

# UNION BUDGET 2022-23

Booster dose to the economy



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Supporting Partners



# Fiscal indicators

Real GDP expected to grow at 9.2%. Target GDP growth for FY 23 is 8% to 8.5%

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Growth in gross tax revenue by more than 50% on a Y-o-Y basis

More than 90% growth in corporate income-tax collections during April 2021 to November 2021

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Monthly GST collections – More than INR 1 lakh crore since July 2021

CPI inflation at 5.6% for year ending December 2021

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Revised fiscal deficit estimated at 6.9% of GDP

Forex reserves at US\$ 634 billion - Fourth largest foreign exchange reserves holder in the world after China, Japan, and Switzerland

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# Key policy level announcements (1/2)



## Infrastructure

- Huge thrust on capex and infra – Outlay for capital expenditure stepped up sharply by 35.4% to INR 7.5 lakh crores in 2022-23
- SEZ Act to be replaced by a new legislation to cover all large existing and new industrial enclaves to optimally utilize available infrastructure and enhance competitiveness of exports

## Ease of doing business

- Necessary amendments in the Insolvency and Bankruptcy Code to be carried out to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution
- Centre for Processing Accelerated Corporate Exit (C-PACE) to be established to facilitate and speed up the voluntary winding-up of companies.



# Key policy level announcements (2/2)



## GIFT City

- World class foreign universities and institutions to be permitted in GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics
- An International Arbitration Centre to be set up in GIFT City for settlement of disputes under international jurisprudence

## Digital Rupee

- Central Bank Digital Currency in the form of Digital Rupee shall be introduced using blockchain and other technologies, which shall be issued by RBI starting FY 2022-23



# Tax Rates

# Tax rates

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## For individuals

- Tax rates unchanged
- Surcharge on long term capital gains on transfer of any asset capped at 15% as against current surcharge rate of 25% / 37% - Savings of 2.08% / 4.6%
  - Will reduce tax cost on gains earned on sale of capital assets such as unlisted shares and securities, immovable properties, etc

## For companies

- Tax rates unchanged

## Others

- AMT rate for co-operative societies reduced from 18.5% to 15% - in line with Companies
- Reduction in surcharge on co-operative societies from 12% to 7%
- Surcharge on Association of Persons consisting of only companies as its members capped at 15%

# Relief on account of COVID-19

- Amount paid by employer for expenditure actually incurred by employee for medical treatment (for self or any member of family) of any illness related to COVID-19 not to be considered as a 'perquisite' - **No maximum threshold**
- Amount received by family member on death of a person not taxable u/s 56(2)(x) for such family member if the cause of death was illness related to COVID – 19
  - Exemption available subject to condition that amount does not exceed Rs. 10 Lakh when received from any person other than employer of the deceased. **No maximum threshold where the sum is received from employer**
  - Amount should be received within 12 months from the date of death
  - Family member to include spouse and children of individual and parents, brother and sister (if wholly or mainly dependent on the individual)



**Amendments effective from FY 2019-20 and onwards**

# Virtual Digital Asset



# Taxation of Virtual Digital Assets

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- Proposed definition of 'Virtual Digital Asset' ('VDA') includes the following:
  - Cryptocurrencies or any information or code or number or token similar in nature (not being Indian currency or foreign currency)
  - Non fungible tokens
  - Any other assets notified by government
- **Tax implications on transfer of VDA**
  - Income from transfer of VDA taxable at 30%
  - No other expenditure or loss available for set-off against income from VDA except its cost of acquisition
  - Loss incurred on transfer of VDA not allowed to be set off against any other income
  - Loss also not allowed to be carried forward in future years
  - Lack of clarity on inter-source set-off of losses. For example, can profit earned in Bitcoin be set-off against losses in Dogecoin?
- TDS on transfer of a VDA by a resident person at 1% introduced - Person paying consideration shall be responsible for deducting TDS

# Business taxation

# Key amendments in business taxation (1/6)

- The sunset date to commence manufacturing or production under concessional tax regime of 15% extended by one year i.e. from 31 March 2023 to 31 March 2024
- Start ups eligible for 100% tax exemption if incorporated before 1 April 2023 instead of 1 April 2022 as prescribed earlier
- Concessional rate of tax of 15% on foreign dividend income proposed to be withdrawn
- Health and education cess not allowable as a deduction – Amendment retrospective from 1 April 2005
- Expenditure incurred to earn exempt income to be disallowed despite absence of any exempt income earned during the year – Ambiguity on whether the amendment is retrospective or prospective



# Key amendments in business taxation (2/6)

- **New section 194R** - TDS @ 10% for providing any benefit or perquisite whether convertible into money or not
- Basis SC in *Mahindra & Mahindra*, benefit or perquisite needs to be in kind on account of expression “whether convertible into money or not”

## Examples of cases that can get covered

- Corporate gifts
- Freebies to doctors in kind
- Dealer incentives in kind



## Contractual entitlement v. Ex gratia gifts?

# Key amendments in business taxation (3/6)

- Bonus and dividend stripping provisions now applicable to following asset classes
  - Equity shares
  - Mutual Fund Units
  - REIT and InvIT Units
  - AIF Units (including shares or partnership interests)
- Cash credits
  - In case of loan or borrowing, onus on assessee to explain the nature and source of the person from whom it is received except where creditor/lender is a regulated entity



# Key amendments in business taxation (4/6)

## Updated tax return

- New provision for filing of **updated return** on payment of **additional tax** within 2 years from the end of relevant AY
- *Additional tax payable* shall be computed as under:

Where updated return is furnished	Additional tax
within a period of 1 year from end of relevant AY	25% of aggregate of additional tax and interest payable
Between the period of 1 - 2 year from end of relevant AY	50% of aggregate of additional tax and interest payable

- Updated return can be filed even in a scenario where no original return was furnished earlier
- Updated return cannot be a loss return, should not have effect of decreasing tax liability or increasing refund
- New provision cannot be availed in specified circumstances like search, survey, assessment is pending/ completed for relevant AY, PMLA, etc.
- Assessment to be completed within nine months from the end of the FY in which updated return was furnished.

# Key amendments in business taxation (5/6)

## Amendments in reassessment provisions

- Scope of 'information' widened for reopening assessment
  - Any audit objections (not just CAG audit objections),
  - Exchange of information under tax treaties
  - Scheme for faceless collection of information
  - Information requiring action pursuant to order of Tribunal or Court
- Reopening for period up to 10 years also allowed where escaped income is represented in form of:
  - Expenditure in relation to a transaction, event or occasion
  - entry in the books of account
- Controversy with regard to reassessment notices issued under old regime within the extended period continues



# Key amendments in business taxation (6/6)

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## **IFSC – Further Increase in the Scope of tax Incentives**

- Income arising to non-resident, from transfer of offshore derivative instruments or over-the-counter derivatives entered with an offshore banking unit of an IFSC
- Income arising to non-resident, from portfolio of securities or financial products or funds, managed by a IFSC based portfolio manager and in an account maintained with Offshore Banking Unit in IFSC
  - To the extent such income, accrues or arises outside India and is not deemed to accrue or arise in India
- Exemption from Angel Tax issue extended to investment made by Category I and II AIF regulated under the IFSC, Act
- Royalty income of a non-resident from lease of ships to unit in IFSC exempt
- Income from transfer of ship or engine of a ship leased by an IFSC unit to a person, prior to such transfer, shall be eligible for tax holiday

**IFSC now provides for better tax efficiency than most of tax treaties**



# Key Indirect Tax Proposals

# Indirect tax proposals

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## Focus on Make in India

- Scaling-up of **Production Linked Incentive (PLI)** Schemes:
  - Additional allocation of INR 19,500 crores to the PLI scheme for High Efficiency Solar PV Modules (introduced with an initial allocation of INR 4,500 crores)
  - New PLI Scheme announced for Design-led manufacturing of 5G equipment
- Rationalisation of customs duties – increase in rates on finished goods and reduction in rates on raw materials
- Customs advance ruling to be valid for 3 years, unless there is a change in law/facts – validity of existing rulings will expire upon completion of 3 years of enactment of Finance Bill
- SEZ laws proposed to be replaced
- GST: Substantive amendments to provisions relating to input tax credit
  - Credit can be taken after declaration of supplies and payment of tax by the supplier

# UNION BUDGET 2022-23



**Questions?**

# Contact us

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