

**UNION
BUDGET
2022**

STEPPING STONE TOWARDS EVOLUTIONARY GROWTH



PIONEERING GROWTH

The Finance Minister, Smt. Nirmala Sitharaman, has given a growth oriented budget. Two years after presenting the longest Budget speech in the history of the country, she gave a short speech that was to the point and provided a good insight into the wide variety of sectors that she is focusing on for boosting economic growth.

The backdrop of this budget has been tricky and in the second year of Covid pandemic, with a K-Shaped recovery on the way, the FM has chosen to keep consistency in direct tax rates and maintain policy stability.

Last year, we had written in this space that, “The Government has chosen to focus on targeted and high impact capital expenditure which shall improve the long-term prospect of the country. Part of this funding will be received through a divestment program that should hopefully be finally put into action.” – this is as relevant as earlier and 35% higher budgetary allocation over last year, has the potential to give thrust to growth and along with it employment generation.

The budget has followed the barbell approach that was mentioned in the Economic Survey – a focus on hard infrastructure like roads, river linkages, multi modal corridor, ropeways, railways and has also spoken about new age sectors like digital university, clean and sustainable mobility with battery swapping infrastructure, carbon neutral economy and digital rupee. The challenge is that while both of these

ends are extremely important to help build the nation's capacity over the long term, something needs to be done on a more immediate basis to address the K-Shaped recovery which is leading to an increasing wealth and income gap.

The FM has been bold in her approach by pushing forward with government induced capital expenditure and also proposing enabling policies for the private companies to follow suit. This is the need of the hour, for India to assert itself in the global economy and to encash the demographic dividend to the fullest potential. It is also our duty to support those that have gone through two years of economic hardships.

On the legislation of direct tax laws, more powers have been given to the bureaucracy, with heavy monetary implications on the slightest contravention by the citizens and conversely there is almost no implications on the revenue department for delays on their part. More authority with milder accountability cannot be healthy for a nation aspiring to be looking to take a leadership role in the global economy.

CA Dinesh D. Ghalla

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CONTENTS OF TABLE



I. KEY HIGHLIGHTS 04

II. DIRECT TAX PROPOSALS 07

III. INDIRECT TAX PROPOSALS 43

IV. GLOSSARY 51

All the amendments mentioned below are proposed in the Finance Bill, 2022 and will take effect from FY 2022-23 (i.e. AY 2023-24) unless otherwise specifically stated, subject to passing by both the houses of the Parliament and assent by the President.

This document summarizes the Union Budget 2022 and the recent policy changes. It has been prepared for the privileged use of our clients. We recommend you to seek professional advice before taking action on specific issues.

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Key Highlights





DIRECT TAX PROPOSALS

- Surcharge on long term capital gains to be capped at 15% across all kinds of capital assets.
- New tax regime for Virtual Digital Assets (VDA) by & large Cryptocurrencies and Non Fungible Token (NFT):
 - 30% tax on gain from sale of VDA with no deductions except cost of acquisition.
 - 1% TDS to be deducted by the buyer
 - Losses from sale of VDA cannot be set off against other incomes. Also, such loss shall not be allowed to be carried forward to the subsequent years.
 - VDA assets received as gift shall be taxable in the hands of the recipient.
- Surcharge and Health & Education Cess shall not be allowed as business expenditure retrospectively from AY 2005-06.
- TDS on transfer on immovable property is to be deducted on sale consideration or stamp duty value of such property, whichever is higher provided either of the two exceeds INR 50 lakhs.
- Provisions of Bonus stripping extended to shares and units of InvIT, REIT and AIF.
- Alternate minimum tax on Co-operative Societies has been reduced to 15% from 18.50%.
- Surcharge on Co-operative Societies has been reduced to 7% from 12% on income between INR 1 crore to INR 10 crores.
- Concessional rate of tax of 15% on dividend income received by Indian company from a specified foreign company has been removed.
- Date of commencement of manufacturing or production for claiming concessional tax rate of 15% for companies has been extended to 31st March, 2024 from 31st March, 2023.
- Date of incorporation for Start-ups extended to 31st March, 2023 from 31st March, 2022 to avail tax benefit.
- TDS shall be applicable on benefits or perquisites to agents above basic threshold of INR 20,000/- w.e.f. 1st July, 2022.
- Surcharge on AOPs consisting of only corporate members capped at 15%.



KEY HIGHLIGHTS

- Taxpayers can now file an updated return on payment of additional taxes and interest within two years from the end of relevant assessment year to reduce litigation.
- Mechanism to be introduced to defer filing of appeals by IT department before ITAT and High Court where question of law is identical to the one pending in High Court or Supreme Court.
- Relief for person affected due to COVID-19:

Instance	Donor	Recipient	Exemption (subject to conditions)
Medical Treatment Expenses	Any person	Any person	No limit
On Death	Employer	Family Members of the deceased employee	No limit
On Death	Any Person	Family Members of the deceased	Upto INR 10 lakhs

- Tax deduction limit for state government employees for contribution to NPS raised to 14% from 10%.

- Brought forward loss and unabsorbed depreciation shall not be allowed to be set off against undisclosed income discovered during Search or Survey proceedings.

GST PROPOSALS

- Time-limit to avail Input Tax Credit proposed to be extended till 30th November of next year from 30th September.
- Proposal to extend the time limit for issuing Credit Notes in respect of supply made in a financial year up to 30th November of next financial year (currently permitted till 30th September).
- Retrospective amendment to provide for levy of interest on wrongful availment and utilization instead of levy on wrongful availment.

Direct Tax Proposals



<input type="checkbox"/> Rate Chart	08
<input type="checkbox"/> TDS and TCS Provisions	24
<input type="checkbox"/> Personal Taxation	26
<input type="checkbox"/> Capital Gains & Dividend	27
<input type="checkbox"/> Virtual Digital Assets	28
<input type="checkbox"/> Business Provisions	29
<input type="checkbox"/> Income Tax Return	32
<input type="checkbox"/> Assessment Provisions	33
<input type="checkbox"/> Penalty & Prosecution	39
<input type="checkbox"/> Charitable Trust	40
<input type="checkbox"/> Other Provisions	42



An individual/ HUF shall **have an option** to opt for either of the two tax regimes described below:

I. Tax Rates in Old Regime

Tax Rates for Individuals, HUF, AOP and BOI

Status →	Individual, HUF, AOP and BOI	Senior Citizen (60 years & Above)	Very Senior Citizen (80 years & above)	Notes
Taxable Income (INR)				<ul style="list-style-type: none"> ▪ Surcharge @ 10% if income exceeds INR 50 Lakhs but not exceeding INR 1 Crore. ▪ Surcharge @ 15% if income exceeds INR 1 Crore but not exceeding INR 2 Crores. ▪ Surcharge @ 25% if income exceeds INR 2 Crores but not exceeding INR 5 Crores. ▪ Surcharge @ 37% if income exceeds INR 5 Crores. ▪ In case of AOP consisting of only companies as its members, the rate of surcharge shall be restricted to 15%, even if total income exceeds INR 2 Crores. ▪ In case of STCG u/s 111A, LTCG and dividend, the rate of surcharge shall be restricted to 15%, even if total income exceeds INR 2 Crores. ▪ Health and Education Cess @ 4% of Tax + Surcharge. ▪ Maximum rebate of INR 12,500 available to resident individuals with net taxable income up to INR 5,00,000. ▪ AMT shall be applicable in case of taxpayer claiming specified deduction.
Upto – 2,50,000	NIL	NIL	NIL	
2,50,001 – 3,00,000	5%	NIL	NIL	
3,00,001 – 5,00,000	5%	5%	NIL	
5,00,001 –10,00,000	20%	20%	20%	
Above 10,00,000	30%	30%	30%	



II. Tax Rates u/s 115 BAC in New Regime (Only for Individuals and HUF)

Tax Rates for Individuals and HUF		
Status →	Individual, HUF	Notes
Net Taxable Income (INR)		<ul style="list-style-type: none"> Surcharge @ 10% if income exceeds INR 50 Lakhs but not exceeding INR 1 Crore. Surcharge @ 15% if income exceeds INR 1 Crore but not exceeding INR 2 Crores. Surcharge @ 25% if income exceeds INR 2 Crores but not exceeding INR 5 Crores. Surcharge @ 37% if income exceeds INR 5 Crores. Health and Education Cess @ 4% of Tax + Surcharge. Maximum rebate of INR 12,500 available to resident individuals with total income up to INR 5,00,000. Refer Note 1
Up to 2,50,000	NIL	
2,50,001 – 5,00,000	5%	
5,00,001 – 7,50,000	10%	
7,50,001 – 10,00,000	15%	
10,00,001 – 12,50,000	20%	
12,50,001 – 15,00,000	25%	
Above 15,00,00	30%	

Note 1:

- In case of short term capital gains u/s 111A, long term capital gains and dividend, the rate of surcharge shall be restricted to 15%, even if total income exceeds INR 2 Crores. The option u/s 115BAC can be opted every year in case of Individual/HUF not having business income. In other case, once such option is exercised it can be withdrawn only once in subsequent year unless such Individual/HUF ceases to have Business Income.
- AMT will not be applicable if one opts for Section 115BAC.



- In order to opt for new regime, individual/ HUF shall have to opt for the same and file the return of income within the due date prescribed u/s 139(1).
- The individual/HUF will not be able to set-off any loss carried forward or depreciation attributable to exemptions/deductions mentioned in Note 2 below. [Though set-off of loss of earlier years on account of unabsorbed depreciation is not allowed, corresponding adjustment in WDV of such block of assets is allowed].

Note 2:

In case one opts to pay tax under the new tax regime, the following exemptions and deductions cannot be claimed:

- Leave travel concession u/s 10(5)- applicable for persons in employment
- House rent allowance u/s 10(13A) - applicable for persons in employment
- Allowances u/s 10(14) - applicable for persons in employment **other than:**
 - Transport allowance to divyang employee commuting between residence and office
 - Conveyance allowance to meet expenses during conveyance on duty

- Any allowance to meet cost of travel on tour or transfer
- Daily allowance on account of absence from normal place of duty
- Standard deduction (INR 50,000), deduction for entertainment allowance and profession tax u/s 16 against salary income
- Allowances to MPs/MLAs u/s 10(17)
- Allowance for income of minor u/s 10(32)
- Exemption for SEZ units u/s 10AA
- Interest on loan taken for self-occupied or vacant property u/s 24
- Additional depreciation u/s 32(1)(iia)
- Donations or expenditure on scientific research u/s 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA)
- Deductions u/s 32AD, 33AB, 33ABA, 35AD, 35CCC applicable to business income
- Family pension u/s 57(iia)
- Any deduction under Chapter VIA like life insurance premium, PPF, ELSS, repayment of housing loan, mediclaim, donations, deductions in respect of profits



Tax Rates for Firms (including LLPs)

Particulars	Basic Tax	Surcharge	Cess	Total	Notes
Income upto INR 1 Crore	30%	-	4%	31.20%	Health and Education Cess @ 4% of Tax + Surcharge
Income exceeding INR 1 Crore	30%	12%	4%	34.94%	

Tax Rates for Domestic Companies

Particulars	Company opting for Sec 115BAA	Company opting for Sec 115BAB	Other Company
Business of the Company	Any Business	Manufacturing/Production	Any Business
Eligibility Criteria	No specific requirement	Set up and registered on or after 1 st October, 2019 (manufacturing / production to commence by 31 st March, 2024)	No specific requirement
Basic Tax Rate	22%	15%	25%/30% (Refer note 1)
Surcharge	10%	10%	0%/7%/12% (Refer note 2)
Cess	4%	4%	4%
Effective Tax Rate	25.17%	17.16%	26% to 34.94%
Minimum Alternate Tax	Not applicable	Not applicable	Basic Rate =15% of Book profits plus applicable surcharge and cess
Other Conditions	Prescribed exemptions /deductions are not allowed (Refer Note 7)		N.A.



Notes:

1. Basic rate of Tax is 25% if turnover in FY 2020-21 is not more than INR 400 Crores.
2. Surcharge Rates for Other Company

Total Income	Applicable Surcharge
Upto INR 1 Crore	0%
INR 1 Crore < To ≤ INR 10 Crores	7%
More than INR 10 Crores	12%

3. The option of Section 115BAA can be exercised in any year but before the due date specified u/s 139(1) for filing return of income for that year.
4. The option of section 115BAB needs to be exercised before the due date specified u/s 139(1) for filing 1st Return of Income of the Company.
5. The option u/s 115BAB, once exercised, cannot be withdrawn subsequently. However, if the company fails to satisfy the conditions of Section 115BAB it can opt for Section 115BAA. However, if the violation is discovered subsequently after the

due date u/s 139(1), it may be doubtful to opt for such an option.

6. Companies formed by restructuring or splitting up of existing business or using old plant & machinery more than 20% of total plant and machinery or using building used previously as hotel or convention centre are not eligible for opting for u/s 115BAB.
7. Prescribed exemptions/deductions includes:
 - Section 10AA : Units in Special Economic Zone
 - Section 32(1)(iia) : Additional depreciation allowance
 - Section 32AD : Deduction for investment in new plant and machinery in notified backward States.
 - Section 33AB : Tea/ coffee/ rubber development allowance
 - Section 33ABA : Site restoration fund.
 - Section 35(1)(ii), (iia), (iii) and 35(2AA), (2AB) : certain scientific research expenditure.
 - Section 35AD : Deduction in respect of expenditure on specified business (e.g Cold Storage, cross country gas line, etc.)



RATE CHARTS – DOMESTIC COMPANIES

- Section 35CCC : Expenditure on agricultural extension project.
 - Section 35CCD : Expenditure on skill development project.
 - All the deductions under Chapter VIA **except** section 80JJAA (deduction in respect of new employees) and section 80M (receipt of dividend).
8. Set-off of any loss carried forward from earlier years to the extent that such loss is attributable to any of the deduction mentioned above. Though set off of loss on account of unabsorbed depreciation is not allowed, corresponding adjustment in WDV of such block of assets shall be allowed.



RATE CHARTS – FOREIGN COMPANIES

Tax Rates for Foreign Companies

Particulars	Tax	Surcharge	Cess	Total	Notes:
Income upto INR 1 Crore	40%	-	4%	41.60%	Health and Education Cess @ 4% of Tax + Surcharge
Income exceeding INR 1 Crore but not exceeding than INR 10 Crores	40%	2%	4%	42.43%	
Income exceeding INR 10 Crores	40%	5%	4%	43.68%	



Tax Rates for Co-Operative Societies

Particulars	Tax	Surcharge	Cess	Total	Notes
Income upto INR 10,000	10%	-	4%	10.40%	Health and Education Cess @ 4% of Tax + Surcharge
Income exceeding INR 10,000 but not exceeding INR 20,000	20%	-	4%	20.80%	AMT has been reduced from 18.50% to 15%(plus surcharge & cess)
Income exceeding INR 20,000 but not exceeding INR 1 Crore	30%	-	4%	31.20%	
Income exceeding INR 1 Crore to 10 Crores	30%	7%	4%	33.38%	
Income exceeding INR 10 Crores	30%	12%	4%	34.94%	Co-operative societies can opt for concessional rate of tax u/s 115BAD. (Refer Note hereinafter)





Concessional rate of tax for Co-operative society u/s 115BAD

- In line with provisions related to domestic companies, co-operative society, resident in India, shall have the option to pay tax at effective rate of @ 25.17% (inclusive of surcharge and cess), subject to fulfilment of following conditions:
 - No deduction to be claimed in respect of:
 - Section 10AA : Units in Special Economic Zone
 - Section 32(1)(iia) : Additional depreciation allowance
 - Section 32AD : Deduction for investment in new plant and machinery in notified backward States.
 - Section 33AB : Tea/ coffee/ rubber development allowance
 - Section 33ABA : Site restoration fund.
 - Section 35(1)(ii), (iia), (iii) and 35(2AA): certain scientific research expenditure.
 - Section 35AD: Deduction in respect of expenditure on specified business (e.g. Cold Storage, cross country gas line etc)
 - Section 35CCC: Expenditure on agricultural extension project.
 - All the deductions under Chapter VIA **except** section 80JJAA (deduction in respect of new employees) and section 80LA (income from IFSC Unit).
 - Set-off of any loss carried forward from an earlier year to the extent that such loss is attributable to any of the deduction mentioned above shall not be allowed. Though set off of loss on account of unabsorbed depreciation is not allowed, corresponding adjustment in WDV of such block of assets shall be allowed.
 - AMT will not be applicable if one opts for Section 115BAD.
 - Rest of the provisions are in line with the condition applicable to companies as per section 115BAA.





Rates of Tax Deduction at Source					
Section	Nature of Payments made to Resident	Threshold Limits	Payee		Notes
			Company, Partnership Firm / LLP / Co-op Society / Local Authority	Individual, HUF, AOP & BOI	
		(INR)	Rates	Rates	
192	Salary	N.A.	N.A.	Refer Note 15	N.A.
192A	Payment of accumulated balance due to an employee by RPF	50,000	N.A.	10%	1
193	Interest on Securities	2,500	10%	10%	2
194	Dividends	5,000 (only for Individuals)	10%	10%	N.A.
194-A	Other Interest	5,000	10%	10%	3 & 4
194-B	Winning from Lotteries	10,000	30%	30%	N.A.
194-BB	Winnings from Horse races	10,000	30%	30%	N.A.
194-C	Payment to Contractors / Sub-Contractors	Single Transaction = 30,000 Aggregate = 1,00,000	2%	1% / 2%	3 & 5
194-D	Insurance Commission	15,000	5%	5%	N.A.
194-DA	Payment in respect of Life Insurance Policy (other than amount in section 10(10D))	1,00,000	5%	5%	6



Rates of Tax Deduction at Source					
Section	Nature of Payments made to Resident	Threshold Limits	Payee		Notes
			Company, Partnership Firm / LLP / Co-op Society / Local Authority	Individual, HUF, AOP & BOI	
		(INR)	Rates	Rates	
194-E	Income arising to a Non-Citizen, Non-Resident Entertainer or Sportsmen	NIL	N.A	20%	N.A.
194-EE	Payment in respect of deposits under NSS	2,500	10%	10%	N.A
194-G	Commission etc. on the sale of lottery tickets	15,000	5%	5%	N.A.
194-H	Commission/Brokerage	15,000	5%	5%	3
194-I	Rent of machinery, plant or equipment	2,40,000	2%	2%	3
194-I	Rent of land, building, or Furniture	2,40,000	10%	10%	3
194-IA	Payment on transfer of certain immovable property other than agricultural land	50,00,000	1%	1%	20
194-IB	Payment of Rent by Individuals/HUF (other than covered by Section 44AB)	50,000 p.m.	5%	5%	No TAN required
194- IC	Payment under Specified Agreement for Joint Development	NIL	10%	10%	N.A.
194-J	Professional Fees	30,000	10% / 2%	10% / 2%	3,7 & 8



Rates of Tax Deduction at Source					
Section	Nature of Payments made to Resident	Threshold Limits	Payee		Notes
			Company, Partnership Firm / LLP / Co-op Society / Local Authority	Individual, HUF, AOP & BOI	
		(INR)	Rates	Rates	
194-K	Payment to resident for income in respect of units of Mutual fund or Administrator of Specified Undertaking or Specified Company	5,000	10%	10%	9
194-LA	Compensation or Consideration for Compulsory Acquisition of Immovable Property (other than agricultural land)	2,50,000	1%	1%	10
194-LBA	Incomes from units of Business Trust.	NIL	5% / 10%	5% / 10%	11
194-LC	Interest Income paid to Non-Residents by Specified Companies or Business Trust	NIL	5% / 4%	5% / 4%	12
194-LD	Interest income paid to Non-Residents by certain Bonds and Government Securities.	NIL	5%	5%	13
194-M	Payment for contract /professional services by individual/ HUF. (other than those covered under 194C and 194J).	50,00,000	5%	5%	No TAN Required
194-N	Cash Withdrawn from bank, co-operative bank and post office.	1,00,00,000	2%	2%	14
194-O	Payment made by E-commerce operator to E-commerce Participant.	NIL (Refer Note 18)	1%	1%	18



Rates of Tax Deduction at Source					
Section	Nature of Payments made to Resident	Threshold Limits	Payee		Notes
			Company, Partnership Firm / LLP / Co-op Society / Local Authority	Individual, HUF, AOP & BOI	
		(INR)	Rates	Rates	
194P	TDS by specified bank to specified senior citizen	N.A.	N.A.	Refer Note 15	N.A.
194Q	Purchase of goods	50,00,000	0.10%	0.10%	19
194R	TDS on benefit of perquisite in respect of Business or Profession (w.e.f. 01 st July, 2022)	20,000	10%	10%	3
194S	Payment on transfer of Virtual Digital Asset	Specified persons = 50,000 Others = 10,000	1%	1%	Refer Page No. 28 (No TAN Required)



Notes:

1. TDS provisions u/s 192A applies when withdrawal of accumulated balance in RPF is to be included in the total income.
2. Threshold limit for interest paid on debentures is INR 5,000. Threshold limit for interest on 7.75% GOI Savings (Taxable) Bonds, 2018 is INR 10,000.
3. The provisions of following TDS / TCS Sections shall apply if the Gross Receipts / Turnover is INR 1 Crore or more for Business and INR 50 Lakhs or more for Profession of deductor being Individual or HUF in relation to deduction under following sections:
 - Section 194A, 194C, 194H, 194I, 194J, 194R and
 - Section 206C
4. The threshold limit for TDS on interest income from Bank and Post office deposits for Senior Citizens is INR 50,000 and in any other cases INR 40,000.
5. TDS is to be deducted @ 2% if the payee is an AOP or BOI. No TDS is applicable on payment to Contractor during the course of plying, hiring or leasing of goods carriages, where such contractor owns 10 or less goods carriages during the FY and furnishes declaration along with PAN.
6. Applicable only where amount is not exempt u/s 10(10D).
7.
 - a. Rate of TDS is 2% instead of 10% if the payee is engaged only in the business of operation of call centre.
 - b. TDS on Remuneration to Director which is not in the nature of Salary to be deducted @ 10%.
8. TDS under section 194J for payment of fees for technical services (except professional services) is to be deducted @ 2% & for professional services is to be deducted @ 10%.
9. Units of Mutual Fund have been specified under section 10(23D) of Income Tax Act, 1961. “Administrator”, “specified company” and “specified undertaking” are specified u/s 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.
10. No tax will be deducted if payment is made in respect of any award or agreement which has been exempted from levy of income-tax u/s 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.
11. Interest payment from a SPV and Distribution of dividend by a Business Trust, to Resident unit holders shall be liable for TDS @ 10%. Whereas, in case of Non-Resident payee, TDS on dividend shall be @ 10% & that on interest payment shall be @ 5%.



Notes:

12. The period of concessional rate of TDS of 5 % has been extended till 1st July 2023 from existing 1st July 2020. The rate of TDS has been reduced to 4% in case of interest payable to a Non-Resident on borrowings in foreign currency from a source outside India, by way of issue of any long term bond or Rupee Denominated Bonds on or after 1st April, 2020 but before 1st July, 2023 and which is listed only on a recognised stock exchange located in any IFSC.
13. In case of FPI and QFI, the lower TDS rate of 5% has been extended to 1st July, 2023. The said concessional TDS rate shall also be applied to FII and QFI in respect of investment made in Municipal Bonds.
14. The threshold limit of INR 1 Crore is for aggregate cash withdrawn from an account during the FY.
15. At the rates applicable to particular slab of income including applicable Surcharge and Health & Education Cess.
16. In case payee does not furnish PAN then TDS shall be deducted at higher of the following rates
 - Rates specified in relevant provisions of the Act or
 - Rates in force or
 - 20%In case of payment by E-Commerce Operator to E-Commerce Participant, 5% TDS shall apply instead of 20%.
17. In case of non-filers having aggregate TDS / TCS of INR 50,000 or more and who have not filed their ITR in the immediately preceding the financial year (and time limit for filing the original return has expired), then the rate of TDS shall be higher of the following
 - Twice the rates specified or
 - Rates in force or
 - 5%In case the payee does not furnish PAN and TDS rate for not furnishing PAN are higher than the above mentioned rates, then such higher rate shall be applicable.
These provisions will not be applicable for the following payments:
 - Salary
 - Accumulated Balance due to employee
 - Winnings from lottery, crossword puzzle or horse race
 - Income paid in respect of investment in securitization trust
 - TDS by banks on cash withdrawals
 - 194-IA: Payment on transfer of certain immovable property other than agriculture land



RATE CHARTS – TAX DEDUCTED AT SOURCE (TDS)

Notes:

- 194-IB: Payment of rent exceeding INR 50,000 per month by certain individuals or Hindu undivided family
 - 194M: Payment of certain sums above INR 50,00,000 for a year by certain individuals or Hindu undivided family In case of FPI and QFI, the lower TDS rate of 5% has been extended to 1st July, 2023. The said concessional TDS rate shall also be applied to FII and QFI in respect of investment made in Municipal Bonds.
18. TDS @ 1% to be deducted by e-commerce operator on the gross amount of sales or services or both made by the e-commerce participant and facilitated through its digital or electronic platform.
- E-commerce operator is required to deduct tax at the time of credit of amount of sale or service or both to the account of e-commerce participant or at the time of payment thereof to such participant by any mode, whichever is earlier.
 - Tax also to be deducted by e-commerce operator where payment is made by purchaser of goods or recipient of services **directly** to e-commerce participant.
 - If the gross amount of sales or services or both of e-commerce participant, being an **individual or HUF**, through e-commerce operator during the previous

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- year does not exceed **INR 5 Lakhs** and such e-commerce participant has furnished his **PAN** or **Aadhaar number** to the e-commerce operator then TDS will not be required to be deducted on the same.
- In case the PAN of the e-commerce participant is not available then the rate of TDS shall be **5%**.
 - Transaction covered under this section shall not be liable for TDS under any other provisions.





Notes:

19. TDS on goods purchased from any resident, being seller, in following case

Nature of payment made to resident	Person Responsible to deduct tax	Rate of TDS (PAN is Provided)	Rate of TDS (PAN is Not Provided)	Exceptions
Purchase of goods (value or aggregate of value of goods purchased > INR 50 Lakhs during the FY)	Person being buyer whose total sales, gross receipts or turnover from the business carried on by him > INR 10 Crores during the FY immediately preceding the FY in which goods were purchased	0.10%	5%	<ul style="list-style-type: none"> Tax is deductible under any other provision of the Act Transaction on which tax is collectible under the provisions of the Act other than sale of goods.

- Notified category of persons will be exempt from deducting tax on above mentioned transaction.
- If on a transaction, TCS is required u/s 206C(1H) as well as TDS under this amended section, then only TDS under this section will apply.

20. TDS on transfer on immovable property is to be deducted on sale consideration or stamp duty value of such property, whichever is higher provided either of the two exceeds INR 50 lakhs.

21. Form 15G/15H can be given wherever applicable.



TDS on benefit or perquisite in respect of Business or Profession

- The value of any benefit or perquisite arising from business or profession is taxable as business income in the hands of the recipient.
- It is proposed that any person responsible for providing any benefit or perquisite, whether convertible into money or not, arising from carrying out business or exercising profession by a resident, shall ensure that TDS @ 10% is deducted on such perquisites to resident.
- In case the benefit or perquisite is wholly or partly in kind, the person responsible for providing such benefit or perquisite shall before releasing the benefit or perquisite ensure that the tax has been paid.
- No TDS is required if the aggregate value of benefit or perquisite provided or likely to be provided to a resident does not exceed INR 20,000 during the FY.
- This provision will apply to all payers except an individual or HUF, whose total sales, gross receipts/turnover does not exceed INR 1 crore in case of business or INR 50 lakhs in case of profession during the immediately preceding the FY.
- The proposed amendment is effective from 01st July, 2022.

TDS on sale of immovable property

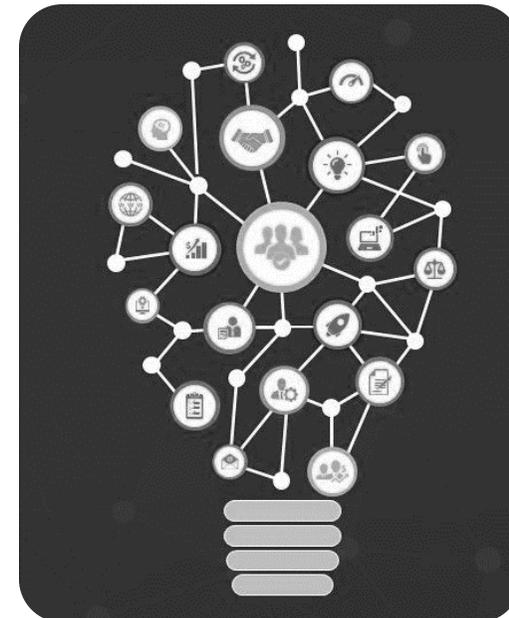
- Currently, tax has to be deducted @ 1% on the amount of sale consideration paid to resident transferor on purchase of any immovable property (other than agricultural land) of INR 50 Lakhs or more.
- However, for computation of capital gains and business income from transfer of immovable property, stamp duty value is considered as deemed sale price, if it is more than 110 % of the actual sale consideration.
- At present, tax has to be deducted @ 1% on the amount of actual sale consideration and not stamp duty value of the immovable property transferred.
- It is now proposed that tax shall be deducted @ 1% of actual sale consideration or stamp duty value of the immovable property, whichever is higher.
- It is further proposed that no tax is to be deducted in case the actual sale consideration on transfer of immovable property and stamp duty value of such property are both less than INR 50 Lakhs.

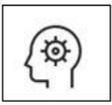


Higher rates of TDS/TCS on non-filers

- Presently, higher rates of TDS and TCS are applicable to persons:
 - who have not filed ITRs for both of the 2 AY immediately preceding the FY of payment/collection and the time limit for filing such returns has expired, and
 - whose aggregate TDS and TCS is INR 50,000 or more in each of these 2 AY immediately preceding the FY of payment/collection.
- In order to widen and deepen the tax-base, it is now proposed to reduce 2 years requirement to 1 year.
- Further, currently the provisions for higher rate of TDS and TCS for non-filer are not applicable for the following payments:
 - Salary
 - Accumulated Balance due to employee
 - Winnings from lottery, crossword puzzle or horse race
 - Income paid in respect of investment in securitization trust
 - TDS by banks on cash withdrawals

- It is now proposed that in addition to above payments, the provisions for higher rate of TDS and TCS for non-filer shall not be applicable for the following payments:
 - 194-IA: Payment on transfer of certain immovable property other than agriculture land
 - 194-IB: Payment of rent exceeding INR 50,000 per month by certain individuals or HUF
 - 194M: Payment of certain sums above INR 50,00,000 for a year by certain individuals or HUF





Tax exemption for sum of money received on account of Covid-19 related illness

Sum of Money	Payer	Recipient	Exemption*
Medical Treatment Expenses (of Recipient or his family member)	Any person	Any person	No prescribed limit
On Death (should be paid within 12 months from the date of demise)	Employer	Family Members of the deceased employee	No limit
	Any Person	Family Members of the deceased	Up to INR 10 Lakhs (in aggregate)

*Subject to condition to be notified

- For these proposals, “family” means
 - Spouse and children
 - parents, brothers and sisters of the individual, wholly or mainly dependent on the individual.
- The proposed amendment will be effective retrospectively from FY 2019-20.

Tax Exemption for annuity to a disabled person

- Currently, resident Individual/HUF can claim deduction upto maximum INR 75,000/INR 1,25,000 as the case may be in respect of amount deposited under a scheme framed by LIC or other specified person for maintenance of dependent disabled person subject to the condition that the scheme pays annuity or lump sum amount for the benefit of the disabled person in the event of death of the individual or member of HUF who had subscribed to the scheme.
- It is now proposed to extend the deduction even if the annuity or lump sum amount is received when the above individual/member of HUF attains 60 years of age and payment/deposit to such scheme has been discontinued.





Rationalization of Surcharge on LTCG

- Currently, Individuals, HUF, AOP and BOI are liable to surcharge at the rate ranging from 0% to 37% depending on the income level. However, for certain incomes such as dividend, LTCG on sale listed equity shares and units of Equity Oriented Fund (subject to STT conditions), surcharge rate is restricted to 15%.
- It is proposed to extend the above benefit of capping of surcharge to 15% to LTCG on all capital assets.

Withdrawal of concessional tax rate on foreign dividend

- Currently, dividend income received by an Indian company from a foreign company in which it holds minimum 26% equity shares, is taxable at a concessional rate of 15% (plus applicable surcharge and cess).
- To provide parity in the tax treatment in case of dividends received by Indian companies from above foreign companies vis a vis from domestic companies, it is proposed to withdraw such concessional tax rate of 15% and henceforth, will be taxable at corporate tax rate.

Inclusion of shares and certain other units for Bonus Stripping

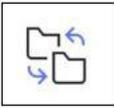
- Currently anti-avoidance provisions against bonus stripping are applicable only in case of units of mutual fund and UTI.
- Bonus stripping is a tax avoidance scheme involving:
 - Purchase of units within a period of 3 months before the record date for bonus and
 - Then selling the original units within 9 months resulting in a loss for set-off against other gains/incomes.
- Anti-avoidance provisions against bonus stripping provides for disallowing the resultant loss and considering it as cost of such bonus units.
- To expand the scope of such anti-avoidance measures, it is proposed to include securities (i.e. shares & stocks) and units of Business Trusts (i.e. InvITs or REITs) and AIF within the ambit of such provision.



Scheme of taxation of Virtual Digital Assets (VDA)

- It is proposed that income on transfer of any virtual digital asset (by and large crypto-currencies and Non-fungible token) will be taxed at 30% plus applicable surcharge and cess.
 - While calculating income, only deduction for cost of acquisition shall be allowed and no other deduction of any expenditure or set off of any loss shall be allowed.
 - Further, loss arising from transfer of VDA cannot be set off against any other income. Such loss shall also not be allowed to be carried forward to subsequent years.
 - To cover tax on gifting of VDA, any gift of VDA above fair market value of INR 50,000 will be taxable in the hands of the recipient, other than specified exempt cases.
 - In order to widen the tax base, it is proposed that payment to a resident on transfer of VDA shall be liable for TDS @ 1%.
 - No TDS is required :
 - In case the payer is a specified person and the aggregate value of payment to a resident is less than INR 50,000 during the FY.
 - In other cases, if the payment is less than INR 10,000 during the FY.
- “Specified person” means an individual/HUF:
 - whose total sales, gross receipts/turnover does not exceed INR 1 crore or INR 50 lakhs in case of business and profession respectively during immediately preceding FY.
 - having income under any head other than “Profits and gains of business or profession”.
 - In case the payment for such transfer is partly or fully in kind, before making the payment, the person shall ensure that the tax has been paid in respect of such consideration.
 - In case TDS is deducted under this provision, no TDS / TCS is required under any other section.
 - This proposed amendment for TDS will be effective from 1st July, 2022.





Health & Education Cess and Surcharge not allowed as business expenditure

- Hon'ble Bombay High Court and Rajasthan High Court had held that health and education cess is not disallowable u/s 40(a)(ii) as cess is not a part of tax. The same has been a subject matter of contentious litigation.
- It is now clarified that cess and surcharge by whatever name called shall be considered as a part of tax and accordingly not be allowed as business expenditure.
- The said amendment is applicable retrospectively from AY 2005-06.

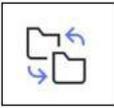
Extension of last date for commencement of manufacturing for concessional tax rate of 15%

- Currently a new manufacturing company set-up and registered on or after 01st October, 2019 is eligible for concessional corporate tax rate of 15% (17.16% including surcharge & cess) subject to certain conditions. One of the condition is that it shall commence manufacturing/production by 31st March, 2023.
- Considering impact of COVID-19 pandemic, it is proposed to extend the last date for commencement of manufacturing/production from 31st March, 2023 to 31st March, 2024.

Expenditure for exempt income to be disallowed even if no exempt income is earned

- Section 14A of the Act provides that no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to exempt income.
- Certain courts have held that if no exempt income is earned for the year by an assessee, there cannot be disallowance u/s 14A.
- It is now proposed to clarify that the provisions of section 14A will apply even if no exempt income has accrued/ arisen or has been received during the year but expenditure has been incurred during the year in relation to exempt income.
- The proposed amendment will be applicable from FY 2021-22 (AY 2022-23).





Disallowance of Expenditure which is an offence or prohibited under law

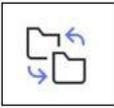
- Certain courts have held that expenses incurred for a purpose which is an offence or are prohibited under foreign law or for compounding an offence under foreign law are not allowable as business expenditure.
- It is now proposed, that where such expenses are incurred for a purpose which is an offence or is prohibited or is for compounding an offence under any foreign law, the said expenditure will not be allowed as deduction.
- Currently, certain business expenditure for offering certain benefits or perquisites to any person, which is prohibited or is in violation of law are not disallowed in some cases. Examples of such expenditure are gifts, hospitality or monetary grant given by pharmaceutical companies to medical practitioner.
- It is now proposed that if any expenditure incurred to provide any benefit or perquisite, to any person and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guidelines governing the conduct of such person, then same shall not be allowed as deduction.

Conversion of interest payable on an existing loan into debenture only allowed on actual payment

- Deduction of any interest payable on loan/borrowing from Specified Financial Institution/NBFC/Scheduled Bank/Co-Operative Bank is allowed on actual payment basis.
- Certain courts, have held that conversion of interest liability into debenture is nothing but a constructive discharge of interest liability and hence, deemed to be an actual payment.
- It is now proposed to provide that the conversion of interest liability into debenture will not be considered as actual payment for allowing deduction.

Extension of time limit for incorporation for Start-up

- Currently a deduction of 100% of the profits derived from eligible business by an eligible start-up is available for any 3 consecutive years out of first 10 years from incorporation, if the turnover from the business does not exceed INR 100 Crores and if the eligible start-up is incorporated after 31st March, 2016 but on or before 31st March, 2022.
- In order to extend the benefit to eligible start-up, it is proposed to extend the last date of incorporation from 31st March, 2022 to 31st March, 2023.



Exemptions from income linked to IFSC

- Following tax exemptions are proposed to be granted in respect of income of non-residents earned from units in IFSC:
 - Income on transfer of Offshore Derivatives Instruments and Over-The-Counter Derivatives issued by an OBU in IFSC.
 - Income from royalty and interest on account of lease of ship (ship shall include any ship or an ocean vessel, engine or any part thereof) to a unit in IFSC fulfilling specified conditions.
 - Income received from portfolio of securities or Financial Products or Funds in an account maintained with an OBU in IFSC subject to conditions.

Tax Incentives linked to IFSC

- Over the years several tax concessions have been provided to units located in IFSC to make it a global hub of financial services sector.
- To incentivise operations from IFSC, it is proposed to provide deduction of 100% of income earned on transfer of ship (Ship shall include any ship or an ocean vessel, engine or any part thereof) leased by a unit in IFSC shall be available for 10 consecutive years out of 15 years by the assessee on satisfaction of specified conditions.

- Issue of shares exceeding fair market value is not taxable in hands of the company, if received from certain specified funds. It is also proposed to include CAT I/CAT II AIF regulated under IFSC Authority Act as specified funds.

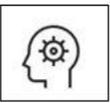
Treatment of block of assets in respect of goodwill

- From FY 2020-21, goodwill is not considered as a depreciable asset and hence no depreciation is allowed thereon. Correspondingly the amended provision provided for reduction of WDV of goodwill from the block of intangible assets.
- It is now clarified that the reduction of such amount of goodwill from the block of intangible assets shall be deemed to be transfer. Consequently provisions of section 50 shall be attracted and gains shall be chargeable in same manner as short term capital gains.
- This amendment is applicable retrospectively from FY 2020-21 (i.e. AY 2021-22).



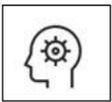
Updated Return of Income for disclosing additional income

- In order to promote voluntary tax compliance and reduce litigation, provisions for filing updated return of income is proposed to be inserted for specified person subject to conditions with effect from FY 2021-22.
 - Currently, the taxpayers had limited time to revise their return of income after filing of return u/s 139(1).
 - Now, it is proposed that any person who has filed the return of income previously for any assessment year or not, shall be eligible to file updated return within a period of 24 months from the end of relevant AY.
 - Any person opting for filing of updated return has to pay an additional tax of an amount equal to:
 - 25% of the aggregate value of tax, surcharge, cess and interest due on additional income after considering TDS/TCS and other credit, if updated return is filed within 12 months from end of relevant AY.
 - The above rate of 25% should be increased to 50%, if updated return is filed after 12 months but before 24 months from end of relevant assessment year.
 - The updated return cannot be filed if :
 - The updated return is a return of loss or results in decrease of total tax liability
- The updated return results in refund or increase of refund
 - Further, if search or survey has been initiated then such person would not be allowed to furnish the updated return:
 - For the AY relevant to PY in which search or survey is initiated and
 - Two AY preceding such AY.
 - Further, following persons would also not be allowed to furnish updated return for such AY, if:
 - There is an ongoing assessment or re-assessment
 - Assessment or re-assessment has been completed
 - Updated return has already been filed for such AY
 - AO has information in respect of such persons in his possession under PMLA, BMA etc. and it has been communicated to the such person.
 - Prosecution proceedings have been initiated
 - Any person as notified by the CBDT.



Criteria for reopening of assessment widened

- Currently, the AO is required to obtain prior approval from the specified authority before providing opportunity of being heard as to why notice u/s 148 for reopening assessment should not be issued, it is now proposed that no such prior approval will be required by the AO for providing opportunity of being heard.
- Currently, the AO is required to obtain prior approval from the specified authority for issuing a notice u/s 148, it is now proposed that no such prior approval will be required by the AO, if the AO has passed an order u/s 148A(d) to the effect that it is a fit case to issue the notice.
- It is also proposed to widen the selection criteria for reassessment by including following information gathered from following sources:
 - Any audit objection raised
 - Agreements entered into with foreign countries for exchange of information.
 - Information by Faceless Collection of Information Scheme.
 - Requiring action on order of a Tribunal / a Court
- It is also proposed to remove the time limit of 3 AYs in cases where a search is initiated or survey is conducted or any asset is requisitioned.
- It is also proposed that notice u/s 148 shall be issued for those AYs, where the expenditure incurred in connection with any event or occasion or where any income represented in the form of asset has escaped assessment.
- It is proposed to insert a new section 148B to provide that no order of assessment or reassessment or re-computation shall be passed by an AO below the rank of Joint Commissioner, except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, in respect of assessments consequent to search, survey and requisition to reduce avoidable inaccuracies.
- Currently the reassessment beyond 3 years but within 10 years is permitted if
 - The undisclosed income is represented in form of an asset and
 - The amount of undisclosed income is INR 50 Lakhs or more in that year
- The new provision propose to further include the following cases where time limit prescribed will be 10 years from the end of relevant AY, namely:
 - expenditure in respect of a transaction
 - an entry/entries in the books of account and document/evidence in possession of the AOwhich suggest that income escaping assessment is likely to be more than INR 50 Lakhs or more.



- Further, the undisclosed income threshold of INR 50 Lakhs is to be looked at in totality over all the years and not qua each year; and only those AYs will be re-opened to which the undisclosed income relates.

Nature and source of funds of the lender to be explained to the AO

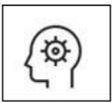
- If any sum is credited in the books of account and if no explanation about the nature and source of such sum is provided by the assessee, or the explanation provided is not satisfactory in the opinion of AO, then such sum may be charged to income tax for the relevant year as unexplained cash credit.
- Currently, if such sum received is in the nature of share application money, share capital or share premium, then the resident payer, in whose name such sums are credited, also needs to provide explanation about the nature and source of such sums. In short, this is known as the source of source and failure to explain the source of source to the satisfaction of the Assessing Officer can lead to addition of such sums in the hands of the company.
- It is now proposed that similar provisions shall be applicable to sums in the nature of loan/borrowings or any other sums credited in the books of account of a company or any other person.

- However, above provisions are not applicable if an amount is received from Venture Capital Fund or a Venture Capital Company registered with SEBI.

No set-off of losses against undisclosed income found consequent to search or requisition or survey

- Presently, there is no provision in the Act to restrict set-off of losses or unabsorbed depreciation against undisclosed income detected during the course of search or requisition or survey proceedings.
- On account of this, there were instances where the tax payer claimed setoff of losses or unabsorbed depreciation against undisclosed income which was detected during the course of search or requisition or survey proceedings.
- It is now proposed that no setoff of losses whether brought forward or otherwise or unabsorbed depreciation shall be allowed to the assessee against such undisclosed income found consequent to a search, requisition or survey proceedings while computing the total income for relevant previous year.





- Further, for the purpose of the above provision, it is proposed to define the undisclosed income as
 - any income of the concerned previous year represented in form of money, bullion, jewellery or other valuable article or thing found during the course of search or requisition or survey which has –
 - not been recorded on or before the date of search or requisition or survey, in the books of account or other documents maintained in the normal course relating to such previous year; or
 - not been disclosed to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner before the date of search or requisition or survey, or
 - any income of the previous year represented, either wholly or partly, by any entry in respect of an expense recorded in the books of account 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.
- This proposed amendment will be applicable from FY 2021-22 (i.e. AY 2022-23) and onwards.

Provisions for successor entity after Business Reorganization

- Difference in effective date of reorganization and the date of order of the court or adjudicating authority approving the reorganization leads to various practical and procedural difficulties both for the department and the assessee. To iron out these issues, amendments are proposed as under:
 - Assessment or other proceedings carried out in the name of predecessor entity till the order of the Tribunal/Court is received by Principal Commissioner or Commissioner shall be deemed to have been made on the successor.
 - Currently, there is no specific provision for the successor entity to file a modified return of income pursuant to the business reorganization. Hence, it is proposed to allow such entities to file a modified return of income for the period between date of effectivity of order and date of issuance of final order of the Tribunal/Court within a period of 6 months from the end of the month in which such order is issued by Tribunal/Court.
 - Where any tax, interest, penalty, fine or any other sum in respect of which a notice of demand has been issued, is reduced as a result of an order of Tribunal/Court, the AO shall modify the demand in accordance with such directions.



Faceless Schemes

- Currently, the CG has undertaken various measures to eliminate personal interface between taxpayer and the Income tax Department.
- The CG had accordingly empowered itself to issue directions with regards to following Faceless Schemes on or before below mentioned date:

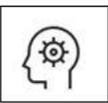
Scheme	Date of Limitation
Faceless determination of arm's length price	31 st March, 2022
Faceless Dispute Resolution Panel	31 st March, 2022
Faceless appeal for Appellate Tribunal	31 st March, 2022
Faceless procedure for Appellate Tribunal	31 st March, 2023

- First two schemes relating Transfer Pricing and taxation of non-resident are currently out of faceless assessment regime. The technological infrastructure is undergoing major changes and such modifications will have an impact on the overall information technology structure.
- Further, the scheme governing the procedures for Appellant Tribunal needs to be formulated after due consultations with Ministry of law and justice.

- Hence, in order to stabilize the technological systems and ensure seamless flow of faceless schemes, it is proposed that all the above mentioned dates for rollout shall be extended till 31st March, 2024

Tax Dues for companies under IBC

- Under the IBC law, the resolution plan approved by the NCLT provides for reduction of various liabilities of the corporate debtor (i.e. company in corporate insolvency). Such liabilities can also include income tax liabilities for which notice of demand has been issued.
- It is proposed that, such demand shall be modified in conformity with the resolution plan approved by the order of the NCLT and accordingly modified notice of demand shall be issued by the AO.
- If the order of the NCLT is subsequently modified by the NCLAT or the Supreme Court then the above modified notice of demand shall be revised accordingly.



Certain amendments in respect of Faceless Assessment

- Currently, if any assessment order passed under faceless scheme was not in accordance with the Faceless Assessment procedure laid down under the Law, then the order was considered void.
- However, large number of disputes involving technical issues have been raised leading to litigation. Hence, it is proposed that the above provision shall be omitted retrospectively i.e., from the date of its inception.
- It is also proposed that, at any stage of proceedings, if it is considered necessary by the Principal Chief Commissioner of Income Tax or Principal Director General of Income Tax, in charge of National Faceless Assessment Centre, he can transfer the case to the jurisdictional AO, with the prior approval of the CBDT.
- Such transfer to the jurisdictional AO shall also be done by the Principal Chief Commissioner of Income Tax or Principal Director General of Income Tax, in charge of National Faceless Assessment Centre, with the prior approval of the CBDT where directions are given to get the accounts of the assessee audited u/s 142(2A).

Refund of TDS deposited on payment to non-residents

- The requirement of directly approaching the Commissioner of Income Tax (Appeals) [CIT(A)] u/s 248 where the tax has been paid on income other than interest, to a non resident which was not supposed to be deducted as per some agreement or arrangement is proposed to be done away with.
- It is now proposed that in case of a person who has deposited the TDS and bears the burden of the same under an agreement /arrangement, claims that no tax was deductible on such income, may file an application before the AO for refund of such tax within 30 days from the date of payment of such tax.
- The AO on receiving the application may allow or reject the application by passing an order in writing. However, before rejecting the application, the applicant must be given an opportunity of being heard and also the AO may make any further inquiry before passing the order.
- The order, whether accepting or rejecting the application shall be passed within 6 months from the end of the month in which such application for refund is received.
- The assessee if aggrieved by the order of the AO can prefer an appeal before Commissioner of Income Tax (Appeals).



Revisionary proceedings in case of order of TPO

- Currently, there is an ambiguity as to who has the power to revise an order passed by the TPO.
- It is proposed to be clarified that the Principal Chief Commissioner or the Chief Commissioner or the Principal Commissioner or the Commissioner who is assigned the jurisdiction of transfer pricing, may call for and examine the record of any transfer pricing proceedings, and if he considers that any order passed by the TPO, within his jurisdiction, to be erroneous and is prejudicial to the interests of revenue, he may pass an order directing revision of the order of TPO.
- Consequential changes are also made by providing 2 months time to the AO to give effect to the order of TPO consequent to the directions in the revision order.

Income-Tax authorities for the purpose of survey

- Section 133A of the Act enables an income-tax authority to enter any place of business or profession or charitable activity within his jurisdiction to verify the books of account or other documents, cash, stock or other valuable article or thing, which may be useful for or relevant to any proceeding under this Act.
- Currently, income tax authority for the purpose of survey is defined to include any income tax authority who is subordinate to the Principal Director General of Income-tax (Investigation) or the Director General of Income-tax (Investigation) or the Principal Chief Commissioner of Income-tax (TDS) or the Chief Commissioner of Income-tax (TDS), as the case may be.
- It is now proposed to expand the definition of income tax authority to mean any authority sub-ordinate to Principal Director General or Director General or Principal Chief Commissioner or Chief Commissioner, specified by the CBDT in this regards.



Amendments for Prosecution and Offences

Proposed changes in relation to prosecution and offences	
Particulars	Nature of offence
Failure to furnish return of income	Failure to file updated return of income u/s 139(8A) shall also attract prosecution
Conviction of offence for failure to collect tax at source.	For repetitive failure, provisions of rigorous imprisonment can be invoked u/s 278A in relation to punishment of second and subsequent offences
Failure to pay tax collected at source	No prosecution if person proves reasonable cause for failure.

Increase in penalty for continuous default in certain cases

- Currently, penalty for failure to inform the discontinuance of business or profession, to allow inspection of any register, to furnish a certificate for TDS and TCS, to furnish in due time TDS/TCS returns, to allow copies of register or of any entry to be taken, furnish information, returns or statements within the prescribed time etc. is INR 100/- per day of default. Thus, this is treated as continuing default till due compliance is made of concerned responsibility.
- It is now proposed to increase the amount of penalty in all such cases to INR 500/- per day.

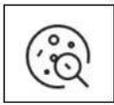
- However, similar to the current provision, the penalty shall be capped to the amount of TDS/ TCS, in cases of failure to furnish TDS/ TCS return and certificate and to provide copy of Form 15G/15H declarations.

Additional power to Commissioner (Appeals) for levy of certain penalty

- Currently, the power for levying penalty is with the AO in the following cases:
 - where search has been initiated.
 - for undisclosed income
 - for false entry in books of accounts
- It is proposed to give power to the Commissioner (Appeals) for levy of above penalties.

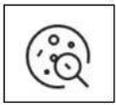
Payment of interest on failure to deduct/ collect/ pay tax to be made in accordance with order

- Every person is required to pay a simple interest at 1% or 1.5%, as the case maybe, as a consequence of failure to deduct/collect/pay taxes.
- In order to make the issue of period for which such interest is payable free from ambiguity, it is proposed to provide that interest shall be paid in accordance with the order passed by the AO in respect of such default.
- Such order of the AO is appealable.

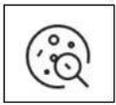


Rationalization of the provisions relating to charitable trust and institutions.

- Currently there are two regimes available for charitable trust and institutions to claim exemptions i.e. u/s 10(23C) and u/s 11 & 12 of the Act.
- Changes have been proposed to align the provisions of charitable institutions and trusts registered u/s 10(23C) and 12AA/12AB. In the following paragraphs changes proposed for trusts/institutions registered u/s 12AA/12AB are narrated:
 - Charitable trust and institution can accumulate the income received for application in future years instead of applying the same in the year in which it is received. The accumulation can be for maximum 5 years. Earlier the unutilized accumulated income was taxable in the previous year following the expiry of period for which accumulation was done. Now it is proposed to tax such income in the last year of accumulation itself.
 - Income of a trusts and institution shall be considered as application of income in the year in which it is actually paid and not on accrual basis. Trusts and institutions following accrual method need to make suitable adjustments while computing taxable income.
- At present, denying exemptions to the trusts, for small amount of income applied in violation of the provisions creates difficulties for the trust or institutions as there is ambiguity about manner of taxation. In order to rationalize the provision it is proposed that:
 - In case of amount used for specified persons, only the part of income which has been applied in violation of the provisions shall be liable to be included in total income,
 - In case of investment made in violation of the provisions, then such investment made in such violation shall be liable to be included in total income. This may tantamount to double taxation, since no deduction is allowed for any investment made. In other words if a trust were to received income of INR 1 Lakh and that was invested in contravention of sec. 11(5), taxable income of the trust would be INR 2 Lakhs (1+1). In fairness no deduction u/s. 11 ought to be allowed from income earned out of investment held in contravention of sec. 11(5).
- The government shall prescribe the manner in which the books of account and other documents need to be maintained.



- The term “special violations” used in the Act has been defined. Amongst other violations, it has been included that if a trust or institution earns profits and gains of business which is not incidental to the attainment of objectives or does not maintain separate books of account for business which is incidental to attainment of objectives, then it shall be considered as violation.
- Voluntary contribution received by a charitable trust or institution being temple, mosque, gurudwara, church etc, notified as being of national importance, for purpose of renovation or repair can be treated as corpus donations after complying with certain specified conditions. If such conditions are violated then the same shall be treated as income of such trust in the year of violation.
- It is proposed that where the provisions of section 13 (8) are applicable to any trust carrying on any activity in nature of trade, commerce, etc. or such trust or institution violates the conditions for filing audit report or filing of return of income, its income chargeable to tax shall be computed after allowing revenue expenditure as deduction subject to fulfilment of the prescribed conditions in respect of expenditure so incurred.
- It is proposed to tax specified income at the rate of 30% in the hands of trust/institution without allowing any deduction of expenditure.
- Specified income means:
 - Income accumulated or set apart in excess of 15% where such accumulation is not allowed under specific provision of Act;
 - Accumulated amount is not invested in the specified mode of investment;
 - Income accumulated but not applied for the charitable purposes;
 - Income applied for the benefit of specified person;
 - Income applied for charitable purpose outside India
- Presently, there is no provision for levy of penalty if trust or institution has passed on any unreasonable benefit to trustees or specified persons.
- In order to discourage the misuse of funds by trust/institution, it is now proposed to levy penalty for passing unreasonable benefit to trustees or specified persons at 100% of such benefit in case of first violation and thereafter at 200%.



Cancellation of registration of Trust/Institution in case of certain violations

- Finance Act, 2020 provided mechanism of reregistration or provisional approval for existing trust/institution, under automated manner by filing requisite forms
- To keep a check on approval granted to non-genuine trust/institution under automated approval system, it is now proposed to provide provisions for cancellation of registration by CIT on specified violations
- The CIT can cancel the registration of trust or institute for following violations:
 - has applied income other than for the object of the trust;
 - has income from business or profession which is not incidental to the attainment of the object of the trust;
 - does not maintain separate books of account in respect of business income incidental of its object;
 - income or property is not applied for benefit of public by religious trust;
 - income or property is applied for benefit of particular religious community or cast;
 - activity of the trust is not genuine



Rationalization of Surcharge on AOPs

- Currently, AOPs are liable to surcharge at the rate ranging from 0% to 37% depending on the income level.
- Considering the requirement of formation of consortium for various work contracts, it is proposed to cap surcharge to 15% in case of AOPs having only companies as its members irrespective of type of income.

Reduction in AMT for Co-operative Societies

- AMT is payable by non company assessee whose normal tax payable on total income is less than 18.50% of the Adjusted Total Income.
- It is now proposed to reduce the AMT for co-operative societies from 18.50% to 15% in order to bring them on par with the companies.



Indirect Tax Proposals

- ❑ Goods and Service Tax 44
- ❑ Custom Duty 47





Extension of time limit to claim Input Tax Credit

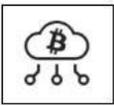
- As per the existing provisions, a registered person can claim Input Tax Credit in respect of any invoice or debit note pertaining to a financial year up to the due date for filing September Return in the following financial year. Now, it is proposed to extend the said time limit for claiming ITC up to 30th November of next financial year.

Additional Condition to avail Input Tax Credit

- Additional condition to avail input tax credit is proposed to be inserted whereby the registered person shall be entitled to avail the credit of eligible input tax as self-assessed, in his return and such amount shall be credited to his electronic credit ledger (ELC), provided such credit is not restricted in details communicated to him in GSTR 2B.
- Further provisions to prescribe restriction on subsequent utilisation of validly availed input tax credit in certain circumstances are proposed to be inserted. Consequently legal sanctity has been granted to the existing Rule 89B which restricts maximum proportion of output tax liability which may be discharged through the electronic credit ledger.

Cancellation of Registration

- As per the existing provisions, registered person other than composition dealer fails to file the returns for 6 consecutive tax periods, his registration may be cancelled by Proper Officer. Now, it is proposed that such period of continuous default will be prescribed.
- As per the existing provisions, registered person who has opted for Composition scheme fails to file the returns for 3 consecutive periods, his registration may be cancelled by Proper Officer. Now, it is proposed that registration of composition dealer may be cancelled in case such dealer fails to file return for the financial year beyond 3 months from the due date of furnishing such return.



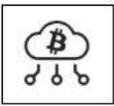
Interest on Reversal of Input Tax Credit

- As per the existing provisions, interest is leviable on wrongful claim of Input Tax Credit. Retrospective amendment is proposed to be made to provide for levy of interest on wrongful availment and utilization.
- This implies that no interest shall be leviable on Input tax Credit wrongly availed but not utilized.
- Further, The rate of interest on such wrongful availment and utilization of Input Tax Credit is proposed to be prescribed at 18% with retrospective effect from 01.07.2017

Refund

- The scope of withholding or recovery from refunds is proposed to be extended to all types of refunds. As per the existing provisions, such recovery or withholding could be made from refund of unutilised Input Tax Credit only.

The above amendments carried out in the Finance Bill, 2022 vis-à-vis Goods and Service Tax Act will come into effect from the date when the same will be notified, as far as possible, concurrently with the corresponding amendments to the similar Acts passed by the States and Union territories with legislature, until stated otherwise.



Changes in certain compliances

- Any rectification of error in Forms GSTR-1 and GSTR-3B in respect of any previous year, currently allowed till 30th September of next financial year, is now proposed to be allowed till 30th November of next financial year.
- The due date for filing a return by Non-resident taxable person (Form GSTR-5) is proposed to be 13th of next month from the current due date of 20th (of next month).
- Restriction on filing of return in Form GSTR-3B and GSTR-1 is proposed to be imposed if GSTR-1 for any of the previous month or quarter is not filed. Currently, the restriction is applicable only on non-filing of GSTR-3B for previous periods.
- Late fees for delayed filing of GSTR-8 (pertaining to TCS) is proposed to be levied. Currently, no late fees have been provided for under the law.
- Transfer of the balance lying in the electronic cash ledger of one person to the electronic cash ledger of distinct person (i.e., another registration of the same legal entity having same PAN) is proposed to be permitted.
- Matching, reclaim and reversal of ITC under sections 42, 43 and 43A has been scrapped to do away with the two way communication process in return filing.

No GST on grant of alcoholic liquor license

- Services by way of grant of alcoholic liquor license by the State Government for consideration (whether by way of license fee or application or by whatever name called) is proposed to be treated as neither supply of goods nor supply of services retrospectively with effect from 01st July, 2017

Time limit for issuing Credit notes

- Time limit for Issuing Credit Notes in respect of supply made in a financial year is proposed to be permitted up to 30th November of next financial year. Currently the same is permitted till 30th September of the next financial year.



Assigning Functions and Jurisdiction for Customs Officers

- Significant legislative changes are proposed to specify class and jurisdiction and assignment of function of proper officers. Certain past actions of such proper officers are proposed to be validated through relevant amendment.
- A clarificatory provision is proposed to be inserted to provide that wherever, an original function is duly exercised by an officer of competent jurisdiction, then such officer shall have the sole authority to exercise jurisdiction for further actions like reassessment, adjudications, etc. consequent to the completion of any inquiry, investigation, audit or any other purpose by any other officer.

Amendment to IGCR Rules

- The Import of Goods Concessional Rate of Duty (IGCR) Rules, 2017 are proposed to be revised to introduce certain trade-facilitation measures such as end-to-end automation, and standardization of various forms

Validity of Advance Ruling

- While rationalising the procedures with respect to Advance Ruling, it is proposed that an Advance ruling be valid for a period of three years or till there is a change in relevant law or facts, whichever is earlier. For advance rulings in force, the said period of three years shall be reckoned from the date on which the Finance Bill receives assent.

Offence under Customs Act

- It is proposed to make the publishing of import and export data submitted to Customs by importers or exporters in their declarations, unless provided by the law, as an offence under the Customs Act.



Major changes are proposed to be introduced in the Customs Tariff Structure by moving the unconditional concessional rates from existing exemption notifications and rationalising certain tariff rates. A summary of changes in the rates of Basic Customs Duty (BCD) for selected tariff items is provided hereunder:

Sr. No.	Particulars	From	To
A	Tariff rate changes for Basic Customs Duty to be effective from 02nd February, 2022		
	MSME Sector		
1	Umbrellas	10%	20%
	Gems and Jewellery Sector		
2	Imitation Jewellery	20%	20% or Rs. 400/kg., whichever is higher
	Electrical and electronic items		
3	Single or multiple loudspeakers, whether or not mounted in their enclosures (Note: Effective BCD rate on these goods, other than hearable devices would continue to be '15%'), Headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers (Note : Effective BCD rate on these goods, other than hearable devices would continue to be '15%')	15%	20%
	Solar Energy Sector		
4	Solar Cells (other than those exclusively used with ITA-1 items)	20%	25%
B	Tariff rate changes (without any change in the effective rates of Basic Customs Duty) to be effective from 01st May, 2022		
	Commodity	10%	15%
1	Maize (corn)	70/60%	50%



Sr. No.	Particulars	From	To
2	Millet (Jawar, Bajra, Ragi)	70%	50%
3	Vegetable seeds, fruit seeds for planting or sowing	10%	5%
4	Sweet Biscuits, Waffles and wafers	45%	30%
5	Salt, Sulphur, Earth and stone, lime etc.	10%	5%
6	Portland Cement (other than white Portland cement)	10%	Free
7	Ores and concentrates	5/10%	2.5%
8	Copper slag, ash or residue	10%	5%
9	Coke, coal gas and Tar	10%	5%
10	Oil (other than crude petroleum) obtained from Bituminous Crude	5%	Free
11	Motor Spirit commonly known as petrol, High speed diesel (HSD), Liquefied natural gas (LNG), Propane, Butanes	10%	2.5%
12	Liquefied petroleum gases (LPG) and Natural Gas in gaseous state	10%	5%
13	Fertilizers (other than Ammonium Sulphate, Ammonium Nitrate, Sodium nitrate, Potassium Sulphate, Minerals or Chemical fertilizers of NPK)	10%	7.5%
14	Raw Silk, (not thrown)	30%	15%
15	Wool, not carded or combed	25/30%	2.5%



Sr. No.	Particulars	From	To
16	Cotton, not carded or combed	25%	5%
17	Cotton sewing thread, Cotton yarn (not put up for retail sale) and Cotton yarn (put up for retail sale)	25%	10%
18	Raw jute	25%	5%
19	Copper tubes and pipes, or fittings, Air separators, purifiers, cleaners, etc, and Specified electrical generating sets and rotary convertors, Parts of electric motors or generators, Electrical insulators of any material, Insulating fittings for electrical machines etc.	10%	7.5%
20	Specific instruments and appliances used in medical, surgical, dental or veterinary sciences like tonometer, tubular needles for medical sutures etc.	10%	5%
21	Other medical equipment and medical related goods used in medical, surgical, dental or veterinary sciences like catheters, cannulae, defibrillator etc.	10%	7.5%
22	Watch dials and watch movements	10%	5%
C	Tariff rate changes (with change in the effective rates of Basic Customs Duty w.e.f. 02nd February, 2022)- Basic custom duty on Textiles sector are being rationalised on various items		
D	PROPOSALS INVOLVING CHANGES IN EFFECTIVE BASIC CUSTOMS DUTY RATES IN RESPECT OF PHASED MANUFACTURING PROGRAM [PMP] WITH RESPECT TO SPECIFIC ELECTRONIC GOODS		
	PMP for Wrist Wearable Devices (Smart watches)		
1	Battery	15%	NIL
	PMP for Hearable Devices		
2	USB Cable	10%	15%
3	Battery	15%	NIL



Glossary **IV**



GLOSSARY

Abbreviations	Full Forms
AE	Associated Enterprises
AIF	Alternate Investment Funds
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
AY	Assessment Year
BCD	Basic Customs Duty
BMA	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act
BOI	Body Of Individuals
CBDT	Central Board of Direct Taxes
CG	Central Government
CGST	Central Goods and Services Tax
CVD	Countervailing duty
DTAA	Double Tax Avoidance Agreement with foreign countries or specified territories or specified associations
EBITDA	Earnings Before Interest, Taxation and Depreciation and Amortisation

Abbreviations	Full Forms
FDI	Foreign Direct Investment
FEMA	Foreign Exchange and Management Act
FII	Foreign Institutional Investor
FMV	Fair Market Value
FPI	Foreign Portfolio Investors
FY	Financial Year
GDP	Gross Domestic Product
GOI	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code
ICDS	Income Computation and Disclosure Standards
IFSC	International Financial Services Centre
INR	Indian Rupees
InvITs	Infrastructure Investment Trust



GLOSSARY

Abbreviations	Full Forms
ITAT	Income-Tax Appellate Tribunal
LTC	Leave Travel Concession
LTCG	Long-Term Capital Gains
MAT	Minimum Alternate Tax
MRP	Maximum Retail Price
NBFC	Non-Banking Financial Company
NCLAT	National Company Law Appellate Tribunal
NCLT	National Company Law Tribunal
NPS	National Pension Scheme
OBU	Offshore Banking Unit
PAN	Permanent Account Number
PMLA	Prevention of Money Laundering Act
PF	Provident Fund
PLI	Production Aatmanirbhar Bharat - Linked Incentive Scheme
QFI	Qualified Foreign Investor
RBI	Reserve Bank of India

Abbreviations	Full Forms
REIT	Real Estate Investment Trust
RPF	Recognised Provident Fund
SAD	Special Additional Duty
SDV	Stamp Duty Value
SEBI	Securities and Exchange Board of India
SHEC	Secondary & higher education cess
SME	Small and Medium Enterprise
SPV	Special Purpose Vehicle
STCG	Short-Term Capital Gains
STT	Securities Transaction Tax
TAN	Tax Deduction Account Number
TCS	Tax Collection at Source
TDS	Tax Deducted at Source
TPO	Transfer Pricing Officer
u/s	Under Section
UTI	Unit Trust of India
WDV	Written Down Value

‘ न चोर हार्यं न च राज हार्यं न भात्रू
भाज्यं न च भारकारि
व्ययं कृते वर्धत एव नित्यं
विद्याधनं सर्वधनप्रधानम ’

Knowledge is the **Wealth** that:
The **Thief** cannot **Steal**,
The **King** cannot **Acquire**,
The **Brothers** cannot **Share**,
Does not Weigh on You,
Grows Forever as you **share** ,
Truly, **Knowledge** is the **Greatest Wealth**.