

ANALYSIS OF THE UNION BUDGET 2023-24



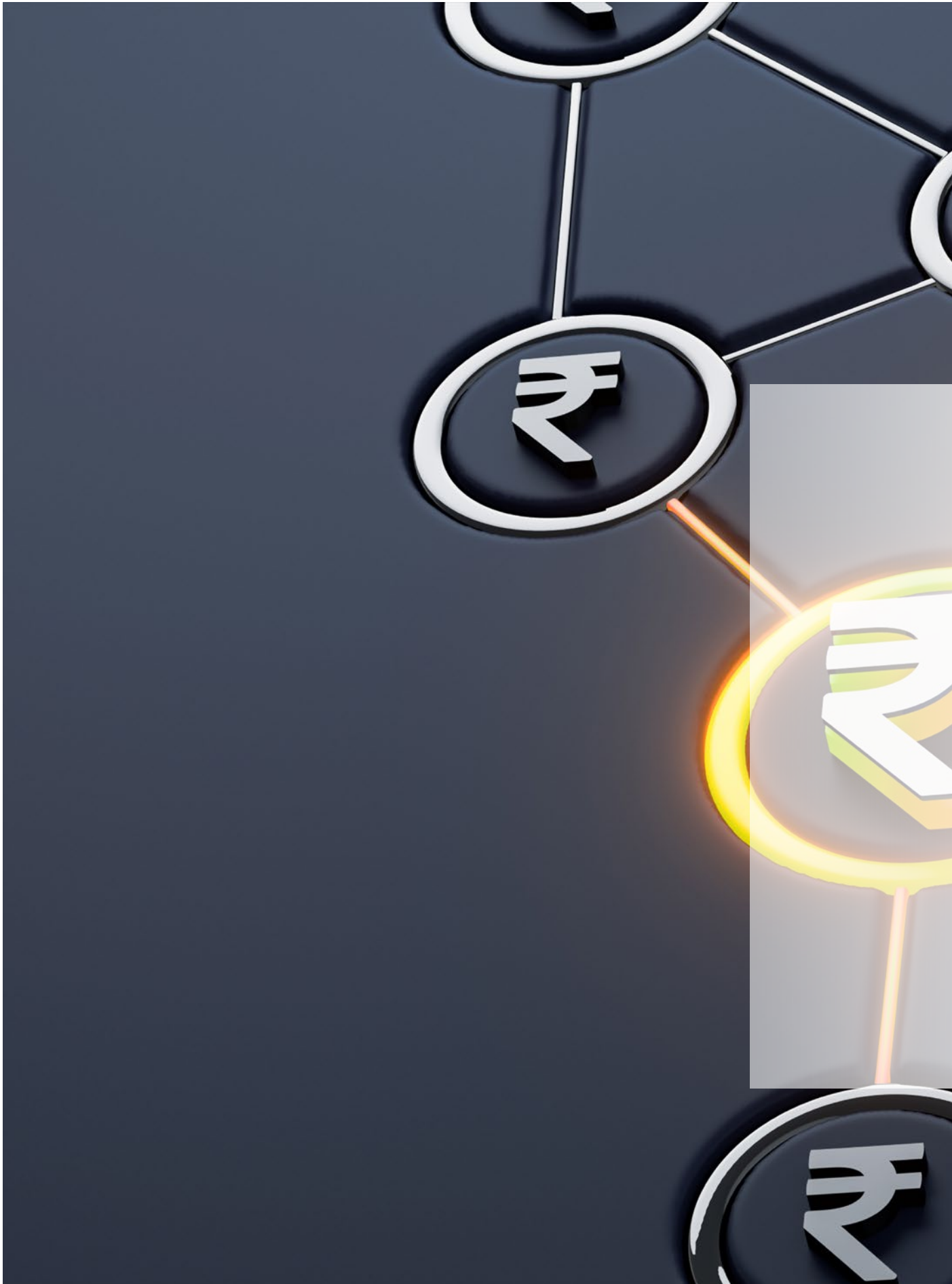


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Foreword

While the world is currently looking at a global growth slowdown coupled with geopolitical uncertainties, India has been recognized as a bright star and its growth story is expected to remain relatively strong. Amidst this backdrop, the Hon'ble FM unveiled the keenly awaited Union Budget for the fiscal year 2023-24 with the aim of continuing the growth momentum, while setting forth the architecture to gear up the economy for the 25 years of Amrit Kaal as envisioned in last year's Budget.

The Hon'ble FM has described Budget 2023 as the first budget of Amrit Kaal or the 25 year-long leadup to India's 100 years of independence. It is in line with the foundation and blueprint laid down in last year's Budget, to steer the Indian economy towards sustainable development, wide-range reforms and sound policies. With an emphasis on the government's philosophy of Sabka Saath Sabka Vikas, the Budget enlists seven priority areas including inter-alia, inclusive development, investments in infrastructure, skilling India's youth and financial inclusion. The significant increase of capital investment outlay for the third year in a row is aimed to serve as a driver of economic growth and job creation as also a cushion against global headwinds.

On the direct tax front, we saw a plethora of changes as regards personal taxation. The FM has provided a shot in the arm for the 'hard-

working middle class' by way of revising the slab rates and enhancing rebates whereby no tax is payable on income up to INR 700,000 per annum under the new regime. It is proposed to make the new tax regime the default tax regime (with an option to avail the benefit of the old tax regime). Further, the standard deduction for the salaried class and pensioners is proposed to be extended to the new tax regime. In a welcome and much awaited move, it is proposed to reduce the highest surcharge rate from 37% to 25% for a taxpayer opting for the new tax regime, thereby bringing down the maximum tax rate from 42.74% to 39%. These proposed changes will serve as a catalyst to encourage and incentivize taxpayers to gravitate towards the new tax regime and ties up with the government's intention to bring down the tax rates while also reducing the number of exemptions and deductions.

Acknowledging the vitality of start-ups, the FM has also proposed to extend the period of incorporation of eligible startups to March 31, 2024 for availing tax exemption. Further, the benefit of carry forward of losses on change of shareholding of start-ups is proposed to be extended from seven years of incorporation to ten years. To promote the growth of manufacturing in the co-operative sector, it is proposed to extend the benefit of 15% concessional tax rate (as available to new manufacturing companies) to new manufacturing co-operative societies.

In a change likely to affect the business of insurance companies, it is proposed to tax income received from insurance companies if the annual premium paid is in excess of INR 500,000, thereby doing away with the exemption currently enjoyed in this respect. Some of the other amendments include inter-alia expanding the scope of exit tax in cases where trusts fail to apply for or renew registration within prescribed time-limits, capping deductions from capital gains on investments in residential houses to INR 100 million, introducing specific provisions for taxability of net winnings from online games, widening the scope of taxation of benefits or perquisites arising from business or

profession to include benefits received in cash, and enhancing limits of turnover for availing the benefit of presumptive taxation in case of MSMEs and certain professionals.

Further, to reduce the pendency of appeals at Commissioner level, the FM has proposed to deploy about 100 Joint Commissioners for disposal of small appeals. The FM's push for a selective approach in taking up cases for scrutiny of returns is a welcome move. Further, with a view to enable efficient administration of justice, Phase-3 of the E-courts project is proposed to be launched.

On the indirect tax front, this year marked the highest GST revenue since inception. In a welcome move, amendments have been proposed under the GST law to raise the minimum threshold of tax amount for launching prosecution and to decriminalize certain offences. Under customs law, with a view to gravitate towards a simplified tax structure with fewer tax rates, it is proposed to reduce the number of basic customs duty rates on goods from 21 to 13. To ease compliances, it is proposed to set up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI.

All in all, the Budget proposals highlight the commitment of government towards simplification, tax certainty and reduction in litigation.

The highlights of the key policy announcements and tax proposals in the Budget are set out in the ensuing pages. I hope you will find this useful. As always, I look forward to your comments and feedback.

Dinesh Kanabar

CEO, Dhruva Advisors LLP

Key Policy Announcements

IFSC



- Delegation of powers under the SEZ Act to IFSCA only, to avoid dual regulation.
- IFSC Banking Units of foreign banks to be permitted to undertake acquisition financing.
- Subsidiary of EXIM Bank to be set-up for trade financing.
- IFSCA Act to be amended to include provisions relating to arbitration, ancillary services, and avoiding dual regulation under SEZ Act.
- Offshore derivative instruments to be recognised as valid contracts in IFSC.

COMMON BUSINESS IDENTIFIER



- PAN to be used as common identifier for all digital systems of specified government agencies.

CENTRALISED ADDRESS UPDATION



- Address and identity updation of records maintained by all government agencies to be undertaken using DigiLocker and Aadhaar as foundation.

SETTLEMENT OF ARBITRAL DISPUTES



- Voluntary settlement scheme introduced for expeditious settlement of disputes of government contracts in certain cases wherein arbitral award is challenged.

NATIONAL FINANCIAL INFORMATION REGISTRY



- A national financial information registry to be set-up to facilitate efficient flow of credit, promote financial inclusion and foster financial stability.

AGRICULTURAL ACCELERATOR FUND



- Agricultural Accelerator Fund to be set up to encourage agri-startups by young entrepreneurs in rural areas.

Direct Tax Proposals¹

TAX RATES AND TAXATION OF INDIVIDUALS

Tax rates in New Regime

- Significant amendments proposed to encourage migration to New Regime
- New Regime to be the default tax regime for Individuals, HUFs, AOPs (other than co-operative society), BOIs and select artificial juridical persons (earlier applicable only to Individuals and HUFs)
- Tax rates under New Regime for AY 2024-25
 - Maximum surcharge rate reduced from 37% to 25%
 - For resident individuals, the limit for rebate under new regime increased to INR 700,000
 - Standard deduction of INR 50,000 introduced for salaried individuals
 - Deduction up to INR 15,000 now allowed to the family members of deceased employee from pension income

Income (INR)	Tax Rate
Up to 300,000	Nil
300,001 – 600,000	5%
600,001 – 900,000	10%
900,001 – 1,200,000	15%
1,200,001 – 1,500,000	20%
Above 1,500,000	30%



Tax rates in Old Regime

- No change in Old Regime (now optional)
- Slab rates under Old Regime:

Income (INR)	Existing Rates		
	Age less than 60 years	Age 60 years or more but less than 80 years	Age 80 years or more
Up to 250,000	Nil	Nil	Nil
250,001 – 300,000	5%	Nil	Nil
300,001 – 500,000	5%	5%	Nil
500,001 – 1,000,000	20%	20%	20%
Above 1,000,000	30%	30%	30%

1. unless stated otherwise, effective from AY 2024-25

- No change proposed in rebate, surcharge and health and education cess. Maximum surcharge under old regime continues to be at 37%
- The option to be governed under the Old Regime needs to be exercised by the taxpayer as follows:
 - For taxpayer having no business income: Option can be exercised every FY while filing original ROI. Such option cannot be exercised in the belated/ revised/ updated ROI.
 - For taxpayer having business income: Option can be exercised in prescribed form while filing original ROI. Option once exercised shall apply to subsequent years. Migration from Old Regime to New Regime is permitted only once.

Salary Income

- As per the speech of Hon'ble FM, maximum exemption for leave encashment upon retirement proposed to be increased from INR 300,000 to INR 25,00,000.

- For computing value of rent free or concessional rent accommodation provided by employer to employee, CBDT to prescribe a new methodology.

Rationalisation of exempt income under life insurance policies

- Receipts from life insurance policies including bonus (other than ULIP) issued on or after April 1, 2023, taxable as income from other sources where the premium paid in any previous year exceeds INR 500,000
- Where a person holds more than one life insurance policy, the exemption will be available only for policies having premium of less than INR 500,000 in any previous year.
- Income continues to remain exempt in case of death of insured person even where the premium exceeds INR 500,000.
- If the premium paid is not claimed as a deduction under other provisions of the Act, the same can be reduced from income taxed as above.

BUSINESS/ CORPORATE TAXATION

Deduction of expenditure payable to MSME allowable on payment basis

- Payments to MSME now covered within the provisions of section 43B of the Act.
- Deduction of expenditure payable to MSME if paid beyond the due date specified under MSME Act are now proposed to be allowed in the year of payment.
- The existing concession for making payment before the due date of filing ROI will not apply to amounts payable to MSME.

Ease in claiming deduction on amortization of preliminary expenditure

- Expenditure incurred in connection with preparation of feasibility report, project report etc. with regard to extension of an undertaking or setting up of a new unit no longer needs to be approved by CBDT.
- Taxpayer only required to file statement containing particulars of eligible expenses to claim amortization of preliminary expenditure.

Benefit or perquisite in business

- Currently, value of benefit or perquisite in kind arising from business or profession is chargeable as business income.
- It is proposed that such provision will also apply where the benefit or perquisite is in cash or kind or partly in cash and partly in kind.

Additional conditions for deduction under section 10AA

- Deduction under section 10AA would be available only when the ROI is filed within the due date.
- Deduction under section 10AA would be available only if the proceeds are received in or brought into India in convertible foreign exchange within the period of 6 months or within the time specified by the competent authority.

Set-off of business losses and unabsorbed depreciation for certain non-residents

- It is proposed to provide that no carry forward and subsequent set-off of business loss or unabsorbed depreciation to be allowed to a non-resident in the year in which it has opted for taxation under the presumptive taxation scheme under section 44BB.
- Similar amendment has been proposed in respect of a foreign company engaged in the business of civil construction, etc., in certain turnkey projects covered under section 44BBB.

Rationalization of provisions relating to presumptive taxation and tax audit

- Limit for presumptive taxation increased to INR 30 million for business/ INR 7.5 million for profession where cash receipts do not exceed 5% of the total turnover/ receipts.
- Taxpayers opting for such presumptive scheme to be exempt from requirement of tax audit.

Filing of modified ROI pursuant to business reorganizations

- Provisions relating to filing of modified ROI pursuant to business reorganizations have been amended. The procedure to be followed by the AO once the modified ROI is furnished by successor entity is now provided for.
- The successor can now modify the ROI filed by the predecessor entity.
- AO can pass an order assessing or reassessing the total income for relevant AY in accordance with the modified ROI whether such proceedings have been completed or not on the date of furnishing the modified ROI.

Interest income on bad debts of NBFC

- Income by way of interest on specified categories of bad and doubtful debts of the deposit taking NBFC or a systemically important non-deposit taking NBFC, is taxable in the year of credit or receipt thereof, whichever is earlier.
- It is now proposed to replace the above classes of NBFC and cover such classes of NBFC as may be notified by Central Government in Official Gazette.

Deduction of interest payable to NBFC

- Interest payable to a deposit taking NBFC or systemically important non deposit taking NBFC is allowable on payment basis.
- It is now proposed to replace the above classes of NBFC and cover such classes of NBFC as may be notified by Central Government in Official Gazette.

Decriminalisation for failure to comply with the provisions of liquidation

- No fresh prosecution shall be initiated on the liquidator/ receiver for contravention in respect of failure to provide notice of liquidation proceedings to the AO or failure to set aside the amount/ assets which would suffice for payment of taxes.

Strategic disinvestments – carry forward of losses

- The restriction on carry forward of losses in case of change in voting power is relaxed for strategic disinvestment. The definition of 'strategic disinvestment' has been expanded to cover sale of shares by the Central Government or State Government or a public sector company, in a public sector company or any company with specified conditions.
- With respect to the twin conditions of reduction of shareholding below 51% and transfer of

control to buyer, it is provided as follows:

- The condition of reduction of the shareholding below 51% shall only apply in case the initial shareholding was above 51% before sale of such shareholding; and
- Transfer of control can be carried out by Central Government or the State Government or the public sector company or any two of them or all of them.
- This amendment is proposed to be effective from AY 2023-24.

CAPITAL GAINS

Taxation of capital gains in case of Market Linked Debentures

- Currently, long term capital gains on transfer of listed 'Market linked debentures' are taxed at 10% (plus applicable surcharge and cess).
- Section 50AA of the Act has been introduced to deem capital gains arising on transfer of 'Market linked debentures' as short term capital gains.
- Accordingly, gains on such securities will now be taxable at normal applicable rates.
- The term 'Market Linked Debenture' has been defined to mean a security which has underlying principal component in the form of debt security and where the returns are linked to the market returns and includes any security classified or regulated as a market linked debenture by SEBI.

Restrictions on claiming benefit under section 54 and 54F

- Section 54 and 54F of the Act provide for exemption from capital gains in respect of acquisition of residential house property. It

is now proposed that for working out the exemption under these sections, the investment in residential property above INR 100 million shall be ignored.

Cost of acquisition and improvement defined for self-generated intangible assets and rights

- It is proposed that cost of improvement of any intangible asset or any other right shall be nil.
- Similarly, cost of acquisition of any intangible asset or any other right shall be nil, except where it is acquired for a consideration.

Prevention of double deduction claimed on interest paid for property

- In cases where interest on borrowed capital for acquisition of house property has been allowed as a deduction while computing income from house property or under Chapter VIA, then such interest shall not be included in the cost of acquisition or cost of improvement of the house property transferred.

OTHERS IMPORTANT AMENDMENTS

Concessional tax regime for manufacturing co-operative societies

- The benefit of the concessional tax rate of 17.16% available to companies, now proposed to be extended to newly set-up co-operative societies engaged in the business of manufacturing or production of an article or thing, commencing the manufacturing or production on or before March 31, 2024. The above is subject to applicable conditions.
- AMT provisions will not be applicable to societies opting for the concessional tax regime.
- Transactions between such co-operative society and person closely connected shall be subject to transfer pricing.
- Option to avail concessional tax regime is to be exercised on or before the due date for furnishing its first ROI. Option once exercised cannot be subsequently withdrawn.

Incentives for start-ups

- Start-ups incorporated before March 31, 2024 (earlier March 31, 2023), eligible to claim tax holiday under section 80-IAC of the Act.
- Benefit of carry forward and set off of losses proposed to be allowed for 10 years (earlier 7 years) from date of incorporation despite change in voting power by more than 51%.
- These amendments are applicable from AY 2023-24 onwards.

Taxation of Online Gaming

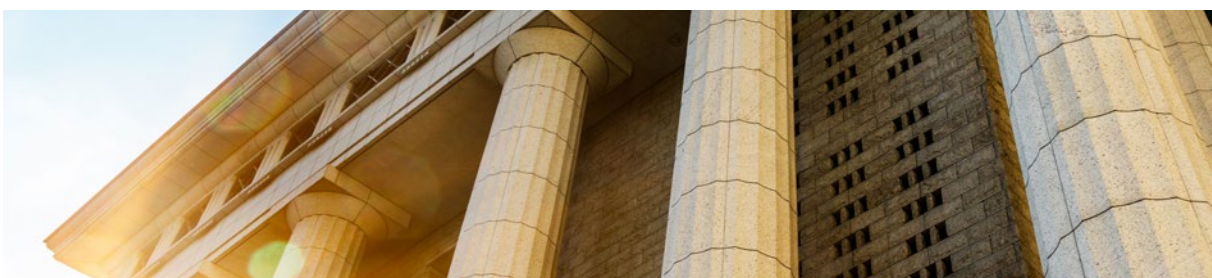
- Net income arising from online gaming activities shall be taxed at 30%.
- WHT applicable on winnings from online games at the applicable rates in force (effective from July 1, 2023).

Gift Tax

- Monetary gifts received by a person 'not ordinarily resident in India' from Indian resident would be taxable in India.
- Where a closely held company receives, in any previous year, from any non-resident person (other than venture capital fund or a specified fund), any consideration for issue of shares at premium, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be taxed.

Rationalisation of Prohibition of Benami Property Transactions Act, 1988

- Time limit to file appeal before Appellate Tribunal under PBPT extended to 45 days from receipt of order (vis-à-vis 45 days from date of order under existing provisions).
- For the purpose of filing appeal against order of the Adjudicating authority, jurisdiction of the High Court has been provided to mean the High Court in which the jurisdiction of the Initiating Officer is located.



ASSESSMENT AND DISPUTE RESOLUTION

Set-off and withholding of refunds

- Powers of AO expanded to withhold any refund due to taxpayer if in his opinion grant of refund is likely to adversely affect the revenue (post taking prior approval of Commissioner).
- Such refund may be held until completion of any pending assessment/ reassessment proceedings in taxpayer's case.
- Earlier such power to withhold refund was available with AO only where refund became due pursuant to intimation issued under section 143(1) of the Act.

Reassessment proceedings

- Time-limit of 3 months (which may be extended upon request) prescribed for filing ROI in response to reassessment notice.
- Exclusion of 15 days in computing the period of limitation for issuing reassessment notices:
 - In cases where search/ requisition initiated on or after March 15 of an FY; and
 - Limitation period for issuing reassessment notices expires on March 31 of that FY.

No extension for seizure of documents or recording of statements (i.e., to be undertaken on or before March 31 of that FY).

Rationalisation of assessment timelines

- Time limit for completion of assessment modified in certain cases:
 - For scrutiny related to AY 2022-23 onwards – time limit extended to 12 months from end of relevant AY (vis-à-vis 9 months as per existing provisions)
 - Updated ROI – time limit extended to 12 months from end of FY in which Updated ROI is furnished (vis-à-vis 9 months as per existing provisions).

- Time-limit for assessment proceedings pending as on the date of search/ seizure operations to be further increased by 12 months.

Dispute resolution at first appellate level

- To reduce pendency of cases before the CIT(A) and expeditious disposal of appeals, new appellate authority constituted as JCIT(A).
- JCIT(A) to handle appeals against orders passed by AO below rank of JCIT or orders approved by an authority below the rank of JCIT.
- Existing appeals filed before CIT(A) may be transferred to JCIT(A) or vice-versa.
- Central Government to notify faceless mechanism for disposal of such appeals and provide for jurisdiction and procedure for such disposal by JCIT(A).

Expansion of scope of appealable orders before ITAT

The following orders have been included in list of appealable orders before ITAT:

- Penalty order passed by the CIT(A):
 - in search cases;
 - in case of unexplained cash credit, income, expenditure, investment, etc.;
 - in case of false entry in books of account, documents, etc
- Revision order passed by PCCIT or CCIT including rectification order relating to such order
- Order passed by the JCIT(A) under the prescribed sections

Enabling filing of cross objections for all orders appealable before ITAT

- Effective April 1, 2023, cross objections can be filed in all cases against which appeal can be filed before ITAT [earlier permitted only against orders passed by the CIT(A)].
- Consequent to above, in cases where final order is passed by AO subsequent to directions issued by DRP, the revenue can now file cross objections against the appeal preferred by taxpayer before ITAT.

Time limit for submission of Transfer Pricing Documentation

- The time limit for submission of Transfer Pricing documentation and information to the AO or the CIT(A) is reduced to 10 days (earlier 30 days) from the date of receipt of the notice and these amendments are effective from April 1, 2023.

Valuation of inventory during assessment proceedings

- For the purpose of special audit under section 142(2A), AO has power to get inventory

valued by a practicing cost accountant. The cost to be borne by the Central Government.

- Consequently, period taken for inventory valuation to be excluded for computing overall time limit for completion of assessment proceedings.
- This amendment is effective from AY 2023-24 onwards.

Search and seizure

- Power of the authorized officer conducting search and seizure proceedings expanded to take assistance of services of any person or valuer registered under any law (as may be approved by prescribed officials) either during the course of search or post such operations.

Rectification/ modification of order passed by Settlement Commission

- Where time limit for amending an order or for making rectification application of order passed by Settlement Commission expired between February 1, 2021, and January 31, 2022, the same shall be extended and passed by IBS up to September 30, 2023.



WITHHOLDING TAX AND TAX COLLECTION AT SOURCE

- TCS rate on remittance under Liberalized Remittance Scheme increased from 5% to 20% without any threshold limit. The increased rate is not applicable to remittance for the purpose of education or medical treatment as currently provided (effective from July 1, 2023).
- TCS rate on sale of overseas tour package increased from 5% to 20% (effective from July 1, 2023).
- WHT reduced from maximum marginal rate to 20% on payment of accumulated balance under the Employees' Provident Fund Scheme, 1952 to an employee not having PAN.
- WHT now applicable on interest payable to a resident on listed securities issued by a company.
- Where income is offered to tax in a particular year and tax withholding happens in a subsequent year, then WHT credit would be available in the first year provided an application is made to the tax officer within 2 years from the end of the year in which tax is deducted (effective from October 1, 2023).
- Scope of section 194B (winnings from lottery or crossword puzzle, etc.) revised to include 'gambling or betting of any form or nature whatsoever' (except online gaming as it is covered in new section 194BA).
- Section 194B and 194BB (winnings from horse race) amended to provide for withholding on aggregate (instead of transactional) of amounts exceeding INR 10,000.
- Threshold limit under section 194N increased to INR 30 million for withdrawal of cash by co-operative society.
- Scope of section 194R (WHT on benefit/perquisite) proposed to be categorically widened to include cases where the benefit/perquisite is in cash or partly in cash and partly in kind.
- Benefit of lower deduction/ nil deduction certificate extended to WHT on income payable by business trust to non-resident unit holders.
- WHT on payment of income to non-residents from a Mutual Fund proposed to be amended to provide for deduction of tax at lower of 20% or rates provided under the DTAA.



CHARITABLE TRUSTS AND INSTITUTIONS

Corpus donations

- As per the existing provisions, reinstatement of funds which were earlier expended from corpus is allowed as an application of income without any time limit. It is now proposed to allow the benefit of application only when the funds are reinstated back in corpus within a period of 5 years from the end of the year in which such application was made from the corpus.
- The aforementioned time limit of 5 years will also be applicable in cases of repayment of loans and borrowings (assuming the funds are earlier expended out of the loans/ borrowings).
- In order to prevent double deduction, it is also provided that reinstatement of funds back to corpus will not be treated as an application of income in cases where application from corpus was made on or before March 31, 2021.
- Furthermore, such reinstatement is proposed to be treated as application of income only on fulfilment of specified conditions (viz, application should not be in form of corpus donation to other trust, WHT should have been deducted wherever applicable, application should not be for benefit of certain specified persons, etc).

Donation to other Trusts

- Voluntary donations to other trusts or institutions will be treated as an application of income only to the extent of 85% of the amount paid.

Exit Tax

- Charitable trusts and institutions who are not renewing their registrations or who are not applying for regular registration (after taking provisional registration) would be liable for exit tax. Exit tax is payable at the maximum marginal rate on the accreted income of such trust.

Exemption to development authorities, etc.

- Specific exemption is proposed to be provided to statutory authorities, boards, etc. Such exemption will be available for institutions notified by the Central Government.

Time limit for furnishing the form for accumulation of income

- As per existing provisions, trusts and institutions are required to get their accounts audited and such audit reports are required to be furnished at least 1 month before the due date for furnishing the ROI. Further, where trusts or institutions accumulate or set apart their income or deem certain income to be applied, they are required to furnish a statement to that effect in relevant forms, on or before the due date for furnishing the ROI.
- Thus, in order to align the time limits for furnishing the above-referred statements vis-à-vis the time limits for furnishing tax audit reports, it is proposed that the above-referred statements required in case of accumulation or setting apart income or deeming certain income to be applied, are to be filed at least 2 months prior to the due date for furnishing the ROI for the previous year.

Denial of exemption where ROI is not furnished within time

- It is clarified that exemption to trusts or institutions is available only if the ROI is furnished within permitted time limit. It is clarified that such exemption to trusts would not be available where they furnish updated ROI.
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Cancellation of Registration – Scope widened

- Definition of 'specified violation' broadened to include cases where application for provisional or regular registration is not complete or it contains false or incorrect information. It may be noted that a specified violation may lead to cancellation of registration.

FINANCIAL SECTOR RELATED AMENDMENTS

NBFC Related

- Given that the NBFC regulations have been revamped and the categories of NBFCs referred to in certain income-tax provisions is no longer followed by RBI for the purposes of asset classification, suitable amendments are proposed to specify categories of NBFCs as may be prescribed.
- Further, it has been proposed to exclude such class of NBFCs as may be notified from the scope of thin capitalization norms (i.e. restriction on interest deductibility).

IFSC Related

- Due date for availing exemption by shareholder on relocation of Funds to IFSC extended from March 31, 2023 to March 31, 2025. This amendment is proposed to be effective from AY 2023-24.
- Further, exemption is proposed in respect of income distributed (which was restricted to capital gains earlier) on the offshore derivative instruments, entered into with an OBU in IFSC, subject to the condition that such exempted income has been charged to tax in the hands of the OBU.

Distributions by REIT/ InvIT

- Non-residents were not eligible to apply for nil/ lower withholding tax certificate in respect of income received from REIT/ InvIT. This facility is now being proposed to be made available to the non-residents.

Taxability of distributions other than dividend/ interest/ rental income

- Amounts received by unitholders from REIT/ InvIT in the nature of repayment of debt by the SPVs are proposed to be taxed as income from other sources.
- Further, in case of a distribution on account of redemption of units, amounts received in excess of the cost of acquisition shall be taxable as income from other sources.

Electronic Gold Receipt

- Pursuant to the introduction of a regulatory framework EGR, the following tax amendments are being proposed:
 - Conversion of gold into EGR and vice-versa shall not be regarded as a taxable transfer and shall be exempt from levy of capital gains tax.
 - Period of holding of gold and the cost of acquisition thereto shall be available in respect of the EGR issued and vice-versa (i.e. reconversion of EGR into physical gold).

Indirect Tax Proposals

CUSTOMS - KEY LEGISLATIVE CHANGES

Customs Act, 1962 *(To be effective from the date of enactment of the Finance Bill)*

- The Finance Act, 2021 introduced Section 25(4A) to the Customs Act to provide validity of 2 years for any exemption notification, which is granted subject to any condition. A proviso has been proposed to this Section to provide that the validity period of 2 years shall not be applicable to the following:
 - Free / Preferential trade agreements
 - Obligations under international agreements, treaties, conventions etc.
 - Central Government schemes having validity of more than 2 years
 - Schemes under Foreign Trade Policy
 - Re-imports, temporary imports, goods imported as gifts / personal baggage
 - All customs duties other than BCD.
- Time limit of 9 months (which is further extendable by 3 months) to be prescribed for disposal of applications before the Settlement Commission. However, if the Settlement Commission does not pass an order within this time, the proceedings shall stand abated,

and the adjudicating authority shall dispose of the application as per the provisions of the Customs Act.

Customs Tariff Act, 1975

- General Explanatory Notes for the interpretation of the First Schedule to the CTA is to be amended to provide that where the description of an article or group of articles is preceded by "----", 'in addition to being a sub-classification of "-" or "--", the said article or group of articles may also be taken to be a sub-classification of the immediately preceding description of the article or group of articles which has "---". *(effective from May 1, 2023)*
- Heading 9801 of the First Schedule to be amended to exclude solar power plants / solar power projects from the Project Import scheme. *(effective from date of enactment of the Finance Bill)*
- It is clarified that 'determination and review' of countervailing duty and anti-dumping duty refers to 'determination and review' in the manner prescribed by the rules under the CTA. *(effective from January 1, 1995).*



Key changes in Customs duty rates

- Changes in Customs duty rates to be effective from February 2, 2023:

Chapter / Tariff Heading / Tariff Item	Particulars	Old rate	New rate
7113, 7114	Articles of precious metals	20%	25%
8712 00 10	Bicycles	30%	35%
9503	Toys and parts of toys (other than parts of electronic toys)	60%	70%
8529	Specified parts for manufacture of open cell of TV panel	5%	2.50%
8703	Vehicle (including electric vehicles) in semi-knocked down form	30%	35%
8703	Vehicle (including electric vehicles) in Completely Built Unit form, other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrol run vehicle and more than 2500 cc for diesel-run vehicles, or with both	60%	70%
39, 40, 58, 70, 72, 73, 83, 84, 85, 87, 90	Vehicles, specified automobile parts/components, sub-systems and tyres when imported by notified testing agencies for the purpose of testing and/ or certification, subject to conditions	As applicable	Nil
84, 85	Specific capital goods/machinery for manufacture of Lithium-ion cell for use in battery of electric vehicles	As applicable	Nil

- Extension in due date of exemptions / concessional rate notifications with no change in effective rate of Customs duty:

Chapter / Tariff Heading / Tariff Item	Particulars	Rate	Effective till
8507 60 00	Lithium-ion cell for use in the manufacture of battery or battery pack	5%	
Various	Goods for carrying out repairs, recondition, testing, calibration or maintenance of specified goods ² .	Nil	March 31, 2024
Various	Goods for carrying out repairs, recondition, testing, calibration or maintenance of specified goods ³ .	Nil	

2. Notification No. 134/94-Cus. dated June 22, 1994

3. Notification No. 50/96-Customs dated July 23, 1996

GST - KEY LEGISLATIVE CHANGES

(To be effective from date to be notified except as specified)

Taxability

- Definition of 'OIDAR services' to be enlarged to include services involving any level of human intervention and / or automation.
- Definition of 'non-taxable online recipient' is to be amended to include all unregistered persons located in the taxable territory and receiving OIDAR services, whether or not for the purposes of commerce, industry or any other business or profession.
- Schedule III transactions of merchanting trade, in-bond sales and high-seas sales to be treated as no-supply transactions from July 1, 2017. No refund will be available on tax paid, if any, in the past.
- Composition scheme extended to taxpayers supplying goods through ECO.
 - Tampering with or destroying any material evidence or documents
 - Failing to supply information or providing false information.
- Monetary threshold for launching prosecution for offences proposed to be increased from INR 10 million to INR 20 million, except for offences involving issuance of invoices without supply of goods / services.
- Compounding amount to be reduced from the range of 50% to 150% of the tax amount, to 25% to 100% of the tax amount.
- ECO liable for penalty of INR 20,000 or tax involved, whichever is higher, in case of the following contraventions:
 - allowing supplies through it by an unregistered person who is liable for registration
 - allowing inter-state supplies through it by a person who is not eligible to make such inter-state supplies (i.e., composition dealers)
 - failing to report correct details in the TCS statement, of any outward supplies effected through it by a person exempted from obtaining registration.

Input Tax Credit

- ITC on CSR expenses incurred as per Section 135 of the Companies Act, 2013 will not be available.
- In-bond sales (i.e., supply of warehouse goods before clearance for home consumption) to be treated as 'exempt supplies' for the purpose of ITC reversal.
- Section 16 of the CGST Act to be harmonized with Rule 37 of the CGST Rules, to provide for payment of ITC availed, where supplier has not paid taxable value and tax within 180 days.

Penalty and offences

- Following offences will be decriminalized (i.e., prosecution cannot be launched):
 - Obstructing / preventing the concerned officer in discharge of his duties

Other proposals

- Section 56 of the CGST Act to be amended to prescribe the period for computation of interest on delayed refunds.
- Proviso to Section 12(8) of IGST Act related to place of supply for transportation of goods outside India is to be omitted.
- Restriction to be imposed on filing of Form GSTR – 1, Form GSTR – 3B, Form GSTR – 9 and Form GSTR – 8 after 3 years from respective due date. Such date can be extended by the Government on recommendation of GST Council.

- Relief to persons providing fully exempt supplies from obtaining GST registration, notwithstanding compulsory registration provisions under Section 24 of the CGST Act.
- Consent based sharing of information to be enabled for specific details available on the GST common portal with other systems / portal, as may be notified by the Government.

CST - LEGISLATIVE CHANGES

(To be effective from the date of enactment of the Finance Bill)

- CESTAT to be the designated Appellate Authority for deciding disputes pertaining to Section 6-A read with Section 9 of the Central Sales Tax Act, 1956.
- All pending disputes to be transferred to CESTAT from the Authority for Advance Rulings constituted under the Income Tax Law.



Glossary of Terms

Abbreviation	Meaning
Act	Income-tax Act, 1961
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of persons
AY	Assessment Year
BCD	Basic Customs Duty
BOI	Body of Individuals
CBDT	Central Board of Direct Taxes
CCIT	Chief Commissioner of Income-Tax
CESTAT	Customs Excise and Service Tax Appellate Tribunal
CGST Act	Central Goods and Services Tax Act, 2017
CGST Rules	Central Goods and Services Tax Rules, 2017
CIT(A)	Commissioner of Income-Tax (Appeals)
CSR	Corporate Social Responsibility
CST	Central Sales Tax
CTA	Customs Tariff Act, 1975
Customs Act	Customs Act, 1962
DRP	Dispute Resolution Panel
DTAA	Double Taxation Avoidance Agreement
ECO	Electronic Commerce Operator
EGR	Electronic Gold Receipt
EXIM	Export-Import Bank of India
FM	Finance Minister
FY	Financial Year
GST	Goods and Services Tax
GSTN	Goods and Service Tax Network
HUF	Hindu Undivided Family
IBS	Interim Board of Settlement
IFSC	International Financial Service Centre

Abbreviation	Meaning
IFSCA	International Financial Service Centre Authority
IGST Act	Integrated Goods and Services Tax Act, 2017
INR	Indian National Rupee
InvIT	Infrastructure Investment Trust
IRDAI	Insurance Regulatory and Development Authority of India
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
JCIT (A)	Joint Commissioner of Income-Tax (Appeals)
MSME	Micro and Small and Enterprises
MSMED Act	Micro, Small and Medium Enterprises Development Act, 2006
NBFC	Non-Banking Financial Company
NCLT	National Company Law Tribunal
OBU	Offshore Banking Unit
OIDAR	Online Information Database Access and Retrieval
PAN	Permanent Account Number
PBPT	Prohibition of Benami Property Transactions Act, 1988
PCCIT	Principal Chief Commissioner of Income-Tax
PE	Permanent Establishment
RBI	Reserve Bank of India
REIT	Real Estate Investment Trusts
ROI	Return of Income
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
TCS	Taxes Collected at Source
ULIP	Unit Linked Insurance Plan
WHT	Withholding Taxes



About Dhruva Advisors

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