefs have been extended to promote Start-ups as follows:
 - **Last date of Incorporation of Start-ups extended:** Sect. 80-IAC of the IT Act provides for a deduction of 100 per cent profits and gains derived by an eligible start-up during 3 consecutive assessment years out of 10 years, from the year of incorporation (at the option of the taxpayer). However, Start-up needs to be incorporated on or after 1 April 2016 but before 1 April 2023, in order to be eligible for such deduction.

It is proposed to extend the period of incorporation of eligible start-ups to 1 April 2024.

- **Period of carry forward of loss extended:** Change in shareholding of a closely held company beyond 49 per cent could disentitle carry forward of losses for set off against profit in future years. Eligible start-ups are excluded from this provision disentitling carry forward of losses on change in shareholding beyond 49 per cent during initial period of seven years beginning from the year of incorporation of Eligible Start-ups (subject to the common shareholding condition). It is proposed to extend this period of seven years to ten years from the year of incorporation of Eligible Start-up.
- This amendment will apply in relation to the Assessment Year 2023-24 and subsequent assessment years.

Additional conditions laid down for units claiming benefits under Sect. 10AA of the IT Act

- The existing provisions of Sect. 10AA of the IT Act, inter alia, provide for tax benefits to units established in Special Economic Zone ('SEZ'), which have begun to manufacture or provide services on or after 1 April 2005 but before 30 September 2020.
- These benefits were available subject to satisfaction of prescribed conditions. Two additional conditions are proposed to be inserted as follows:
 - **Return to be filed within the prescribed due date:** Deduction under Sect. 10AA of the IT Act shall be available, only if a return of income is filed before the prescribed due date.
 - **Time limit for remittance of export proceeds into India:** There was no time limit prescribed in the IT Act for remittance of export proceeds by SEZ units for claiming the tax benefits. It is therefore proposed that the benefits under Sect. 10AA of the Act shall be available for such units, only if the export proceeds from sale of goods or provision of services is received in or brought into India in convertible foreign exchange within a period of six months from the end of the relevant financial year or, within such further period as the Reserve Bank of India or any other authority regulating payments and dealings in foreign exchange permits.

Export proceeds from sale of goods or provision of services shall be deemed to have been received in India where such proceeds are credited to a separate account maintained with any bank outside India with the approval of the Reserve Bank of India.

- **Consequential amendments in procedures:** It is also proposed to make consequential amendments to allow the Assessing Officer to amend the assessment order later where the export earning is realized in India after the permitted period.

These amendments shall apply in relation to Assessment year 2024-25 and subsequent assessment years.

Ease in claiming deduction on amortization of preliminary expenditure

- Sect. 35D of the IT Act provides for amortization of preliminary expenses incurred prior to commencement of business or after commencement, in connection with extension of undertaking or setting up of a new unit, for claiming proportionate deduction over a period of five years.
- This section, inter alia, provides that expenditure in connection with preparation of feasibility report or project report or conducting of market survey or any other survey or the engineering services relating to the business would need to be carried out either by taxpayer himself or by a concern approved by the Central Board of Direct Taxes.
- It is proposed to delete the condition of approval by the Board. Instead, it is proposed that the taxpayer shall furnish a statement containing particulars of this expenditure in the prescribed manner.

This amendment shall apply to Assessment year 2024-2025 and subsequent assessment years.

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Expenditures incurred towards Micro and Small Enterprises to be allowed on payment basis

- Sect. 43B of the IT Act provides for allowability of deduction towards certain expenses only on actual payment basis.
- In order to promote timely payments to Micro and Small Enterprises, it is proposed to
- include payments to such enterprises within the ambit of this provision.
- It is therefore proposed that any sum payable to a “Micro or Small Enterprise” beyond the time limit specified in the Micro, Small and Medium Enterprises Development Act 2006 (‘MSMED’) shall be allowed as deduction only on actual payment.
- Sect. 15 of the MSMED Act mandates payments to micro and small enterprises within the time as per the written agreement, which cannot be more than 45 days. If there is no such written agreement, the provision mandates that payment shall be made within 15 days.
- As per the MSMED Act, a Micro Entity is defined to mean an entity whose investment in plant and machinery, or equipment is less than INR 10 Million and annual turnover is less than INR 50 Million. A Small Entity is one, whose investment in plant and machinery or equipment is less than INR 100 Million and its annual turnover is less than INR 500 Million then such entity is classified as Small Entity.
- This amendment shall apply to the Assessment Year 2024-25 and subsequent assessment years.

Threshold limits for presumptive taxation schemes increased

- The existing provisions of Sect. 44AD and Sect. 44ADA of the IT Act, inter-alia, provide for a presumptive taxation scheme for small businesses/professionals, wherein a specified percentage of total turnover or gross receipts is deemed to be the profits and gains of business or profession chargeable to tax. The threshold limits of total turnover or gross receipts, in order to be eligible for these presumptive taxation schemes, have been increased as below:

Relevant provision of the IT Act	Business criteria	Percentage of total turnover/ gross receipts	Existing threshold of total turnover/ gross receipts	Proposed threshold and conditions
Sect. 44AD	Any business except plying, hiring, leasing goods carriages	8 per cent or 6 per cent (subject to certain conditions)	INR 20 Million	INR 30 Million subject to the condition that the amounts received in cash, do not exceed five per cent of the total turnover or gross receipts
Sect. 44ADA	Professional	50 per cent	INR 5 Million	INR 7.5 Million subject to the condition that the amounts received

Relevant provision of the IT Act	Business criteria	Percentage of total turnover/ gross receipts	Existing threshold of total turnover/ gross receipts	Proposed threshold and conditions
				during the previous year in cash, do not exceed five per cent of the total gross receipts.

- It is also proposed that receipts by cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be the receipt in cash.
- It is also proposed that provisions relating to tax audit shall not apply to persons, who declare profits in accordance with presumptive scheme as above.

These amendments shall apply to the Assessment Year 2024-2025 and subsequent assessment years.

Clarification in respect of Cost of Acquisition of Intangible assets or any other right

- There was no specific provision in the IT Act, which provided for the cost of Intangible assets or any sort of right, for which no consideration has been paid for acquisition. Due to this, there was litigation and chargeability of capital gains from transfer of such intangible assets or rights did not succeed in the Courts.
- To put to rest this controversy, it is proposed that the 'cost of improvement' or 'cost of acquisition' of any intangible asset or any other right, for which no consideration has been paid, shall be 'Nil'.

This amendment shall apply in relation to Assessment Year 2024-25 and subsequent assessment years.

5.4 KEY PROPOSALS RELATING TO INTERNATIONAL TAX

Anti-avoidance provisions for taxing receipt of excess consideration towards issue of shares to be extended to Non-resident Investors

- Presently, consideration for issue of shares by closely held companies to resident investors exceeding fair market value of shares is chargeable to tax as 'Income from other sources'. A specific mechanism is provided in the IT Rules for determination of the "Fair Market Value" of shares of such closely held companies. This Section as it stands presently is applicable for consideration received from resident investors. There are certain exclusions provided for investments by specified categories of investment funds.
- It is proposed to include consideration received from non-residents (that includes foreign entities) under the ambit of these provisions. Thus, the rigours of these provisions would now apply in respect of receipt of consideration for issue of shares from any person irrespective of their residential status, which implies where consideration is received for issue of shares to residents or non-residents exceeding face value of shares shall be chargeable to tax as 'Income from other sources' in the hands of company issuing the shares.

This amendment shall apply in relation to Assessment Year 2024-25 and subsequent years.

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Additional restrictions imposed in respect of presumptive taxation schemes available to non-residents

- Sect. 44BB and Sect. 44BBB of the IT Act provide for presumptive taxation of certain streams of incomes of non-residents as under:

Relevant provision of the IT Act	Nature Of Business	Income as a percentage of consideration
44BB	Services in connection with or supplying plant and machinery on hire used in the prospecting for or extraction or production of mineral oils	10 per cent
44BBB	Business of civil construction or erection of plant or machinery or testing or commissioning in connection with a turnkey power project approved by the Central Government	10 per cent

- The taxpayers could claim actual losses as per books of accounts (in the year of losses) and use presumptive taxation scheme to restrict taxable profits to 10 per cent in year of profit and then, again set off losses carried forward from earlier years.
- It is proposed that where an assessee declares profits and gains of business for any year in accordance with the above scheme of presumptive taxation, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the taxpayer for such financial year.

These amendments will apply to Assessment year 2024-2025 and subsequent assessment years.

5.5 KEY PROPOSALS RELATING TO TRANSFER PRICING

Reduction in time limit to submit transfer pricing documentation with tax office, during transfer pricing assessment

- It is proposed to reduce the original time limit of 30 days for submission of Transfer Pricing documentation (i.e., TP Study Report or Local File) required to be maintained under Section 92D of the IT Act to be reduced to 10 days.
- However, the taxpayer still has an option to request for additional time period of 30 days, as it was previously available.
- This amendment is proposed with an intent to provide sufficient time to the tax authorities to examine the information submitted and complete the proceedings.
- Additionally, this proposed amendment further enhances the need to maintain the TP Study Report or Local File on contemporaneous basis i.e., on or before the date of filing of transfer pricing audit report in Form 3CEB i.e., 31 October following the end of relevant previous year.

This amendment will take effect from 1 April 2023.

Scope of specified domestic transactions ('SDT') extended

- The scope of SDT contained under Sect. 92BA was previously extended to cover the transactions between taxpayers and new manufacturing domestic company availing a concessional tax rate of 15 per cent of the IT Act.
- Consequential to the extension of concessional tax rate of 15 per cent to new manufacturing cooperative societies, the coverage of SDT has been consequently proposed to be extended to cover transactions of taxpayer with cooperative societies.
- SDT provisions are applicable to taxpayers only in case the aggregate value of transactions covered exceeds INR 200 million.

This amendment shall apply in relation to the assessment year 2024-25 and subsequent assessment years.

5.6

KEY PROPOSALS RELATING TO WITHHOLDING TAX

Clarification on Tax Deduction at Source ('TDS') under Sect. 194R

- Sect. 194R of the IT Act was inserted by the Finance Act 2022. It provides for deduction of tax at source on benefits or perquisites provided to a resident arising from business or profession at 10 per cent of the value of such benefit or perquisite.
- It has been provided that in case where benefits or perquisites, are wholly in kind or partly in cash and kind but such cash is not sufficient to meet the TDS liability, the person responsible shall ensure that tax required to be deducted has been paid in respect of the benefit or perquisite.
- It is proposed to clarify that the above provisions shall apply to benefits or perquisites whether in cash or in kind or partly in cash and partly in kind.

This amendment will take effect from 1 April 2023.

TDS on payment of interest on listed debentures to a resident

- Existing provisions of Sect. 193 of the IT Act mandate the payer of interest on securities to deduct tax at source at the time of payment or credit whichever is earlier.
- Proviso to Sect. 193 of the IT Act, inter-alia, excludes interest payable on securities in dematerialized form issued by companies listed on a recognized stock exchange in India specified securities from above TDS compliances.
- To avoid under reporting of interest income, it is proposed to omit this clause from the Proviso. This would mean that TDS compliances under Sect. 193 would need to be undertaken by companies having securities in dematerialized form and listed on a recognized stock exchange in India.

This amendment will take effect from 1 April 2023.

TDS on payment of accumulated balance due to employees

- The existing provisions of Sect. 192A of the IT Act, inter-alia, provide for deduction of tax at 10 per cent of accumulated balance due to employees under the Employees' Provident Fund Scheme, 1952.

- Failure to furnish the Permanent Account Number has the consequence of tax being deducted at the maximum marginal rate.
- It is now proposed to amend the above and provide that failure to furnish PAN by the person making payment of accumulated balance, tax will be deducted at the rate of 20 per cent in accordance with Sect. 206AA of the IT Act, instead of at the maximum marginal rate.

This amendment will take effect from 1 April 2023.

Scheme of taxation and TDS on winnings from lotteries, crossword puzzles, horse races etc amended and new scheme for taxation and TDS on online games introduced

- Sect. 194B and Sect. 194BB of the IT Act provide for TDS on income by way of winnings from any lottery, crossword puzzle, card game, horse racing etc. at the rates in force.
- Sect. 115BB of the IT Act prescribes the rate of TDS on income referred to in the above sections.
- The threshold for application of TDS is INR 10,000 per transaction under the above sections.
- Currently, TDS is affected under these sections in respect of online games.
- Slew of amendments have been proposed in view of the increase in online gaming and to impose anti- avoidance measures as follows:
 - (i) **Changes in existing provisions:** It is proposed to:
 - provide that TDS under the existing sections 194B and 194BB of the IT Act shall be on aggregate amount exceeding INR 10,000 during a financial year.
 - amend Sect. 194B of the IT Act to include “gambling or betting of any form or nature whatsoever” within its scope.
 - exclude online games from the purview of Sect. 194B from 1 July 2023;
 - exclude income from winnings from online games from Sect. 115BB;
 - insert new Sects. 194BA and 115BBJ for taxation and TDS on winnings from online games.
 - (ii) **TDS on winnings from online games:** A new scheme is proposed as follows:
 - It is proposed to insert a new Sect. 115BBJ of the IT Act to tax winnings from online games at thirty per cent as well as to define necessary terms like computer, internet, online games etc.
- It is proposed to insert a new Sect. 94BA of the IT Act to provide for TDS on net winnings in user account at prescribed rates. TDS is also required at the time of withdrawal on net winnings comprised in withdrawal, as well as remaining amount in the user account, computed in a manner to be prescribed.

TDS amendments will take effect from 1 July 2023. Amended Sect. 115BB and Sect. 115BBJ shall apply for assessment year 2024-25 and subsequent assessment years.

Tax treaty relief at the time of TDS on payment of income to non-residents in respect of Mutual Funds

- Sect. 196A of the IT Act provides for TDS on payment of income in respect of units of a specified Mutual Fund to non-residents at the rate of 20 per cent.
- In order to provide relief to taxpayers, it is proposed that TDS would be at 20 per cent or rates provided in the respective tax treaty (subject to furnishing a valid Tax Residency Certificate).

This amendment will take effect from 1 April 2023.

Expansion of scope of application for grant of certificate for TDS at lower or nil rate

- Sect. 197 of the IT Act provides for grant of certificate for TDS at lower or nil rates. This section includes certain sections of TDS compliances as being covered by this provision. However, Sect. 194LBA of the IT Act dealing with TDS on distributed income of business trusts is excluded from the provisions of Sect. 197 of the IT Act.
- It is therefore proposed to include Sect. 194LBA within the purview of Sect. 197 to enable taxpayers to apply for certificate for deduction at lower rate in respect of such incomes as well.

This amendment will take effect from 1 April 2023.

Rationalisation of provisions of higher rates of TDS and Tax Collection at Source ('TCS') for non-filers of income tax returns

- Sect. 206AB and Sect. 206CCA of the IT Act provide for higher rate of TDS and TCS respectively, for non-filers of income tax returns, referred to as "specified persons".
- It is proposed to exclude persons who are not required to furnish the income tax return for a particular year and are notified in this behalf.

This amendment will take effect from 1 April 2023.

TCS rates on certain remittances enhanced

- Sect. 206C of the IT Act provides for TCS on foreign remittances through Liberalized Remittance Scheme and on sale of overseas tour package.
- TCS rates are proposed to be enhanced as follows:

Type of remittance	Present rate	Proposed rate
Overseas tour package	5 per cent without any threshold limit	20 per cent without any threshold limit
Remittance outside India	5 per cent of the amount or the aggregate of the amounts in excess of INR 0.7 million	20 per cent without any threshold limit

This amendment will take effect from 1 July 2023.

5.7 KEY PROPOSALS RELATING TO PROCEDURES

(Most amendments in this Section take effect from 1 April 2023, unless something is mentioned to the contrary and will apply to assessment year 2023-24 and subsequent years)

Providing TDS credit for income already disclosed in the return of income of past year

- It is proposed to provide that where any income has been included in the return of income for any assessment year and tax has been deducted at source in a subsequent financial year **and paid**, in such a case the taxpayer can make application in the prescribed form to the Assessing Officer within 2 years from the end of the financial year in which such tax was deducted at source.
- It is further proposed that Assessing Officer should amend the order of assessment or any intimation allowing credit of such tax deducted at source in the relevant assessment year within a period of four years specified from the end of the financial year in which such tax has been deducted.
- Further, credit of such tax deducted at source shall not be allowed in any other assessment year.
- Consequential amendment has also been proposed to provide that the interest on refund arising out of above rectification shall be for the period from the date of the application to the date on which the refund is granted.
- These amendments will take effect from 1 October 2023.

Rationalisation of provisions for set-off and withholding of refunds in certain cases and consequential interest on refunds

- Sect. 241A of the IT Act deals with withholding of income tax refund of a taxpayer in certain cases. Sect. 245 of the IT Act deals with set off of income tax refunds against tax remaining payable.
- Considering the overlap in the two provisions, it is proposed to omit the Sect. 241A from the IT Act with effect from 1 April 2023.
- Sect. 245 of the IT Act is proposed to be substituted to include the set off of refunds against tax payable within the purview of the section.
- It is proposed that in case of taxpayer where assessment or reassessment proceedings are pending, interest shall not be payable for the period beginning from the date on which such refund is withheld by the Assessing Officer till the date on which the assessment or reassessment is made.
- The proposed amendment impacts only additional interest under Sect. 244A(1A) payable to the taxpayer under the IT Act at three per cent.
- It is further proposed to be clarified that where refund arises as a result of an order passed by the Assessing Officer upon an application made by the taxpayer, interest shall be calculated at the rate of half per cent for every month from the date of application to the date on which the refund is granted.

These amendments will take effect from 1 October 2023.

Effect of order of tribunal or court in respect of business reorganisation

- Sect. 170A was inserted by Finance Act, 2022 to ease out challenges in giving effect to order of business reorganisation of Courts.
- It is proposed to substitute Sect. 170A, to provide that notwithstanding due dates prescribed for filing returns, in a case of business reorganisation, where prior to the date of order of the Tribunal or High Court or Adjudicating Authority, any return of income has been furnished for any year, by an entity to which such order applies, the successor shall furnish, within a period of 6 months from the end of the month in which the said order was issued, a modified return in the form and manner, as may be prescribed, in accordance with and limited to the said order. This would also enable modification of the returns filed by the predecessor wherever required
- Further it is provided that, if proceedings of assessment or reassessment for the relevant assessment year have been completed on the date of furnishing of modified return, the Assessing Officer shall pass an order modifying the total income of the relevant assessment year in accordance with the order of the business reorganisation and taking into account the modified return so furnished.

This amendment will take effect from 1 April 2023

Preventing permanent deferral of taxes through undervaluation of inventory

- In order to ensure that the inventory is valued in accordance with Income Computation and Disclosure Standards – II, it is proposed to grant powers to the Assessing Officer to direct the taxpayer to get the inventory valued by a cost accountant, as nominated by the designated authorities in this behalf.
- Taxpayers will be given an opportunity of being heard in respect of any material gathered based on such inventory valuation which is proposed to be utilized for assessment.
- It is also proposed to amend Sect. 153 of the IT Act, to exclude the period for inventory valuation through the cost accountant for the purposes of computation of time limitation.

These amendments will apply to assessment year 2023-2024 and subsequent assessment years.

Penalty for furnishing inaccurate statement of financial transaction or reportable account

- In addition to the existing penalty for furnishing inaccurate statement of financial transaction or reportable account, it is proposed that if there is any inaccuracy in the Statement of Financial Transactions submitted by a prescribed reporting financial institution and such inaccuracy is due to false or inaccurate information submitted by the account holder, a penalty of INR 5,000 shall be imposable on such institution.
- The reporting financial institution may recover the amount so paid on behalf of the account holder or retain out of any moneys that may be in its possession or may come to it from every such reportable account holder.

These amendments will take effect from 1 April 2023.

Prosecution of liquidator

- Sect. 276A of the IT Act provides for prosecution of liquidator for non-compliance with Sect. 178 of the IT Act. Sect. 276A also imposes personal liability on such liquidator for

the same non-compliance. It is proposed that no fresh prosecution shall be launched under Sect. 276A on or after 1 April 2023. The earlier prosecutions will however continue.

This amendment will take effect from 1st April 2023

Extension of time for disposing pending rectification applications by Interim Board for Settlement ('IBS')

- Settlement Commission i.e., Alternative Dispute Resolution body in India, was abolished vide Finance Act 2021. Consequently, IBS was constituted as an interim measure for settlement of applications pending with the Settlement Commission as on 31 January 2021.
- It is proposed that where the time limit for amending an order or for making an application expires on or after 1 February 2021 but before 1 February 2022, such time-limit shall stand extended to 30 September 2023.

This amendment will take effect retrospectively from 1 February 2021.

Modification of directions related to faceless schemes and e-proceedings

- Various schemes have been notified and directions issued for implementation of e-proceedings and faceless schemes as follows:
 - e-Verification Scheme, 2021
 - e-Dispute Resolution Scheme, 2022
 - e-advance rulings Scheme, 2022
 - Faceless Appeal Scheme, 2021
 - Faceless Penalty Scheme, 2022
- While introducing these amendments in the relevant provisions, time limitations were also incorporated into the statute for issuing directions, with an intent to implement these reforms in a timely manner.
- It is proposed to provide that where any direction has been issued for the purposes of giving effect to the scheme, the Central Government may amend such direction at any time by notification in the Official Gazette.

These amendments will take effect from 1 April 2022 for certain sections and for 1 April 2023 for others.

Clarification in respect of updated Return of Income

- Finance Act, 2022 provided for filing of updated return by taxpayers up to 2 years from the end of the relevant assessment year subject to fulfilment of certain conditions as well as payment of additional tax.
- It is proposed that interest payable under Sect. 234B for short payment of advance tax shall be computed on an amount equal to the assessed tax as reduced by the amount of advance tax, the credit for which has been claimed in the earlier return, if any.

These amendments will take effect from 1 April 2022.

Introduction of the authority of Joint Commissioner (Appeals)

- As per the current scheme for appeals under the IT Act, the first appellate authority for a taxpayer aggrieved by any order issued under the IT Act is the Commissioner (Appeals). Orders passed by the Commissioner (Appeals) are appealable before the Appellate Tribunal.
- Considering the huge pendency of appeals before the Commissioner (Appeals), a new authority for appeals is being proposed to be created at Joint Commissioner/Additional Commissioner level to handle certain class of cases involving small amount of disputed demand, with similar powers, responsibilities and accountability similar to that of Commissioner (Appeals).
- It is proposed that the orders passed by assessing officers under the below sections may appeal to the Joint Commissioner (Appeals) (illustrative list only):
 - Intimations under Sect. 143(1);
 - assessment, reassessment or recomputation under Sect. 147 of the IT Act;
 - Withholding tax order;
 - Orders passed under TCS provisions;
 - Order imposing penalties; and
 - Rectification orders amending any of the orders mentioned above.
- It is proposed that orders referred to above, passed by or with the approval of an income tax authority above the rank of Deputy Commissioner would not be appealable before the Joint Commissioner (Appeals).
- It is proposed to transfer certain existing appeals filed before the Commissioner (Appeals) to the Joint Commissioner (Appeals). In such a case, the Appellant shall be provided an opportunity of being reheard.
- It is proposed that the Central Government may make a Scheme so as to dispose appeals in an expedient manner with transparency and accountability through technology (possible implementation of faceless scheme).
- It is also proposed that order accepting or rejecting the application for immunity from penalty/prosecution proceedings, shall not be appealable under provisions of Sect. 246 of the IT Act.
- Consequential amendments are also proposed in several other relevant provisions of the IT Act in order to ensure that functioning of the Joint Commissioner (Appeals) is aligned with that of the Commissioner (Appeals). Several sections are proposed to be amended to include reference to Joint Commissioner (Appeals) along with reference to Commissioner (Appeals).

These amendments will take effect from 1 April 2023.

Rationalisation of appeals to the Appellate Tribunal ('ITAT')

- Presently, an order imposing penalty by the Commissioner (Appeals) in search cases, unexplained cash credits, falsification of entries etc are not covered as appealable to the ITAT.

- Further, revisionary Orders passed by the Principal Chief Commissioner and Chief Commissioner under IT Act or rectification orders rectifying such revisionary orders are not presently appealable before the Appellate Tribunal.
- Therefore, it has been proposed that such excluded orders are also appealable to the ITAT.
- Further, it is proposed to enable filing of memorandum of cross-objections in all classes of cases against which appeal can be made to the Appellate Tribunal. For example, where the taxpayer files an appeal to the Appellate Tribunal against an order passed by the Assessing Officer in consequence of an order of the Dispute Resolution Panel, the Assessing Officer would be able to file a memorandum of cross objections to such appeal, which cannot be filed presently.

These amendments will take effect from 1 April 2023.

Amendment in the penalty and prosecution provisions in consequence of new provisions of TDS

- Penalty provisions exist for failure to deduct tax at source, while prosecution is initiated for failure to pay tax to the credit of Central Government.
- Presently, the provisions for penalty and prosecution do not clearly mandate a penalty or prosecution for a person who does not pay or fails to ensure that tax has been paid in a situation where the benefit or perquisite is passed in kind, as required under certain provisions (Sect. 194R, Sect. 194S and proposed Sect. 194BA of the IT Act etc).
- It is therefore proposed to amend the relevant sections for imposition of penalties and initiating prosecution in the above cases as well

These amendments will take effect from 1 April 2023.

Changes related to search provisions:

- It is proposed that the authorized officer can requisition services of any person or entity in addition to the police officer or officer of the Central Government, as may be approved by Principal Chief Commissioner or Chief Commissioner.
- It is also proposed that the authorized officer during or post search within 60 days from the date last of authorization can refer to any person or entity for estimation of fair market value of the property in the manner to be prescribed as may be approved by Principal Chief Commissioner or Chief Commissioner.

These amendments will take effect from the 1 April 2023

Changes related to reassessment provisions:

- Currently, there was no time limit specified in the Sect. 148 of the IT Act to file the return of income in response to reassessment notice. It is proposed to fix a time limit of 3 months from the end of the month, in which notice under Sect. 148 is issued. This period may further be extended by assessing officer as per application filed by the assessee.
- It is also proposed that return furnished beyond the period allowed will not be treated as valid return under Sect. 139 of the IT Act.
- Certain amendments are also proposed to rationalise the time limits in search, survey and summons cases.

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These amendments will take effect from 1 April 2023.

Changes related to timeline and other aspects of scrutiny assessment provisions

- Currently, the time limit for passing an assessment order is 9 months from the end of the relevant assessment year.
- It has been proposed to increase time to complete assessment for the assessment year 2022-23 and onwards to 12 months from the end of the relevant assessment year.
- Similarly, the time for completion of assessment proceedings where updated returns are filed is also proposed to be increased from existing 9 months to 12 months from the end of the financial year in which such return is furnished.
- Provisions for abatement and revival of proceedings pending on the date of search have been rationalised and it is proposed that the period of limitation of such pending assessments shall be further extended by 12 months.

New timelines stand as follows:

Assessment Year	Referred to TP or not?	Time Limit	Period of limitation
2021-22	Not referred to TP assessment	9 months from the end of assessment year	31 December 2022
2021-22	Referred to TP assessment	9 months from the end of assessment year + additional 12 months	31 December 2023
2022-23	Not referred to TP assessment	12 months from the end of assessment year	31 March 2024
2022-23	Referred to TP assessment	12 months from the end of assessment year + additional 12 months	31 March 2025

- Provisions for abatement and revival of proceedings pending on the date of search have been rationalised and it is proposed that the period of limitation of such pending assessments shall be further extended by 12 months.

These amendments will take effect from the 1 April 2023.

5.8 KEY PROPOSALS (OTHERS)

There are below amendments, which are very specific to a particular sector/group and may not be relevant to a larger group and hence, have not been covered in detail:

Excluding Non-Banking Financial Companies ('NBFC') from restriction on interest deductibility

- Section 94B of the IT Act provides restriction on deduction of interest expense in respect of any debt issued by a non-resident.
- It is proposed to carve out certain class of NBFCs so that the rigours of Sect. 94B of the IT Act shall not apply.

This amendment shall apply in relation to Assessment Year 2024-25 and subsequent years.

Changes in taxation and other provisions relating to Co-operative societies

A slew of changes has been introduced in the taxation of Co-operative societies, with the most significant being the extension of lower rate of 15 per cent applicable to new manufacturing companies to co-operative societies as elaborated below:

- Presently, co-operative society, resident in India, has an option to pay tax at 22 per cent for Assessment Year 2021-22 onwards, subject to fulfilment of certain conditions.
- It is proposed to insert a new Sect. 115BAE in the IT Act, to provide concessional tax rate of 15 per cent from Assessment Year 2024-25 onwards to new manufacturing co-operative society if set up on or after 1 April 2023 and has commenced manufacturing or production on or before 31 March 2024 and does not avail of any specified incentive or deductions.
- Surcharge would be levied at rate of 10 per cent on such tax.
- Further conditions are also provided for similar to the ones applicable to new manufacturing companies availing the lower rate of 15 per cent.

Further, TDS on cash withdrawal limits by Co-operative Societies have been enhanced.

6 INDIRECT TAXES

6.1 KEY PROPOSALS RELATING TO GOODS AND SERVICES TAX

The benefit of Composition Scheme will be available to the supplier of goods through Electronic Commerce Operators

- Section 10 of the Central Goods and Services Tax ('CGST') Act, 2017 is being amended to allow registered persons engaged supplying goods through electronic commerce operators to opt for Composition Scheme.
- The proposed amendment would be beneficial to the small business owners to opt for the Composition Scheme and reduce the compliances burden to certain extent. However, other conditions applicable to composition dealers would also apply to such persons.

Reversal of ITC in case the payment is not made to supplier within 180 days

- Currently, where a recipient fails to pay the amount towards value and tax to the supplier within a period 180 days from the date of issue of invoice, an amount equal to the ITC availed by the recipient is added to his output tax liability, along with interest payable thereon.
- Second proviso section 16(2) of the CGST Act is being amended to provide for payment of tax along with interest where input tax credit ('ITC') is availed but the payment is not made to supplier within 180 days instead of adding the same to the output tax liability. Further third proviso to above sub-section also amended to specifically provide that the recipient is required to make the payment "to the supplier" for availment of ITC.
- These amendments have been made to align the said sub-section with the return filing system provided in the Act.

Computation of value of exempt supply for the purpose of reversal of the ITC

- An amendment is being made in Explanation to Section 17(3) of the CGST Act so as to restrict availment of ITC in respect of sale of warehoused goods to any person before clearance for home consumption, by including the value of such transactions in the value of exempt supply.
- It may be noted that earlier only value of activities or transactions specified in Para 5 of Schedule III i.e., sale of land and incomplete building were included in value of exempt supply.

ITC on CSR expenses has been specifically blocked

- Section 17(5) of the CGST Act, 2017 is being amended to provide that ITC shall not be available in respect of goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility as per Section 135 of the Companies Act, 2013.
- This amendment has been proposed via inserting new clause (fa) to Section 17(5) of the CGST Act.

Provisions relating to cancellation of registration

- It is proposed to amend Clause (b) of Section 29(2) of the CGST Act providing that registration of a person is liable for cancellation where a Composition dealer has not furnished the return for the financial year beyond three months from the due date of furnishing of the said return.
- It is proposed to amend Clause (c) of Section 29(2) of the CGST Act to empower the Government to prescribe the time limit for initiating the process for cancellation of GST registration as against present provisions which prescribe a continuous period of 6 months.

Persons not liable to obtain registration

- Section 23 of the CGST Act provides for the persons who are not liable to obtain GST registration. Now the same has been amended to provide that the section will have an overriding effect on Section 22 and Section 24.
- This amendment has been brought into effect retrospectively from 01 July 2017.

Introduction of time limit to furnish various returns/statements/details:

- The time limit of furnishing of the returns under Section 37, 39, 44 and 52 is being capped to three years from the due date of furnishing of the return/statement/details, which are, as follows:
 - Details of outward supplies i.e., GSTR-01;
 - Return for a tax period i.e., GSTR-3B;
 - Annual Return for a tax period i.e., GSTR-9;
 - Statement for a tax period furnished by an electronic commerce operator i.e., GSTR-8.

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Refund related changes

- Removal of provisional availment of ITC

Section 54(6) of the CGST Act provides for refund of GST on a provisional basis on account of zero-rated supplies. Currently, this amount was calculated after excluding provisional ITC. Now, Section 54(6) is proposed to be amended to align with the present scheme of availment of self-assessed ITC as per section 41(1) of the CGST Act, which no longer acknowledge the concept of provisional availment of ITC.

- Calculation of interest on delayed payment of refunds

Section 56 of the CGST Act is being amended to prescribe manner of computation of interest on delayed refunds beyond a period of 60 days from the date of receipt of application till date of refund.

Penalty for the offenses by Electronic Commerce Operator

- A new Section 122(1B) is being inserted which prescribes penal provisions (higher of INR 10,000/- or an amount equivalent to an amount of tax involved) applicable to Electronic Commerce Operators in case of contravention of the following provisions:

- If the Electronic Commerce Operator allows supply of goods or services or both through it by an unregistered person other than those explicitly exempted;
- If the Electronic Commerce Operator allows inter-state supply of goods or services or both through it by ineligible persons;
- If the Electronic Commerce Operator fails to furnish statement containing the details of outward supplies of goods or services or both effected through it.

Decriminalization of certain offenses

- Proposal has been made to amend Section 132 of the CGST Act to decriminalize certain offenses, such as :

- Obstructing or preventing any officer in the discharge of his duties under this act;
 - Tampering with or destroying any material evidence or documents;
 - Failure to supply any information which he is required to supply or supplies false information.
 - Abetment in commission of any of the aforesaid offences.
- Further, an amendment is proposed in clause (iii) of sub-section (1) of Section 132 to restrict the punishment under the said clause to an offence relating to issuance of fake invoice without supply.

Compounding of offenses

- An amendment is proposed to Section 138(a) of the CGST Act (which denies the benefit of compounding in cases where compounding has already been allowed once) whereby the following offences shall be added:

- Acquisition/Possession of any goods liable for confiscation

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- Receipt or association in any manner, with a supply which is made in contravention of the GST Laws.
- Attempt to commit or abetment in commission of an offence which is liable for prosecution under Section 132 of the CGST Act.
- Issuance of fake invoice leading to availment/utilization of ITC
- Further, the restriction placed under section 138(1)(b) has been omitted to allow compounding in all cases other than those covered by proposed clause (a) (as above) without any monetary restriction. Earlier, compounding under this clause had a monetary limit of supplies exceeding INR 10 million.
- Further, Section 138(2) has been amended to enhance the lower and upper limits of the amount for compounding of an offence to 25% of tax and 100% of the tax respectively.

Consent based sharing of information furnished by the taxable person

- A new Section 158A has been proposed to be inserted to enable for the consent-based sharing of information furnished by the taxable person.
- The manner and conditions for sharing of the information furnished by the registered person in his return or in his application of registration or in his statement of outward supplies, or the details uploaded by him for generation of electronic invoice or Eway bill or any other details will be prescribed and notified separately.

Activities or transactions which shall be treated neither as a supply of goods nor a supply of services -Schedule III

- Schedule III of the CGST Act is being amended retrospectively from 1 July 2017, so as to treat the activities/transactions of out and out supply, High Seas Sale, supply of warehoused goods before clearance and supply by endorsement of documents of title before clearance for home consumption as neither supply of goods nor supply of services.
- It is also being clarified that where the tax has already been paid in respect of such transactions/activities during the period from 01st July, 2017 to 31st January, 2019, no refund of such tax paid shall be available.

OIDAR related changes

- Section 2(16) of the Integrated Goods and Services Tax ('IGST') Act, 2017 is being amended so as to revise the definition of "non-taxable online recipient" by removing the condition of receipt of online information and database access or retrieval services for purposes other than commerce, industry or any other business or profession.
- Further, it also seeks to clarify that the persons registered solely in terms of clause (vi) of Section 24 of CGST Act shall be treated as unregistered person for the purpose of the said section. Also, section 2 (17) is being amended to revise the definition of "online information and database access or retrieval services" to remove the condition of rendering of the said supply being essentially automated and involving minimal human intervention.

Place of supply in case of supply of services by way of transportation of goods

- It is proposed to omit the proviso to Section 12(8) of the IGST Act so as to specify the place of supply of services by way of transportation of goods to a registered person, shall be the location of recipient and else shall be location at which goods are handed over for their transportation, irrespective of destination of the goods, in cases where the supplier of services and recipient of services are located in India.
- Currently as per proviso to Section 12(8) in cases where the transportation of goods is to a place of outside India, the place of supply is regarded as place of destination of such goods.

All changes under the GST Act would be made effective from a date to be notified after enactment of the Finance Bill.

6.2 KEY PROPOSALS RELATING TO CUSTOMS DUTY

Exception to two years' time limit for conditional exemptions in specified cases

- With an aim to rescind outdated exemptions under the Customs Act, Section 25(4A) of the Customs Act was amended in 2021 to provide that all conditional exemptions provided are valid only up to 31st March falling immediately after two years from the date of exemption or from 1st February 2021, in case of exemptions provided earlier.
- The said section is now proposed to be amended to exclude the following exemptions granted, from the above time limit of two years:
 - Exemptions under Multilateral or bilateral trade agreements;
 - Obligations under international agreements, treaties, conventions etc.
 - Privileges of constitutional authorities;
 - Schemes under the Foreign Trade Policy;
 - Central Government Schemes having validity of more than two years;
 - Re-imports, temporary imports, goods imported as gifts or personal baggage;
 - Any duty of Customs under any law for the time being in force, including IGST leviable under Section 3(7) of the Customs Tariff Act, other than Basic Customs Duty leviable under Section 12 of the Customs Act.
- The above amendment was made in order to provide clarity over the doubt amongst the taxpayers whether the sunset clause of 2 years would be applicable for the special duty benefits of above nature.

Introduction of statutory limit of nine months for disposal of application filed with Settlement commission.

- It is proposed that section 127C of the Customs Act would be amended to provided that any application filed before the Settlement Commission would be disposed with a time limit of 9 months (extendable further up to 3 months). The time limit would be counted from the last date of the month in which the said application was made.
- The proposed amendment also provides that in case the Settlement Commission fails to dispose the application within the above timeframe the case will be re-referred to the

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original adjudicating authority and will be treated as if no such application was made to the Settlement commission.

6.3 KEY PROPOSALS RELATING TO EXCISE DUTY

- The NCCD levy on cigarettes have been increased effective from 2 February 2023.
- In tandem to the focus on green energy, it is proposed to exempt excise duty leviable on Compressed Natural Gas ('CNG') to the extent GST is paid on biogas/compressed bio-gas components contained in CNG.

6.4 KEY PROPOSALS UNDER CENTRAL SALES TAX

It is proposed that all disputes pending with the Central Sales Tax Appellate Authority and Authority for Advance Rulings under the Central Sales Tax Act will now be transferred and adjudicated to Central Excise and Service Tax Appellate Tribunal (CESTAT).

7 ANNEXURES

7.1 ANNEXURE A: RATES OF INCOME TAX

Personal Income Tax rates

Simplified Income Tax Slabs (prescribed deductions, incentives and other allowances not to be availed)

Effective from Assessment Year 2024-25*

Income Slab (INR)	Tax Rate (per cent)
0 - 300,000	Nil
300,001 - 600,000	5
600,001 - 900,000	10
900,001 - 1,200,000	15
1,200,001 - 1,500,000	20
Above 1,500,000	30

*A resident individual, whose taxable income does not exceed INR 0.7 million, can claim a tax rebate under Section 87A. The amount of rebate shall be lower of 100 per cent of income-tax or INR 25,000.

Surcharge - To be levied on Income-Tax

Income Slab (INR)	Surcharge Rate (per cent) for Assessment Year 2024-25
5,000,000 - 10,000,000	10
10,000,001 - 20,000,000	15
20,000,001 - 50,000,000	25
Above 50,000,000	25

The Health and Education Cess at the rate of 4 per cent shall be computed on aggregate of Income-Tax and Surcharge.

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(Optional) Regular Income Tax Slabs (all deductions, incentives and other allowances to be availed) – Effective for Assessment Year 2024-25

(i) Resident individuals* (other than those mentioned in (i) and (ii) below)

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0 – 250,000	Nil
250,001 – 500,000	5
500,001 – 1,000,000	20
Above 1,000,000	30

(ii) Resident individuals* of the age of 60 years or more but less than 80 years of age.

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0 – 300,000	Nil
300,001 – 500,000	5
500,001 – 1,000,000	20
Above 1,000,000	30

(iii) Resident individuals* of the age of 80 years.

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0 – 500,000	Nil
500,001 – 1,000,000	20
Above 1,000,000	30

*A resident individual, whose taxable income does not exceed INR 0.5 million, can claim a tax rebate under Section 87A. The amount of rebate shall be lower of 100 per cent of income-tax or INR 12,500.

Corporate Tax Rates

Option 1: Regular Income Tax (all deductions, incentives, allowances availed)

Description	Tax rate (per cent)	Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels)
Domestic companies whose total turnover or gross receipts in the previous year 2021-22 does not exceed INR 4,000 Million	25	26/27.82/29.12
Companies engaged in manufacturing set-up and registered on or after one day of March 2016	25	26/27.82/29.12
Others	30	31.2/33.38/34.94
Minimum Alternate Tax	15	15.60/16.69/17.46

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Option 2: Concessional Income Tax Rates (prescribed deductions, incentives, additional depreciation not to be availed)

Description	Tax Rate (per cent)	Effective Rate (per cent) (including Surcharge and Cess)
Companies engaged in manufacturing and set-up and registered on or after 1 October 2019	15	17.16
All companies	22	25.17

Foreign companies

Description	Tax rate (per cent)	Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels)
Foreign Company:		
Income Tax	40	41.6/42.43/43.68

7.2

ANNEXURE B: IMPORTANT CHANGES IN CUSTOM DUTIES

A. Tariff rate changes (increase) for Basic Customs Duty (effective from 2 February 2023, unless otherwise specified Clause 126(a) of the Finance Bill, 2023)

Category	Item/ Product	Tariff Code	Existing Tariff Rate in percentage	Proposed Tariff Rate in percentage
	Description			
Chemicals	Styrene	2902 50 00	2	2.5
	Vinyl Chloride Monomer	2903 21 00	2	2.5
Rubber	Compounded Rubber	4005	10	25% or Rs. 30 per kg., whichever is lower
Gems and Jewellery Sector	Articles of precious metals	7113, 7114	20	25
	Imitation Jewellery	7117	20% or Rs. 400 per kg., whichever is higher	25% or Rs. 600 per kg., whichever is higher
Electrical Goods	Electric Kitchen Chimney	8414 60 00	7.5	15
Automobiles and Toys	Bicycles	8712 00 10	30	35
	Toys and parts of toys (other than parts of electronic toys)	9503	60	70

B. Tariff rate changes for Basic Customs Duty without any change in effective rate of duty (effective from 02 February 2023, unless otherwise specified – Clause 126(b) of the Finance Bill, 2023):

The current applicable rate of Basic Customs Duty on these below products is notified through respective exemption/concessional rate notifications issued. Such corresponding notifications have been amended w.e.f. 02 February 2023 and the same would be now

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driven through Customs Tariff Act, 1975. The important tariff updates are given in the table below:

Description	Tariff Code	Existing	Proposed
New or retreaded pneumatic tyres, of rubber, of a kind used on aircraft of heading 8802	4011 30 00	3	2.5
Base metals clad with silver, not further worked than semi manufactured	7107 00 00	12.5	10
Gold (including gold plated with platinum) unwrought or in semi manufactured forms, or in powder form	7108	12.5	10
Base metals or silver, clad with gold, not further worked than semi manufactured	7109 00 00	12.5	10
Platinum, unwrought or in semi manufactured form, or in powder form	7110 11 10 7110 11 20 7110 19 00 7110 21 00 7110 29 00 7110 41 00 7110 49 00	12.5	10
Base metals, silver or gold, clad with platinum, not further worked than semi- manufactured	7111 00 00	12.5	10
Waste and scrap of precious metal or of metal clad with precious metal; other waste and scrap containing precious metal or precious metal compounds, of a kind used principally for the recovery of precious metal other than goods of heading 8549	7112	12.5	10
Coin	7118	12.5	10
Aero planes and other aircrafts	8802 20 00 8802 30 00 8802 40 00	3	2.5

C. Customs duty exemptions/concessions being discontinued:

Certain BCD exemptions under Notification No. 50/2017-Customs dated 30.6.2017 and other notifications are being discontinued with effect from 31.03.2023. The following are being discontinued as they are redundant:

Sl. No.	Tariff Code	Description	Reason of withdrawal of Exemption
16	0511 99 99	Human Embryo	As it is redundant on account of prohibition of import of Human Embryo under the Assisted Reproductive Technology

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Sl. No.	Tariff Code	Description	Reason of withdrawal of Exemption
			(Regulation) Act, 2021 and The Surrogacy (Regulation) Act, 2021
325	5404 19 90	Monofilament Yarn	Since the tariff rate is also at 5%, the exemption is redundant and hence withdrawn

D. Change in end date of exemption (No change in effective rate of duty):

BCD exemptions on few entries under Notification No. 50/2017-Customs dated 30.6.2017 have been extended only till certain period.

Sl. No.	Tariff Code	Description	Rate in per cent	Applicable till:
166	28, 29, 30 or 38	Specified Drugs, medicines, diagnostics kits or equipment, bulk drugs used in manufacture of drugs or medicines	5	31 March 2025
167	28, 29, 30 or 38	Lifesaving drugs/ medicines and diagnostic test kits, bulk drugs used in manufacture of life-saving drugs or medicines.	Nil	31 March 2025
168	28, 29, 32, 39, 54, 56, 70, 72 or 90	Specified inputs and sub-parts for use in manufacture of telecommunication grade optical fiber or optical fiber cables	Nil	31 March 2025
237	3208, 3815, 3901 or 3920	Specified inputs for use in the manufacture of EVA sheet or back sheets which are used in the manufacture of solar cell or modules	Nil	31 March 2024
340	70	Solar tempered glass for use in the manufacture of solar cell or solar module	Nil	31 March 2024
341	70	Preform of silica for use in the manufacture of telecommunication grade optical fibers or optical fiber cables	5	31 March 2025
341A	Any Chapter	Inputs for manufacture of Preform of silica	Nil	31 March 2025
368	7204	Ferrous waste and scrap	Nil	31 March 2024

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Sl. No.	Tariff Code	Description	Rate in per cent	Applicable till:
374	7225 19 90	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain-oriented steel (CRGO) falling under 7225 11 00	Nil	31 March 2024
375	7225	The following goods, namely: - (i) hot rolled coils; (ii) cold -rolled Magnesium Oxide (MgO) coated and annealed steel; (iii) hot rolled annealed and pickled coils; (iv) cold rolled full hard, for the manufacture of cold rolled grain-oriented steel (CRGO) steel falling under tariff item 7225 11 00	Nil	31 March 2024
405, 406	84 or any other chapter	Raw materials and parts for manufacture of wind operated electricity generators, including permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity operators	5	31 March 2025
527A	8507 60 00	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	5	31 March 2024
527B	8507 60 00	Lithium-ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle (EVs) or hybrid motor vehicle	5	31 March 2024
559	Any Chapter	Raw material and parts (including Dredger) for use in the manufacture of ships/vessels	Nil	31 March 2025
609	Any Chapter	Used bonafide personal and	Nil	31 March 2028

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Sl. No.	Tariff Code	Description	Rate in per cent	Applicable till:
		household effects of a deceased person		

E. New entries added to the First Schedule (to be effective from 01-05-2023 unless otherwise specified) [Clause 126(c) of the Finance Bill, 2023]:

Amendments have been proposed in the Finance Bill, 2023, to align the Indian Tariff with the

Complementary Amendments to the HS-2022 published by WCO, as signatory to HS Convention. These complementary amendments include minor changes across chapters in the Tariff, all aimed at bringing greater clarity to the HS.

F. Changes in Exemption Notification No. 50/2017 – Customs & Notification No. 57/2017 – Customs dated 30 June 2017

Following changes are made in the rate of basic customs duty in Notification No. 50/2017 vide Notification No. 02/2023 – Customs dated 01 February 2023, effective from 2 February 2023.

Category	Item/Product Description	Tariff Code	Existing Tariff Rate in percentage	Proposed Tariff Rate in percentage
Agricultural Products and By Products	Pecan nuts	0802 99 00	100	30
	Fish lipid oil for use in manufacture of aquatic feed	1504 20	30	15
	Crude glycerin for use in manufacture of Epichlorohydrin	1520 00 00	7.5	2.5
	Algal Prime (flour) for use in manufacture of aquatic feed	2102 20 00	30	15
	Denatured ethyl alcohol for use in manufacture of industrial chemicals	2207 20 00	5	Nil
	Fish meal for use in manufacture of aquatic feed	2301 20	15	5
	Krill meal for use in manufacture of aquatic feed	2301 20	15	5
	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	2309 90 90	15	5
Minerals	Acid grade fluorspar (containing by weight more than 97% of calcium fluoride)	2529 22 00	5	2.5
Petrochemicals	Naphtha	2710 12 21, 2710 12 22, 2710 12 29	1	2.5
	Seeds for use in manufacturing of rough lab-grown diamonds	7102, 7104	5	Nil

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Item/Product		Tariff Code	Existing Tariff Rate in percentage	Proposed Tariff Rate in percentage
Category	Description			
Gems and Jewellery Sector	Silver (including silver plated with gold or platinum), unwrought or in semi manufactured forms, or in powder form	7106	7.5	10
	Silver Dore	7106	6.1	10
IT, Electronics	Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder	25, 28, 32, 39, 40, 69, 73, 85	7.5	Nil
	Palladium Tetra Amine Sulphate for manufacture of parts of connectors	3824 99 00	7.5	Nil
	Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone	Any Chapter	2.5	Nil
	Specified parts for manufacture of open cell of TV panel	8529	5	2.5
Electronic appliances	Heat Coil for use in the manufacture of Electric Kitchen Chimneys falling under Tariff item 8414 60 00	8516 80 00	20	15
Automobiles	Vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form	8703	30	35
	Vehicle in Completely Built Unit (CBU) form, other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrol run vehicle and more than 2500 cc for diesel-run vehicles, or with both	8703	60	70
	Electrically operated Vehicle in Completely Built Unit (CBU) form, other than with CIF value more than USD 40,000	8703	60	70
	Vehicles specified automobile parts/components, sub-systems and tyres when imported by notified testing agencies for the purpose of testing and/or certification, subject to conditions.	39, 40, 58, 70, 72 73, 83, 84, 85, 87, 90	As applicable	Nil
	<i>Condition 113 is prescribed in Annexure in this regard</i>			

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Item/Product		Tariff Code	Existing Tariff Rate in percentage	Proposed Tariff Rate in percentage
Category	Description			
Capital Goods	Specific capital goods/machinery for manufacture of Lithium-ion cell for use in battery of electrically operated vehicle (EVs)	84, 85	As applicable	Nil

G. Changes in Notification No. 50/2017 – Customs (without change in effective rate)

In order to simplify the tax structure, BCD rates for a lot of goods has been rationalized. This rationalization of BCD rate structure is being carried out in a manner so as to maintain the existing incidence of duty on certain items. These changes need to be read with appropriate changes in AIDC/SWS rates.

Item/Product		Tariff Code	Existing	Proposed
Category	Description			
Mineral Products	Coal, peat, lignite	2701, 2702, 2703	1	2.5
Precious and Semi Precious Stones	Gold (including gold plated with platinum) unwrought or in semi manufactured forms, or in powder form	7108	12.5	10
	Gold Dore	7108	11.85	10
	Platinum, unwrought or in semi manufactured form, or in powder form other than those used in manufacture of noble metal compounds, noble metal solutions and catalytic converters	7110 11 10 7110 11 20 7110 19 00 7110 21 00 7110 29 00 7110 41 00 7110 49 00	12.5	10

7.3 ANNEXURE A: OBSOLETE/EXPIRED NOTIFICATIONS RESCINDED AS PER THE BELOW DETAILS

(A) Notification Rescinded w.e.f. 2 February 2023

Sr. No	Notification No.	Description
1	13/2021-Customs, dated 1st February 2021	This notification provides for exemption in Social Welfare Surcharge leviable on Agriculture Infrastructure and Development Cess on Gold and Silver.
2	34/2022-Customs, dated 30th June 2022	This notification provides for an exemption in Social Welfare Surcharge leviable on Gold imports.

ANNEXURE B: INCLUSION OF END DATE AS PER SECTION 25(4A) OF THE CUSTOMS ACT, 1962 IN CERTAIN STAND-ALONE NOTIFICATIONS

A. Validity of Exemption Notifications related to “goods imported into India for carrying out repairs, reconditioning or reengineering”, “Imports for Research and Development

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projects”, “Imports by certain public funded research institutions, universities, and non-commercial research institutions” and “SEZ – Exemption from Additional duty of Customs to goods produced therein and brought to any other place in India” and other 28 similar notification has been extended till 31 March 2024.

- B. Similarly, the Validity of Exemption Notifications No. 146/94- Customs, dated the 13th July, 1994, 90/2009-Customs, dated the 7th September, 2009, 33/2017-Customs, dated the 30 June, 2017, and 41/2017-Customs, dated the 30 June, 2017 has been extended till 31 March 2028.

ANNEXURE C: OTHER CHANGES

- A. Notification No. 07/2023-Customs dated 1 February 2023 seeks to further amend notification No. 230/86-Customs related to Project Import Regulations whereby “solar power plant or solar power project” are specifically excluded from the regulations.
- B. Notification No: 03/2023-Customs dated 1 February 2023 seeks to amend the rate of Agriculture Infrastructure and Development Cess (AIDC) prescribed in Notification No. 11/2021-Customs dated 1 February 2021. In some cases, though there is an increase in AIDC rates, it is just to recalibrate the reduction in basic customs duty of that item and the effective rate of duty upon the customer is the same as earlier.

Item/ Product		Tariff Code	Existing	Proposed
Category	Description			
Mineral Products	Coal, peat, lignite	2701, 2702, 2703	1.5	Nil
Precious and Semi Precious Stones	Gold (including gold plated with platinum) unwrought or in semi manufactured forms, or in powder form	7108	2.5	5
	Gold Dore	7108	2.5	4.35
	Platinum other than rhodium and goods covered under S. Nos. 415(a) and 415A of the Table in notification No. 50/2017-Customs, dated the 30 June, 2017	7110	1.5	5.4
Aircrafts	New pneumatic tyres, of rubber, of a kind used on aircraft.	40113000	Nil	0.5
	Aero planes and other aircraft covered under S.No. 543A of Notification No. 50/2017-Cus	8802 20 00 8802 30 00 8802 40 00	Nil	0.5
Silver Products	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	7106, 98	2.5	5
	Silver Dore	71	2.5	4.35

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- C. Notification No: 04/2023-Customs dated 1 February 2023 seeks to further amend notification No. 11/2018-Customs, dated 2nd February 2018, to revise/provide Social Welfare Surcharge (SWS) exemption(s) on specified goods.

Tariff Code	Description of Goods on which SWS is exempted.
7106	Silver
7108	Gold
7117	Imitation Jewellery
7110	Platinum other than rhodium and goods covered under S. Nos. 415(a) and 415A of the Table in Notification No. 50/2017-Cus
7113	All goods falling under HSN 7113, other than the goods covered under S. Nos. 356, 357 and 364C in Notification No. 50/2017-Cus.
7114	All goods falling under HSN 7114, other than the goods covered under S. Nos. 356 and 357 in Notification No. 50/2017-Cus.
8712 00 10	Bicycles
8703	Motor vehicle including electrically operated vehicles
8802 4000	Aeroplane and other aircrafts
9503	Toys and parts of toys

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