BUDGET EXPECTATIONS 2023-24

1. Legalization of PAN as a single business identification number, for securing all business approvals.

2. Conservative target may be set for raising funds through divestments in FY 24 after target fell short this year.

3. Extension of concessional tax regime to the infrastructure sector and including infrastructure facility within the ambit of section 72A which may, inter-alia, step up private capex, attract FDI and make M&A more attractive.

4. Concerns of middle class & salaried taxpayer requires due consideration due to rise in inflation and decline in purchasing power. Reforms may be made in investment or expenditure linked tax deductions u/s 80C, 80D and 24 by suitably modifying the existing monetary limits. Increase in standard deduction of salaried class may be made on account of substantial increase in daily household expenses.

5. Clarification is expected for the tax treatment with respect to contribution made towards CSR and beneficial provisions allowing the CSR expenditure in order to facilitate corporate investment in underdeveloped sectors including rural development, agriculture, affordable housing, and free education. Several CSR areas mainly support the philanthropic and social causes and do not enrich any one person or a business.

6. In view of massive job cuts, government should announce schemes to enhance employment opportunities.

7. Extension of PLI schemes to new sectors (toys, bicycles, leather and footwear) with increase in budget allocation.

8. Clean energy vision likely to get boost by way of some important announcements.

9. Boost to infrastructure sector to target higher growth viz. higher spending, rationalization of GST, focus on inland waterways, etc.

10. Boost to agriculture sector through reduction in GST on crop protection products, farm equipment, seeds and other inputs. Emphasis on R&D in agricultural sector.

11. Research linked incentive schemes for companies engaged in research for new drugs, new chemical entities in health sector.

12. Increase in budget allocation for higher studies, health care, upskilling, digital and automation technologies, developing urban infrastructure and planning, etc.

13. Commitment from the Government that the GST provisions particularly those which are leading to dispute and litigation would be addressed and resolved quickly.

1. Sunset clause to commence manufacturing for availing the concessional tax benefit u/s 115BAB may be extended from 31-03-2024 to 31-03-2025.

2. Rationalization and simplification of capital gain tax structure. Presently, multiple rates of capital gain tax and period of holding is prescribed for both short term and long term capital assets. The same needs to be rationalized in order to simplify the structure for the tax payers.

3. Tax Holiday or weighted deduction may be provided to taxpayers engaged in the business of generation, distribution or transmission of green energy, or in the business of green technology, green vehicles, etc.

4. Individual Income Tax Slab rate may be revised, limit of deduction u/s 80C and 80D may be increased.

5. Individual Income Tax Slab rate may be revised under the new regime to make it more attractive.

6. Clarity on applicability and implementation of section 194R in order to avoid potential litigation. Also the provisions of lower withholding tax certificate u/s 197 may be made applicable on section 194R.

7. Weighted deduction may be introduced in the new tax regime u/s 115BAA and 115BAB for R&D activities undertaken.

8. New lower tax regime for partnership firms, LLPs, foreign companies may be provided in line with the relief presently provided to domestic companies u/s 115BAA and 115BAB.

9. Rationalization of tax rate on dividend income earned by resident taxpayer. The tax rate on dividend income for resident taxpayers can go as high as 35.88%. However for non-residents the tax rate is 20% or the provisions of DTAA whichever is more beneficial. Hence, rate for resident taxpayer needs to be rationalized.

10. Extension of the sunset clause may be made for deduction of tax at source u/s 194LC and 194LD.

11. Concessional Tax Rate @ 15% u/s 115BAB may be extended to companies engaged in developing and/or maintaining infrastructure projects (road, highway, bridge, airport, port, rail system, water supply project, irrigation project, sewerage system, etc.).

12. Benefit of carry forward and set off of accumulated losses and depreciation in case of amalgamation or demerger as per section 72A may be extended to companies engaged in developing and/or maintaining infrastructure projects.

13. The requirement to deposit 20% of the outstanding demand for obtaining stay before the ITAT may be dispensed with since the same causes undue hardship to the assessee in case of high pitched assessments or where unreasonable demand is raised.

14. The benefit of taxation of postponement of capital gain tax arising from transfer of land, building or both in pursuance of joint development agreement u/s 45(5A) may be extended to all category of tax payers.

15. Significant Economic Presence (SEP) provisions may provide exclusion to normal import of goods/services in India. Rules for attribution of income to non-residents having SEP may be prescribed to reduce potential litigations. Threshold for SEP may be reconsidered being not very significant.

16. Non-residents have been granted relief from filing tax return in India when their income consists only specified category like Royalty, FTS, dividends when taxed at a specified rate. However, such non-residents have not been granted any exemption from making Transfer Pricing compliances which can be considered as well.

17. Safe harbours provisions need to be rationalized considering global changes.

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