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Executive Summary: Union Budget 2023

The Hon'ble Finance Minister Ms. Nirmala Sitharaman, presented the Union Budget 2023, being the budget of the new decade and prepared in circumstances witnessed like never before. The following are some of the key highlights as laid down by her before the Parliament:

Agriculture

- To Encourage Innovative start-ups in rural areas by setting up **Agriculture Accelerator Fund**
- **ANB (Atmanirbhar Bharat)** Horticulture Clean plant program to be launched.
- Making India Global Hub for Millets "**Sree Anna**"
- Rs. 20 lakh crore agriculture credit targeted at Animal Husbandry, Dairy and Fisheries sector.

Health

- **157** New Nursing Colleges to be established.

Education

- Revamped Teacher's training via **District Institutes of Education and Training**
- **National Digital Library** to be set up for children and adolescents
- States will be encouraged to set up physical Libraries at Panchayat and Ward Levels

Skill Development

- Fresh skilling and upskilling of returnee migrant workers under **Pradhan Mantri Yojna covering 6 states**
- Increased Capital Investment outlay by 33.4% to Rs. 10 lakhs Crore.

Infrastructure Investments

- Creating Urban Infrastructure projects in Tier 2 and 3 cities via establishments of UIDF.
- 100 Transport infra projects identified for end-to-end connectivity for ports, coal, steel, fertilization sectors.

Youth Power

- PMKVY 4.0 will be launched covering new Courses like coding, AI, robotics, 3D printing etc.
- States will be encouraged to set-up **Unity Malls** for promotion sale of **ODOP**
- All Central Ministries, Government Departments and CPSEs are required to procure **25 %** of their annual requirements of goods and services from MSMEs.

MSMEs

- Less stringent contract execution for MSMEs



Direct Tax

- **No change in slab rate for personal & corporate tax rates under the old regime.**
- Proposal to make new tax regime as the default tax regime and increasing the **first basic exemption limit from 2.5 lakhs to 3 lakhs and other slabs also updated.**
- Highest Surcharge rate reduced from **37% to 25%** in case of individuals under the new tax regime.
- **Income limit for rebate under section 87A increased from Rs. 5 lakhs to Rs. 7 lakhs under the new tax regime.**
- Enhanced limits of presumptive taxation under section 44AD and 44ADA for micro enterprises and professionals.
- Proposal of new section 115BAE for new manufacturing co-operative societies to opt to pay tax at concessional rate of 15% for AY 2024-25 onwards.
- Period of incorporation for **eligible start-ups** to claim the tax benefit is extended by **1 year**, Benefit of carry forward of losses on change of shareholding of start-ups increased from 7 years to 10 years.
- Cash withdrawal limit for deduction of TDS increased to Rs 3 crores for co-operative societies.
- Proposal to impose a limit on maximum deduction that can be claimed under section 54 and section 54F to Rs 10 crores.

GST

- Proposal to remove exemption from deduction of TDS on payment of interest on listed debentures to a resident.
- Insertion of new section 194BA for deduction of income tax on any income by way of winnings from online games w.e.f 1st July 2023.
- Non availability of ITC in respect of goods or services which are used or intended to be used for activities relating to corporate social responsibility.
- Restricting maximum time limit for filing of returns to 3 years from the due date of filing the relevant return.

Customs

- Amendments in section 9,9A and 9C of the Custom Tariff Act relating to Anti-Dumping Duty (ADD), Countervailing Duty (CVD), and Safeguard Measures
- Basic Custom duty rates on various goods are being reduced for promoting domestic manufacturing and exports,
- Number of basic custom duty rates on goods other than textiles and agriculture reduced from 21 to 13.
- National Calamity Contingent Duty (NCCD) on specified cigarettes proposed to be revised upwards by about 16 per cent.
- Basic customs duty rate on compounded rubber is being increased to bring it at par with natural rubber.

Macro-Economic Survey 2022-23: Snapshot

INTRODUCTION

In general, global economic shocks in the past were severe but spaced out in time. This changed in the third decade of this millennium. At least three shocks have hit the global economy since 2020. The frailties of the Chinese economy further contributed to weakening the growth forecasts. Despite these, agencies worldwide continue to project India as the fastest-growing major economy at 6.5-7.0 per cent in FY23. These optimistic growth forecasts stem in part from the resilience of the Indian economy seen in the rebound of private consumption seamlessly replacing the export stimuli as the leading driver of growth.

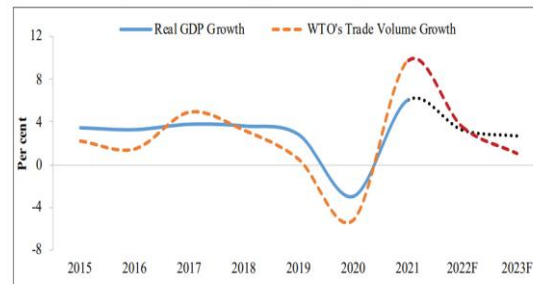
Followings are some of the key-highlights of the Economic Survey for the year 2022-23:

GDP Growth:

➤ The survey projects a baseline GDP growth of 6.5 per cent in real terms in FY24. The projection is broadly comparable to the estimates provided by multilateral agencies such as the World Bank, the IMF, and the ADB and by RBI, domestically. The actual outcome for real GDP growth will probably lie in the range of 6.0 per cent to 6.8 per cent, depending on the trajectory of economic and political developments globally.

➤ Global growth is forecasted to slow from 3.2 per cent in 2022 to 2.7 per cent in 2023 as per IMF’s World Economic Outlook, October 2022. A slower growth in economic output coupled with increased uncertainty will dampen trade growth. This is seen in the lower forecast for growth in global trade by the World Trade Organisation, from 3.5 per cent in 2022 to 1.0 per cent in 2023.

Figure I.37: Slowdown in global economic growth and trade



Source: IMF, WTO
Note: F stands for Forecast

Sectoral Trends:

➤ The agriculture sector in India has grown at an average annual growth rate of 4.6 per cent during the last six years

➤ Overall Gross Value Added (GVA) by the Industrial Sector, based on data available for the first half of the FY23, rose 3.7 per cent, which is higher than the average growth of 2.8 per cent achieved in H1 of the last decade. In FY23, the Industry sector witnessed modest growth of 4.1 per cent compared to the strong

growth of 10.3 per cent in FY22. This is likely on account of input cost-push pressures, supply chain disruptions and the China lockdown impacting the availability of essential inputs and slowing the global economy.

	Growth in Per cent		Real GVA growth in FY23 over FY22	Real GVA growth in FY23 over FY20	Share in total GVA FY23
	H1: FY23	H2: FY23 (Estimated)			
Industry	3.7	4.5	4.1	11.1	30.0
Mining & quarrying	2.2	2.6	2.4	4.4	2.3
Manufacturing	0.1	3.0	1.6	11.0	17.3
Electricity, gas, water supply & other utility services	10.0	7.9	9.0	13.0	2.3
Construction	11.5	7.3	9.1	12.8	8.1
Overall GVA	9.0	4.7	6.7	9.8	-

➤ Gross Value Added (GVA) in the services sector is estimated to grow at 9.1 per cent in FY23, driven by 13.7 per cent growth in contact-intensive services sector. Even on a sequential basis, the rebound continued in Q2 of FY23, with the services sector recording 8.7 per cent sequential growth.



Demand Trends:

- Global growth has been projected to decline in 2023 and is expected to remain generally subdued in the following years as well. The slowing demand will likely push down global commodity prices and improve India’s CAD in FY24
- The banking sector in India has responded in equal measure to the demand for credit.

- The divergence between a relatively high Wholesale Price Index (WPI) inflation and lower Consumer Price Index (CPI) inflation widened in May 2022 primarily owing to a difference in relative weights of the two indices and the lagged effect of imported input costs on retail prices.

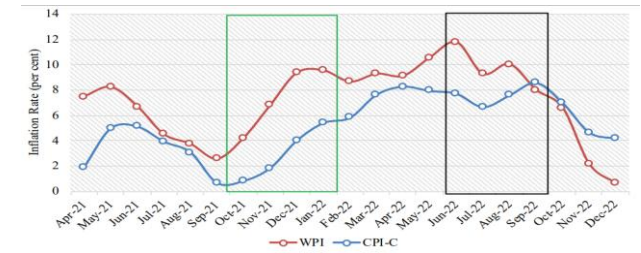
Exports & Imports

- The export of goods and services in the first nine months of the financial year (April – December) is up 16 per cent compared to the same period in 2021-22.
- A slowdown in global growth has led to slower export growth, but the combined value of goods and services exports in current dollars for April – December 2022 is 16 per cent higher than in April–Dec21.



Inflation

- FY22 witnessed lower CPI-Combined (CPI-C) based retail inflation as compared to FY21. The subsequent year (FY23) began with the Russia-Ukraine crisis that led to high headline inflation rate in April 2022.
- Both CPI-C and WPI have fallen below 6 per cent (which is the RBI tolerance limit for the former) and are on the descending slope of the surge that hit the economy in the first half of the current fiscal. International crude oil prices, the principal drivers of inflation this financial year, have returned to normal levels and so have prices of other major commodities.



Growth Outlook

- RBI projects CPI inflation for Q1 – FY24 at 5.0 per cent and for Q2 -FY24 at 5.4 per cent on the assumption of a normal monsoon.
- After a long period of balance sheet repair in the financial and corporate sector, the financial cycle is poised to turn upward. As the health and economic shocks of the pandemic and the spike in commodity prices in 2022 wear off, the Indian economy is thus well placed to grow at its potential in the coming decade, similar to the growth experience of the economy after 2003. This is the primary reason for expecting India’s growth outlook to be better than it was in the pre-pandemic years.



Key Proposals: Direct Taxes

For Individuals/HUF/AOPs/BOI (old regime): **There is no change in personal tax rates under old tax regime.**

Slab rates are as under:

Income (INR)	Rate of Tax
Up to INR 2,50,000*	NIL
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

*Basic exemption in case of Senior Citizen (Age 6 Years to 79 Years) is INR 3,00,000 and very senior citizen (Age 80 Years or more) is INR 500,000.

For Individuals/HUF (Section 115BAC-New Tax Regime): **First Basic limit is increased to Rs. 3Lakh and changes in slab rates are as under:**

Income (INR)	Rate of Tax
Up to INR 3,00,000	NIL
INR 3,00,001 to INR 6,00,000	5%
INR 6,00,001 to INR 9,00,000	10%
INR 9,00,001 to INR 12,00,000	15%
INR 12,00,001 to INR 15,00,000	20%
Above INR 15,00,000	30%

- a) Rebate under Section 87A is Rs. 500000 for resident individuals. For the Resident individuals who opted the new tax regime u/s 115BAC this limit has been increased to Rs.7,00,000. So, Tax will be NIL for income upto Rs.7,00,000 taxed u/s 115BAC.
- b) Default tax regime will be u/s 115BAC and Standard deduction of Rs.50,000 alongwith family pension will be also allowed.
- c) Surcharge rate of 37% will not be applicable for assessee opted new tax regime U/s 115BAC and restricted to 25% only. For other Surcharge & Education cess remain same as earlier.
These amendments take effect from 01st April 2023 and accordingly apply from Assessment year 2024-25.

Corporate Tax rates:

Corporate Tax rate of **25%** is applicable to companies with turnover up to **INR 4000 million** in financial year 2021-22 and in all other cases rate is **30%**. Tax rate @15% & 22% will continue U/s 115BAB & 115BAA respectively.

Socio Economic Welfare Measures

Check on Section 43B on payments to MSME.

In order to promote MSME payments, it is proposed to insert a new clause in Section 43B. Deduction will be allow only on actual payment or accrual basis only if the payment is within the time mandated under section 15 of the MSMED Act. As per respective section time limit is 45days if written agreement is there otherwise this limit is 15days only.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25

Agnipath Scheme 2022

The Govt. has introduce this scheme for enrolment of Agniveers in Indian Armed forces. To maintain and promote this scheme, followed tax benefits are provided to whom enrolled on or after 1st Nov. 2022:

1. Contribution will be treated as salary u/s 17(1) and contribution given by him or Central Government will be allowed as deduction u/s 80CCH
2. Any payment received by him or nominee will get exemption u/s 10(12C).
3. If Agniveers opts New tax regime U/s 115BAC then also deduction U/s 80CCH will be allowed.

These amendments take effect from 01st April 2023 and accordingly apply from Assessment year 2023-24

Relief to sugar co-operatives from past demand

It is proposed to amend section 154 & 155 that Assessing officer need to rectify the order for deduction taken by the assessee being sugar mill Co-operative factories to the extent the price fixe by the Government for the Previous year. Period of 4 Years will be reckoned from the end of previous year commencing on the 1st day of April, 2022. [w.e.f. 01.04.2023].

Increasing threshold limit for co-operatives to withdraw cash without TDS

Limit U/s 194N is increased from Rs.1 Crore to Rs. 3 Crore in case cash withdrawal is made by Co-operative Society. [w.e.f. 01.04.2023]



Penalty for cash loan/ transactions against primary co-operatives

Generally Penalty for non compliance of section 269SS & 269T is arise when loan or deposit made exceeds Rs.20000. To make parity of Primary Agricultural Credit Societies ("PACS") and Primary Co-Operative Agricultural and Rural Development Bank ("PCARD") with banking companies, amendment is made and this Rs. 20000 limit is enhanced to Rs.200000 for Section 269SS/T. Now penalty will be levied for cash transactions above Rs. 200000 by PACS & PCARD. [w.e.f. 01.04.2023]

Relief to start-ups in carrying forward and setting off of losses

In order to rationalize with section 80-IAC, Condition of 51% shareholding mentioned in Section 79 needn't to comply by the start-up companies if such losses pertain to Ten years from the beginning from the year in which such company is incorporated. Earlier this limit was Seven year.

These amendments take effect from 01st April 2023 and accordingly apply from Assessment year 2023-24.

Extension of date of incorporation & Investment for eligible start-ups (Incentives for Start-ups)

- It is proposed to amend the period of incorporation extended by **one more year, up to 31.03.2024** for eligible start-ups to avail tax benefit
- Previously the period of incorporation extended up to 31.03.2023.

These amendments take effect from 01st April 2023 and accordingly apply from Assessment year 2023-24.

Conversion of Gold to Electronic Gold Receipt and vice versa

To promote the concept of Electronic Gold receipt(EGR), it is hereby amendment is made to Section 47 r.w.s. 2(42A) & Section 49(10) and exempt the conversion of physical gold to Electronic gold from the definition of "transfer". Further Cost of acquisition of EGR will be cost to the person and period of holding will cover the period of physical gold hold by the person.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Exemption to development authorities etc.

As per new section 10(46), Income of authorities, boards and commissions set up by statutes of the Union or State for the purpose of housing, development of cities, towns and villages, and regulating, or regulating and developing an activity or matter, proposed to be exempted from income tax.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25

Tax Incentives to International Financial Services Centre

It is proposed to amend the period of tax benefits extended **up to 31.03.2025** to funds relocating to IFSC, GIFT City. Currently the period is end on 31.03.2023.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25

15% concessional tax to promote new manufacturing co-operative society

In order to optimize the tax regime a new section 115BAE has been inserted to promote in Co-operative society, to provide the concessional Tax regime @15% on satisfaction of following condition:

1. A new manufacturing co-operative society set up on or after 01.04.2023 & It commences manufacturing or production on or before 31.03.2024.
2. Short term capital gain will be taxable @22%
3. No additional deduction u/s 10AA, additional depreciation and other specific deduction will be allowed.
4. Specific form need to file before filing of ITR u/s 139(1).
5. Option once opted cannot be withdrawal.
6. Other specified deduction not allowed.

Surcharge will be 10%.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Ease of Compliance

Ease in claiming deduction on amortization of preliminary expenditure u/s 35D

It is proposed to remove the condition that activity in connection with these expenses to be carried out by a concern approved by the Board. Now 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.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Increasing threshold limits for presumptive taxation schemes

In order to benefit more MEME segments thresholds for eligibility to avail the benefit of the presumptive schemes, eligibility limit for business and professions is increased as below:

Section	Old Limit	New Limit
44AD	Rs. 2 Crore	Rs. 3Crore
44ADA	Rs.50 Lakh	Rs. 75 Lakh

Please note that above limit is applicable when cash receipts does not exceed 5% of the total turnover or gross receipts, & non account payee receipt, shall be deemed to be the receipt in cash.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Extending the scope for deduction of tax at source to lower or nil rate

Now Application u/s 197 for lower or NIL rate of tax can also be filed by the business trust in some cases like Sovereign Wealth Funds and Pension Funds to deduct the TDS u/s 194LBA. [w.e.f. 01.04.2023]

Widening and Deepening of Tax Base/ Anti Avoidance

Extending deeming provision under section 9 to gift to not-ordinarily resident

Now Gift of more than Rs.50000 being made by Resident in India to a Not ordinary resident will be treated as Income deemed to be accrue or arise in India. Earlier w.e.f. 05.07. 2019 same provision were apply if gift made to Non-resident outside India.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Applicability of TDS on Interest on Listed Debenture to a Resident

Now TDS needs to deducted u/s 193 on Interest payment made by a Listed company debenture. [w.e.f. 01.04.2023]

TDS and taxability on net winnings from online games

Online gaming is trending concept nowadays. To make it taxable new section of TDS U/s 194BA & taxability section 115BBJ is proposed. TDS & Taxability will be as follows:

- It is proposed to tax the net winning amount a@30%,
- Amount of Income tax will be will be reduced by the Online winning income,
- TDS needs to be deducted if exceeds Rs.10000 at the rates in force.

Consequential changes has been proposed in Section 194B, 194BB & 115BB.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Increase in TCS rates on Foreign Remittance

It is proposed to increase the TCS rates from 5% to 20 % on Overseas tour package & certain other cases in a Financial year. Please note that threshold limit of Rs.700000 will not be applicable in these cases. [w.e.f. 01.04.2023]

Upper limit in Section 54 & 54F

It is proposed to make upper limit in Section 54 & 54F as the purpose of having exemption is getting defeated. The upper limit will be Rs. 10 Crore maximum. Similar changes has been proposed for Capital gain account scheme. Now maximum deposit will be Rs. 10 Crore only.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Taxation of capital gains in case of Market Linked Debentures (Exchange Traded + Private Placement)

It is proposed to introduce Section 50AA to levy tax as Short term capital gain at applicable rates on transfer of Market linked debentures which are routed through exchange but having a private placement. Normally debentures are taxable @10% without indexation as long term capital gain.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.



Rationalization of exempt income from ULIP

As per proposed 10(10D) if premium payable is more than Rs. 5L in any previous year then maturity will be taxable u/h “Income from other sources” and no deduction will be allowed for premium paid earlier. The proposed provision shall apply for policies issued on or after 1st April, 2023.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Clarification in Section 45(5A) r.w.s. 194IC

It is proposed to amend that the section 45(5A) to consider the cash or any other form in the value of consideration received in transfer of asset being land or building or both.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Clarification in Interest claimed U/s 24b r.w.s. 48

It is seen in many cases that Interest on borrowed fund for property is taken as deduction u/s 24b and also taken as cost of such property. It is hereby proposed that if interest is taken as deduction then it will not considered as cost u/s 48 for the purpose of capital gain.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Improving Compliance and Tax Administration

- In order to reduce the burden of CIT(A) it is proposed that orders passed u/s 143/144, 147, 200A, 201, 206C, 206CB, 154 passed by the deputy commissioner may be appeal with Joint commissioner (Appeal). [w.e.f. 01.04.2023]
- Existing time limit for furnishing of TP report is 30days and which can be further extended by 30days. Now this limit is reduced to 10days and 30days only. [w.e.f. 01.04.2023]
- It is proposed to amend the relevant provision to allow the AO to take services of other person/valuer after getting approval from appropriate authority. [w.e.f. 01.04.2022]
- It is proposed to imposed penalty for false reporting of SFT u/s 285BA. Penalty amount is Rs.5000 charged u/s 271FAA. [w.e.f. 01.04.2023]
- No prosecution against liquidator of the companies. [w.e.f. 01.04.2023]
- Time limit u/s 153 for passing assessment order u/s 143/144 is as follows:

Sr. No	Assessment Year	Time Limit
1	Applicable for assessment year 2021-22 and onwards	9 months from end of the assessment year
2	Applicable for assessment year 2022-23 and onwards	12 months from end of the assessment year

Further time limit u/s 147 is also modified considering the case is pending u/s 132. [w.e.f. 01.04.2023]

Rationalisation of Provisions

Exclusion of NBFC from ambit of Section 94B

It is proposed to amend the section 94B to exclude the certain class of NBFC from the ambit of Section 94B to make parity of earlier exclusion of Indian company or a permanent establishment of a foreign company which is engaged in the business of banking or insurance.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25.

Parity of TDS Provision U/s 196A with Tax Treaty

In order to give parity of TDS rate given in section 196A, a proviso is inserted. As per the proviso, Treaty benefits needs to provided at the time of deduction of TDS instead of making deduction @20%. Recipient needs to provide TRC as mentioned in section 90(4)/90A(4).[w.e.f. 01.04.2023]

TDS on payment of accumulated balance due to an employee

TDS will be charged @20% u/s 206AA instead of maximum marginal rate in absence of PAN at the time of withdrawal of PF fund. [w.e.f. 01.04.2023]

Facilitating TDS credit for income already disclosed in past year

It has been seen in many cases that income declared in Year 1 but TDS credit is available in Year 2 therefore there is mismatch in TDS credit allowability. Therefore it is proposed in



such cases assessee is allowed to make application to AO within two years from the end of the financial year in which such tax was deducted at source [w.e.f. 01.10.2023]

Major relief to Non-filers from deduction of higher rate of TDS/TCS

It has been seen that certain taxpayers are not required to file ITR but as per section 206AB/206CCA but still covering in the category of Non-filers. Hence, in order to

provide relief in such cases, it is proposed to amend the definition of the “specified person” in sections 206AB and 206CCA of the Act so as to exclude a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and who is notified by the Central Government in the Official Gazette in this behalf [w.e.f. 01.04.2023]

Advance tax & TDS credit in Updated Return

It is proposed to provide clarification that interest payable under section 234B 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. [w.e.f. 01.04.2022]

Bringing the non-resident investors within the ambit of section 56(2)(viib)

In order to eliminate the possibility of tax avoidance it is proposed to include the consideration received from a non- resident also under the ambit of Section 56(2) (viib) by removing the phrase ‘being a resident’.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25

Additional time limit to qualify deduction U/s 10AA

It is proposed to provide additional time limit u/s 10AA to allow the deduction as follow:

1. To make alignment in section 10AA and Section 143(1) it is provided that deduction under section 10AA shall be eligible if such return is filed within the due date u/s 139(1).
2. Similar to other export related section, it is proposed that the deduction under section 10AA of the Act shall be available for such unit, if the proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of six months from the end of the previous year or, within such further period as the competent authority may allow in this behalf.

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25

Providing clarity on benefits and perquisites in cash

It is proposed to provide clarification by amending the section 28(iv) that this clause also applies to cases where benefit or perquisite provided is in cash or in kind or partly in cash and partly in kind

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25

Similar modification has been proposed though clarified earlier in Section 194R by inserting necessary explanation in the section itself. [w.e.f. 01.04.2023]

Removal of certain funds from section 80G

It is proposed to delete the three name based fund mentioned u/s 80G(2)(iiid).

These amendments take effect from 01st April 2024 and accordingly apply from Assessment year 2024-25

Set off and withholding of refunds in certain cases

As per the proposed amendment refund due to assessee can be withhold/setoff as below by the tax authorities:

1. With any amount payable by the assessee after giving intimation to assessee.
2. Having regard to the fact that proceedings of assessment or reassessment are pending and grant of refund is likely to adversely affect the revenue, and for reasons to be recorded in writing and with the appropriate previous approval may withhold the refund till the date on which such assessment or reassessment is made. [w.e.f. 01.04.2023]



Key Proposals: Goods and Service Tax

Removal of Restrictions on E-commerce operators to opt Composition Levy.

Section 10(2)(d) & Section 10(2A)(c) is being amended so as to remove the restriction imposed on registered persons engaged in supplying goods through electronic commerce operators from opting to pay tax under the Composition Levy.

Conditions for taking Input tax Credit.

Amendment in Section 16(2) i.e., payment of the amount with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, to align with the return filing system.

Amendment in Section 17(3) to restrict availment of ITC in respect of Supply of warehoused goods to any person before clearance for home consumption, by including the value of such transactions in the value of exempt supply.

Amendment in Section 17(5) to restrict availment of ITC in respect of Goods/services received by a taxable person, which are used or intended to be used for activities relating to his obligations under CSR.

Decriminalization of Offenses & Increase in threshold for launching prosecution.

Amendment in Section 132(1) to decriminalize the following offences -

- obstructs or prevents any officer in the discharge of his duties under this Act;

- tampers with or destroys any material evidence or documents
- fails to supply any information which he is required to supply under this Act or the rules made thereunder or supplies false information.

And amendment to increase the monetary threshold for launching prosecution for the offences under the said Act from one hundred lakh rupees to two hundred lakh rupees, except for the offences related to issuance of invoices without supply of goods or services or both.

Persons not Liable to registration

With effect from July 01, 2017, Section 23 of the CGST Act shall be substituted, relating to persons not liable for registration so as to provide overriding effect over Section 22(1) and section 24.

Time limit for furnishing details -

Amendment to provide a time limit of 3 years upto which the following shall be filed by a registered person; -

- details of outward supplies under Section 37
- details of inward supplies under Section 39
- annual return under Section 44
- statement of Outward supplies by operators collecting TCS under Section 52

It further seeks to empower the Government, on the recommendation of the Council, to extend by notification, the said time limit for a registered person or a class of registered persons, subject to certain conditions and restrictions.

Refund in case of Zero-Rated Supply

Amendment in Section 54(6) by removing reference to the provisionally accepted input tax credit so as to align the same with the present scheme of availment of self-assessed input tax credit as per Section 41(1).

Disclosure of information on common portal

A new section 158A in the CGST Act is being inserted so as to provide for prescribing 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, as may be prescribed, on the common portal with such other systems, as may be notified.

Schedule III (Negative List)

Schedule III of the CGST Act is being amended to give retrospective applicability to following clauses with effect from July 01, 2017, to treat the following as neither supply of goods nor supply of services -

- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India
- Supply of warehoused goods to any person before clearance for home consumption
- Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located



Key Proposals: Customs

Time limit for to pass Order by Settlement Commission

Order for settlement shall be passed within a period of nine months from the last day of the month in which the application u/s 127B is made, and if no order is passed within the said period, the settlement proceeding shall abate, and the case shall be reverted to the adjudicating authority.

outside India but before clearance for home consumption.

It is also clarified that where the tax has already been paid in respect of such transactions/ activities during the period from July 01, 2017, to 31st January, 2019, no refund of such tax paid shall be available.

Changes in definition

- Non-Taxable Online Recipient

Section 2(16) of the IGST Act is being amended by removing the condition of receipt of online information and database access or retrieval services (OIDAR) for purposes other than commerce, industry or any other business or profession to provide for taxability of OIDAR service provided by any person located in non-taxable territory to an unregistered person receiving the said services and located in the taxable territory.

- Online Information and Database Access or Retrieval services

Section 2(16) of the IGST Act is being amended to remove the condition of rendering of the said supply being essentially automated and involving minimal human intervention.

Place of supply of services by way of transportation of goods.

Section 12(8) of the IGST Act is being omitted to specify the place of supply of services by way of transportation of goods, including by mail or courier, irrespective of destination of the goods, in cases where the supplier of services and recipient of services are in India.

Union Budget 2023: Key Sectoral Impact

Duty Budget



fluorspar from 5 per cent to 2.5 per cent to make the domestic fluorochemicals industry competitive. Further, the basic customs duty on crude glycerine for use in manufacture of epichlorohydrin is proposed to be reduced from 7.5 per cent to 2.5 per cent.

Electronics and Telecom

Impact on Customs Duty by Budget



- The Government has proposed to provide relief in customs duty on import of certain parts and inputs like camera lens used in manufacture of cellular mobile phone and continue the concessional duty on lithium-ion cells for batteries for another year.
- Finance Minister has proposed to reduce the basic customs duty on parts of open cells of TV panels to 2.5 per cent, to promote value addition in manufacture of televisions.

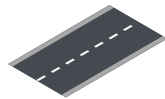
Automotive

Impact on Customs Duty by Budget



- Raising of custom duty on vehicles in Completely built units (CBUs) with engine capacity less than 3,000 cc for petrol-run vehicles and less than 2,500 cc for diesel-run vehicles and electrically operated vehicles in CBU form from 60% to 70%.

Infrastructure Budget Initiatives



- The Government has planned to increase the capital expenditure outlay by 33% to Rs 10 lakh crore.
- National Highways Authority of India (NHAI) has been allocated around Rs 1.62 lakh crore as part of the road transport and highways ministry (MoRTH) capital expenditure plan for 2023-24.
- A capital outlay of 2.40 lakh crore has been provided for the Railways. This highest ever outlay is about 9 times the outlay made in 2013-14.
- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified.

Chemicals

Impact on Customs

- Government has reduced the customs duty on various chemicals product;
- Basic customs duty is being reduced on acid grade

Fintech

Budget Initiatives



- Through the Budget, the government has proposed to set up an entity Digi locker for use by MSMEs and Large Businesses.
- Setting up of 100 labs for developing applications using 5G services in engineering institutions to realise a new range of opportunities, business models, and employment potential. The labs will cover, among others, applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications.

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Changes in Customs Tariff: Product wise

AMENDMENTS

Tariff Rate Changes

A.		Increase in Tariff rate (to be effective from 02.02.2023) * [Clause 126(a)] of the Finance Bill, 2023]			Rate of Duty	
<i>*Will come into effect immediately through a declaration under Provisional Collection of Taxes Act, 1931</i>						
S. No.	Heading, sub-heading/tariff item	Commodity	From	To		
Chemicals						
1.	2902 50 00	Styrene	2%	2.5%		
2.	2903 21 00	Vinyl Chloride Monomer	2%	2.5%		
Rubber						
3.	4005	Compounded Rubber	10%	25% or Rs. 30per kg., whichever is lower		
Gems and Jewellery Sector						
4.	7113, 7114	Articles of precious metals	20%	25%		
5.	7117	Imitation Jewellery	20% or Rs. 400 per kg., whichever is higher	25% or Rs. 600 per kg., whichever is higher		
Electrical Goods						
6.	8414 60 00	Electric Kitchen Chimney	7.5%	15%		
Automobiles and Toys						
7.	8712 00 10	Bicycles	30%	35%		
8.	9503	Toys and parts of toys (other than parts of electronic toys)	60%	70%		

B.	Tariff rate changes (without any changes to the effective rate of Customs Duty) [Clause 126(b)] of the Finance Bill, 2023] Note: In order to simplify the tax structure, number of BCD rates are being reduced. This rationalization of BCD rate structure is being carried out in a manner so as to maintain the existing incidence of duty in certain items. These changes need to be read with appropriate changes in AIDC/SWS rates		Rate of Duty	
S. No.	Heading, sub-heading tariff item	Commodity	From	To
1.	4011 30 00	New or retreaded pneumatic tyres, of rubber, of a kind used on aircraft of heading 8802	3%	2.5%
2.	7107 00 00	Base metals clad with silver, not further worked than semi-manufactured	12.5%	10%
3.	7108	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	12.5%	10%
4.	7109 00 00	Base metals or silver, clad with gold, not further worked than semi-manufactured	12.5%	10%
5.	7110 11 10 7110 11 20 7110 19 00 7110 21 00 7110 29 00 7110 41 00 7110 49 00	Platinum, unwrought or in semi-manufactured form, or in powder form	12.5%	10%
6.	7111 00 00	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	12.5%	10%
7.	7112	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.	12.5%	10%
8.	7118	Coin	12.5%	10%
9.	8802 20 00 8802 30 00 8802 40 00	Aero planes and other aircrafts	3%	2.5%

C.	Tariff rate changes (with changes to the effective rate of Customs Duty) [Clause 126(b)] of the Finance Bill, 2023]		Rate of duty	
1.	7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	12.5%	10%

OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

A.	Changes in Basic Customs Duty (to be effective from 02.02.2023)		Rates of Duty	
S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
		Agricultural Products and ByProducts		
1.	0802 99 00	Pecan nuts	100%	30%
2.	1504 20	Fish lipid oil for use in manufacture of aquatic feed	30%	15%
3.	1520 00 00	Crude glycerin for use in manufacture of Epichlorohydrin	7.5%	2.5%
4.	2102 20 00	Algal Prime (flour) for use in manufacture of aquatic feed	30%	15%
5.	2207 20 00	Denatured ethyl alcohol for use in manufacture of industrial chemicals	5%	Nil
6.	2301 20	Fish meal for use in manufacture of aquatic feed	15%	5%
7.	2301 20	Krill meal for use in manufacture of aquatic feed	15%	5%
8.	2309 90 90	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	15%	5%

		Minerals		
9.	2529 22 00	Acid grade fluorspar (containing by weight more than 97% of calcium fluoride)	5%	2.5%
		Petrochemicals		
10.	2710 12 21, 2710 12 22, 2710 12 29	Naphtha	1%	2.5%
		Gems and Jewellery Sector		
11.	7102, 7104	Seeds for use in manufacturing of rough lab-grown diamonds	5%	Nil
12.	7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	7.5%	10%
13.	7106	Silver Dore	6.1%	10%
		IT, Electronics		
14.	25, 28, 32, 39, 40, 69, 73, 85	Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder	7.5%	Nil
15.	3824 99 00	Palladium Tetra Amine Sulphate for manufacture of parts of connectors	7.5%	Nil
16.	Any Chapter	Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone	2.5%	Nil
17.	8529	Specified parts for manufacture of open cell of TV panel	5%	2.5%
		Electronic appliances		
18.	8516 80 00	Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20%	15%

		Automobiles		
19.	8703	Vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form	30%	35%
20.	8703	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	60%	70%
21.	8703	Electrically operated Vehicle in Completely Built Unit (CBU) form, other than with CIF value more than USD 40,000	60%	70%
22.	39,40,58,70,72 73,83,84,85,87,90	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	As applicable	Nil
		Capital goods		
23.	84, 85	Specific capital goods/machinery for manufacture of Lithium ion cell for use in battery of electrically operated vehicle (EVs)	As applicable	Nil
B.	Changes in Basic Customs Duty (without any change in the effective rate of Customs Duties i.e., BCD+AIDC+SWS)		Rate of Duty	
	Note: In order to simplify the tax structure, number of BCD rates are being reduced. This rationalization of BCD rate structure is being carried out in a manner to maintain the existing incidence of duty on certain items. These changes need to be read with appropriate changes in AIDC/SWS rates			
S. No	Chapter, Heading, sub-heading, tariff item	Commodity	From	To
1.	2701, 2702, 2703	Coal, peat, lignite	1%	2.5%
2.	7108	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	12.5%	10%
3.	7108	Gold Dore	11.85%	10%

4.	7110 11 10 7110 11 20 7110 19 00 7110 21 00 7110 29 00 7110 41 00 7110 49 00	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	12.5%	10%
C.	Change in end date of exemption (No change in effective rate of duty)		Rate of duty	
S. No	S. No in Notificationno 50/2017- Customs	Commodity	From	To
1	368	Ferrous waste and scrap	Nil	Nil (up to 31.03.2024)
2	374, 375	Raw materials for use in manufactureof CRGO steel	Nil	Nil (up to 31.03.2024)
3	527A	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	5%	5% (up to31.03.2024)
4	527B	Lithium-ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle (EVs) or hybrid motor vehicle	5%	5% (up to31.03.2024)
5	168	Specified inputs and sub-parts for use in manufacture of telecommunication grade optical fibre or optical fibre cables	Nil	Nil (up to 31.03.2025)
6	341	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	5%	5% (up to31.03.2025)
7	341A	Inputs for manufacture of Preform ofsilica	Nil	Nil (up to 31.03.2025)
8	237	Specified inputs for use in themanufacture of EVA sheet or back sheets which are used in the manufacture of solar cell or modules	Nil	Nil (up to 31.03.2024)
9	340	Solar tempered glass for use in the manufacture of solar cell or solar module	Nil	Nil (up to 31.03.2024)
10	405, 406	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%	5% (up to31.03.2025)

11	559	Raw material and parts (including Dredger) for use in the manufacture of ships/vessels	Nil	Nil (up to 31.03.2025)
12	166	Specified Drugs, medicines, diagnostics kits or equipment, bulk drugs used in manufacture of drugs or medicines	5%	5% (up to 31.03.2025)
13	167	Lifesaving drugs/ medicines and diagnostic test kits, bulk drugs used in manufacture of life-saving drugs or medicines	Nil	Nil (up to 31.03.2025)



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