

2022



BUDGET OVERVIEW

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H.S. Darda & Co.

# GENERAL OVERVIEW

## DIGITAL REFORMS

- Budget has proposed to introduce 'Digital Rupee' using blockchain to be issued by the RBI starting F.Y. 2022-23. Issuance of e-passports with embedded chips are proposed F.Y 2022-23 onwards.
- An open platform for the National Digital Health Ecosystem will be initiated. It will consist of digital registries of health providers and health facilities, unique health identity and universal access to health facilities.
- A Digital University will be set up by the government for providing online education in multiple languages to promote inclusive distance learning. A web portal has been announced for skill development.
- A paperless end-to-end online e-bill system for use by all central ministries for procurements will be launched. Digitally signed bills, tracking features will be built into this system for increased transparency.
- A task force will be launched to capitalise on the Animation, Visual Effects, Gaming, and Comics market.
- Customs administrations of Special Economic Zones (SEZ) will be "fully IT driven" with only risk-based checks.

## GREEN INITIATIVES

- Sovereign Green Bonds to be issued for mobilising green energy and to reduce carbon intensity.
- Environment clearances to be put under one window system. There have been ongoing initiatives to streamline environmental clearances which are protested against as dilution of regulation.
- Thematic funds for blended finance (govt. share up to 20%) for 'sunrise' sectors like climate action under private management.
- Low carbon development will be the key to creating jobs. Solar power domestic manufacturing 19000 crore for production linked incentive.
- Circular economy action plans for 10 sectors to be implemented by creating the infrastructure.
- The SEZ Act will be replaced with a new one and with more state participation.
- 4 pilot projects for coal gasification to be set up.
- Allocation of Rs. 19,500 crore for PLI for production of high-efficiency modules would be made with priority to completely integrate manufacturing units to solar PV modules to support domestic manufacturing of 280 gws of installed solar capacity by 2030.

- Battery swapping policy to allow EV charging stations for automobiles will be framed.
- Private sector will be encouraged to create sustainable and innovative business models for battery and energy as a service, improving the efficiency in the EV ecosystem.

### START-UP & INCENTIVES

- Tax incentive for start-ups increased as eligibility for claiming tax holiday, capital gain exemptions for start-ups will also be extended till March 2023.
- Funds to finance agricultural and rural start-ups relevant for farm produce value chain to be facilitated through NABARD.

### AGRICULTURE

- A Kisan Drone-based program for crop assessment, land records, and insecticide spraying would be promoted.
- Establish a co-investment fund through NABARD to finance start-ups in agribusiness and agriculture.
- Implement chemical-free natural farming on all farmer's lands in five-kilometre wide corridors along Ganga's length in the first phase.
- Minimum Support Price Payments of Rs. 2.37 Lakh Crores to be allocated for farmers.
- Agri-tech companies and stakeholders involved in the agri-value chain will be able to deliver digital and high-tech services to farmers through a PPP mode.
- Financial support to scheduled caste farmers for taking up agroforestry and private forest creation.

### INFRASTRUCTURE

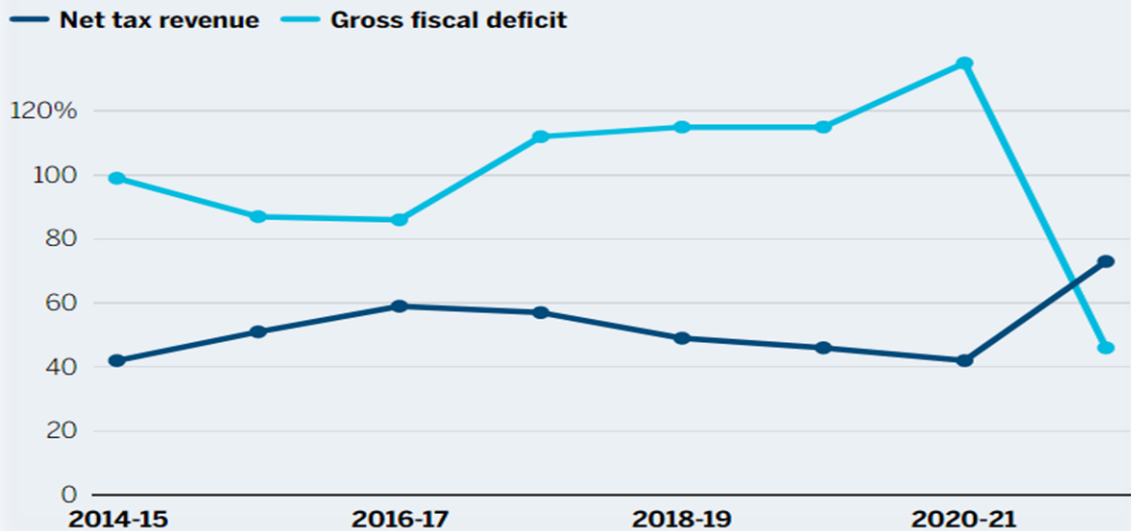
- In the year 2022-23, Rs. 48,000 crores have been budgeted for the completion of 80 lakh houses under the PM Awas Yojana in rural and urban regions.
- Effective capital expenditure has been increased by 35.4% in FY 2022-23, pushing it to Rs. 10.68 lakh crore, or around 4.1% of GDP.
- In the next 3 years, 400 new Vande Bharat trains will be built with improved energy efficiency and passenger comfort. For safety and capacity enhancement, about 2,000 kms of rail network will be brought under the KAWACH indigenous world-class technology.
- The Production-Linked Incentive (PLI) scheme, covers 14 industries and includes IT hardware production, will have the capability to develop at least 60 lakh new jobs.
- Spectrum auction for 5G rollout proposed in 2022 and the 5G rollout in India will happen in FY 2022-23.
- The Ken Betwa Linking project, projected to cost Rs 44,605 crore, would provide irrigation to 9 lakh hectares of agriculture, drinking water to 62 lakh people, 103 MW hydropower, and 27 MW of solar power generation.

- The PM Gati Shakti master plan for expressways will facilitate faster movement of people and goods. It is set to encompass 7 engines for economic transformation, multimodal connectivity, and logistics efficiency
- International arbitration centre will be set up in GIFT city (Gandhinagar) for faster dispute resolution.

## FISCAL POSITION

- Fiscal deficit pegged at 6.4% of GDP in F.Y. 2022-23.
- Rs. One lakh crore will be allocated for financial assistance to States for the F.Y. 2022-23.
- Gross tax revenue in April-November 2021 was up 50.3 percent from the corresponding period last year, with November 2021 seeing 18.2% rise to Rs. 1.78 lakh crore.

### Rise in tax revenue, fall in deficit



# DIRECT TAX

**Individual Slab Rates:** No Change

<b>Alternate Minimum Tax (Section 115JC)</b>		
<b>Particulars</b>	<b>Previous Rates</b>	<b>Amended Rates</b>
For units located in an International Financial Services Centre and derives its income solely in convertible foreign exchange.	18.5%	9%
Co-operative society	18%	15%
<b>Surcharge</b>		
Corporate Surcharge	12%	7%
Long Term Capital Gain (LTCG)	25% or 37%	15%
Co-operative society (Income between Rs 1 crore to 10 crore)	17%	12%

## DEFINITIONS

- Definition of Slump Sale to substitute the word “Sales” with “Transfer”.
- Virtual Digital Asset defined in the Income Tax Act as:
  - a) “any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme and can be transferred, stored or traded electronically;
  - b) a non-fungible token or any other token of similar nature by whatever name called;
  - c) any other digital asset as may be notified by the Central Government in the Official Gazette in this behalf,”

## **SWEEPING CHANGES IN RESPECT OF CHARITABLE TRUSTS AND INSTITUTIONS**

### **Corpus Donations for Religious trusts**

#### **Section 10(23C) [w.e.f. A.Y. 2021-22]**

- Presently, the trusts who have received contributions towards the corpus are required to invest the sums in specified mode of deposits or securities. Religious trusts have been provided further modes for the utilisation of the amount under section 10(23C).

### **Application of Income of the Charitable Institution**

#### **Section 10(23C) [w.e.f. A.Y. 2023-24]**

- Wherever the Charitable trusts or societies do not apply 85% of the income during the year, are now required to comply with further provisions as under:
  - a) such person furnishes a statement to the Assessing Officer stating the purpose for which the income is being accumulated.
  - b) the money so accumulated or set apart is invested or deposited in the forms or modes specified. The statement referred to in clause (a) is furnished on or before the due date for furnishing the return of income for the previous year.
- In case of non-compliance, it shall be deemed to be the income of the Institution of the previous year.
- Assessing Officer may, on an application made to him on this behalf, allow such person to apply that income for such other purpose in India as is specified in the application by such person and as is in conformity with the objects of the organisation.

### **Application of Income of Religious trusts or societies**

#### **Section 10(23C)**

- In case of Religious trusts or Societies, further provisions have been made for donations received for repairs or renovations to be treated as Corpus, subject to compliance of prescribed provisions.
- In case of violations of the provisions, non-utilization of expenditure in prescribed manner, the new provision has been inserted as per s. 10(23C) w.e.f. A.Y. 2021-22 for disallowance of the expenditure in respect of such Charitable Trusts or NPOs.
- Furthermore, the Principal Commissioner or Commissioner have been granted power to withdraw or cancel the registration of trust under provisions of S. 12AB upon receipt of reference from the Assessing Officer or noticing the occurrence of violation etc.

## Charitable Institutions - Maintenance of Books of Account

### Section 12A [w.e.f. 1 April, 2023]

- In case a charitable organisation is, having income chargeable to tax, such trusts shall also be required to keep and maintain books of account and other documents in prescribed manner apart from audit requirement.

## NEW FACILITY TO FILE UPDATED RETURN

### Section 139(8A) [w.e.f. A.Y. 2022-23]

This budget introduces a new facility for filing the updated return for disclosing additional income by paying an additional tax. This facility can be termed as a mini amnesty scheme.

As per newly introduced provisions, any person, whether or not he has furnished a return for an assessment year may furnish an updated return of his income at any time within 24 months from the end of the relevant assessment year.

However updated return cannot be filed in case of:

- return of a loss or has the effect of decreasing the total tax liability determined on the basis of return furnished earlier or increases the refund due on the basis of return furnished earlier.
- Not be eligible to furnish an updated return under this sub section, where a search has been initiated in the case of such person or a survey has been conducted.

Additional income-tax, payable at the time of furnishing the return shall be equal to **25% of aggregate of tax and interest payable**, if such return is furnished after expiry of the time available and before completion of period of twelve months from the end of the relevant assessment year.

If such return is furnished after the expiry of twelve months from the last date of the relevant assessment year but before completion of the period of twenty-four months from the last date of the relevant assessment year, the additional income-tax payable shall be **50% of aggregate of tax and interest payable**, as determined above. It is expected that these provisions will have the effect of ensuring voluntary tax filing and reducing litigation.

## VIRTUAL DIGITAL ASSETS

### Sections 115BBH [w.e.f. 1<sup>st</sup> April 2023] & Section 194S [w.e.f. 1<sup>st</sup> July, 2022]

- Tax rate for income on sale of virtual digital assets at a special rate of 30% without indexation benefit.
- No set off of loss from transfer of Virtual Asset against any other head and shall not be allowed to be carried forward to succeeding assessment years.

- Deduction of 1% TDS on payment on transfer of Virtual Digital Asset.
- Gift of virtual digital assets to be taxable in the hands of recipient.

## NON-RESIDENT

### **Section 10(4G), 195 & 239A**

Exemption of any income received by a non-resident from the portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an Offshore Banking Unit in any IFSC.

### **Refund of TDS deposited by mistake**

Tax deducted by the person by whom the income is payable (other than interest) under section 195 can apply for refund within thirty days if the person deducting the tax claims that no tax was required to be deducted on such Income by filing an application before the Assessing Officer.

## GOODWILL

### **Section 43 & 50 [w.e.f. A.Y. 2021-2022 retrospectively]**

The reduction of the amount of goodwill of a business or profession, from the block of assets shall be deemed as transfer.

## INCOME FROM OTHER SOURCES

### **Section 56 [A.Y. 2023-2024]**

A start-up is not covered under the provisions of S. 56(viib), if the consideration received for Shares is in excess of the fair value in respect of Venture or other specified funds, registered by SEBI. Now this category for Specified funds shall also include Category I or II Alternative Investment Fund (AIF) which are regulated under the International Financial Services Centres Authority Act, 2019.

### **Section 56(2)(xii) & (xiii) [w.e.f. A.Y. 2021-22]**

Receipt of Amount for treatment of Covid-19 received for medical treatment by the patient or by family members of a deceased person not to be treated as Income.

## CASH CREDITS

### **Section 68 [w.e.f. A.Y 2022-23]**

In respect of the provisions relating to the unexplained entries by way of Cash Credits, it is proposed to insert a new proviso to the said section to provide that where the sum so credited consists of loan or borrowing or any such amount by whatever name called, any explanation offered by the assessee shall be deemed to be not satisfactory unless:

- a. the person in whose name such credit is recorded in the books of the assessee also offers an explanation about the nature and source of such sum so credited, and

- b. such explanation in the opinion of the Assessing Officer has been found to be satisfactory and consequential amendments in the other provisions. This provision effectively overturns the various judgements in the apex and high courts.

## DEDUCTIONS

### **National Pension System**

#### **Section 80CCD [w.e.f. A.Y. 2022-23]**

State Government employees can claim tax deduction on their employer's contribution to their National Pension System (NPS) of up to 14% of their basic salary and dearness allowance.

### **Annual Payments**

#### **Section 80DD**

Earlier under the section 80DD, the disabled person being the beneficiary was entitled to receive annual payment or lump sum only after the death of the proposer (Parents/Guardian). In the new regime, the disabled person shall receive the lump sum or annual payment of the policy during the lifetime of the proposer only, if such proposer attains the age of 60 years or above.

### **Deduction available to start-ups**

#### **S.80-IAC**

The deduction available to a start-up incorporated between 01.04.2016 and 31.03.2022 has been also made available to the start-ups incorporated in the F.Y. 2022-23.

## ASSESSMENT PROCEDURES

### **Introduction of Section 148A for escapement of Income [w.e.f. A.Y. 2022-23]**

It is proposed to insert a new provision, wherein the approval to issue notice under the said section 148 shall not be required where the Assessing Officer, with the prior approval of the specified authority has passed an order under clause (d) of section 148A that it is a fit case to issue a notice under the said section.

### **Extension of time limit for reopening of the cases in case of income escaping assessment**

#### **Section 148(b)(1) [w.e.f. 2022-23]**

Notice under section 148 may now be issued for income escaping assessment for more than Rs. 50 lacs after three years upto ten years from the end of the relevant assessment year, if the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, in the form of,

- an asset;

- expenditure in respect of a transaction or in relation to an event or occasion; or
- an entry or entries in the books of account, which has escaped assessment amounts to or likely to amount to **fifty lakh rupees** or more.

### **Assessment Procedures**

- Section 144B relating to Faceless Assessment has been revamped. The existing sub-sections 1 to 8 have been replaced with new sub-sections.
- In case the subject matter of some proceedings or appeal is identical to the matter pending with the High Court or Supreme Court in respect of same assessee or other assessee for any Assessment year, relating to question of law, new provisions are introduced for its disposal by the collegium. This provision is intended to reduce litigation.

### **Penalties under Section 271AAB/AAC/AAD [w.e.f. A.Y. 2022-23]**

Powers to levy penalty extended to Commissioner (Appeals).

### **Exclusion of the Period of the Limitation in case of search**

As per new provisions, the period of handing over the documents, books of account or valuable article to the jurisdictional Assessing officer or 180 days, whichever is lower, will be excluded from the period of the Limitation as provided for in the Act for the purpose of assessment, reassessment or recomputation.

## **SET OFF OF LOSSES OR DEPRECIATION NOT ALLOWABLE IN CASE OF UNDISCLOSED INCOME IN SURVEY, SEARCH OR SEIZURE**

### **Section 79A [w.e.f. A.Y. 2022-23]**

- The proposed new section seeks to provide that notwithstanding anything contained in the Act, no set off of losses brought forward, or unabsorbed depreciation shall be allowed to an assessee while computing his total income in any previous year which includes undisclosed income.
- (i) that is found in the course of a search under section 132 or a requisition under section 132A or a survey under section 133A, other than under sub-section (2A) of 225 that section, or
- (ii) that is represented, either wholly or partly, by any entry in the books of account in respect of an expense or other documents maintained in the normal course relating to the previous year which is found to be false and would not have been found to be so, had the search not been initiated or the survey not been conducted or the requisition not been made.

## TAX DEDUCTED AT SOURCE OR TAX COLLECTED AT SOURCE (TDS/TCS)

### **TDS on extension of benefit or perks [w.e.f. 1st July, 2022]**

Insertion of S.194R, for deduction of tax at the rate of 10% by any person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession, by such resident.

### **TDS on Transfer of Virtual Digital Asset [w.e.f. 1st July, 2022]**

Insertion of 194S, for deduction of tax at the rate of 1% by any person responsible for paying a resident a consideration for transfer of a virtual digital assets at the time of credit of such sum to the account of the resident or at the time of payment of such sum by any mode, whichever is earlier.

### **Value of Immovable property for TDS [w.e.f. A.Y. 2022-23]**

TDS u/s 194IA to be deducted at the rate of 1% of the consideration or the stamp duty value of such property, whichever is higher.

## MISCELLANEOUS

### **Disclosure of Information**

As per section 285B any person engaged in the production of a program that will be broadcasted on television or over the top platform or any other similar platform will furnish a statement containing particulars of all payments of over fifty thousand rupees in the aggregate made by him or due from him.

### **Overriding Clause in respect of no deduction of expenditure in respect of Exempt income**

S. 14A(9) of the Income-tax Act relating to expenditure incurred in relation to income not includible in total income amended to provide an overriding clause, by mentioning that **notwithstanding anything to the contrary contained** in this Act, for the purpose of computing the total income, no deduction shall be allowable in respect of expenditure incurred in relation to income which does not form part of the total income.

### **Disallowance of Sums under s. 43B**

Any interest from loans from banks or financial institutions, which has been converted into debentures etc. in addition to reschedulement of loan or borrowing or advance, shall not be deemed to have been actually paid and will be disallowable from the income.

### **S.94 Avoidance of Tax by Certain Transaction in Securities**

The term Securities will include the units of mutual funds with respect to the provisions of Section 94 w.e.f. A.Y. 2023-24.

### **Special tax rate of 15% for New domestic manufacturing Companies**

#### **Section 115 BAB**

The period of special tax rate has been extended by extending the date of commencement of manufacturing or production of an article or thing from 31st March, 2023 to 31st March, 2024.

### **Relaxation by the Board**

#### **Section 119(34) [w.e.f. A.Y. 2022-23]**

It is proposed to insert the reference of section 234F relating to fee for default in furnishing return of income, to the list of sections mentioned therein in respect of which such relaxation can be granted by the Board.

# INDIRECT TAX

## CUSTOMS ACT

- Customs duty on cut and polished diamonds and gemstones has been reduced to 5%. Simply sawn diamonds would attract nil customs duty. To facilitate the export of jewellery through e-commerce, a simplified regulatory framework shall be implemented. (*w.e.f 1<sup>st</sup> June 2022*)
- Custom duty on solar inverters is raised from 5% to 20% and on solar lanterns from 5% to 15%.
- Custom duty on Stainless Steel Scrap Sale to be extended for another year for small and medium-sized businesses.
- Unblended fuel to get additional duty of Rs. 2 per litre (*w.e.f 1<sup>st</sup> October 2022*)
- Duty on some parts of mobile, revised to 2.5% from Nil rate.
- Duty on copper scrap reduced from 5% to 2.5%. (*w.e.f 1<sup>st</sup> April 2022*)
- Import duty on certain chemicals has been reduced. (*w.e.f. 1<sup>st</sup> April 2022*)

## GOODS AND SERVICES TAX (GST) ACT

- Time-limit to avail ITC and Credit Notes in respect of supply made in a financial year has been extended to 30<sup>th</sup> November of next year from 30<sup>th</sup> September of next year.
- Rectification of errors in GSTR-1/ GSTR-3B are now permitted by 30<sup>th</sup> November of next financial year, instead of 30<sup>th</sup> September of next financial year.
- Section 50(3) of the CGST Act has been substituted retrospectively to provide for levy of 18% p.a. simple p.a interest on ITC wrongly availed but not utilised.
- Levy of late fee of Rs. 50 per day for delayed filing of GST TCS returns.
- Section 41 of the CGST Act is being substituted so as to do away with the concept of "claim" of ITC on a "provisional" basis.
- Section 49 of the CGST Act has been amended to allow transfer of the amount available in the e-cash ledger of a registered person to the e-cash ledger of a distinct person restricting to the limit specified.
- Refund claims of any balance in the Electronic Cash Ledger has been made available.
- Rate of Interest u/s 50(3) has been reduced from 24% to 18% for following cases:
  - For the amount reduced from the output tax liability in contravention, shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place.
  - For the amount reduced from the output tax liability in contravention, shall be added to the output tax liability of the supplier in his return for the month in which such contravention takes place.

# ABOUT US

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Collectively, we serve a credible base of clients in various countries including India, UAE, European and Far-east countries etc. The group is therefore able to offer good blend of knowledge and expertise based on its professional capabilities.

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