HIGHLIGHTS OF FINANCE BILL, 2023

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Source: Memorandum Explaining the Provisions in the Financial Bill

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Proposed Changes in Tax Rates

Proposed Changes in Tax Rates

- In the alternate tax regime under Section 115BAC, a revision to the basic exemption limit and the number of slabs has been proposed. The revised basic exemption limit shall be INR 3,00,000 and for every additional INR 3,00,000 of income, the next slab rate will be applicable. The highest slab rate of 30% shall continue to apply to income above INR 15,00,000.
- The threshold limit for total income eligible for rebate under Section 87A has been proposed to be increased from INR 5,00,000 to INR 7,00,000 for assessees opting for the new tax regime.
- Under the new tax regime, the highest surcharge rate of 37% on income above INR 5,00,00,000 has been proposed to be reduced to 25%.
- The alternate tax regime of Section 115BAC is proposed to be applicable to Association of Persons (AOP)[(other than a co-operative society], Body of Individuals (BOI), and Artificial Juridical Persons (AJP).

Proposed Changes in Tax Rates

- Standard deduction from salary income is proposed to be extended to employees who opt for New Tax Regime.
- The new tax regime under Section 115BAC is proposed to serve as the default regime.
- A new section 115BAE is proposed to be inserted, which provides for reduced rate of tax of 15% (plus surcharge of 10% and cess) for Manufacturing co-operative societies established on or after April 1st, 2023, and commencing production on or before March 31st, 2024 [provided that specified incentives or deductions are not availed]. Further, income not derived or incidental to manufacturing or production of an article or thing shall be taxed at 22%.
- Section 115BBJ is proposed to be inserted which provides the tax rate of 30% on the income from any online gaming.

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Proposed amendments w.r.t. Deductions and Exemptions

Proposed amendments w.r.t. Deductions and Exemptions

- Receipts arising from life insurance policies issued on or after April 1st, 2023 shall be considered as income from other sources if the premium paid exceeds Rs. 5,00,000 in a given year. The exemption for receipts in the event of the insured person's death shall remain unchanged.
- To avail a deduction under Section 10AA, the assessee must submit a return of income on or before the due date specified under Section 139(1).
- Deduction under Section 10AA shall only be allowed if the proceeds from the sale of goods or provision of services are received within 6 months from the end of the previous year or within such further period as the competent authority may allow in this behalf.
- Income distributed from offshore derivative instruments (ODI) entered into with an offshore banking unit of an IFSC shall be exempt from tax under Section 10(4E).

Proposed amendments w.r.t. Deductions and Exemptions

- The exemption under Section 10(22B) for news agencies is proposed to be withdrawn.
- Tax exemption under Section 10(46A) is proposed to be extended to 'Non-corporate entities (Such as bodies, authorities, boards, trusts, or commissions), established by a Central or State Act for the purpose of providing housing, planning urban development, and regulating activities for the benefit of the public.

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Proposed Tax Benefits to Agniveers

Proposed Tax Benefits to Agniveers

- Receipts from the ‘Agniveer Corpus Fund’ by a person enrolled under the ‘Agnipath Scheme 2022’ shall be exempt from tax, as specified in Section 10(12C).
- A new deduction under Section 80CCH is proposed, which provides for deductions to Individual enrolled in Agnipath Scheme on or after 01st November, 2022. The deduction shall be equal to the amount of contributions made to the Agniveer Corpus Fund. This deduction is available in old as well as new tax regime.
- The Central Government's contribution to the Agniveer Corpus Fund account of an individual enrolled in the Agnipath Scheme shall be considered as salary in accordance with the provisions of Section 17. A corresponding deduction shall be allowed under Section 80CCH for the same.

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Proposed amendments w.r.t. Income from Business or Profession

Proposed amendments w.r.t. Income from Business or Profession

- Under Section 43B, deductions for sums payable to Micro, Small, and Medium Enterprises (MSMEs) proposed to be allowed on payment basis.
- In accordance with Section 36(1)(xvii), sugar manufacturing co-operative societies may claim a deduction for the amount paid to purchase sugarcane if the price is equal to or lower than the price fixed by the government.
- Non-Banking Financial Companies (NBFCs) proposed to be notified for the purposes of Sections 43B and 43D.

Proposed amendments w.r.t. Income from Business or Profession

- Clarificatory amendment is proposed in Section 28(iv) which provides that benefit or perquisite is chargeable to tax, even if they are provided in cash or in kind or partly in cash and partly in kind.
- Restrictions is proposed for set off of losses and unabsorbed depreciation by the assessees who opt for presumptive tax schemes under Sections 44BB and 44BBB.
- The threshold limits for presumptive taxation schemes under Section 44AD and Section 44ADA have been proposed to be increased to INR 3 crores and INR 75 lakhs respectively, provided at least 95% of receipts and payments are made through non-cash methods.

Proposed amendments w.r.t. Income from Business or Profession

- In order to ease the process of claiming the amortization of preliminary expenses it is proposed to amend Section 35D to remove the condition of activity in connection with these expenses to be carried out by a concern approved by the Board. Instead, the assessee shall be required to furnish a statement containing the particulars of this expenditure within prescribed period to the prescribed income-tax authority in the prescribed form and manner.

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Proposed amendments w.r.t. Capital Gains

Proposed amendments w.r.t. Capital Gains

- The transformation of physical gold into Electronic Gold Receipts and vice versa by a Vault Manager registered with the Securities and Exchange Board of India (SEBI) shall not be considered as a transfer for purposes of capital gains taxation.
- The cost of any intangible assets and rights shall be considered as nil for which no consideration has been paid for acquisition.
- The gains derived from the transfer, redemption, or maturity of Market Linked Debentures shall be taxed at applicable rate as short-term capital gains under Section 50AA.
- An individual or HUF can claim a maximum exemption of Rs. 10 crores under Sections 54 and 54F.

Proposed amendments w.r.t. Capital Gains

- No tax shall be imposed on the transfer of capital assets in connection with the relocation of an offshore fund to an International Financial Services Centre (IFSC). The deadline for this relocation has been extended to 31-03-2025.
- To align the provisions of Joint Development Agreement with the TDS provisions under section 194-IC, amendment is proposed in section 45 to provide that the full value of consideration shall be taken as the stamp duty value of the property received as increased by any consideration received in cash or by a cheque or draft or by any other mode

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Proposed amendments w.r.t. Charitable & Religious Trusts

Proposed amendments w.r.t. Charitable & Religious Trusts

- The utilization of corpus, loans or borrowings by a charitable or religious trust prior to 01-04-2021 will not be considered an application for charitable or religious purposes if the amount is subsequently deposited back into the corpus or the loan is repaid.
- The repayment of a loan or investment into the corpus will only be considered an application for charitable or religious purposes if it occurs within 5 years of the initial utilization.
- The donations made by one trust or institution to another trust or institution shall be deemed to be an application of up to 85% of the donated amount.
- The Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, and Rajiv Gandhi Foundation have been excluded from the list of eligible funds for deductions under Section 80G.

Proposed amendments w.r.t. Charitable & Religious Trusts

- Trusts and institutions that have initiated their activities must apply directly for regular registration, rather than provisional registration.
- The submission of an application for registration containing false, inaccurate, or incomplete information is considered a designated violation and may result in the revocation of the registration of trusts or institutions by the Principal Commissioner of Income Tax/Commissioner of Income Tax.
- The provisions for tax on accreted income as specified in Section 115TD have been extended to trusts or institutions, if they fail to apply for re-registration.
- In order to claim the accumulation of income, trusts or institutions must file Form 9A and Form 10 at least two months prior to the deadline for filing the return of income.

Proposed amendments w.r.t. Charitable & Religious Trusts

- The exemption can be claimed by trusts or institutions only if return of income is furnished within time limit prescribed under section 139(1) or 139(4).

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Proposed amendments w.r.t. Assessment & Appeals

Proposed amendments w.r.t. Assessment & Appeals

- Assessee can file an appeal against the penalty orders imposed by the Commissioner (Appeals) under Sections 271AAB, 271AAC, and 271AAD and revision orders passed by the Principal Chief Commissioner or Chief Commissioner under Section 263. The amendment also allows for the filing of a memorandum of cross-objections in all cases that are appealable to the Appellate Tribunal.

- The amendment proposed to Section 132 allows the authorized officer to receive assistance from approved professionals, such as digital forensic experts and registered valuers, during the search and seizure process. The assessment in search cases will be completed in relation to the execution of the last authorization performed during the search.

- A new appellate authority, the Joint Commissioner (Appeal), has been introduced for specific categories of taxpayers, such as individuals and HUFs, to speed up the resolution process in appeal proceedings.

Proposed amendments w.r.t. Assessment & Appeals

- Time limit for disposing of pending rectification applications by "Interim Board for Settlement" has been extended.
- A provision has been proposed to empower the assessing officer to require a cost audit for inventory valuation prior to assessment.
- The deadline for completing assessments has been extended from 9 months to 12 months, starting from Assessment Year 2022-23.
- In cases where assessments or reassessments are pending due to searches, the deadline for completing such assessments or reassessments will be extended by 12 months for the affected assessee and the assessee to whom any seized or requisitioned money, bullion, jewellery, or other valuable items belong or to whom any seized or requisitioned books of account or documents pertain or contain relevant information.

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Proposed amendments w.r.t. Set-off and Carry Forward of Losses

Proposed amendments w.r.t. Set-off and Carry Forward of Losses

- The definition of 'strategic disinvestment' in Section 72A has been proposed to be modified to include the sale of shares by the Central or State Governments, or by a public sector company in another public sector company resulting in a reduction of its shareholding below 51% and transfer of control to the buyer.
- Section 72AA proposed to be amended to allow the carry forward of accumulated losses and unabsorbed depreciation in the case of the amalgamation of a banking company with another banking company within five years of the strategic disinvestment.
- Eligible startups will be able to set off and carry forward losses incurred during their first ten years of incorporation, even if there has been a change in shareholding, as long as all shareholders continue during the relevant period. The previous time limit of seven years has been proposed to be increased to ten years.

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Proposed amendments

w.r.t. TDS & TCS

Proposed amendments w.r.t. TDS & TCS

- The threshold limit for TDS under Section 194N has been proposed to be raised from INR 1 crore to INR 3 crore for recipients who are cooperative societies.
- The rate of TCS has been proposed to be increased from 5% to 20% for overseas tour packages without any threshold benefits.
- TDS on winning from online gaming is proposed without any threshold benefit. The tax will be deducted either upon withdrawal or on the year-end account balance.
- The exemption from TDS on interest payments to resident listed debenture holders has been removed.
- If the recipient of EPF withdrawal does not provide his PAN, TDS on the withdrawal will be 20%, instead of the maximum marginal rate.
- For certain income paid to non-residents or foreign companies, TDS will be deducted at a rate of 20% or the rate specified in a tax treaty, whichever is lower. This relief will be available if the payee provides a tax residency certificate.

Proposed amendments w.r.t. TDS & TCS

- A new provision has been proposed to address TDS mismatches and allow taxpayers to claim TDS credits in the relevant assessment year. Assesee can make an application in prescribed form to AO within 2 years from the end of the year in which tax is deducted.
- Sections 206AB and 206CCA have been amended to exclude certain persons from the scope who are not required to file a return of income and are notified by the government.

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Proposed amendments w.r.t. penalties and prosecutions

Proposed amendments w.r.t. Penalties and prosecutions

- A fine of Rs. 5,000 will be imposed on financial establishments for submitting inaccurate SFTs as a result of incorrect information provided by account holders. The financial institution has the right to recover the fine from the account holder.
- Penalties under Section 271C and prosecution under Section 276B will be initiated on failure to withhold taxes under Section 194R or Section 194S on benefits given in kind.

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Other

Proposed Amendments

Other Proposed Amendments

- Central Govt. will prescribe a uniform method for the valuation of perquisites arising from rent-free or concessional accommodation provided by an employer to an employee.
- Distributions by business trusts to unit holders that are classified as debt repayment proposed to be taxed in the hands of unit holders.
- The authorities can adjust the Income tax refunds with any outstanding tax due after written intimation only. In the case of assessment/ reassessment, written reasons must also be provided for withholding the refund. In such cases, the additional interest on the refund will not be payable from the time of withholding until the assessment is made.
- Primary Agricultural Credit Societies (PACS) and Primary Co-Operative Agricultural and Rural Development Banks (PCARD) can now accept deposits or offer loans to their members in cash up to Rs. 2 lakhs. This increased limit of Rs. 2 lakh also applies to the repayment of these loans or deposits.

Other Proposed Amendments

- The provisions for thin capitalization in Section 94B will not apply to an Indian company and PE of foreign company and designated NBFCs.
- The interest calculation for updated tax returns will be based on the difference between the assessed tax and the advance tax claimed in the earlier returns.
- Double deductions by claiming interest on housing loan under Section 24 and including it as part of the cost of acquisition shall not be allowed.
- The eligibility period for tax deductions for start-ups under Section 80-IAC is proposed to be increased by one year. The start-ups incorporated before 01-04-2024 shall be eligible for deduction.
- The proposed amendment to Section 92D shortens the deadline for submitting information or documents in tax proceedings related to international or domestic transactions from 30 days to 10 days, with an option to extend by another 30 days.

Thank You