

# Key Proposals in Union Budget 2022-23

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## Glimpse of Key Updates

- No change in the Income Tax Rates (incl. Surcharge, cess); AMT & MAT Rate except for some specific cases.
- Concept of filing updated Income Tax Return is introduced to encourage voluntary tax compliance.
- Owing to Covid-19 pandemic, relaxations were provided to certain nature of receipts.
- Taxation of Virtual Digital Assets is introduced.

## Income Tax Exemption For Covid - 19 Compensation

01

- COVID-19 related medical treatment expenses met by the employer for the treatment of an employee or family members shall not be considered as a taxable benefit.
- Any financial assistance received by an individual from any person for treatment of COVID-19 related illness for self or family members shall also not be taxable as Gift.
- Financial aid received by the family of a deceased person within 12 months from death on account of COVID-19 is not taxable as follows:
  - Received from the employer of the deceased person: no limit
  - Received from any other person(s): INR 10 Lakhs in aggregate



## Taxation of Virtual Digital Assets

02

- The RBI will introduce digital rupee using blockchain and other technologies
- **Tax rate** - Any income from transfer of any virtual digital asset to be taxed at the rate of 30% (plus surcharge and cess)
- **Expense deduction** - No deduction in respect of any expenditure to be allowed while computing such income except for the cost of acquisition.
- **Treatment of loss** - Loss from transfer of virtual digital asset cannot be set off against any other income.
- **TDS** - Taxes at 1% shall be deducted on consideration paid to a resident on the transfer of virtual digital assets from 1 July 2022.
- **Gift** - Will be taxed in the hands of the recipient.



## Income Tax Rates

03

- No change in the Income Tax Rates except for the followings cases.
  - Maximum surcharge rate on long-term capital gains is capped to 15%.
  - Surcharge rate is restricted to 15% for an AOP
  - Benefit of lower rate of tax of 15% on dividend received by an Indian company from a foreign company in which it holds 26% or more of the equity share capital.
- AMT rate for the co-operative societies is brought down from 18.5% to 15% & the surcharge rate was reduced from 12% to 7% (for income exceeding Rs. 1 crore up to Rs. 10 crores) to provide a level playing field between co-operative societies and companies.



## Additional Clarifications

04

- No depreciation shall be claimed against the goodwill of a business. Thus, reduction of Goodwill from the block of Assets shall be deemed to be a “Transfer” and capital gain shall be computed.
- The onus of providing satisfactory explanation to any the credits (share capital / loan and borrowings) in the books of accounts is on the taxpayers. Now it is proposed to bring within the purview of this section and the same shall be treated as satisfactorily explained only if the nature and source of such sum is also explained in the hands of the lender or creditor.
- The term ‘Tax’ includes any surcharge or cess for the purpose of disallowance from business profits.



## Additional Clarifications (Cont.)

05

- Penalty paid for violation of law cannot be claimed as deduction while computing the taxable income. It's clarified that (a) an offence under any law even outside India, (b) provision of any benefit or perquisite, acceptance of which by the recipient is in violation of any law, rule, regulations or guidelines governing such person and (c) compounding of any offence under any law in or outside India.
- Scope of the section dealing with the disallowance of expenditure incurred for earning exempt income has been expanded to cover cases wherein no exempt income has been accrued or received during the relevant year.





## Tax incentives to IFSC & Start - Ups

06

- Subject to specified conditions, the following to be exempt from tax:
  - Income of a non-resident from offshore derivative instruments.
  - Income from over-the-counter derivatives issued by an offshore banking unit.
  - Income from royalty and interest on account of lease of ship.
  - Income received from portfolio management service.
- Extending the sunset clause for eligible start-ups/new manufacturing companies,
  - Period of incorporation of start-ups (eligible for tax holiday) extended by a year to 31 March 2023. (Sec 80-IAC)
  - Period of commencement of manufacturing or production by eligible new manufacturing domestic companies extended by a year to 31 March 2024. (Sec. 115BBA)

## Income Tax Returns

07

- To encourage voluntary tax compliance, the taxpayers are now allowed to furnish updated tax returns within 24 months from the end of the relevant assessment year upon payment of 25% or 50% as additional tax, based on the timing of filing the updated return.
- Modification of tax returns is enabled for entities going through business reorganisations to give effect to such business reorganisation orders within a period of six months from the end of the month in which the order is received. It is also provided that any assessments or proceedings, made on the predecessor during the course of pendency of such reorganisation, will be deemed to have been made on the successor.

## TDS & Withholding Taxes

08

- The special provisions prescribing a higher rate of tax deduction / tax collection in case of non-filers of ITR is amended. The higher rate is to be applied on the payments where the payee had not filed ITR for the one preceding FY (instead of the last two FYs)
- If under a grossing-up arrangement, a person has made deduction of tax when no tax deduction was required, he may file an application for refund of such tax before the Assessing Officer (AO). Also, if that person is not satisfied with the order of the AO, he may file an appeal against the same.
- Any benefit or perquisite arising to a resident during the course of business or exercising of profession would now be subject to withholding @ 10% (Sec.194R)
- Withholding on the sale of immovable property is to be done @ 1% with reference to the actual consideration or stamp duty value, whichever is higher.

## Assessment and Appeals

09

- A new provision is proposed to be introduced to reduce litigation. Tax authorities are not to file appeals in respect of identical questions of law pending before the jurisdictional High Court or Supreme Court, subject to specified conditions.
- Currently, the Act provides that the assessment proceedings shall be void if the procedure mentioned in the Faceless Assessment Scheme was not followed. To streamline the process and overcome difficulties in the implementation and operation of the scheme and to reduce the litigation in this aspect the aforesaid clause is removed retrospective effect from 1 April 2021.
- Requirement for obtaining approval to issue notice relating to reassessment proceedings are proposed to be removed to simplify the procedure.

## Assessment and Appeals (Cont.)

09

- In case of reassessment proceedings, the applicability of the extended timeline of ten years applies to cases where income escaping assessment exceeds INR 50 lakhs and is represented in the form of an asset. This has been further expanded to cover cases of expenditure in respect of a transaction/ event/ occasion or entry in the books of account exceeding INR 50 lakhs.
- The timelines to introduce faceless schemes for TP, DRP and Tribunal have been extended to 31 March 2024 on account of IT system stabilisation and other procedural aspects.

## Other Key Amendments

10

- The scope of revision of orders has been expanded to cover orders passed by TPOs.
- The bonus stripping and dividend stripping provisions are expanded to include the units of REIT, InvITs and AIFs.
- It has been clarified that conversion of interest payable on an existing loan into a debenture or any other instrument shall not be deemed to have been actually paid for the purpose of section 43B of the Act.
- Deemed income implications under section 56(2)(viib) of the Act are not applicable on issue of shares by a venture capital undertaking to a Category I and II AIF in the IFSC.
- A new section is introduced that denies the set-off of any business loss against any undisclosed income, consequent to a search or survey proceedings.



## Glimpse of Key Updates

- Extending the last date for availing the ITC / issuing credit note / amending GSTR 1 to November 30<sup>th</sup>
- Enabling transfer of balances in electronic cash ledger from one GSTIN of a distinct person to another GSTIN of the person.
- Quantum of ITC is restricted to the amount reflected in GSTR 2B
- Retrospective amendment is proposed for the levy of interest @18% on GST credit wrongly availed and utilised.

## Input Tax Credits & Returns

01

- Following alterations are permitted up to 30<sup>th</sup> November of the subsequent financial year which currently is permitted up to the due date for filing the GSTR 3B for September month,
  - Availment of ITC under the GST.
  - Issuance of credit note
  - Amendment of GSTR 1.
- ITC for a month is restricted to the extent of inward supplies communicated to the recipient by means of auto-generated report (Form GSTR-2B).
- Retrospective amendment is proposed for the levy of interest @18% on GST credit wrongly availed and utilized (Currently it is 24%)



## Other Key Amendments

02

- Balance in electronic cash ledger is transferrable to the electronic cash ledger of different GSTIN of same PAN (Distinct person).
- Composition Taxpayer's registration can be cancelled Suo – Moto by the department if they have not filed their GSTR-4 return beyond 3 months from the due date.
- Refund claim of any balance in the electronic cash ledger shall be made available.

# Economic & Fiscal Outlook

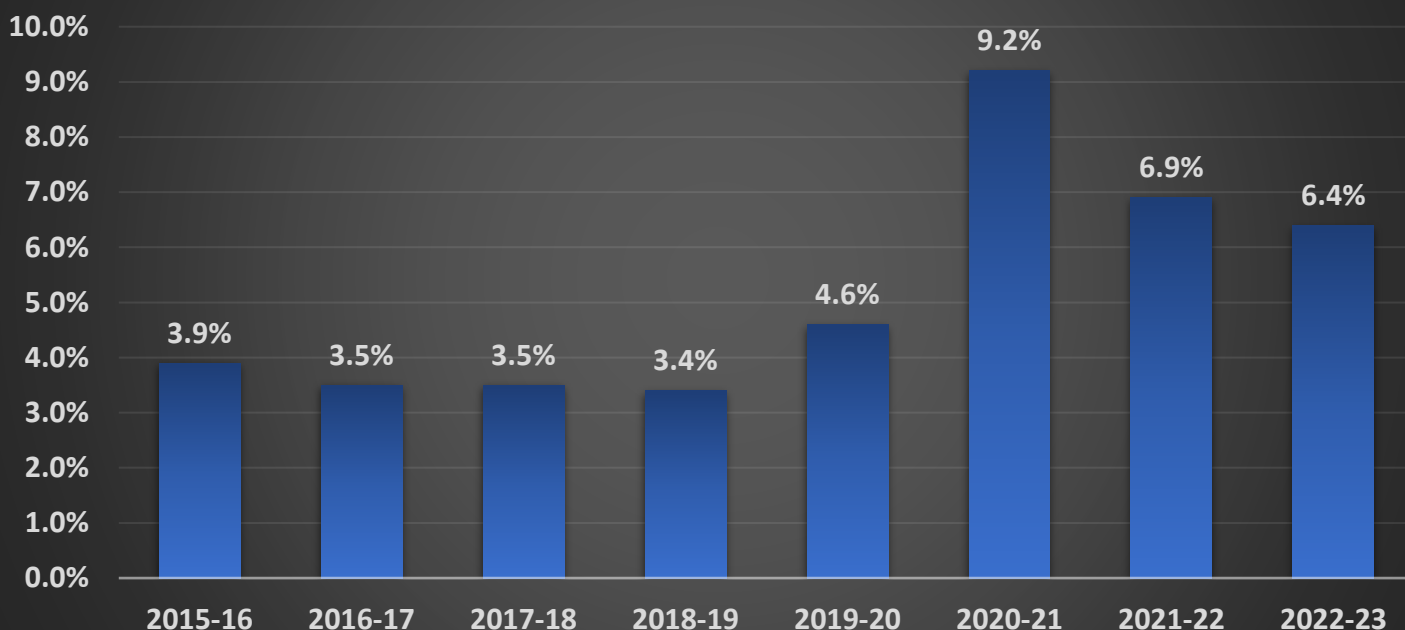


- India's economic growth estimated at 9.2% to be the highest among all large economies.
- Post Office banking boost: 100% of India's 1.5 lakh post offices will be on-boarded on the core banking system in 2022.

# Economic & Fiscal Outlook



## Trends in Fiscal Deficit

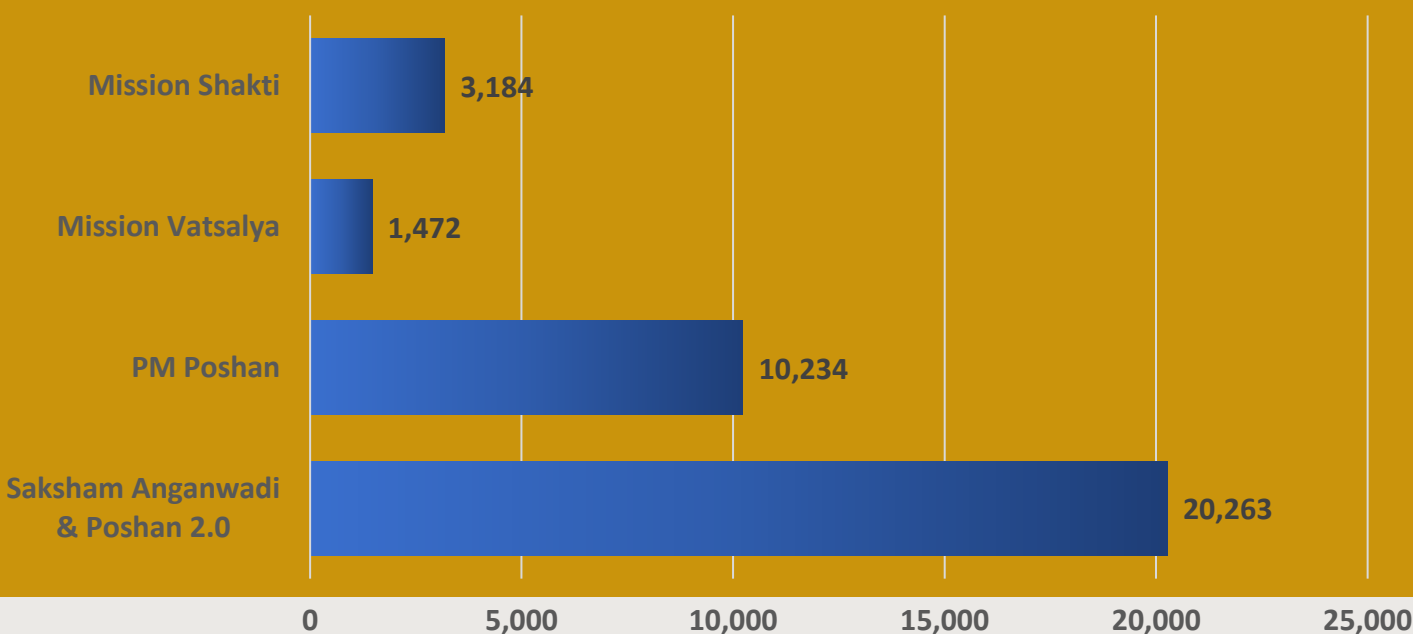


- The country's fiscal deficit settled at 6.9% of the GDP in 2021-22 and will be targeted at 6.4% in the upcoming fiscal deficit.

# Economic & Fiscal Outlook



Outlay in 2022-23 BE (in Crore)



- The budget provides impetus for growth along four priorities:
  - PM GatiShakti
  - Inclusive Development
  - Productivity Enhancement & Investment, Sunrise opportunities, Energy Transition, & Climatic Action.
  - Financing of investments.
- The PM Gatishakti programme emphasized 7 engines of growth (roads, railways, airports, ports, mass transport, waterways, logistics infrastructure).

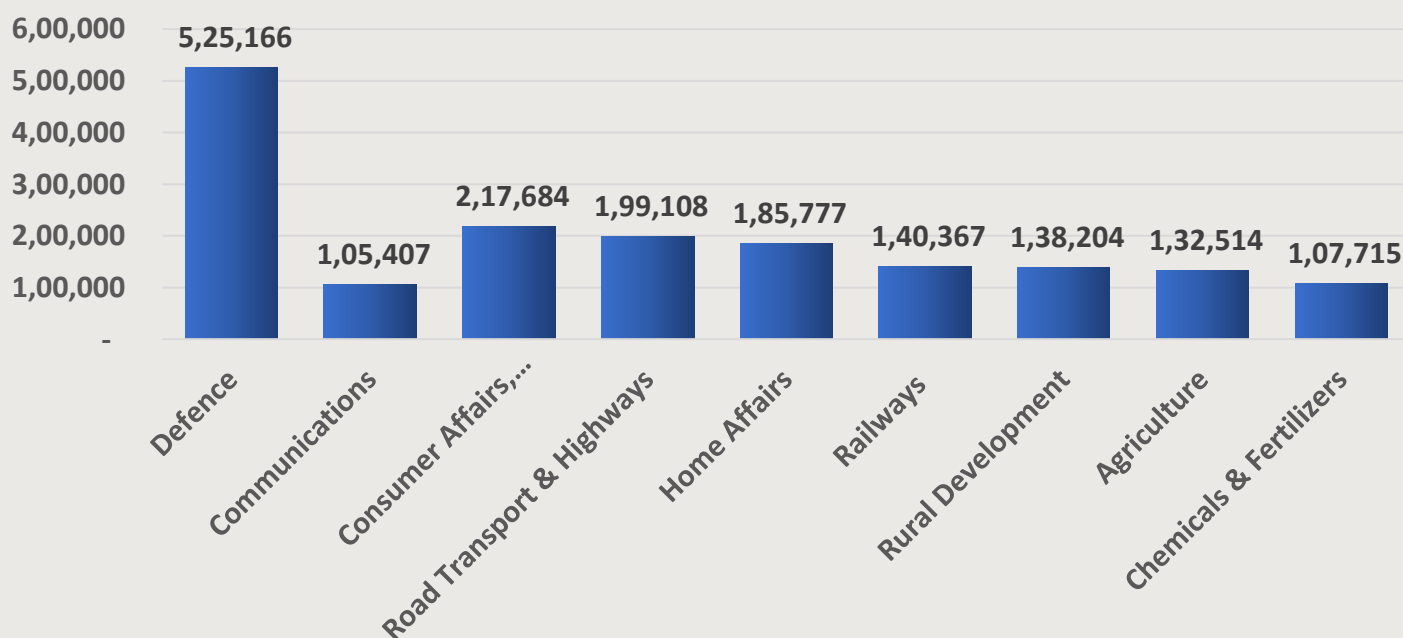
# Economic & Fiscal Outlook

- Capital expenditure to be stepped up by 35.4%: Capital expenditure outlay being stepped up sharply by 35.4% from Rs 5.54 lakh crore in CY to Rs 7.50 lakh crore in 2022-23. Outlay in 2022-23 will be 2.9% of the GDP.
- ECLGS Scheme for MSMEs extended to March 2023 and expanded: ECLGS to be extended till March 2023. The guaranteed cover will be expanded by Rs 50,000 crores to total cover of Rs 5 lakh crores to aid MSME sector financing needs.
- 60 lakh new jobs to be created under the Productivity Linked Incentive PLI scheme in 14 sectors.
- Public issue of Life Insurance Corporation expected shortly.
- 5G spectrum auction to be conducted in 2022 for rollout of 5G telecom services by private players in FY 2022-23.

# Key Industry Sector Announcements



Budget Allocation (Amt in INR Crores)



- The Finance Minister presented the budget worth 39.45 lakh crore with massive push to infrastructure spending. Total government spending will be 4.6% more than the current year and additional support of Rs 1 lakh crore to states has been announced.

# Key Industry Sector Announcements

## Defense Sector

01

- 68% capital procurement budget earmarked for domestic procurement.
- Defence R&D to be opened for start-ups, private industry, and academia. 25% of R&D budget to be set aside for this.
- Private industry will be encouraged to take up design and development of military platforms and equipment.
- The Government has enhanced the total budget for the Defence Sector by Rs 46,970 crore.



# Key Industry Sector Announcements

## Health & Sanitation

02

- An open platform for National Digital Health Ecosystem to be rolled out.
- 'National Tele Mental Health Program' for quality mental health counselling and care services to be launched.
- A network of 23 tele-mental health centres of excellence will be set up, with NIMHANS being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.
- Rs. 60,000 crores allocated to cover 3.8 crore households in 2022-23 under Har Ghar, Nal se Jal.
- Integrated benefits to women and children through Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0.





# Key Industry Sector Announcements

## Agriculture

03

- Procurement of wheat, paddy, kharif and rabi crops, benefiting over 1 crore farmers.
- NABARD to facilitate funds with blended capital to finance start-ups for agriculture & rural enterprise.
- ₹2.37 lakh crore towards direct payments for minimum support price.
- Chemical-free, natural farming to be promoted across the country.
- 2022 to be Year of Millet - support for post-harvest value addition for millet products.
- Using Kisan drones for crop assessment and spraying of pesticides.
- Ken-Betwa River linking project at a cost of Rs 44,000 crore, to benefit 9.0 lakh hectare of farmer land.



# Key Industry Sector Announcements

## Education

04

- Digital University will be established, and to be made in different Indian languages, based on a networked hub model.
- One Class, One TV channel of PM eVIDYA will be expanded from 12 to 200 TV Channels to provide supplementary education in all regional languages, to make up for loss of formal education due to Covid.
- Virtual labs and skilling e-labs to be set up to promote critical thinking skills and simulated learning environment.
- High-quality e-content will be developed for delivery through Digital Teachers.



# Key Industry Sector Announcements

## Infrastructure

05

- PM Gati Shakti National Master Plan at a cost of ₹20,000 crore.
- National Highways network to be expanded by 25,000 kms in 2022-23.
- National Master Plan on Expressways will be formulated in 2022-23.
- 400 new generation Vande Bharat trains to be manufactured in next 3 years.
- 60 km of ropeway projects under the Parvat Mala project.
- 100 Gati Shakti cargo terminals in the next 3 years.



## PARIVESH Portal

01

- A single-window portal, PARIVESH, for all green clearances was launched in 2018. It has been instrumental in reducing the time required for approvals significantly.
- The scope of this portal will now be expanded, to provide information to the applicants. Based on location of units, information about specific approvals will be provided.
- It will enable application for the following 4 approvals through a single form and tracking of the process through Centralized Processing Centre-Green (CPC-Green).
  - Environment
  - Forest
  - Wildlife
  - Coastal Regulation Zone



## Drone Shakti

02

- The start-ups will be promoted to facilitate Drone Shakti through different services and for Drone-As-A-Service (DrAAS).
- In selected Industrial Training Institutes, in all states, the required courses for skilling will be started,” Sitharaman announced in her Budget speech



## ePassport

03

- E-passports would be rolled out from next year for more convenience to the public.
- The e-passports will use embedded chips and futuristic technology.
- The e-passports will have more security features and will use Radio-Frequency Identification and biometrics.
- The passport jacket will have an electronic chip with security-related data encoded on it.



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