



**START  
OF A NEW  
JOURNEY**



# DIRECT TAX

at a glance

## Non-Corporate Assesseees

- No changes have been proposed in basic exemption limit, slab rates and surcharge applicable to individual or HUF under the regular tax regime.
- Tax slab rates under new tax regime u/s 115BAC w.e.f. AY 2024-25 (default rates) proposed to be revised as follows:-

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

- Maximum rate of surcharge under new tax regime u/s 115BAC w.e.f. AY 2024-25 proposed to be reduced from 37% to 25%.
- Introduction of standard deduction of ₹50,000 from salary and ₹15,000 from family pension under new tax regime.
- 100% rebate of Income Tax proposed to be allowed u/s 87A to resident individuals having income upto ₹7 lacs computed under new tax regime u/s 115BAC.
- AOP (other than co-operative society), BOI and Artificial Juridical Person referred to in Sec. 2(31) (vii) proposed to be included within the ambit of new tax regime u/s 115BAC w.e.f. AY 2024-25.
- Tax rates for co-operative society both under regular tax regime as well as u/s 115BAD remains unchanged.
- Tax rates for firms & local authorities remains unchanged at 30% with surcharge @ 12% in case total income exceeds ₹1 Cr.
- New Sec. 115BAE proposed to be inserted to provide concessional tax rate of 15% plus surcharge of 10% for new manufacturing co-operative society set up on or after 01-04-2023 and commences manufacturing on or before 31-03-2024 subject to fulfillment of conditions similar to that relevant for new domestic manufacturing companies u/s 115BAB.
- Threshold limit for Presumptive Taxation u/s 44AD on eligible business enhanced from ₹2 Crs. to ₹3 Crs. & u/s 44ADA for Professionals from ₹50 lacs to ₹75 lacs, if gross receipts in cash does not exceed 5% of total gross receipts. Receipt other than through account payee cheque shall be deemed to be receipt in cash. Further, Tax Audit u/s 44AB shall not be required for such persons opting for Presumptive Taxation.
- Any sum received under an Insurance Policy (other than ULIP) issued on or after 01-04-2023 shall not be exempt u/s 10(10D) if annual premium/aggregate premium of such policies exceeds ₹5 lacs in any of the PYs, except in cases where the sum is received on death of the person. Maturity amount received net of premium paid (except premium already claimed as deduction) on redemption of such policy will be taxable as Income from Other Sources.
- Sec. 54 & 54F allows exemption from capital gains on investment in new residential house. The exemption under the said sections is without any upper cap. It is proposed to cap the exemption to ₹10 Crs.
- New Sec. 155(19) is proposed to be introduced to provide that in the case of a sugar mill co-operative, where any deduction in respect of any expenditure incurred for the purchase of sugarcane has been claimed by an assessee and such deduction has been disallowed in AY 2015-16 or prior AY, the AO shall, on the basis of an application made by such assessee re-compute the total income for such AY by allowing deduction of the expenditure determined on the basis of price which is equal to or less than the price fixed/approved by the Govt. The period of 4 years specified in Sec. 154 shall be calculated from the end of PY commencing on 01-04-2022.
- To remove anomaly, Sec. 45(5A) has been proposed to be amended to clarify that in addition to cash, amount received by cheque, draft or any other electronic mode shall also be considered as part of consideration for computing capital gains in the hands of Individual/HUF arising from transfer of land or building under Joint Development Agreement.
- It is proposed to insert clause 46A to Sec. 10 to exempt income arising to any Authority/ Board/Trust/Commission, established under a Central or State Act with purpose of dealing with housing accommodation, development of

towns/villages, regulating any activity for benefit of general public.

- In order to provide tax benefits to individuals enrolled under the Agniveer Scheme, 2022 following amendments are proposed:
  - Any payment received from the Agniveer Corpus Fund by such person or his nominee to be exempted from tax u/s 10(12C).
  - Contribution made by the CG to the Agniveer Corpus Fund account of such person shall be considered as Salary.
  - Amount deposited by such person and the sum contributed by the CG in Agniveer Corpus Fund shall be allowed as deduction u/s 80CCH. However, if an Agniveer opts for new tax regime u/s 115BAC, then only the sum contributed by the CG shall be allowed as deduction.
- Provisions of Sec. 88 (including various provisions of the Act having reference of Sec. 88) relating to rebate which has become redundant w.e.f. 01-04-2006 after insertion of Sec. 80C is proposed to be omitted.

### Corporate Assesseees & Other Relevant Proposals

- Corporate Tax Rates proposed to remain unchanged @ 30%. Tax rate for domestic companies having annual turnover or gross receipts ≤ ₹400 Crs. in FY 2021-22 shall be 25%. In case of companies other than domestic companies, the rates remains unchanged. Tax rate for domestic companies opting taxation u/s 115BAA or 115BAB remains unchanged at 22% and 15% respectively with a surcharge @ 10%.
- Eligible start-ups incorporated between 01-04-2016 to 31-03-2023 were eligible for tax holiday u/s 80-IAC. The period of incorporation proposed to be extended by one year to 31-03-2024.
- Loss incurred during the period of 7 years beginning from the year in which eligible start-ups as referred to in Sec. 80-IAC is incorporated is eligible for set-off on satisfaction of criteria laid down in Sec. 79. It is proposed to increase the period of 7 years to 10 years.
- Hitherto, only in case of 'Goodwill' and certain specified rights, cost of acquisition and cost of improvement was considered as 'Nil' u/s 55 of

the Act. Above provision of 'Nil' cost is proposed to be extended to all intangible assets as well as any other rights.

- Presently, value of any benefit or perquisite, whether convertible into money or not, is chargeable to tax u/s 28(iv) as income from business or profession. Courts have interpreted that if the benefit or perquisite is in cash then Sec. 28(iv) would not apply. However, the legislative intent was to cover the benefit in cash or in kind within the ambit of Sec. 28(iv) as well. Accordingly, it is proposed to amend Sec. 28(iv) to clarify that the benefit or perquisite provided in cash or in kind or partly in cash and partly in kind shall be chargeable to tax.
- Sec. 43B has been proposed to be amended to provide that deduction shall be allowed in respect of amount payable to micro and small enterprises in the previous year when payment is made. It can be allowed on accrual basis only when the payment is made within 45 days [in case of written agreement] or 15 days from the date of delivery of goods or rendering of services.
- To avoid double deduction, proviso is proposed to be inserted in clause (ii) of Sec. 48 to provide that the cost of acquisition or cost of improvement of the asset for computing capital gains shall not include any interest claimed as deduction u/s 24(b) in computing Income under House Property or under Chapter VIA.
- New Sec. 50AA is proposed to be inserted w.e.f. 01-04-2024 to provide that capital gain arising from transfer of market linked debenture shall be deemed to be transfer of short-term capital asset. No indexation benefit to be provided.
- Requirement of execution of specified work viz. preparation of feasibility report, project report, etc. by assessee or by concerns approved by Board for claiming amortization of preliminary expenses u/s 35D towards these work has been discontinued. Instead, a statement containing particulars of expenditure incurred in the prescribed form shall be required to be furnished to the prescribed income tax authority.
- It is proposed to amend the definition of 'strategic disinvestment' in Sec. 72A for facilitating carry forward and set off of losses to provide that (i) the condition of reduction of Govt's or PSU's shareholding below 51%

shall apply in cases where the shareholding of Govt. or PSU was above 51% prior to sale of shareholding and (ii) transfer of control may be carried out by the CG or SG or public sector company or any two of them or all of them.

- It is proposed to amend Sec. 72AA to allow carry forward of accumulated losses and unabsorbed depreciation also in case of amalgamation of one or more banking company with any other banking institution within 5 years of strategic disinvestment.
- It is proposed to increase the time limit for passing order u/s 143(3) & 144 from AY 2022-23 & onwards from 9 months to 12 months from the end of the relevant AY. Similar extension from 9 months to 12 months is proposed to be provided in case of completion of assessment in respect of updated return filed u/s 139(8A).
- New sub-section (3A) is proposed to be inserted to Sec. 153 to grant additional time of 12 months over the time limit prescribed u/s 153(1), (1A), (2) & (3) for completion of any assessment or reassessment proceedings which is pending on the date of initiation of search u/s 132 or making of requisition u/s 132A of the Act. Additional time limit of 12 months shall be allowed in case reference to TPO is made u/s 92CA(1).
- Return u/s 148 now required to be filed within 3 months from the end of the month in which notice u/s 148 is issued, or within such further time as may be allowed by the AO. Non filing within said time limit would make it invalid under Sec. 139 resulting in non-requirement of issuing notice by department u/s 143(2).
- In Sec. 149, additional time period of 15 days is being proposed for issuing notice u/s 148 in cases (i) where search u/s 132 is initiated or (ii) last authorization under search is executed or (iii) requisition is made u/s 132A after 15th day of March of the year in which the limitation to issue notice u/s 148 is getting expired and it shall be deemed that such notice u/s 148 has been issued on 31st March. Such additional time of 15 days shall also be considered for the purpose of computing 3 years period prescribed u/s 151(i).
- It is proposed to amend Sec. 170A to provide that not just the successor entity but also the predecessor entity would be eligible to modify their return of income within the period of 6 months from the date of order of Business Reorganisation. It is also proposed that if proceedings of assessment or reassessment for the relevant AY to which the order of Business Reorganisation applies, have been completed or is pending on the date of furnishing of modified return u/s 170A(1), the AO shall pass an order modifying the total income of such relevant AY in accordance with the order of the business reorganisation and taking into account the modified return so furnished.
- To address the long standing issue of mismatch in TDS credit, Sec. 155(20) is proposed to be inserted to grant credit of TDS deducted in subsequent years but income offered in earlier years based on prescribed application to be filed by the assessee within 2 years from the end of FY of tax deducted based on which AO would rectify the intimation or assessment order of earlier year. Consequential amendment is also proposed in Sec. 244A to provide that interest on refund arising out of above rectification shall be for the period from the date of the application to the date on which refund is granted.
- 2nd proviso to Sec. 192A provides that while making payment of accumulated balance due to an employee participating in recognized Provident Fund, TDS is required to be deducted at maximum marginal rates (MMR) if employee does not furnish PAN. In order to provide relief to low paid employees who do not have PAN and thereby TDS is being deducted at MMR, it is proposed to omit the above proviso thereby resulting in tax to be deducted @20% as per Sec. 206AA.
- Exemption from applicability of TDS u/s 193 on interest payable on any listed security issued by a company which is in dematerialized form is proposed to be withdrawn.
- Scope of TDS u/s 194B on winnings from lottery or crossword puzzle proposed to be extended to gambling or betting of any form. Further, Sec. 194B is proposed to be applicable where the aggregate amount of winnings in a FY exceeds ₹10,000/- instead of winning in a single transaction exceeding ₹10,000/-.

- Sec. 194BA is proposed to be inserted w.e.f. 01-07-2023 to provide for TDS at the rates in force on income by way of net winnings from any online games in his user account at the end of the FY or any withdrawal of net winnings made during the year. Method of computation of net winnings shall be prescribed. Correspondingly, new Sec. 115BBJ is proposed to be inserted w.e.f. 01-04-2024 to provide that income of an assessee by way of net winnings from online games shall be chargeable to tax @ 30%.
- Sec. 194N provides for TDS by a Banking Company, Co-operative Bank or Post Office @ 2% on cash withdrawal exceeding ₹1 Cr. It is proposed to increase the limit of ₹1 Cr. to ₹3 Crs. where withdrawal is made by a co-operative society.
- Sec. 194R inserted vide Finance Act, 2022 stipulates TDS @10% on benefit or perquisite provided to a resident arising from business or profession. Explanation 2 proposed to be inserted to clarify that tax is required to be deducted irrespective of whether the benefit or perquisite is in cash or in kind, in line with identical clarification issued earlier by CBDT vide Circular No. 12/2022 dated 16-06-2022.
- Distribution by Business Trust (REIT & InVIT) to unit holders of any amount other than interest, dividend or rental income is proposed to be taxed under Sec.56(2)(xii). Further, sum received by unit holder on redemption of units as reduced by the cost of acquisition of such units shall also be taxed under newly inserted section.
- Unit holders in receipt of income distributed by Business Trust, being interest, dividend or rental income as referred to in Sec. 10(23FC) and Sec. 10(23FCA), in respect of which TDS under Sec.194LBA is applicable, shall now be eligible to apply for Lower/NIL TDS Certificate under Sec. 197.
- In case of non-filers of return, TDS is deducted/ TCS is collected at higher rates as per Sec. 206AB and Sec. 206CCA respectively. To provide relief to persons who are not required to furnish their return of income and to be notified separately, it is proposed to amend Sec. 206AB and 206CCA so as to exclude those persons from deduction of TDS/TCS at higher rates.
- In order to integrate provisions of Sec. 241A & 245, it is proposed to amend Sec. 245 to provide that where any refund becomes due to a person and assessment or reassessment proceedings are pending in case of such person, AO may withhold the refund till the date of such assessment/reassessment is completed. Accordingly, provisions of Sec. 241A (empowering the AO to withhold refund determined in intimation till completion of assessment for the said year) is proposed to be made inapplicable w.e.f. 01-04-2023.
- It is proposed to insert proviso to Sec. 244(1A) to provide that for calculating additional interest @ 3% p.a., period for which refund is withheld by the AO under newly inserted sub-section 2 of Sec. 245 should be excluded.
- Sub Section (2) to Sec. 271FAA is proposed to be inserted to levy an additional penalty of ₹5,000/- on prescribed reporting financial institution u/s 285BA(1)(k) for reporting of every inaccurate reportable account. The reporting financial institution may recover the sum so paid from the respective reportable account holder responsible for providing inaccurate information.
- Penal & prosecution provisions of Sec. 271C (penalty of sum equal to amount of tax not deducted) and Sec. 276B (imprisonment from 3 months to 7 years and fine) for failure to deduct TDS is proposed to be applied also for failure to deduct TDS u/s 194R (TDS on perquisites) and 194S (TDS on payment of transfer of virtual digital assets) which were inserted by Finance Act, 2022 as well as on newly proposed Sec. 194BA.
- In order to promote the concept of Electronic Gold, following amendments have been proposed from AY 2024-25:
  - Clause (viid) is proposed to be inserted in Sec. 47 to provide that conversion of physical gold into Electronic Gold Receipt (EGR) issued by SEBI registered Vault Manager or EGR into gold shall not be regarded as transfer.
  - The holding period for the purpose of capital gain shall include the period for which the gold or EGR, was held by the assessee prior to conversion into EGR or gold, as the case may be.
  - In terms of proposed Sec. 49(10) r.w.s 47(viid) the cost of acquisition of EGR on conversion of Gold to EGR shall be deemed to be the cost

of gold in the hands of the person in whose name EGR is issued. Similarly, on conversion of EGR to gold, the cost of EGR shall be deemed to be the cost of acquisition.

- In order to continue availing the benefit of Tax Holiday u/s 10AA w.r.t unit established in a SEZ, it is proposed to amend Sec. 10AA w.e.f. AY 2024-25 prescribing the conditions of filing the Return of income within the due date prescribed u/s 139(1) & receipt of proceeds (from sale of goods or provision of services) into India in convertible foreign exchange within 6 months from the end of the PY or within such further period as the RBI may allow. Consequential amendment is proposed in Sec. 155(11A) to allow the AO to amend the assessment order later where the export earning is realized in India after the permitted period.
- In order to remove funds with names of persons from the list of funds eligible for deduction u/s 80G it is proposed to delete clauses (ii) [Jawaharlal Nehru Memorial Fund], (iii) [Indira Gandhi Memorial Trust] & (iii) [Rajiv Gandhi Foundation] w.e.f. AY 2024-25.
- Exemption available u/s 10(22B) to income of a notified news agency (Press Trust of India – PTI) set up in India solely for collection and distribution of news is proposed to be withdrawn.

### General and Administrative

- To reduce the burden of CIT(Appeals), it is proposed to appoint Joint Commissioner (Appeals) before whom appeals against certain specified orders can be filed. Appeals already filed before CIT(Appeals) against specified orders may be transferred to Joint Commissioner (Appeals). CBDT shall notify cases or class of cases which shall not be disposed off by Joint Commissioner (Appeals).
- It is proposed that appeal may, henceforth, be filed before ITAT against the following orders:
  - Order of the CIT(Appeals) imposing penalty u/s 271AAB [Penalty in search cases], 271AAC [Penalty in respect of certain income] and 271AAD [Penalty for false entries in books].
  - Order u/s 263 passed by the PCCIT or CCIT.
- Presently a respondent can file a cross objection before the ITAT only against an order of

CIT(Appeals). Henceforth, it is proposed that a respondent can file a cross objection against any order which is in appeal before the ITAT.

- It is proposed that new prosecution proceedings u/s 276A on liquidator of any company shall not be launched on or after 01-04-2023.
- It is proposed to amend Sec. 269SS to increase the limit of acceptance of deposit, otherwise than through banking channel, by a primary agricultural credit society or a primary cooperative agricultural and rural development bank from its member from ₹20,000/- to ₹2 lacs. This modified limit shall also apply in case of loan taken from a primary agricultural credit society or a primary cooperative agricultural and rural development bank by its member. Similar amendment is also proposed in Sec. 269T for repayment of loans and deposits.
- Sec. 142(2A) which allows AO to direct special audit of the accounts of an assessee by department nominated accountant is proposed to be enhanced to also enable the AO to get inventory of an assessee valued by department nominated cost accountant for verifying any undervaluation of inventory resulting in avoidance of taxes. Consequential amendment proposed in Sec. 153 to provide exclusion of period of inventory valuation for the purpose of computing period of limitation for completing assessment, reassessment etc. CBDT has been empowered u/s 295 to issue necessary form of the report of inventory valuation.
- During search and seizure proceedings, an authorised officer may avail, in addition to the services of a police officer or any officer of CG, the services of experts in various domains, in accordance with the procedure as may be prescribed, if it is approved by the specified authority. Similarly post the search, in addition to making reference to the specified valuation officer, authorised officer may also make reference to any other person or entity or valuer. It is proposed to grant power to the CG to amend any direction issued earlier for effective implementation of various faceless and e-proceedings scheme u/s 135A [Faceless collection of information], 245MA [Dispute Resolution Committee], u/s 245R [Advance Rulings], u/s 250 [CIT(Appeals)] & u/s 274 [Penalty Proceedings] of the Act.

- Explanation 4 to Sec. 11(1) & Explanation 2 to third proviso to Sec. 10(23C) has been proposed to be amended w.e.f. AY 2023-24 to avoid claim of double deduction by trusts or institutions in case of application out of corpus or loan or borrowings prior to 01-04-2021. Further, time period of 5 years has been specified for investing or depositing back into corpus or repayment of loan. The benefit of this provision can be availed only on compliance of other existing conditions for application of income.
  - Clause (iii) in Explanation 2 to the third proviso to Sec. 10(23C) and clause (iii) in Explanation 4 to Sec. 11(1) has been proposed to be inserted w.e.f. AY 2024-25, to provide that out of the total eligible donation made to other trusts or institutions, only 85% of the same shall be treated as applied for charitable or religious purposes.
  - Provisions relating to roll back of exemption for trusts or institutions registered u/s 12AA/12AB have been omitted w.e.f 01-04-2023 as they become redundant after amendment of Sec.12A by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 ['TOLA'].
  - Trusts or institutions which have already commenced their activities but have not registered earlier u/s 10(23C)/12AB/80G can now directly apply for regular registration/ approval from the year of commencement, instead of applying for both provisional and regular registration. The PCIT/CIT if satisfied shall grant registration for a period of 5 years [w.e.f. 01-10-2023].
  - Explanation 2 to 15th proviso of Sec. 10(23C) and Explanation to Sec. 12AB(4) is proposed to be amended w.e.f. 01-04-2023 to expand the scope of "specified violation" for cancellation of registration/approval to include cases where the application made for provisional registration/ re-registration is defective or contains false information but registration/approval has been granted due to existence of automated approval without verification.
  - Provisions of exit tax u/s 115TD have been proposed to be amended w.e.f. AY 2023-24 to cover cases where trusts/institutions have not filed applications for re-registration/registration after getting provisional registration within the specified period u/s 10(23C)/12A.
  - Time limit for filing form for accumulation of income (Form 10) and form for deeming certain income to be applied (Form 9A) is proposed to be preponed from AY 2023-24 to at least two months prior to due date u/s 139(1) so as to align with due date of filing audit report (Form 10B/10BB).
  - Provisions related to filing of return of income by trusts or institutions is proposed to be amended w.e.f. AY 2023-24 to provide that exemption shall be available only if the same has been filed before the time allowed u/s 139(1) or 139(4) as against earlier time period available u/s 139 [which would have unintendedly included extended time for updated return u/s 139(8A)].
  - Time limit for passing of rectification order or filing of rectification petition for settlement of cases u/s 245D which expires on or after 01-02-2021 but before 01-02-2022 is proposed to be extended to 30-09-2023.
  - It is proposed to amend Sec. 2(18) of the Prohibition of Benami Property Transactions Act to provide that in case of aggrieved party or respondent being non-resident, the Jurisdiction of High Court shall be decided on the basis of the jurisdiction of the High Court within whose jurisdiction office of the Initiating officer is located.
  - Time limit to file appeal before the Appellate Tribunal against any order passed by Adjudicating authority u/s 26(3) or against any penalty order u/s 54A of PBPT Act shall now be 45 days from the date of receipt of such order by the aggrieved party instead from the date of order.
  - As per Sec. 13(1) of UTI Repeal Act, 2002, Specified Undertakings of Unit Trust of India (SUUTI), formed to liquidate the Govt. liabilities of erstwhile UTI, had been exempted from payment of income tax upto 31-03-2023. Such exemption has been extended upto 30-09-2023.
- International Taxation and Transfer Pricing**
- Sec.9(1)(viii) has been proposed to be amended w.e.f. AY 2024-25 to extend the applicability of tax on gift of money exceeding ₹50,000 by persons residents in India to RNOR (presently applicable only to NRs).
  - While several tax concessions have been provided over the past few years to units located



in IFSC, to further incentivise operations from IFSC, the following additional incentives have been proposed:

- Explanation (b) to Sec. 47(viiad) has been proposed to be amended w.e.f. AY 2023-24 to extend the date for transfer of assets of the original fund, or of its wholly owned Special Purpose Vehicle, to a resultant fund in case of relocation to 31-03-2025 from current limitation of 31-03-2023.
- Exemption u/s 10(4E), presently available to NR on transfer of certain instruments, proposed to be extended w.e.f. AY 2024-25 to distribution of income on offshore derivative instruments, on fulfilment of specified conditions, subject to that amount being charged to tax in the hands of the IFSC Banking Unit.
- Definition of "Specified Fund", "Resultant Fund" and "Investment Fund" has been proposed to be amended w.e.f. AY 2023-24 in order to bring the reference of the provisions of the IFSCA (Fund Management) Regulations, 2022 which came into force from 19-05-2022.
- Sec.44BB and 44BBB has been proposed to be amended w.e.f. AY 2024-25 to deny set off of unabsorbed depreciation and brought forward loss in the previous year in which assessee has offered income as per presumptive taxation scheme.
- Sec. 56(2)(viib) has been proposed to be amended w.e.f. AY 2024-25 to extend its applicability to tax share premium received from NR investors (presently applicable to resident investors only) in a closely held company in excess of its fair market value.
- Sec. 92D(3) has been proposed to be amended w.e.f. 01-04-2023 to provide the AO/ CIT(A) with reasonable amount of time to examine information/ documents by requiring the assessee to furnish such information within a period of 10 days instead of current period of 30 days from the date of receipt of notice.
- Sec. 94B(3) has been proposed to be amended w.e.f. AY 2024-25 to also exclude certain class of NBFCs [as defined u/s 36(1)(viiia)] as may be notified by CG, from limitation on interest deduction.
- Sec. 196A has been proposed to be amended w.e.f. 01-04-2023 to extend the benefit of lower rates as per respective DTAA to NRs in respect of withholding tax on income from units of Mutual Funds specified u/s 10(23D) or from specified company referred to in Explanation to Sec. 10(35), subject to furnishing of a valid Tax Residency Certificate.
- Sec.197(1) has been proposed to be amended w.e.f. 01-04-2023 to extend the provisions of Sec. 197 to interest payable to NR Unit Holders by business trusts u/s 194LBA.
- Sec. 206C(1G) has been proposed to be amended w.e.f. 01-07-2023 to increase TCS from 5% to 20% on overseas tour package & in cases other than remittance for the purpose of education or medical treatment, without any threshold limit.



# INDIRECT TAX

at a glance

## Goods and Services Tax

### Amendments proposed in the Central Goods & Services Tax Act, 2017 (CGST Act) and Integrated Goods & Services Tax Act, 2017 (IGST Act)

(Effective date to be notified coinciding with amendments in SGST Acts.)

- Amendment relating to Composition Scheme
  - Registered persons engaged in supplying goods through electronic commerce operators may opt to pay tax under the Composition Levy. [Sec. 10(2) and Sec. 10(2A)].
- Amendments relating to Input Tax Credit(ITC)
  - In case where the recipient fails to pay to the supplier, the value of supply along with tax payable within a period of one hundred and eighty days, ITC along with interest is payable under Section 50. This amendment is made to align with the return filing system. [Sec. 16(2)]
  - Restriction on availment of ITC in respect of transactions relating to supply of warehoused goods specified in para 8(a) of Schedule III of the CGST Act, by including the value of such in-bond supply transactions in the value of exempt supply. [Explanation to Sec. 17(3)]
  - A new clause has been proposed to be inserted to restrict ITC 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 obligations under CSR. [Sec. 17(5)]
- Amendment relating to Registration
  - Section 23 has been proposed to be substituted, w.r.e.f. 1st July, 2017 to exempt certain persons from obtaining registration. This section shall have an overriding effect on Section 22(1) and Section 24 of the CGST Act. [Sec. 23]
- Amendment relating to GST Returns
  - New clauses has been proposed to be inserted to restrict filing of following returns to maximum three years from the due date:
    - GSTR-1 [Sec. 37(5)]
    - GSTR-3B [Sec. 39(11)]
    - GSTR-9 [Sec. 44(2)]
    - GSTR-8 [Sec. 52(15)]
- Amendments relating to refund provisions
  - The reference to provisionally accepted input tax credit is to be amended to align the same with the current structure of availment of self-assessed input tax credit in terms of Section 41(1) of the CGST Act. [Sec. 54(6)]
  - The manner of computation of the period of delay for calculation of interest on delayed refunds is to be prescribed. [Sec. 56]
- Amendments relating to Offences and Penalties
  - Penal provisions of ₹10,000 or amount of tax involved whichever is higher applicable to Electronic Commerce Operators has been proposed to be inserted in case of supply of goods made through them by unregistered persons or composition taxpayers. [Sec. 122(1B)]
  - Decriminalization of certain offences relating to obstructing an officer, tampering of material evidence and failure to supply the information. [Sec. 132(1)(g), Sec. 132(1) (j) and Sec. 132(1)(k)]
  - Monetary threshold for launching prosecution for the offences has been increased from ₹1 crore to ₹2 crores, except for the offences related to issuance of invoices without supply of goods or services or both. [Sec. 132(l)(iii)]
  - Persons involved in offences relating to issuance of invoices without supply of goods or services or both are to be excluded from the option of compounding of the offences. [Proviso to Sec. 138(1)]
  - Rationalising the amount for compounding of various offences by reducing the minimum amount from 50% to 25% as well as maximum amount from 150% to 100% for compounding. [Sec.138(2)]

- Amendment relating to consent based sharing of information furnished by taxable person
  - A new section is proposed to be inserted where 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 E-way bill or any other details on the common portal with such other systems. [Sec. 158A]
- Amendment relating to Schedule III
  - Retrospective applicability (with effect from 1st July, 2017) of the transactions from non-taxable territory to non-taxable territory, in-bond supply transactions for home consumption and high seas sales, so as to treat the activities/ transactions as neither supply of goods nor supply of services.
  - No refund of GST paid on transactions/ activities in respect of the above if made during the period from 1st July, 2017 to 31st January, 2019 shall be available.
- Amendment relating to the definition of non-taxable online recipient and OIDAR services:
  - Restricting the meaning of the definition "non-taxable online recipient" to mean any unregistered person receiving online information and database access or retrieval services located in the taxable territory. [Sec. 2(16)]
  - The amendment also clarifies that registered persons under clause (vi) of Section 24 of the CGST Act will be treated as unregistered for this purpose.
  - Definition of "online information and database access or retrieval services" to be amended to remove the condition of rendering of the said supply being essentially automated and involving minimal human intervention. [Sec. 2(17)]
  - Amendment in definition is to include training or coaching through online mode so as to reduce interpretation issues and litigation on taxation of OIDAR Services.
- Amendment relating to the provisions of place of supply
  - Proviso to Sec. 12(8) of the IGST Act has been proposed to be omitted wherein the place of supply was considered as outside India for transportation of goods to a place outside India. This amendment has been made to remove the anomaly and confusion regarding availability of ITC to the exporters.

### Central Excise (Non – GST Items)

- The National Calamity Contingent Duty ('NCCD') has been increased on specified cigarettes. There is an upward revision by about 16% from the present rates. [effective from 02-02-2023]
- Blended Compressed Natural Gas (CNG) has been exempted from excise duty to the extent of GST paid on biogas/compressed biogas contained in such blended CNG, subject to the specified conditions. [effective from 02-02-2023]

### The Customs Act, 1962

*[to be effective from the date of enactment of the Bill]*

- Sec. 25(4A) has been proposed to be amended to specify that the time limit for the validity of conditional exemption notifications shall not apply to exemption notifications issued in respect of the following:
  - (a) multilateral or bilateral trade agreements;
  - (b) obligations under international agreements, treaties, conventions including with respect to UN agencies, diplomats, and international organizations;
  - (c) privileges of constitutional authorities;
  - (d) schemes under Foreign Trade Policy;
  - (e) Central Government schemes having a validity of more than two years;
  - (f) re-imports, temporary imports, goods imported as gifts or personal baggage;
  - (g) any duty of customs other than BCD under any law for the time being in force including IGST.
- A new Sec. 127C(8A) has been proposed to be introduced to specify that cases before settlement commission have to be necessarily disposed of within a period of 9 months (extendable by further 3 months) from the date of application, failing which such application shall be abated.

In respect of pending applications on the date of enactment of the Finance Bill, the time period shall be reckoned from the date of enactment.

### The Customs Tariff Act, 1975

[to be effective from the date of enactment of the Bill]

- Sec. 9, 9A and 9C have been proposed to be retrospectively amended w.e.f. 01-01-1995 so as to omit certain words therein to remove ambiguity and to clarify that the determination or review of safeguard duty, countervailing duty or of anti-dumping duty are to be done by an authority in such manner as may be specified in the rules.
- Solar power plant/ solar power project has been excluded from the purview of Project Imports [Heading 9801] w.e.f. the date of enactment of the Finance Bill. Consequential amendments has also been made under the Project Imports Regulations, 1986.
- Misc. changes made in Tariff items in order to align the same with the updated Harmonised System of Nomenclature issued by the World Customs Organization. [w.e.f. 01-05-2023]

### Major Changes in Rates of Duties of Customs

[to be effective from 02-02-2023]

- Chemical and petrochemicals
  - Increase in BCD on Styrene and Vinyl Chloride Monomer from 2% to 2.5% and Naphtha from 1% to 2.5%.
  - Decrease in BCD on denatured ethyl alcohol & crude glycerine used in manufacturing of industrial chemical from 5% to Nil.
  - Increase in BCD on Compounded Rubber from 10% to 25% or ₹30 per Kg whichever is higher.
- Minerals
  - Reduction in BCD from 5% to 2.5% on Acid grade fluorspar (containing by weight more than 97% of calcium fluoride).
- Gems and Jewellery
  - Reduction in BCD on seeds used for manufacturing of rough lab-grown diamonds from 5% to NIL.

- Increase in BCD on silver including plated silver, unwrought or in semi-manufactured form, or in powder form 7.5% to 10% and Silver Dore from 6.1% to 10%.
- Increase in BCD on articles of precious metals from 20% to 25%.
- Change in BCD on imitation jewellery from existing 20% or ₹400 per Kg whichever is higher to 25% or ₹600 per Kg whichever is higher.
- Electronics goods
  - Reduction in BCD from 2.5%/ 7.5% to NIL on Camera lens and its parts.
  - BCD on parts for manufacture of open cells of TV panels is being reduced from 5% to 2.5%.
  - Increase in BCD on Electric Kitchen Chimney from 7.5% to 15%, and BCD on Heat Coil used in the Electric Kitchen Chimney reduced to 15% from 20% to rationalise on inverse duty.
- Automobile
  - BCD on vehicles in Completely-Built Unit (CBU) form is being increased from 60% to 70%.
  - BCD on vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form is being increased from 30% to 35%.
- Capital Goods
  - BCD reduced to NIL on Specific capital goods/machinery for manufacture of Lithium ion cell for use in battery of electrically operated vehicle (EVs).
- Changes in Social Welfare Surcharge ('SWS')
  - SWS exempted on imports of Silver, Gold, Imitation Jewellery, Platinum other than rhodium, Articles of precious metals (Heading 7113 & 7114), Bicycles, Motor vehicle including electrically operated vehicles (Heading 8703).
- Changes in Agriculture Infrastructure and Development Cess ('AIDC')
  - AIDC is increased on certain specified goods like Silver bar/dore, Gold bar/ dore, platinum, Aero planes and other aircraft.

- AIDC is reduced from 1.5% to NIL for coal, peat, lignite.

### Central Sales Tax Act, 1956

[to be effective from the date of enactment of the Bill]

- Customs, Excise and Service Tax Appellate Tribunal ('CESTAT') constituted under section 129 of the Custom Act, 1962 has been proposed

to function as authority and for handling disputes relating to levy and assessment of CST and furnishing of forms evidencing inter-state stock transfers. [Sec. 19]

- It has been proposed to omit the provisions empowering the Authority for Advance Rulings (AAR) to act as an authority under CST Act. [Sec. 24]



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