

UNION BUDGET 2022-23


Booster dose to the economy





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This year marks the 75th year of independent India. While the economy is recovering in the midst of an Omicron wave, the Finance Minister tabled the Union budget for the fiscal year 2022-23 with the aim of steering the Indian economy over the next 25 years – from India at 75 to India at 100.

Foreword

This has been the second year of the paperless budget presented by the Finance Minister with focus on digitisation, infrastructure spend and ease of doing business. The budget is in line with the vision of our Prime Minister to make India Atmanirbhar and a digital giant. Marking the 75th year of independent India coupled with the motive of furthering digitization, it is proposed to set up 75 new digital banking units in 75 districts to ensure that the digital banking benefits reach every nook and corner of country. Further, it is proposed to introduce digital rupee using blockchain technology in 2022-23, which will provide a big push to digital payments. Allocation towards capital expenditure and infrastructure layout including the PM GatiShakti initiative sets out futuristic and inclusive vision for the nation.

On the direct tax front, we saw a plethora of significant changes. The provisions enabling furnishing of updated tax returns for declaring income that may have been missed out while filing the original return is a very welcome amendment. While the Crypto Bill is still to see the light of the day, it is proposed that tax at the rate of 30 percent will be payable on income arising from transfer of any virtual digital asset with no set-off against losses computed under other provisions.

Keeping in view the Covid-19 pandemic, the Finance Minister has also proposed to extend the period of incorporation of eligible startups to March 31, 2023 for availing tax exemption. As against the graded surcharge which goes as high as 37%, it is proposed to restrict the surcharge rate to 15% for long term capital gain on all assets which again is a very welcome step.

Some of the other amendments include the withdrawal of concessional tax rate of 15% on foreign dividend, reduction in AMT rate and surcharge for co-operatives, extension of concessional tax regime for new manufacturing companies and startups by one year, widening the definition of 'information' for reopening assessment, denial of health and education cess as an allowable expenditure and disallowance of expenditure in absence of exempt income.

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

On the indirect tax front, this year marked the highest GST revenue since inception. Amendments have been proposed under the GST law to further plug tax evasions arising out of non-payment of GST by the supplier. The Government is also proposing to amend the SEZ Act and replace it with a new legislation. Keeping in mind the Make in India initiative, it is proposed to phase out gradually the concessional custom duty rates in capital goods and project imports and apply a moderate tariff of 7.5 percent.

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

Key Policy Announcements

INFRASTRUCTURE

- Capital expenditure outlay to be stepped up by 35.4% from INR 5.54 lakh crore to INR 7.50 lakh crore in 2022-23.
- 'Effective Capital Expenditure' of the Central Government is estimated at INR 10.68 lakh crore in 2022-23 equivalent to 4.1% of GDP.
- The Special Economic Zones Act to be replaced with a new legislation to cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.
- Data Centres and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems to be included in the harmonized list of infrastructure.



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.
- National Generic Document Registration System (NGDRS) to be integrated with the 'One-Nation One-Registration Software' for uniform process for registration and 'anywhere registration' of deeds & documents.



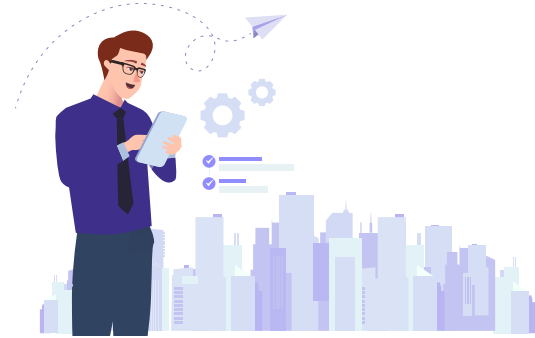
BANKING

- 1.5 lakh Post offices to be integrated with core banking system
- 75 Digital Banking Units (DBUs) to be set up in 75 districts of the country by Scheduled Commercial Banks



MSME

- Emergency Credit Line Guarantee Scheme (ECLGS) extended to March 2023 and its guarantee cover will be expanded by INR 50,000 crore to total cover of INR 5 lakh crore
- Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme to be revamped facilitating additional credit of INR 2 lakh crore



IFSC

- With the objective of facilitating availability of high-end human resources for financial services and technology, world-class foreign universities and institutions offering multi-disciplinary courses will be allowed in the GIFT, IFSC. Other than IFSC Authority regulations, no other domestic regulations shall apply to such universities and institutions.
- International Arbitration Centre will be set up in the GIFT IFSC for timely settlement of disputes under international jurisprudence.
- Services for global capital for sustainable and climate finance in the country will be facilitated in the GIFT City.



OTHER ANNOUNCEMENTS

- Government to promote thematic funds for blended finance with the Government share being limited to 20% and the funds being managed by private fund managers
- An expert committee to be set up to examine and suggest appropriate measures for scaling up venture capital and private equity investment.
- RBI to issue Digital Rupee (Central Bank Digital Currency), using blockchain and other technologies, starting 2022-23.
- To mobilize resources for green infrastructure, Sovereign Green Bonds are proposed to be issued (within the overall market borrowing in 2022-23). They will be deployed in public sector projects that will help reducing the carbon intensity of the economy.



Direct Tax Proposals

TAX RATES AND TAXATION OF INDIVIDUALS

Personal tax

- No change has been proposed in the basic tax rates. Tax rates for individuals have been tabulated in Annexure 1.
- It is proposed to restrict surcharge on long-term capital gains to 15% (previously restricted to only listed securities). Higher surcharge of 25% / 37% was earlier applicable. The savings in this regard can be as high 2.08% / 4.57%, respectively.

Perquisite taxation

- Actual expenditure incurred by employees and subsequently reimbursed by employer for treatment of any Covid related illness of the employee or their family members proposed to be exempted from perquisite taxation.
- Exemption available subject to such conditions as may be notified.

Contribution to NPS

- In order to bring employees of State Government on parity with employees of Central Government, the employer contribution to NPS will be allowed as a deduction to the extent of 14% (earlier 10%) of salary for such employees.

Deduction for expenditure in relation to a person with disability

- Currently, individuals and HUFs are allowed deduction on payments made to insurance schemes for the benefit of a dependent disabled person.
- Deduction available only if the scheme provides for payment of annuity / lump sum amount on the death of the parent / guardian or member of the HUF.
- It is now proposed that even schemes providing for payment during the lifetime of the parent /

guardian or member of HUF will be eligible for deduction subject to the following conditions:

- Payments commence once the parent / guardian or member of HUF has attained 60 years of age; and
- Deposits to the scheme has been discontinued.

Relief on Covid-related receipt

- Any reimbursement of expenses incurred by him on his medical treatment or treatment of any member of his family, for treatment of COVID-19 from any person, received shall not be considered as taxable income, subject to prescribed conditions.
- Receipt of any sum, by family member, from an employer (or any other person to the extent of INR 1 million) of deceased person within 12 months from the death arising due to COVID-19 related illness, shall subject to prescribed conditions not be considered as taxable income.



BUSINESS / CORPORATE TAXATION

Surcharge or Cess not deductible business expenditure

- 'Surcharge' or 'Cess' in relation to 'tax' is clarified to be not deductible as business expenditure.
- Retrospectively effective from AY 2005-06.

Disallowance of expenditure in relation to exempt income

- It is clarified that the expenditure incurred in relation to exempt income not to be allowed even if the exempt income has not accrued / arisen / has not been received during the relevant year. Further, non-obstante clause also introduced.

Deduction in respect of donation for scientific research

- It is clarified that no deduction shall be allowed to a donor in respect of donations made towards scientific research to any research association, university college or other eligible institutions if the recipient of the donation i.e., Donee does not file the statement of donations with the tax authorities.
- Retrospectively effective from AY 2021-22.

Payments not allowable as a business expenditure

- Payments for any offence or prohibition extended to include any offence or prohibition under a foreign law
- Payments for providing benefit to any persons in violation of code of conduct for the time being in force (such as doctor freebies, etc.)
- Payments for compounding of offence whether under Indian or foreign law

Payments deductible on actual payment

- Conversion of outstanding interest into debentures / any other instrument, will not be regarded as actual payment.

Succession and business reorganisation

- In the past, the Courts have held that in case the predecessor ceases to exist pursuant to a business reorganisation, then the tax proceedings against predecessor become illegal and void.
- To address this, it has been proposed that the tax proceedings made on the predecessor entity during the 'pendency' of business reorganization (merger and demerger) shall be deemed to have been made on the successor entity.
 - 'Pendency' means the period between the date of filing of application with prescribed authority and receipt of such order by the specified tax authorities.
- In cases where the business reorganisation is effective from a period in respect of which a return is already filed, enabling provisions introduced to facilitate the successor entity to file a modified return of income, in prescribed manner, within 6 months from the end of the month in which NCLT order is issued.
- Further, in case of companies under IBC, where the entire liability of the companies are waived/ reduced (which may also include income tax liabilities) pursuant to the order of the NCLT, new section proposed to be introduced to give effect of reduction of such income tax demand from the outstanding demand register of revenue department, as per the directions issued by the NCLT to such companies under IBC. These amendments will take effect from April 01, 2022.

Cash Credits / Undisclosed Income

- No addition for loan / borrowing / liability credited in books only if nature and source of funds in hands of creditor is explained satisfactorily
 - Not applicable to creditor which is regulated e.g. Venture Capital Fund, Venture Capital Company registered with SEBI
- No set-off of any loss (including brought forward) or unabsorbed depreciation permitted against undisclosed income determined in search or survey proceedings

INTERNATIONAL TAX

Concessional rate of 15% on foreign dividend income withdrawn

- Benefit of reduced rate of 15% on dividend received by an Indian company from its foreign subsidiary/ associate (minimum 26% equity holding) is withdrawn
 - Tax treatment for dividend received from foreign subsidiary/ associate now at par with domestic subsidiary/ associate
 - Benefit of deduction for onward distribution to shareholder continues to be available

Application for refund of TDS deposited on payment to non-residents

- Existing process of claiming refund by filing an appeal (post deposit of tax) before CIT(A) is replaced
- Now the application for refund must be moved to AO – after depositing taxes
- The AO shall dispose off such application within six months from the end of month in which the application is received, by an order in writing
- Appeal can be preferred before CIT(A) against the said order of AO



OTHER IMPORTANT AMENDMENTS

Capital Gains

- In computing short term capital gains as per prescribed rules, the reduction of notional Goodwill from block of assets shall be deemed to be 'transfer'.
- Effective retrospectively from AY 2021-22.

Taxation of Virtual Digital Assets

- Transfer of virtual digital assets viz. cryptocurrencies, non-fungible token, such other digital asset as may be notified, liable to tax at 30% without any deduction (except cost of acquisition) and set-off of losses.
- Loss from transfer of such assets shall not be allowed to be carried forward nor allowed to be set-off against other income.
- Gift of virtual digital asset shall be taxed in the hands of the recipient subject to available exemptions.
- Any payment made to a resident in relation to transfer of virtual digital asset shall be subject to withholding at the rate of 1% of such consideration above a monetary threshold limit.

Bonus / Dividend Stripping

- Scope of provisions aimed at preventing tax evasion through bonus/dividend stripping expanded to include stocks, shares, units of REIT, InvIT and AIFs (earlier it was restricted only to mutual fund units for bonus stripping and shares, stock and mutual fund units for dividend stripping).

Incentives for start-ups and new manufacturing companies

- Time limit for incorporation of eligible start-ups for claiming tax holiday is extended from March 31, 2022 to March 31, 2023.
- Time limit for commencing manufacturing or production for availing the concessional tax regime (under make in India) extended from March 31, 2023 to March 31, 2024.



UPDATED RETURN OF INCOME

- New provision introduced to allow a person to file an updated return of income at any time within 24 months from the end of the relevant AY along with proof of payment of tax, additional tax, interest and fee.
- Provision not to apply in certain prescribed scenarios (such as where search has been initiated, proceedings are pending, etc.)
- Additional tax payable shall be determined as under:

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

- Assessment to be completed within nine months from the end of the FY in which the updated return was furnished.
- Mechanism prescribed for calculation of Interest under section 234A, 234B and 234C depending upon whether the return is previously filed or not.



ASSESSMENT PROCEDURES

Faceless Assessment

- Request for personal hearing to be mandatorily accepted and facilitated through video conference/ video telephony mode
- Failure to follow prescribed procedure under Faceless Assessment provisions not to make assessment invalid/ non est (effective retrospectively from April 1, 2021)
- Timeline for issuing notification for faceless assessment scheme for transfer pricing assessments and proceedings with Dispute Resolution Panel extended from March 31, 2022 to March 31, 2024

Litigation management in case of repetitive appeals

- Filing of appeal before the ITAT/ High Court by Revenue to be kept in abeyance if :
 - the subject question of law is pending before a jurisdictional High Court or the Supreme Court
 - collegium (of 2 or more Principal CITs, Chief CITs or CITs) are of the view that the subject question of law is identical to a question of law raised in case of
 - the assessee for any other assessment year or
 - any another assessee for any assessment year and assessee accepts that it is identical to its case
- Application to be made to ITAT/ High Court stating appeal to be filed on question of law becoming final
 - to be filed within sixty days from date of receipt of order by the specified tax authorities.

Amendments in reassessment provisions

- Scope of 'information' available with AO for

reopening assessment widened to cover:

- Any audit objection (as against CAG objection) that the assessment not made in accordance with provisions of Act
- Exchange of information under tax treaties
- Information available under scheme for faceless collection of information
- Information requiring action pursuant to order of Tribunal or Court
- In case of search, books of account/ documents/ assets are requisitioned, survey is conducted, AO deemed to have information for reopening upto ten years
- Re-opening upto ten years extended to cover cases where escaped income represented in form of:
 - Expenditure in relation to a transaction, event or occasion; and
 - Entry in the books of account
- Investment in asset / expenditure incurred in multiple PYs – Notice to be issued for all such PYs (within the ten years' time limit) – where aggregate value exceeds INR 5 million.
- No separate approval required for issue of notice under section 148 if a speaking order passed by AO holding it to be a fit case for reassessment

Scope of revision extended to transfer pricing orders

- Commissioner having jurisdiction of transfer pricing empowered to invoke revisionary powers in transfer pricing proceedings.
- AO to give effect to the revised order of Transfer Pricing Officer within two months from the end of the month in which order is received.

WITHHOLDING TAX

WHT on benefit or perquisite

- WHT obligation at 10% on value of benefit or perquisite provided to resident arising from exercise of business or profession by such resident (for amounts exceeding INR 20,000 aggregated for FY)
- Payer to ensure that tax has been paid in respect of benefit or perquisite if such benefit is wholly in kind or partly in cash where such cash component is insufficient to meet WHT obligation.
- No WHT obligation if provider of such benefit or perquisite is Individual or HUF whose turnover from business is less than INR 10 million or gross receipts from profession are less than INR 5 million.
- Provisions applicable from July 01, 2022

WHT on Immovable Property

- WHT at 1% to be applicable on consideration (exceeding INR 5 million) for transfer of immovable property or stamp duty value, whichever is higher.

Higher TDS/ TCS in case of non-filing of ROI

- Exclusion provided for TDS provisions pertaining to:
 - Transfer of immovable property
 - Payment of rent to individuals or HUF
 - Payment of certain sums by an individual or HUF
 - Higher TDS/ TCS applicable to taxpayers who have not filed ROI for preceding financial year (reduced from two years) and the time limit for filing such return has lapsed.

IFSC RELATED AMENDMENTS

- Tax exemption provided to non-resident earning income from transfer of offshore derivative instruments or over-the-counter derivatives entered with an Offshore Banking Unit in IFSC
- Tax exemption provided to non-resident on income from portfolio of securities or financial products or funds, managed or administered by any portfolio manager based in IFSC, in an account maintained with an Offshore Banking Unit in IFSC
 - Exemption is on such income which (a) accrues or arises outside India and (b) is not deemed to accrue or arise in India
- Tax exemption for non-residents earning royalty or interest income from lease of ship or ocean vessel or engine of a ship or ocean vessel to IFSC unit (which has commenced operations on or before March 31, 2024)
- Tax holiday for income from transfer of ship or ocean vessel or engine of a ship or ocean vessel which was leased by an IFSC unit to a person
 - IFSC Unit to have commenced operations on or before March 31, 2024
- It has been clarified that angel tax provisions shall not apply to consideration received from Category-I or Category-II AIF regulated under IFSC Authority.

CHARITABLE TRUSTS AND INSTITUTIONS

- Provisions under section 10(23C) and section 12AA/ 12AB (both, concerning taxability of charitable trusts and institutions) proposed to be aligned.
 - application of income for the benefit of a particular religious community.
- Cancellation of registration:
 - Order for cancellation to be passed within six months from the end of the quarter in which inquiry initiated.
 - Scope of cancellation proposed to be enhanced to include *inter alia*
 - application of income other than for objects for which it is established;
 - non-maintenance of separate books of accounts in respect of incidental business activities or undertaking business activities not incidental to objects of the Trust;
- Initiation of enquiry to be made by CIT suo-moto or on reference made by AO
- Clarification on computation of taxable income where exemption denied – deduction for certain expenditure incurred on objects to be allowed
- Only income applied for benefit of specified person/ invested in prohibited mode to lose exemption - tax at special rate of 30%
- Penalty in range of 100 – 200% of the unreasonable benefit to specified person
- Exit tax upon conversion of charitable institution into a non-charitable institution to be extended to all forms of charitable trusts/ institutions

PENALTY PROVISIONS

- CIT(A) vested with power to levy penalty in respect of undisclosed income / expenditure, unexplained income / investments, false entry in books of account, etc.
- Penalty for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections, etc to be increased from INR 100 to INR 500 per day

OFFENCES AND PROSECUTION

- No prosecution to be initiated after April 1, 2022 for failure to comply with erstwhile provisions of acquisition of immovable property by Central Government
- Failure to pay TCS to be a prosecutable offence in line with non-payment of TDS

TAX COMPLIANCE

- Event managers, documentary production, production of programmes for telecasting on television or over the top platforms, sports event managers, etc. to furnish details of payments exceeding INR 50,000 (aggregate) made to persons engaged by them.

AMT FOR CO-OPERATIVE SOCIETIES

- AMT rate for co-operative societies reduced from 18.5% to 15% to provide parity between co-operative societies and companies

Indirect Tax Proposals

CUSTOMS - LEGISLATIVE CHANGES

- Various provisions of the Customs Act are proposed to be amended to include officers of Directorate of Revenue Intelligence, Preventive and Audit formation ('specified officers') as officers of customs and powers of the CBIC enhanced to assign such functions [as it deems fit] to officers of customs.
- Clause 96 of the Finance Bill, 2022 validates any prior actions taken by such specified officers.
- These proposals and the validation clause seek to overcome the Supreme Court's judgement in the case of Canon India Private Limited v. Commissioner of Customs [Civil Appeal No.1827 of 2018].
- Section 14 of the Customs Act is proposed to be amended to augment the rule making powers of the CBIC to provide for additional obligations and checks to be exercised by the importer in respect of any imported goods, where the CBIC has a reason to believe that the value is not truthfully or accurately declared by such importers.
- Proposed amendments to the advance ruling provisions under the Customs Act:
 - Advance ruling applications can be withdrawn any time before the ruling is pronounced. The provision would replace the 30 day [from the date of application] time limit presently in force.
 - The standard fixed application fee of Rs. 10,000 is proposed to be replaced with a fee to be prescribed.
 - Rulings issued by the authority would be valid only for a period of three years or till there is a change in law or facts [basis which the advance ruling has been pronounced], whichever is earlier. For the advance rulings already in force, the three year period will be reckoned from the date on which Finance Bill receives Presidential assent.
- Section 110AA is proposed to be introduced to vest jurisdiction in the proper officer who has originally done assessment or granted refund. Where subsequent proceedings are undertaken by a different officer, it would become mandatory to transfer the relevant documents, along with a report in writing to the proper officer who has originally made the assessment or granted refund, for further action.
- Section 135AA is to be introduced to prohibit the publishing in public of any information relating to value / classification / quantity of goods imported or exported or details of the exporter or importer of such goods. Contravention of these provisions would attract fine which may extend to INR 50,000 and / or imprisonment, which may extend up to 6 months.



KEY CHANGES IN CUSTOMS DUTY RATES

- Approx. 350 customs exemptions are being withdrawn in a phased manner
- Exemptions introduced for exporters of handicraft, apparel and leather goods
- Concessional BCD rate on specified capital goods used in textile, power, petroleum, leather, food processing is being phased out
- Concessional BCD rate for Project Imports is being phased out:
 - Projects registered upto September 30, 2022, will get lower rates upto September 30, 2023
 - From September 30, 2023, all projects registered under project imports will attract 7.50% BCD rate
- Graded BCD structure introduced for wearable devises, hearable devises, smart meters and their parts, sub-parts and sub-assemblies
- Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 amended in order to simplify and automate the procedures



Certain changes in Custom duty rates effective from February 2, 2022 (unless otherwise specified):

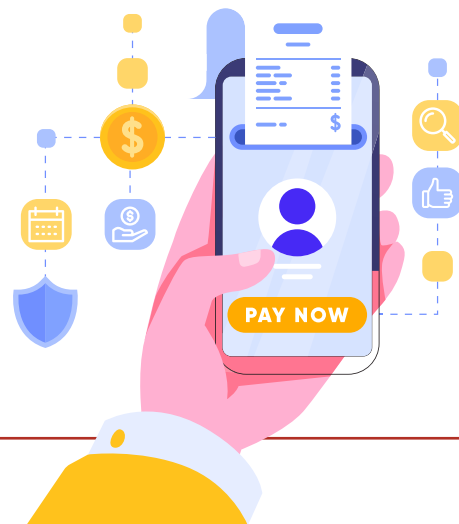
Chapter/ Chapter heading/ Tariff item	Particulars	Old rate	New Rate
2837 11 00	Cyanides, cyanide oxides and complex cyanides of Sodium	7.50%	10.00%
28, 29, 84, 85 or 90	Goods for the manufacture of laser and laser-based instrumentation	Nil	7.50%/ 10.00%
6601	Umbrellas and Sun umbrellas	10.00%	20.00%
7102	Simply Sawn Diamonds	10.00%	Nil
71	Cut and polished diamonds/ natural gemstones	7.50%	5.00%
7117	Imitation jewellery	20.00%	20.00% or INR 400/KG, whichever is higher
84	Specific sports machinery (to be effective from April 1, 2023)	5.00%	7.50%/ 10.00%/ 15.00%
84 or any other Chapter	Marine seawater pumps with fibre impellers and Automatic fish/prawn feeder (to be effective from April 1, 2023)	5.00%	7.50%/ 10.00%
84 or any other Chapter	Kits required for the conversion of petrol/ diesel driven vehicles into CNG/ LPG driven vehicles or their parts (to be effective from April 1, 2022)	5.00%	7.50%/ 10.00%/ 15.00%
84 or any other Chapter	Machinery for renovation or modernization of fertilizer plant (to be effective from April 1, 2023)	5.00%	7.50%/ 10.00%/ 15.00%
84 or any other Chapter	Machinery for renovation or modernization of power generation plant (to be effective from April 1, 2022)	5.00%	7.50%/ 10.00%/ 15.00%
84 or any other Chapter	Machinery or equipment used in textile industry (to be effective from April 1, 2022/ 2023)	5.00%	7.50%/ 10.00%/ 15.00%
8414 90 11	Goods for use in the manufacture of c-block compressor and crankshafts for refrigerator compressors	5.00%	7.50%
8518 21 00, 8518 22 00, 8518 29 00, 8518 30 00	Loudspeakers, headphones, earphones etc.	15.00%	20.00%
Any chapter	Camera lens for use in manufacture of camera module of cellular mobile phone	10.00%/ 15.00%	2.50%
9503 00 91	Parts of electronic toys for the manufacture of electronic toys	15.00%	25.00%

- Unconditional concessional rates prescribed under various notifications are incorporated into the First Schedule of the Customs Tariff Act, from May 1, 2022. Similarly, amendments have been proposed to align the Indian Tariff with the complementary amendments to the HS-2022 published by the World Customs Organisation.
- Anti-dumping duty has been revoked on import of following categories of steel:
 - Straight length bars and rods of alloy-steel originating from China
 - High Speed Steel of Non-Cobalt Grade originating from Brazil, China and Germany
 - Flat rolled product of steel, plated, or coated with alloy of aluminium or zinc originating from China, Vietnam and Korea.
- Countervailing duty has been revoked on import of certain Hot Rolled and Cold Rolled stainless steel flat products originating from China.

GST - Legislative changes

(slated to be effective from a date to be notified unless otherwise specified)

- Amendments in provisions relating to availment of ITC:
 - A statement (in Form GSTR-2B) containing the details of ITC shall be made available electronically, based on Form GSTR-1 filed by the supplier, within such time and manner as may be prescribed.
 - The auto-generated statement would contain details of inward supplies –
 - o where ITC may be available; and
 - o where ITC (wholly or partly) cannot be availed by the recipient in the following situations:
 - Supplier has defaulted in payment of tax and such default continues for prescribed period; or
 - Tax payable declared by the supplier in Form GSTR-1 exceeds the tax paid by him in Form GSTR-3B by a prescribed limit; or
 - ITC availed by the supplier exceeds eligible ITC by such limit and during such period as may be prescribed; or
 - Supplier has defaulted in discharging his tax liability by utilising the credit balance in excess of a prescribed limit; or
 - Such other class of persons as may be prescribed.
 - Time limit for availing ITC in respect of an invoice / debit note pertaining to a previous FY is the date of furnishing the return for the month of September of subsequent FY or filing of annual return, whichever is earlier. The said time limit of September is proposed to be amended to 30 November of the succeeding FY.
 - ITC availed by the recipient is liable to be reversed, alongwith applicable interest, if the supplier has not paid the tax. Once such tax is paid, the credit can be re-availed by the recipient. However, no interest should be payable where ITC is availed and lying unutilised.



- Proposed amendment in provisions relating to furnishing of outward supply details in Form GSTR-1:
 - Time limit for carrying out amendment / rectification in Form GSTR-1 can be undertaken until the date of furnishing Form GSTR-3B return for the month of September of subsequent FY or filing of annual return, whichever is earlier. The said time limit of September is proposed to be amended to 30 November of the succeeding FY.
 - Form GSTR-1 cannot be filed where the same is pending for any previous tax periods (except for notified persons). Similarly, Form GSTR-3B cannot be filed where Form GSTR-1 for the said month has not been filed (except for notified persons).
- GST registration is liable to be cancelled if the returns are not furnished for such continuous tax period as may be prescribed [currently, the law stipulates that the registration can be cancelled if returns are not filed for a continuous period of six months].
- Credit notes in relation to a supply in a FY can be issued not later than the month of September of subsequent FY or filing of annual return, whichever is earlier. The said time limit of September is proposed to be amended to 30 November of the succeeding FY.
- Due date for filing monthly return by non-resident registered person stands revised to 13th of subsequent month [currently, 20 days from end of the month].
- Time limit for carrying out rectification on account of any omission / incorrect particulars furnished in the GST returns can be undertaken until the due date of furnishing the return for the month of September of subsequent FY or filing of annual return, whichever is earlier. The said time limit of September is proposed to be amended to 30 November of the succeeding FY
- Provisions pertaining to matching of ITC [Section 42, 43 and 43A of the CGST Act, 2017 - not notified until date] is proposed to be omitted.
- Late fee of INR 100 per day (max. INR 5000/) prescribed for delayed filing of TCS return.
- Any amount of tax, interest, penalty, fee or any other amount available in the electronic cash ledger can be transferred to electronic cash ledger for:
 - IGST, CGST, SGST or UTGST or cess; or
 - IGST, CGST of a distinct person.

Such transfer shall not be allowed if there is any unpaid liability in his electronic liability register.
- Provision proposed to be introduced to restrict utilization of ITC for payment of output tax liability for prescribed registered persons.
- Retrospective amendment (with effect from July 1, 2017) proposed for levy of interest on ITC wrongly availed and utilized. Also, the rate of interest has been specified at 18 percent (slated to be effective from the enactment of Finance Bill, 2022).
- Due date for claiming the refund in respect of the tax paid on supplies made to a SEZ unit / developer or, on the inputs / input services shall be a period of two years from the due date of furnishing the return in Form GSTR-3B for such supplies.

Annexure 1 – Tax rates

Income (INR)	Existing Rates			Alternate Regime
	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	Nil
250,001 – 300,000	5%	Nil	Nil	5%
300,001 – 500,000	5%	5%	Nil	5%
500,001 – 750,000	20%	20%	20%	10%
750,001 – 1,000,000	20%	20%	20%	15%
1,000,001 – 1,250,000	30%	30%	30%	20%
1,250,001 – 1,500,000	30%	30%	30%	25%
Above 1,500,000	30%	30%	30%	30%

Glossary of Terms

Abbreviation	Meaning
AO	Assessing Officer
AIF	Alternative Investment Fund
AOP	Association of persons
AY	Assessment Year
AMT	Alternate Minimum Tax
BCD	Basic Customs Duty
CAG	Comptroller and Auditor General of India
CBIC	Central Board of Indirect Taxes and Customs
CGST	Central Goods and Services Tax
CGST Act	The Central Goods and Services Tax Act, 2017
CIT	Commissioner of Income-tax
CIT(A)	Commissioner of Income-tax (Appeals)
Customs Act	The Customs Act, 1962
FY	Financial Year
GIFT	Gujarat International Finance Tec-City
HS	Harmonized System
HUF	Hindu Undivided Family
IGST	Integrated Goods and Services Tax
IFSC	International Financial Service Centre
INR	Indian National Rupee
InvIT	Infrastructure Investment Trusts
ISD	Input Service Distributor
ITC	Input tax credit
ITAT	Income-tax Appellate Tribunal
MAT	Minimum Alternate Tax
NCLT	National Company Law Tribunal
NPS	National Pension Scheme
PY	Previous Year
REIT	Real Estate Investment Trust
ROI	Return of Income
SEZ	Special Economic Zone
SGST	State Goods and Services Tax
TCS	Tax Collected at Source
TDS	Taxes Deducted at Source
UTGST	Union Territory Goods and Service Tax
WHT	Withholding Tax

About Dhruva Advisors

Dhruva Advisors LLP is a tax and regulatory services firm, working with some of the largest multinational and Indian corporate groups. Its brings a unique blend of experience, having worked for the largest investors in India, advising on the largest transactions and on several of the largest litigation cases in the tax space. We also work closely with the Government on policy issues and with our clients on advocacy matters.

Key differentiators:

- Strategic approach to complex problems
- In-depth, specialised and robust advice
- Strong track record of designing and implementing pioneering solutions
- Trailblazers in tax controversy management
- Long history of involvement in policy reform
- Technical depth and quality

We believe in thinking out of the box, handholding our clients in implementing complex solutions and working towards achieving results. We have offices in Mumbai, Ahmedabad, Bengaluru, Delhi, Pune, Kolkata, Dubai and Singapore. We advise clients across multiple sectors including financial services, IT and IT-enabled services (ITES), real estate and infrastructure, telecommunications, oil and gas, pharmaceuticals, chemicals, consumer goods, power, as well as media and entertainment.

Dhruva Advisors is a member of the WTS Alliance, a global network of selected firms represented in more than 100 countries worldwide.

Our recognitions

Dhruva Advisors has been consistently recognised as the **"India Tax Firm of the Year"** at the ITR Asia Tax Awards in 2017, 2018, 2019, 2020 & 2021.

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W T S Dhruva Consultants has been recognised as the **"Best Newcomer Firm of the Year"** at the ITR European Tax Awards 2020.

Dhruva Advisors has been recognised as the **"Best Newcomer Firm of the Year"** at the ITR Asia Tax Awards 2016.

Dhruva Advisors has been consistently recognised as a Tier 1 Firm in India's **'General Corporate Tax'** and **'Indirect Tax'** ranking tables as a part of ITR's World Tax Guide. The firm is also listed as a Tier 1 firm for India's **'Transfer Pricing'** ranking table in ITR's World Transfer Pricing guide.



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