

# UNION BUDGET 2023

*Decoding the details*

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February 2023



## Introduction

The Union Budget 2023 – 24 was expected to provide the guard rails for the Indian Economy amidst a global slowdown, and to avoid recessionary effects on the country. The Hon'ble Finance Minister's speech to some extent delivers on this aspect. With a slew of measures being proposed to push the growth story by increasing capital expenditure spending, the Budget this year focusses on 7 key areas viz., Inclusive Development, last mile delivery, Infrastructure, Investments, Green Growth, Youth Power and the Financial Sector.

While the capex initiatives are going to influence job creation also, a major development on the direct tax front that can potentially impact foreign investment into India, is on extending the 'angel tax' provisions to non-resident investments as well. While there have been no other big-bang changes on the corporate tax front in terms of rates, some key positives include extension of the tax holiday for start-ups, and the time for start-ups to claim benefits and carry forward of losses in case of change in majority shareholding. Another major development is on the personal taxation front, wherein the government has tried to bring in several changes, to possibly wean taxpayers away from the old tax regime.

On the indirect tax front, the Budget focusses on making domestic manufacturing attractive and making India export friendly. Along with the overall infrastructure spending push, rate changes in customs will have an impact on certain sectors. With not many changes in GST, as expected, one can only look to the GST Council to solve the misses in this years Budget, on this front!

Hope you find the third edition of our annual Budget Analysis an interesting and informative read!

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# ABOUT INDUSLAW

**INDUSLAW** is a top-tier Indian Law Firm, the 6th Largest\* in India, providing legal services to a wide range of International & Domestic clients across a variety of sectors. With over 400 lawyers including more than 60 Partners spread across Bengaluru, Chennai, Delhi, Hyderabad & Mumbai, we have been fortunate to partner with and contribute significantly to many established businesses and new economy companies. The firm was awarded Client Service Firm of the year by Chambers and Partners in 2019.

## Professional Services

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- We are a full-service law firm offering advice and counsel across a broad spectrum of practice areas.
- Led by a team of experts who work as an integrated unit to provide the best for our clients.
- Clients and our people are at the heart of everything we do.
- As trusted advisors, we pursue the right opportunities building reputation and confidence with our clients.

## Team

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- Our lawyers are multi-skilled, experienced, and recognized for their strong legal, commercial and business acumen.
- Providing practical and solution-oriented advice to best serve the client's needs.
- Committed to staying at the forefront of the subject of law and a strong emphasis on mitigating our clients risks and exposure.
- Maintaining a proactive and future-facing focus.

## Mission

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- Be a new age law firm generating thought leadership and delivering exceptional advice and services.
- Client care is a cornerstone of our practice, and we leave no stone unturned to attend to client requirements.
- Creating empowered and thorough practitioners with the ability to innovate and a passion for the law.
- To be the employer of choice for legal professionals in this country.



## Core Values

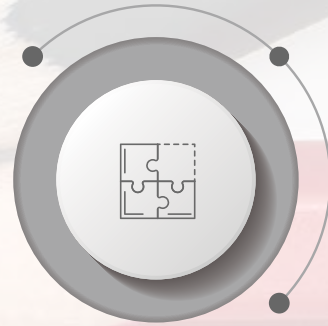
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**Our culture**



**Inventive, adaptable  
and open-minded**



**Solution- Synergy oriented  
approach for efficiency**



**Committed to excellence**



**Synergy**

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# TAX

## DIRECT TAX



# TAX RATES

The income-tax rates under Section 115BAC i.e., alternate tax regime has undergone a change. All the other income tax rates have remained same. Hence, the tax rates for AY 2024-25 are the same as applicable in AY 2023-24 except the tax rates under alternate tax regime. Further, to make the alternate tax regime more attractive, the maximum surcharge rate of 37% has been reduced to 25%, standard deduction of INR 50,000 has also been introduced and limit for rebate has been increased from INR 5 lakhs to INR 7 lakhs. The comparative tax tables are provided below for easy reference.

## Individual Opting for Normal Tax Regime\*

Individuals		
<i>(Other than senior and super senior citizens)</i>		
Net Income Range	Rate of Income-tax	
	AY 2023-24	AY 2024-25
Up to INR 2,50,000	-	-
INR 2,50,001 to INR. 5,00,000	5%	5%
INR. 5,00,001 to INR. 10,00,000	20%	20%
Above INR. 10,00,000	30%	30%

Senior Citizen		
<i>(who is 60 years or more at any time during the previous year)</i>		
Net Income Range	Rate of Income-tax	
	AY 2023-24	AY 2024-25
Up to INR 5,00,000	-	-
INR 5,00,001 to INR 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

\* Rebate under section 87A is available to resident individuals whose total income during the previous year does not exceed INR 5,00,000 under the normal tax regime. Rebate is available to the extent of INR 12,500 only and no rebate will be available if total income exceeds INR 5,00,000.

Super Senior Citizens		
<i>(who are 80 years or more at any time during the previous year)</i>		
Net Income Range	Rate of Income-tax	
	AY 2023-24	AY 2024-25
Up to INR 5,00,000	-	-
INR 5,00,001 to INR 10,00,000	20%	20%
Above INR 10,00,000	30%	30%

#### Individuals opting for Alternate Tax Regime **\*\***(Section 115BAC)

Net Income Range	Rate of Income-tax	Net Income Range	Rate of Income-tax
	AY 2023-24		AY 2024-25
Up to INR 2,50,000	-	Up to INR 3,00,000	-
INR 2,50,001 to INR 5,00,000	5%	INR 3,00,001 to INR 6,00,000	5%
INR 5,00,001 to INR 7,50,000	10%	INR 6,00,001 to INR 9,00,000	10%
INR 7,50,001 to INR 10,00,000	15%	INR 9,00,001 to INR 12,00,000	15%
INR 10,00,000 to INR 12,50,000	20%	INR 12,00,001 to INR 15,00,000	20%
INR 12,50,001 to INR 15,00,000	25%	Above INR 15,00,000	30%
Above INR 15,00,000	30%		

**\*\*** Rebate under section 87A is available to resident individuals whose total income during the previous year does not exceed INR 7,00,000 under alternate tax regime. Rebate is available to the extent of INR 25,000 only and no rebate will be available if total income exceeds INR 7,00,000.



### Tax rates for Company

Particulars	Rate of Income-tax	
	AY 2023-24	AY 2024-25
<i>Domestic Company opting for Section 115BAB</i>		
Income from manufacture or production of article or thing	15%	15%
Income from non-manufacturing activities (if no specific rate is prescribed)	22%	22%
Short term capital gains (from transfer of depreciable assets)	15%	15%
Short term capital gains (from transfer of non-depreciable assets)	22%	22%
Excess profit added by the Assessing officer under section 115BAB(6) owing to close connection between company and other person	30%	30%
Special income under Chapter XII	As prescribed under the Act	As prescribed under the Act
<i>Other Domestic Company</i>		
Total turnover or gross receipt during the previous year 2019-20 does not exceed INR 400 crore	25%	NA
Total turnover or gross receipt during the previous year 2020-21 does not exceed INR 400 crore	NA	25%
Company opted for Section 115BA	25%	25%
Company opted for Section 115BAA	22%	22%
Any other domestic company	30%	30%
<i>Foreign Company</i>		
In General	40%	40%

### Tax rates for Other Entities

Net Income Range	Rate of Income-tax	
	AY 2023-24	AY 2024-25
Firms	30%	30%
Local Authority	30%	30%

## Rate of Surcharge

### Rate of Surcharge in the hands of Individuals

Net Income Range	Rate of Income-tax									
	AY 2023-24					AY 2024-25				
	Up to INR 50 lakh	More than INR 50 lakh but up to INR. 1 crore	More than INR 1 crore but up to INR. 2 crore	More than INR 2 crore but up to INR. 5 crore	More than INR 5 crore	Up to INR 50 lakh	More than INR 50 lakh but up to INR 1 crore	More than INR 1 crore but up to INR 2 crore	More than INR 2 crore but up to INR 5 crore	More than INR 5 crore
<b>Short-term capital gain covered under Section 111A</b>	Nil	10%	15%	15%	15%	Nil	10%	15%	15%	15%
<b>Long-term capital gain covered under Section 112A</b>	Nil	10%	15%	15%	15%	Nil	10%	15%	15%	15%
<b>Long-term capital gain covered under Section 112</b>	Nil	10%	15%	15%	15%	Nil	10%	15%	15%	15%
<b>Dividend income</b>	Nil	10%	15%	15%	15%	Nil	10%	15%	15%	15%
<b>Unexplained income chargeable to tax under Section 115BBE</b>	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
<b>Any other income</b>	Nil	10%	15%	25%	37%	Nil	10%	15%	25%	37%*

\* From AY 2024-25 onwards, the maximum surcharge rates under alternate tax regime u/s 115BAC has been reduced from 37% to 25%.

### Rate of Surcharge in case of any other assessee

Taxpayer	Rate of Income-tax					
	AY 2023-24			AY 2024-25		
	Up to INR 1 Crore	More than INR 1 Crore to INR 10 Crores	Exceeding INR 10 Crores	Up to INR 1 Crore	More than INR 1 Crore to INR 10 Crores	Exceeding INR 10 Crores
<b>Firm/ Local Authority</b>	-	12%	12%	-	12%	12%
<b>Domestic Company Opting for Section 115BAA or 115BAB</b>	10%	10%	10%	10%	10%	10%
<b>Other Domestic Company</b>	-	7%	12%	-	7%	12%
<b>Foreign Company</b>	-	2%	5%	-	2%	5%

*\*Health and Education Cess at the rate of 4% shall be charged on aggregate of income-tax and surcharge.*





## CORPORATE TAX MATTERS

### Cost of acquisition and improvement in case of intangible assets

- Section 55 of the ITA provides for the 'cost of improvement' and 'cost of acquisition' for the purpose of computing capital gains. However, there are certain intangible assets or rights for which no consideration may be paid for acquisition and the cost of acquisition of such assets, is not clearly defined under ITA. This has led to several disputes wherein the courts have ruled in favour of taxpayers.
- FB 2023 proposes to define the term 'cost of improvement' and 'cost of acquisition' in case of any intangible assets, or any other right (other than those already covered under this provision), whether self-generated or acquired, as 'Nil'.
- This amendment will take effect from 1 April, 2024 and will accordingly apply in relation to AY 2024-25 and subsequent AYs.

### Taxability of excess share premium received over and above FMV from non-resident investors

- Section 56(2)(viib) of the ITA, inter alia, provides that where a closely held company receives any consideration for issue of shares from a resident person that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the FMV of the shares shall be chargeable to income-tax. The legislative intent to introduce this provision was to prevent generation and circulation of unaccounted money through share premium received from resident investors in a closely held company in excess of its FMV. However, currently this provision is not applicable to share application money/ share premium received from non-resident investors.
  - FB 2023 now proposes to include the consideration received from a non-resident within the ambit of Section 56(2)(viib). This will mean that the share subscription by non-residents will also require appropriate valuation from an income tax perspective, with any additional premium over FMV being liable to tax in the hands of the Indian company.
  - This amendment will take effect from 1 April, 2024 and will accordingly apply in relation to AY 2024-25 and subsequent AYs.
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### Deduction on payment basis

- Per the Section 43B of the ITA, certain deductions are allowed only on actual payments. However, proviso to this section provides the deduction on accrual basis of the amounts are paid on or before the due date for furnishing return of income under section 139(1).
- In order to promote timely payments to micro and small enterprises, it is proposed that the deduction of any sum payable by the taxpayer to micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 shall be allowed only on actual payment. It is further proposed that the proviso to Section 43B will not apply in this case, and accordingly no deduction will be allowed even if such payments are made on or before due date for furnishing return of income under section 139(1).
- It is pertinent to note that Section 15 of MSMED Act mandates payments to micro and small enterprises within the time as per the written agreement, which cannot be more than 45 days. If there is no such written agreement, the payment shall be made within 15 days.
- The amendment will apply in relation to the AY 2024-25 and subsequent AYs.

### Deduction of amortisation of preliminary expenditure

- Section 35D of the ITA provides for deduction of preliminary expenditure, incurred before the commencement of the business or after commencement, but in connection with the extension of the undertaking or setting up a new unit. It, inter alia, also provides that work in connection with the preparation of the feasibility report or the project report or the conducting of market survey or of any other survey or the engineering services shall be carried out by the taxpayer himself or by a concern approved by CBDT.
- In order to ease the process for claiming deduction, it is proposed to remove the condition wherein such feasibility reports, market survey etc., are required to be carried out by a concern approved by CBDT. As a substitute, the taxpayer shall be required to furnish a statement of expenditure in the prescribed form and manner within the prescribed time limit to the prescribed income-tax authority.
- The amendment will apply in relation to the AY 2024-25 and subsequent AYs.



# START-UPS

## Extension of date of incorporation for eligible start up for exemption

- Provisions of Section 80-IAC of the ITA inter alia, provide for a deduction of an amount equal to 100 percent of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive AYs out of 10 years, beginning from the year of incorporation, at the option of the assessee, subject to certain conditions, including the condition that the start-up is incorporated on or after 1 April, 2016 but before 1 April, 2023.
- In order to further promote the development of start-ups in India, it is proposed to extend the period of incorporation of eligible start-ups to 31st March 2024.
- While promoting eligible start-ups, the amendment will also provide adequate time to them to set up such units. The amendment will apply in relation to the AY2023-24 and subsequent AYs.

## Grant of relief in carrying forward and setting off of losses

- Provisions of Section 79 of the ITA, inter alia, provide a relaxation for non-continuity of 51% shareholding to eligible start-ups subject to the condition that all the shareholders of the company, as on the last day of the tax year in which loss was incurred, continue to hold the shares on the last day of the tax year in which loss is set-off. However, this relaxation is available only if loss has been incurred during the period of 7 tax years beginning from the year in which company is incorporated.
- In order to align the period of 7 years with the period of 10 years as provided under Section 80-IAC, it is proposed to increase the relaxation period for carry forward and set off of loss of eligible start-up from 7 years to 10 years beginning from the year such company is incorporated.

**Our thoughts:** As the third largest start-up ecosystem in the world, India is seeing an increasing number of start-ups becoming unicorns. Therefore, the Government extending the sunset period for deduction to 'eligible start-ups' under Section 80-IAC beyond April 1, 2023 was expected and welcome. Extension of the eligibility to carry-forward and set off losses to 10 years is also a welcome step.



# WITHHOLDING TAXES AND TAX COLLECTION AT SOURCE

## Withdrawal of TDS exemption on interest on listed debentures

- Currently, there is no withholding tax obligation on a company on payment of interest on listed debentures. In order to expand the tax net, it is proposed to remove this exemption which will result in tax withholding on payment of interest on listed debentures (in dematerialised form) listed on stock exchange.

## Increase in rate of TCS

- Section 206(1G) of the ITA provides for TCS on foreign remittance through the Liberalised Remittance Scheme (LRS) and on sale of overseas tour packages.
- It is proposed to increase the rate of TCS from 5% to 20% (without any threshold) on foreign remittances (other than for the purpose of education and medical treatment) under LRS scheme and for the purchase of an overseas tour program package.
- This amendment will take effect from 1st July, 2023

**Our thoughts:** The increase in TCS may potentially impact cash flows in certain scenarios and this temporary cash flow consideration needs to be borne in mind at the time of LRS remittance.

## Relief from higher rate of TDS / TCS for non-filers of income-tax returns

- Section 206AB and Section 206CCA of the ITA provides for higher rate of TDS and TCS rate for non-filers of income-tax returns. However, there may be certain persons who are not required to furnish their return of income and it is not the intention of the legislature to include such persons in the category of non-filers.
- In order to provide relief in such cases, FB 2023 proposes to amend the definition of 'specified person' provided under sections 206AB and 206CCA of the ITA, to exclude a person who is not required to furnish the return of income, and who is so notified by the Central Government in the Official Gazette in this behalf.
- This amendment will take effect from 1 April, 2023.

### Exclusion of "Online games" from Section 115BB of the ITA and introduction of new Section 115BBJ of the ITA to tax "online games" and related TDS provisions

- Amendments have been proposed in Section 194B and Section 194BB of the ITA. Presently, the provisions require deduction of tax on winnings from lottery, crossword puzzle, or card game or any other game, when the winning amount exceeds INR 10,000.
- These provisions are proposed to be amended to provide that the deductions of tax shall be on the amount or aggregate of amount exceeding INR 10,000 during the financial year. Additionally, Section 194B is being amended to include gambling or betting of any form or nature, specifically.
- However, considering that a new Section 194BA is being introduced for online games, present TDS provisions under Section 194B, will cease to apply with effect from 1st July 2023.
- From 1st July 2023, a new TDS regime specifically for online gaming is being introduced. A new Section, 194BA is proposed to be inserted, which clarifies that winnings from any online game will now be covered under the said Section. As per Section 194BA, TDS is to be deducted at the end of the FY, assuming no withdrawals during the year, subject to computation mechanism. For withdrawals during the year, TDS will be at the time of such withdrawal on the net winnings comprised in such withdrawal, as well as on the remaining amount of net winnings in the user account, to be computed as per prescribed mechanism.
- Income by way of winnings from any lottery, crossword puzzle, card games or "other games of any sort" are subjected to income tax at 30% under Section 115BB of the ITA. In view of the insertion of the proposed Section 115BBJ, Section 115BB is proposed to be amended to exclude from its ambit winnings from any "online games" as defined in Section 115BBJ. This amendment is proposed to come into effect from April 1, 2024 and accordingly would apply in relation to AY 2024-25 and thereafter.
- A new Section 115BBJ will be inserted in the ITA which relates to tax on winnings from online games. This proposal seeks to levy tax on "net winnings" from online games at the rate of 30%, which will be computed in a manner as prescribed under the rules. This proposal also seeks to define the term online games as a "game that is offered on the internet and is accessible by a user through a computer resource including any telecommunication device".

**Our thoughts:** The online gaming industry has been in the limelight for a lot of issues relating to tax and has also been facing a heavy compliance burden. The amendments and the insertions show that the contribution of the industry is being recognized and the TDS provisions are now streamlined to some extent, specifically for online gaming. However, while the method of computation of the "net winnings", is yet to be prescribed, it is a welcome move that the concept itself finds place in the statute book.





# IFSC, REITS AND BUSINESS TRUSTS

## Offshore derivative instruments

- Section 10(4E) of the ITA provides for exemption in respect of any income arising to a non-resident as a result of transfer of non-deliverable forward contracts or offshore derivative instrument (ODI), or over-the-counter derivatives entered into with offshore banking units of IFSC.
- Under the ODI contract, the IFSC Banking Unit (IBU) makes the investments in permissible Indian securities, and income earned by the IBU on such investments is taxed as capital gains, interest or dividend under section 115AD of the ITA. After the payment of tax, the IBU passes on such income to the ODI holders. Presently, exemption is provided only on the transfer of ODIs, and not on the distribution of income to the non-resident ODI holders, resulting in the distributed income being taxed twice in India i.e., first when received by the IBU, and second, when the same income is distributed to non-resident ODI holders.
- In order to remove the double taxation, it is proposed to amend Section 10(4E) of the ITA to provide exemption to any income distributed on the ODI, entered into with an offshore banking unit of an IFSC, which fulfils the prescribed conditions. However, it is also provided that such exempted income shall include only that amount which has been charged to tax in the hands of the IBU under Section 115AD.
- This amendment will take effect from 1st April, 2024 and will accordingly apply to AY 2024-25 and subsequent AYs.

## Extension of benefit of exemption from capital gains on relocation to IFSC

- Section 47(viiad) of the ITA provides an exemption to shareholder/unit holder/ interest holder on transfer of capital asset upon relocation to IFSC. It is proposed to amend Section 47(viiad) 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 from current limitation of 31 March, 2023, to 31 March, 2025.
  - This amendment will take effect from 1st April, 2023 and will accordingly apply to AY 2023-24 and subsequent AYs.
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### Tax avoidance through distribution by business trusts to its unit holders

- A special taxation regime under Section 115UA of the ITA is applicable to Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT) ("Business Trusts"). The business trusts invest in special purpose vehicles (SPV) through equity or debt instruments.
  - Section 115UA of the ITA, inter-alia, provides a pass-through status to Business Trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders, unless specifically exempted.
  - Section 115UA(1) of the ITA, inter-alia, provides that any income distributed by a business trust to its unit holders shall be deemed to be of the same nature, and in the same proportion in the hands of the unit holder as it had been received by the business trust.
  - Further, Section 115UA(3) of the ITA, inter-alia, also provides that if the "distributed income" received by a unit holder from the business trust is of the nature as referred to in clause (23FC) or clause (23FCA) of section 10 of the ITA i.e., either rental income of the REIT or interest or dividend received by the business trust from the SPV, then, such distributed income or part thereof shall be deemed to be income of such unit holder.
  - As noted above, interest, dividend and rental income have been accorded a pass-through status at the level of business trust and are taxable in the hands of the unit holder. However, in respect of the distributions made by the business trust to its unit holders, which are shown as repayment of debt, it is actually an income of unit holder which does not suffer taxation either in the hands of business trust or in the hands of unit holder.
  - In order to plug this loophole and to avoid double non-taxation, it is proposed insert Section 56(2)(xii) under ITA to tax such sum received by unit holder in his hands. It is also proposed to insert a proviso to provide that where such sum received by a unit holder from a business trust is for redemption of unit(s) held by him, the sum received shall be reduced by the cost of acquisition of the unit(s) to the extent such cost does not exceed the sum received.
  - This amendment will take effect from 1st April, 2024 and will accordingly apply to AY 2024-25 and subsequent AYs.
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# PERSONAL TAXATION

## Anti-abuse provisions for gift to not ordinarily residents (NOR)

- As per Section 9(1)(viii) of the ITA any sum of money referred to in Section 2(24)(xviii), exceeding INR 50,000 received by a non-resident without consideration, from a person resident in India shall be income deemed to accrue or arise in India.
- Accordingly, a view was being taken that gifts received by persons who are NOR under Section 6(6) from persons resident in India, was not liable to tax. Hence, it is proposed to include the gifts received by NOR under the purview of Section 9(1)(viii) as well.
- This amendment will apply in relation to the AY 2024-25 and subsequent AYs.

## Conversion of Gold to Electronic Gold Receipt (EGR) and vice versa

- With a view to encourage the concept of 'Electronic Gold', it is proposed to exclude the conversion of physical form of gold into EGR issued by a SEBI registered vault manager and vice versa from the purview of 'transfer' for the purposes of capital gains. Accordingly, a new clause is to be inserted under Section 47 to include this conversion as an exempt transfer.
- Further, the cost of acquisition of EGR for computing capital gains shall be deemed to be the cost of gold in the hands of the person in whose name EGR is issued. Similarly, where the gold is released against an EGR, the cost of acquisition of gold shall be deemed to be the cost of EGR.
- The holding period would include the period for which gold was held by the assessee, prior to its conversion into EGR. Similar provisions will also apply for conversion of EGR into gold.
- The expressions 'Electronic Gold Receipt' and 'Vault Manager' shall have the meanings assigned to them in clauses (h) and (l) respectively of sub-regulation (1) of regulation 2 of SEBI (Vault Managers) Regulations, 2021.
- These amendments will apply in relation to the AY 2024-25 and subsequent AYs.

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### Increasing threshold limits for presumptive taxation schemes

- The current provisions of Section 44AD and 44ADA provide for a presumptive income scheme for small business and small professionals respectively. Section 44AD applies to certain resident assessees (i.e., an individual, HUF or a partnership firm other than LLP) carrying on eligible business and having a turnover or gross receipt of upto INR 2 crores, wherein a sum equal to 8% or 6% of the turnover is deemed to be profits of the business. Further, Section 44ADA applies to resident professionals (i.e., an individual, partnership firm other than LLP) who are engaged in eligible professions and whose total gross receipts do not exceed INR 50 lakhs, wherein sum equal to 50% of turnover/gross receipts is deemed to profits of business.
- It is now proposed to increase the threshold limits for availing the presumptive taxation schemes, where cash receipts do not exceed 5% of total gross receipts as follows:
  - Turnover threshold increased to INR 3 crores under Section 44AD
  - Turnover threshold increased to INR 75 lakhs under Section 44ADA
- Receipt by a way of cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be a receipt in cash.
- Further, Section 44AB, which requires the audit of books if turnover exceeds INR 1 crore or INR 10 crores (if cash receipts/payments are up to 5%) in case of business and INR 50 lakhs in case of specified professionals, will not apply to those who declare their profits on presumptive basis under Section 44AD and 44ADA
- These amendments will apply in relation to the AY 2024-25 and subsequent AYs.

### Limit on exemption claimed under Section 54 and Section 54F

- Currently, Section 54 and Section 54F of the ITA allow deductions on the capital gains arising from the transfer of residential house and any long term capital asset except residential house respectively, if, within a period of one year before or two years after the date on which the transfer took place, an assessee purchases any residential property in India, or within a period of three years after that date, constructed any residential property in India.
  - It is believed that huge deductions were being claimed by high net-worth assessees under these provisions, by purchasing very expensive residential houses, thereby defeating the very purpose of these sections.
  - To mitigate this, it is proposed to impose a limit on the maximum deduction that can be claimed by an assessee under Sections 54 and 54F to INR 10 crores. It has been provided that if the cost of the new asset purchased is more than INR 10 crores, the cost of such asset shall be deemed to be INR 10 crores.
  - These amendments will apply in relation to the AY 2024-25 and subsequent AYs.
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### Rationalisation of exempt income under life insurance policies

- Section 10(10D) of ITA provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy. The legislative intent of providing the said exemption has been to further welfare objectives, by subsidising the risk premium for an individual's life and providing benefit to small and genuine cases of life insurance coverage. However, over the years, several high earning individuals were investing in policies having large premium contributions and claiming exemption on the sum received under such life insurance policy. Hence, ITA was amended to provide that the sum received under a ULIP (barring the sum received on death of a person), issued on or after the February 01, 2021 shall not be exempt, if the amount of premium payable for any of the previous years during the term of such policy exceeds INR 2,50,000.
- Through the above amendment ULIPs having premium payable exceeding INR 2,50,000 have been excluded from the purview of Section 10(10D). However, all other kinds of life insurance policies are still eligible for exemption, irrespective of the amount of premium payable.
- FB 2023 proposes to tax income from insurance policies (other than ULIPs) having premium or aggregate of premium (including the amount allocated by way of bonus) above INR 5,00,000 in a year. Such income shall be taxable under the head "income from other sources". Deduction shall be allowed for premium paid, if such premium has not been claimed as deduction earlier. Further, income received on the death of the insured person, will be exempt. The proposed provision shall apply for policies issued on or after 1st April, 2023.
- These amendments will take effect from 1st April 2024 and will accordingly apply to AY 2024-25 and subsequent AYs.





# MISCELLANEOUS

## Taxation of capital gains on Market linked Debentures

- A variety of hybrid securities that combine features of plain vanilla debt securities and exchange traded derivatives (which differ from plain vanilla debt securities) were being issued through private placements and listed on stock exchanges. Market Linked Debentures are currently taxed as long-term capital gain at the rate of 10%, without indexation. However, these securities may be in the nature of derivatives, which are normally taxed at applicable rates.
- It is proposed to insert a new Section 50AA under ITA to provide that any capital gains arising from transfer or redemption, or maturity of Market Linked Debentures shall always be deemed to be short-term capital gains to be taxed at normal applicable rates.
- This amendment will take effect from 1 April, 2024 and will accordingly apply in relation to AY 2024-25 and subsequent AYs.

## Claim of TDS credit for income already offered to tax in previous years

- In many instances, tax is deducted by the deductor in the subsequent year upon actual payment, whereas the assessee, following accrual method, may have already offered the income in earlier years, in their return of income. This results in TDS mismatch, since the corresponding income had already been offered to tax by the assessee in the earlier years. The taxpayer cannot claim the credit of TDS in the year in which tax is deducted since income is not offered to tax in that year, and it may also not be possible to revise the return of income of the past year in which the corresponding income was included since time to revise the return of income for that year may have lapsed. This results in difficulty to the assessee in claiming credit of TDS.
  - In order to remove this difficulty, it is proposed to insert a new sub-section (20) in section 155 of the ITA to provide that an application in the prescribed form can be made by the assessee to the AO within two years from the end of the FY in which such tax was deducted at source. Thereafter, AO shall amend the order of assessment or any intimation, as the case may be, by allowing credit of such TDS in the relevant tax year and shall not be allowed in any other assessment year. For this purpose, time limit of 4 years for rectification of order under section 154(7) shall be reckoned from the end of the FY in which such tax has been deducted.
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- It is also provided that interest on refund under Section 244A of the ITA shall be computed from the date of application, to the date on which refund is granted.
- This amendment will take effect from 1 October, 2023.

### Clarification on taxability of benefit and perquisites received as cash

- Per Section 28(iv) of the ITA, the value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession is chargeable to tax as business income. The legislative intent for insertion of this provision was explained in Circular 20D dated 7th July 1964, which clearly stated that the benefit could be in cash or in kind. However, courts have interpreted that if the benefit or perquisite is in the form of cash, it is not covered within the scope of Section 28(iv) of the ITA.
- In order to align the provision with the intention of the legislature, FB 2023 proposes to clarify that Section 28(iv) shall also apply to cases where benefit or perquisite provided is in the form of cash or in kind or partly in cash and partly in kind.
- Corresponding amendment has also been proposed in Section 194R, which enables the withholding mechanism in relation to the benefits or perquisites under Section 28(iv).
- This amendment will take effect from 1st April, 2024 and will accordingly apply to AY 2024-25 and subsequent AYs.

### Prevention of double deduction claimed on interest on borrowed capital for acquiring, renewing, or reconstructing property.

- Some assesseees have been claiming double deduction of interest paid on borrowed capital for acquiring, renewing or reconstructing a property. At the outset, such interest is claimed in the form of deduction for income from house property under Section 24 of the ITA, and thereafter, some assesseees also claim deduction under other provisions of Chapter VIA. Subsequently, while computing capital gains on transfer of such property, the same interest also forms a part of cost of acquisition or cost of improvement under Section 48 of ITA.
- In order to prevent this double deduction, it is proposed to insert a proviso after clause (ii) of Section 48 to provide that the cost of acquisition or the cost of improvement shall not include the amount of interest claimed under section 24 or Chapter VIA.
- This amendment is proposed to take effect from the 1st day of April, 2024 and will accordingly apply in relation to AY 2024-25 and subsequent AYs.





# TAX INDIRECT TAX

Finance Minister Nirmala Seetharaman unlocked the indirect tax announcement with an aim to promote exports, boost domestic manufacturing, enhance domestic value addition and encourage green mobility.

The Government has proposed to reduce the basic customs duty, cesses and surcharges on a number of products (which among others include toys, bicycles, automobiles etc.) with the aim to augment make in India initiative, enhance export and focus towards establishing a simplified tax structure.





# GST

## KEY CHANGES UNDER CENTRAL GOODS AND SERVICES TAX ACT, 2017 (CGST ACT)

- Second proviso to sub-section (2) of Section 16 is being amended to align the said sub-section with the return filing system. Earlier the proviso stated that the input tax credit which has to be reversed for non-payment of amount to the supplier within 180 days was to be added to the output tax liability. With this proposal, an assessee will be able to reverse this credit and is aligned to the GST returns.

**Our thought:** With this amendment the ambiguity is now cleared. It is interesting to note that corresponding Rule 37 was already amended last year and the Section is now being amended.

- Sub-section (3) of section 17 of the CGST Act is being amended so as to include value of activities/ transactions specified in Para 8 of schedule III (Sale of warehoused goods before clearance for home consumption) in the meaning of exempt supply for the purposes of reversal of input tax credit. Thereby increasing the reversal amount to be made under Rule 42 and 43.
- Sub-section (5) of Section 17 is amended to provide a restriction of input tax credit in respect of goods and services used for the purpose of corporate social responsibility (CSR) as required to be undertaken by the Companies under the provisions of the Companies Act.

**Our thoughts:** There are various rulings which have held that credit of goods and services used for CSR is available owing to the fact that these expenses are required to be undertaken mandatorily under the Companies Act and thus becomes an essential part of the business process as a whole. This amendment will trigger litigation as majority trade and industry have taken a position based on the above-mentioned interpretation.

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- Section 23 is amended to give overriding effect to Section 22 and Section 24 wef July 1, 2017. Now persons engaged exclusively in exempt supplies are not liable for registration even if liable to take registration upon receiving goods or services under reverse charge.
  - Section 37 and Section 39 is amended to allow taxpayers to file details of outward supplies in GSTR 1 and furnishing of returns in GSTR 3B upto 3 years from the due date of furnishing the said details. Similar amendment provided in respect of GSTR 8 as well.
  - Section 44 is amended to provide that taxpayers can file annual return upto 3 years from the due date of filing of annual return.
  - Section 122 has been amended to specify penalties for E-commerce operators who allows unregistered persons to transact business through them or allows interstate supply through a composition taxpayer; fails to furnish the correct details of outward supplies for exempted suppliers.
  - The minimum threshold of tax amount for launching prosecution under CGST Act is proposed to be raised from 1 Crore to 2 Crore along with decriminalization of certain offences like obstruction and preventing of any officer from discharge of his duties, deliberate tempering of evidence or failure to supply information or supplying false information where there is a legal requirement.
  - The compounding amount is reduced from the present range of 50% to 150% of tax amount to the range of 25% to 100% vide amendment of Section 138 of the CGST Act.
  - Retrospective exemption to activities of supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering India. Supply of warehoused goods to any person before clearance for home consumption. While these activities were included in Schedule III with effect from February 2019, to not qualify as supply of goods or services, vide this budget it is now deemed that exemption from tax to these activities is available with effect from July 1, 2017. However, taxes already paid on these transactions in the past shall not be refunded.
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## KEY CHANGES UNDER INTEGRATED GOODS AND SERVICES TAX ACT, 2017 (IGST ACT)

- Definitions of nontaxable online recipient and Online information database access and retrieval (OIDAR) services is amended as follows:
    - “non-taxable online recipient” means any unregistered person receiving online information and database access or retrieval services located in taxable territory.
    - The words “essentially automated and involving minimal human intervention and ” to be deleted from the OIDAR definition, leaving this definition very wide in its scope and ambit.
  - Proviso to sub-section (8) of section 12 of the IGST Act is being omitted. The place of supply of services by transportation of goods outside India shall now not be considered as exports and the place of supply of such services are to be treated as per the applicable law.
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## KEY CHANGES UNDER THE CUSTOMS ACT, 1962 INCLUDING CUSTOMS TARIFF ACT, 1975

- Section 25 sub-section 4A is being amended to insert the following proviso:

Validity period of two years for conditional exemption notification not applicable to the following:

- any multilateral or bilateral trade agreement;
- obligations under international agreements, treaties, conventions or such other obligations including with respect to United Nations agencies, diplomats and international organisations;
- privileges of constitutional authorities;
- schemes under the Foreign Trade Policy;
- the Central Government schemes having validity of more than two years;
- re-imports, temporary imports, goods imported as gifts or personal baggage;
- any duty of customs under any law for the time being in force, including integrated tax leviable under sub-section (7) of section 3 of the Customs Tariff Act, 1975, other than duty of customs leviable under section 12.

This has been done to avoid conflicting situations between various schemes and statutes and is a welcome amendment.

- There has been a major review of exemptions provided under the Customs Act, 1962. The Budget has proposed that out of 196 exemptions, 146 exemptions are being extended for a period of one year i.e. upto March 31, 2024, for the purpose of undertaking review. Of the remaining, a few are being extended for five years, two years and one year, while some exemption entries are being discontinued with effect from March 31, 2023. It is suggested that the notifications in this regard be referred for complete description of the items.
- Section 127C is amended to provide the following: Mandatory time limit of 9 months (further extendable by 3 months) provided for disposal of applications before the Settlement Commission. The present budget provides that if the order is not passed with the prescribed time limit, then proceedings stand abated, and the adjudication authority shall dispose the application. Please do note that presently there was no time limit for adjudication of Settlement cases provided.
- Retrospective Amendment effective from January 1, 1995, to Section 9, 9A and 9C of the Customs Tariff Act, 1975 are made to remove ambiguity and clarify that determination and review refers to manner prescribed in the Rules and also inserted Explanation to provide meaning of determination or review.

# RATE RATIONALIZATION UNDER CUSTOMS

- Rationalisation of Customs duty rates to promote domestic manufacturing and Green Energy.



**Green Mobility** – Central excise duty exemption is being provided on blended Compressed Natural Gas (CNG) from so much of the amount as is equal to the GST paid on Bio Gas / Compressed Bio Gas contained in such blended CNG



## Electronics

- To provide relief in customs duty on import of certain parts of mobile phones.
- Reduction of BCD on parts of open cells of TV panels to 2.5%.



## Electricals

- To increase BCD on electrical on electric Kitchen chimney from 7.5% to 15%
- To reduce BCD on chimney heat coils from 20% to 15%



## Chemicals and Petrochemicals

- To exempt BCD on chemicals and petrochemicals
- To reduce BCD on acid grade fluorspar and crude glycerine to 2.5%



**Marine products:** To reduce duty on key inputs for domestic manufacture of shrimp feed.



**Lab Grown Diamonds:** To reduce BCD on seeds used in their manufacturing, subject to certain conditions.



**Precious Metals** To increase customs duties on articles made from Gold and Platinum and to increase import duty on silver ware, bars and articles.



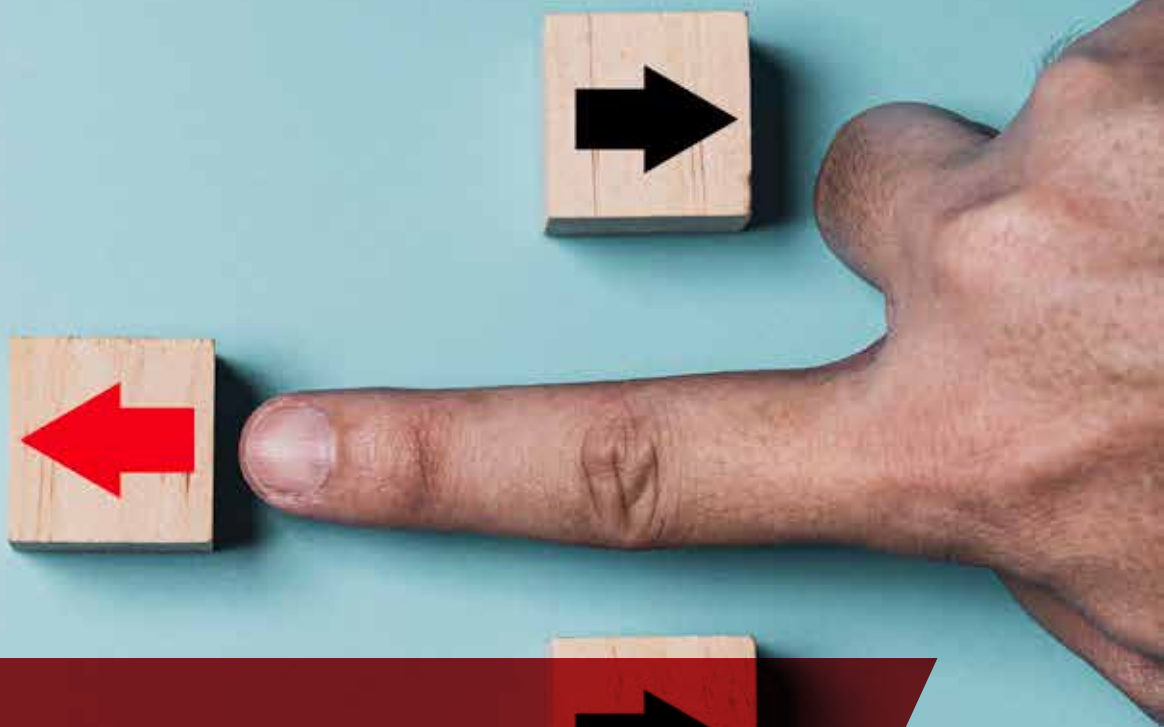
**Compounded Rubber:** To increase BCD rate on compounded rubber from 10% to 25%



**Cigarettes:** National Calamity Contingent Duty (NCCD) on specified cigarettes to be revised upwards by about 16%

- The heading 9801 of the first schedule of the Customs Tariff Act, is being amended to exclude solar power plant/solar power project from the purview of Project Imports with effect from the date of assent.
- Our comments: The Government over the last few years has undertaken rate rationalization efforts to simplify the customs regime. Some of the rationalizing is also done to support the domestic manufacturing industry by reducing duties on inputs required by the industry. On the other hand, to boost domestic manufacturing, rates are also increased to reduce import dependency.





**OTHER  
CHANGES AND  
ANNOUNCEMENTS**





## KEY INITIATIVES FOR "EASE OF DOING BUSINESS"

Identifying good governance as key to nation's progress and with the commitment to provide a transparent and accountable administration, the Union Budget has laid down various measures with a focus on enhancing ease of doing business. Some of these key measures include:

### EASING LEGAL COMPLIANCES AND PROCESSES

- Over 39,000 compliances to be reduced and more than 3,400 legal provisions to be decriminalised.
- Jan Vishwas Bill has been introduced to amend 42 central legislations to further the objective of establishing a trust-based governance.
- A comprehensive review of existing regulations to be carried out by the financial sector regulators to simplify, ease and reduce the cost of compliances.
- Certain amendments have been proposed to the Banking Regulation Act, 1949, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and the Reserve Bank of India Act, 1934 to improve bank governance and enhance investors' protection.
- A Central Processing Centre to be setup for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act, 2013.

### SIMPLIFICATION OF KYC PROCESS

- The Know-Your-Customer (KYC) process to be simplified to adopt a 'risk-based' approach instead of a 'one size fits all' approach. The financial sector regulators will be encouraged to have a KYC system fully amenable to meet the needs of Digital India.

### STORING AND SHARING OF DATA / DOCUMENTS

- A one-stop solution to be established, using DigiLocker service and Aadhar as foundational identity, for reconciling and updating the identity and address of individuals maintained by various governmental agencies, regulators and regulated entities.
- The scope of documents available in DigiLocker for individuals to be expanded with the intent to enable more fintech innovative services.
- An 'Entity DigiLocker' to be set up for use by MSMEs, large business and charitable trusts to enable

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these entities to securely store and share documents online, with various authorities, regulators, banks and other business entities.

### COMMON BUSINESS IDENTIFIER

- Permanent Account Number (PAN) to be used as the common identifier for all digital systems of specified government agencies (for business establishments required to have a PAN). This will be facilitated through a legal mandate.

### UNIFIED FILING PROCESS

- A system of 'Unified Filing Process' to be set-up for avoiding the need for separate submission of same information to different government agencies. It has been proposed that such filing of information or return in simplified forms on a common portal, will be shared with other agencies as per filer's choice.

### DISPUTE RESOLUTION

- Under the 'Vivad se Vishwas II', a voluntary settlement scheme with standardised terms to be introduced whereby graded settlement terms will be offered (depending on the pendency level of the dispute) to settle contractual disputes of government and government undertakings wherein the arbitral award is under challenge in a court.
- Phase-3 of the e-courts project to be launched with an outlay of INR 7,000 crore, for efficient administration of justice.

### GIFT IFSC

- In order to enhance the business activities in GIFT IFSC, the following measures to be undertaken:
    - Powers under the Special Economic Zones (SEZ) Act, 2005 to be delegated to International Financial Services Centres Authority (IFSCA) to avoid dual regulation;
    - A single window IT system to be set up for registration and approval from IFSCA, SEZ authorities, Good and Services Tax Network (GSTN), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority of India (IRDAI);
    - Acquisition financing to be permitted by IFSC banking units of foreign banks;
    - A subsidiary of EXIM Bank to be established for trade re-financing;
    - IFSCA Act, 2019 to be amended to provide for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under the SEZ Act, 2005; and
    - Offshore derivative instruments to be recognised as valid contracts.
    - Data embassies to be set up in GIFT IFSC to facilitate data continuity solutions.
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# LITIGATION AND TAX ADMINISTRATION

## On Limitation Periods

- **In relation to TP Report:** Assessing Officer or Commissioner (A) are empowered to call for information and documents, as required to be maintained in relation to international transactions. Vide this Budget it is proposed to reduce the earlier prescribed time-limit of 30 days to 10 days, which is extendable for a further period upto 30 days.
  - The intent behind the above proposal is to allow more time to the Authorities to review the information and close the proceedings at their end.
  - **In relation to faceless schemes:** Provisions relating to all faceless schemes under the ITA provides for an identical bar, wherein the Government is not empowered to issue any directions for implementation of these schemes after a cut-off date.
  - As it so appears, some of the directions issued may require suitable amendments from time to time. Accordingly, vide this budget it is proposed to empower the government to make such amendments in the directions, where the original directions were issued before the cut-off date.
  - **In relation to assessment & reassessment proceedings:** Assessing Officer intending to undertake assessment or reassessment for any particular year is required to issue a notice to the Assessee to furnish its return for the concerned period. While the time limit required to be provided to the Assessee was left at the discretion of the Authority, it is now proposed to prescribe a specified limitation of 3 months for this purpose.
  - Non-furnishing of returns within the above time limit of 3 months, in such cases, will be detrimental to the assessment proceedings in the case of the noticee, as such return filed belated will not be treated as a return filed under Section 139. Consequently, the Authority will not be required to issue any prior notice, under Section 143(2) of the ITA, for scrutiny purposes.
  - Section 149 imposes a bar upon issuance of a reassessment notice if the limitation of 3 years / 10 years, as the case may be, have elapsed from the end of the relevant assessment year. However, for cases emanating from search (Section 132) and requisitions (132A) in the last 15 days of the limitation period (i.e. between 15th day of March and 31st day of March of the concerned last year of limitation), an additional limitation period of 15 days have been granted to the concerned Authority to process the information and evidence so collected upon search and requisition, and to issue the required notice.
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- It is proposed to increase the current limitation period of nine months for completion of assessment proceedings to twelve months for the period starting from assessment year 2022-23. A similar amendment is also proposed in respect of revised returns, to keep the provisions aligned. The said proposal appears to have been brought in to provide sufficient time for the assessee to complete its investigation, and to also keep the proceedings fair by allowing sufficient time to the concerned assessee to file the required evidence in support of its claim.
  - Aligned with the above approach, a new sub-section has been proposed under Section 153, to extend the limitation period by twelve months, in cases where during the pendency of assessment or reassessment proceedings, search is initiated, or any seizure / requisition is made, or any other incriminating material is found.
  - **In relation to Settlement Commission:** The Parliament had earlier abolished the Settlement Commission, vide the Finance Act, 2021. As an alternative, an Interim Board of Settlement was constituted, on 10.08.2021, for closure of pending cases. In the interim period, i.e. from 01.02.2021 till 10.08.2021, it was prescribed that the said time limit shall be excluded for the purposes of adjudication of any pending rectification applications. Further, upon constitution, the Interim Board was allowed a minimum period of 60 days to adjudicate the applications. FB 2023 proposed to extend the limitation up to 30.09.2023.

### Remodelling of Appellate Forums

- Given the huge pendency of litigations at the first appellate level, it has proposed to create a new authority of Joint Commissioner (Appeals), which shall take up first appeals in respect of orders passed by any authority below the rank of Joint Commissioner. The Hon'ble Finance Minister announced that about 100 Joint Commissioners shall be deployed on this account.
  - It is also proposed to empower the Board to order transfer of appeals between Commissioner (Appeals) and Joint Commissioner (Appeals), during their pendency before either of the said Authorities. The said proposal aims at optimum utilization of the capacity of such officers in order to reduce the pending load of litigation. It is also proposed that a faceless scheme shall be notified for expediting the appeals process.
  - The First Appellate Authorities are empowered to confirm, reduce, enhance or annul the proposed demands.
  - Scope of appeals before the Income Tax Appellate Tribunal has been increased to also cover appeals against penalty orders passed by Commissioner (Appeals), under Sections 271AAB, 271AAC and 271AAD. Similarly, orders passed by Principal Chief Commissioner or Chief Commissioner, under Section 263, or orders under Section 154 are also made appealable to the Tribunal.
  - In cases of appeals by an assessee before the Tribunal, against an order by the Assessing Officer in consequence of the proceedings before the Dispute Resolution Professionals, the Revenue Department was not permitted to file any cross-objections. The scope of filing of cross-objections have been proposed to made amply wide through the FB 2023, to enable all parties to file cross-objections in all kinds of appeals, giving effect to the orders of the High Court or the Tribunal, the successor is obligated to file a modified return for the concerned period, within six months from the date of order by the Court or the Tribunal.
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- FB 2023 obligates the assessing officer to pass an original order (where proceedings are pending) or modified order (where proceedings are complete), to give effect to the modified return filed by the successor entity.

### Amendment To The Central Sales Tax Act, 1956

- CESTAT to function as Authority under CST Act. Section 19 of the Central Sales Tax Act, 1956 (CST Act) will be substituted to make "Customs, Excise and Service Tax Appellate Tribunal (CESTAT)" which is constituted under Section 129 of the Customs Act, 1962 to be the "Authority" under CST Act to settle inter-state supply disputes, as prescribed under Section 6A and Section 9 of the CST Act. This is a welcome amendment and is likely to clear the backlog of pending cases under the CST Act.

### Penalties

- Finance Act, 2022 had introduced TDS provisions in respect of transactions in Virtual Digital Assets (VDAs) and benefits or perquisites in business or profession. Additionally, vide finance bill 2023 a new provision in respect of TDS on winnings from online games is proposed. The present finance bill has also proposed a levy of penalty on account of non-compliance with respect to each of these TDS provisions, which shall be equal to the quantum of tax not deducted or deposited with the Government.
- Separately, non-compliance in respect of TDS on winnings from games, including online gaming, and transactions in VDAs is also proposed to be classified as an offence, which shall be punishable with imprisonment for a term ranging between 3 months to 7 years, along with fine.
- However, as a beneficial measure, it is proposed that the said penalty shall not get triggered if the concerned payer ensures that the tax in respect of such transaction is deposited with the Government.
- This budget has proposed a new penalty in respect of inaccurate report on financial transactions or reportable account. It may be noted that provisions of Section 285BA provides for a responsibility on certain persons to report certain prescribed transactions to the Tax Department. Given that there is a larger responsibility placed upon prescribed financial institutions to report the transactions, the penal provisions in respect of those institutions are significantly stringent.



## KEY POLICY AND GROWTH INITIATIVES FOR INFRASTRUCTURE & REAL ESTATE

- The Indian government's objective of facilitating sustainable economic development during the Amrit Kaal is envisaged in the reliefs provided for the real estate industry and the infrastructure sector. The real estate industry and the infrastructure sector are major components of the budget for the financial year 2023-2024 which is expected to increase public and private investment and to create job opportunities for the organised and unorganized workers.
  - Keeping in mind the huge potential in the infrastructure industry, the capital investment outlay of the Indian government has been increased by 33% to Rs. 10 lakh crore which is equivalent to 3.3% of the GDP of the country with an aim to enhance development, create jobs, increase private investments and to provide relief against global headwinds. The 'Effective Capital Expenditure' of the Indian government is budgeted at Rs. 13.7 lakh crore, equivalent to 4.5% of the GDP.
  - The Indian government plans to create a movement of environmentally conscious lifestyle to meet its commitment of net-zero carbon emission by 2070. The Budget also renews the focus on Green growth and proposes several programmes for green fuel, green energy, green farming, green mobility, green buildings, and green equipment, and policies for efficient use of energy across various economic sectors which will help the Indian government achieve its objective of net zero carbon emission by 2070.
  - The Pradhan Mantri PVTG Development Mission has been launched to saturate particularly vulnerable tribal groups (PVTGs) families and habitations with basic facilities such as safe housing, clean drinking water and sanitation, improved access to education, health and nutrition, road and telecom connectivity, and sustainable livelihood opportunities. An investment of Rs. 15,000 crore is made available for this mission for a period of 3 years under the Development Action Plan for the Scheduled Tribes.
  - To provide relief to the drought prone regions of Karnataka, the Indian government has announced an assistance of Rs. 5,300 crore for the Upper Bhadra Project. This will provide sustainable micro irrigation and filling up of surface tanks for drinking water.
  - PM Awas Yojana was launched by the Indian government in 2015 and is implemented by the Ministry of Housing and Urban Affairs under which affordable housing is provided to urban poor households. The capital outlay for PM Awas Yojana has been increased by 66% to Rs. 79,000 crore.
  - The special assistance scheme launched by the Indian government in financial year 2022-2023 to aid
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capital investment in state government by way of a 50-year interest free loan to state governments has been continued for one more year with an increased outlay of Rs. 1.3 lakh crore. This will increase investment in infrastructure and will incentivize policy actions. Parts of the investment will also be allocated for (i) Scrapping old government vehicles, (ii) Urban planning reforms and actions, (iii) Financing reforms in urban local bodies to make them creditworthy for municipal bonds, (iv) Housing for police personnel above or as part of police stations, (v) Children and adolescents' libraries and digital infrastructure, and (vi) State share of capital expenditure of central schemes.

- The railway industry has received a major capital outlay of Rs. 2.40 lakh crore which will aid in development and modernization of railways in India.
- To enhance the last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors, 100 critical transport infrastructure projects has been identified. These projects will be developed on priority for which an investment of Rs. 75,000 crores (of which Rs. 15,000 crores from private sources) has been provided for in the budget by the Indian government.
- 50 additional airports, heliports, water aerodromes and advance landing grounds are planned to be revived to improve regional air connectivity.
- Indian cities will be incentivized to improve credit worthiness for investment through municipal bonds through property tax governance reforms and ring-fencing user charges on urban infrastructure.
- The budget makes provision for the establishment of an Urban Infrastructure Development Fund. The Urban Infrastructure Development Fund will be managed by the National Housing Bank and established through use of priority sector lending shortfall. The Urban Infrastructure Development Fund will come to aid public agencies to create urban infrastructure in Tier 2 and Tier 3 cities. The Indian government will make available Rs. 10,000 crore per annum. States will also be encouraged to use resources from the grants of the 15th Finance Commission and other existing schemes adopt appropriate user charges while accessing the Urban Infrastructure Development Fund.
- For provision of robust urban sanitation, all cities and towns will be enabled for 100% mechanical desludging of septic tanks and sewers to transition from manhole to machine-hole mode and focus will be provided on scientific management of dry and wet waste.
- The National Green Hydrogen Mission was launched by the Ministry of New and Renewable Energy to provide a comprehensive action plan for establishing an ecosystem for development of green hydrogen in India and to provide systematic policies against the opportunities and challenges in the sector. The Indian government has made an outlay of Rs. 19,700 crores for this mission and targets to reach an annual production of 5 MMT by 2030. This mission is expected to facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make India assume technology and market leadership in the green hydrogen sector.
- An investment of Rs. 35,000 crores are made for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum and Natural Gas.
- Development of battery energy storage systems with capacity of 4,000 MWH through viability gap

funding and will formulate a detailed framework for pumped storage projects. This will steer the Indian economy into a path of sustainable development.

- Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed for which an investment of Rs. 20,700 crores is contemplated including support of Rs. 8,300 crores by the Indian government.
- A Green Credit Programme is to be notified under the Environment (Protection) Act, 1986. The programme will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities. The programme aims to encourage behavioral change in India.
- The budget introduces a GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme under which 500 new 'waste to wealth' plants will be established for promoting circular economy. 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants will be developed at an investment of Rs. 10,000 crore. Further, a 5 per cent CBG mandate will be introduced for all organizations marketing natural and bio-gas. Fiscal support will be provided for collection of bio-mass and distribution of bio-manure.
- The Amrit Dharohar scheme, will be implemented over the next 3 years, will encourage optimal use of wetlands, and enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.
- Public-private-partnership models and viability gap funding will be used to promote coastal shipping as the energy efficient and lower cost mode of transport for passengers and freight.
- To give a push to the vehicle scrapping policy introduced in financial year 2021-22, funds have been allocated to scrap old vehicles of the government and the states will also be supported in replacing old vehicles and ambulances.
- The budget makes several plans to develop the tourism sector for both domestic and foreign tourists. At least 50 destinations will be selected through challenge mode with an integrated and innovative approach. For ease of tourist experience, aspects such as physical connectivity, virtual connectivity, tourist guides, high standards for food streets and tourists' security, all the relevant aspects would be made available on a mobile app. Under the 'Dekho Apna Desh' initiative, sector specific skilling and entrepreneurship development will be enhanced and to give push to middle class to prefer domestic tourism over international tourism. Under the Swadesh Darshan scheme, integrated development of theme-based tourist circuits will be undertaken. Under the Vibrant Villages Programme, tourism infrastructure and amenities will also be facilitated in border villages.
- The revamped credit guarantee scheme for MSMEs is to take effect from 1st April 2023 through an investment of Rs. 9,000 crore which will enable additional collateral-free guaranteed credit of Rs. 2 lakh crores to MSMEs. The cost of the credit is to be reduced by about 1%.
- States have been allowed a fiscal deficit of 3.5% of GSDP of which 0.5% will be for power sector reforms.

# GLOSSARY

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AO	Assessing Officer
AY	Assessment Year
BCD	Basic Custom Duty
CBDT	Central Board of Direct Taxes
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CGST	Central Goods and Services Tax
CNG	Compressed Natural Gas
CSR	Corporate Social Responsibility
CST Act	Central Sales Tax Act, 1956
EGR	Electronic Gold Receipt
FB 2023	Finance Bill, 2023
FMV	Fair Market Value
FY	Financial Year
GIFT	Gujarat International Finance Tec-City
GST	Goods and Services Tax
GSTN	Good and Services Tax Network
IBU	IFSC Banking Unit
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centre Authority
IGST	Integrated Goods and Services Tax
INR	Indian Rupee
InvIT	Infrastructure Investment Trust
IRDAI	Insurance Regulatory and Development Authority of India
ITA	Income-tax Act, 1961

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KYC	Know Your Customer
LLP	Limited Liability Partnership
LRS	Liberalised Remittance Scheme
MAT	Minimum Alternate Tax
MSME	Micro, Small and Medium Enterprises
MSMED	Micro, Small and Medium Enterprises Development
NCCD	National Calamity Contingent Duty
NOR	Not ordinarily residents
ODI	Offshore derivative instrument
OIDAR	Online information and database access retrieval
PAN	Permanent Account Number
RBI	Reserve Bank of India
REIT	Real Estate Investment Trust
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
TCS	Tax Collection at Source
TDS	Tax Deduction at Source
TP	Transfer Pricing
ULIP	Unit Linked Insurance Plans
VDA	Virtual Digital Assets

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