Reclaiming of shares and dividends

106. For investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease, an integrated IT portal will be established.

Digital Payments

107. Digital payments continue to find wide acceptance. In 2022, they show increase of 76 per cent in transactions and 91 per cent in value. Fiscal support for this digital public infrastructure will continue in 2023-24.

Azadi Ka Amrit Mahotsav Mahila Samman Bachat Patra

108. For commemorating Azadi Ka Amrit Mahotsav, a one-time new small savings scheme, Mahila Samman Savings Certificate, will be made available for a two-year period up to March 2025. This will offer deposit facility upto ₹ 2 lakh in the name of women or girls for a tenor of 2 years at fixed interest rate of 7.5 per cent with partial withdrawal option.

Senior Citizens

109. The maximum deposit limit for Senior Citizen Savings Scheme will be enhanced from ₹ 15 lakh to ₹ 30 lakh.

110. The maximum deposit limit for Monthly Income Account Scheme will be enhanced from ₹ 4.5 lakh to ₹ 9 lakh for single account and from ₹ 9 lakh to ₹ 15 lakh for joint account.

Fiscal Management

Fifty-year interest free loan to States

111. The entire fifty-year loan to states has to be spent on capital expenditure within 2023-24. Most of this will be at the discretion of states, but a part will be conditional on states increasing their actual capital expenditure. Parts of the outlay will also be linked to, or allocated for, the following purposes:

- Scrapping old government vehicles,
- Urban planning reforms and actions,
- Financing reforms in urban local bodies to make them creditworthy for municipal bonds,
- Housing for police personnel above or as part of police stations,
- Constructing Unity Malls,
- Children and adolescents' libraries and digital infrastructure, and
- State share of capital expenditure of central schemes.

Fiscal Deficit of States

112. States will be allowed a fiscal deficit of 3.5 per cent of GSDP of which 0.5 per cent will be tied to power sector reforms.

Revised Estimates 2022-23

113. The Revised Estimate of the total receipts other than borrowings is ₹ 24.3 lakh crore, of which the net tax receipts are ₹ 20.9 lakh crore. The Revised Estimate of the total expenditure is ₹ 41.9 lakh crore, of which the capital expenditure is about ₹ 7.3 lakh crore.

114. The Revised Estimate of the fiscal deficit is 6.4 per cent of GDP, adhering to the Budget Estimate.

Budget Estimates 2023-24

115. Coming to 2023-24, the total receipts other than borrowings and the total expenditure are estimated at ₹ 27.2 lakh crore and ₹ 45 lakh crore respectively. The net tax receipts are estimated at ₹ 23.3 lakh crore.

116. The fiscal deficit is estimated to be 5.9 per cent of GDP. In my Budget Speech for 2021-22, I had announced that we plan to continue the path of fiscal consolidation, reaching a fiscal deficit below 4.5 per cent by 2025-26 with a fairly steady decline over the period. We have adhered to this path, and I reiterate my intention to bring the fiscal deficit below 4.5 per cent of GDP by 2025-26.

117. To finance the fiscal deficit in 2023-24, the net market borrowings from dated securities are estimated at ₹ 11.8 lakh crore. The balance financing is expected to come from small savings and other sources. The gross market borrowings are estimated at ₹ 15.4 lakh crore.

I will, now, move to Part B.

PART B

Indirect Taxes

118. My indirect tax proposals aim to promote exports, boost domestic manufacturing, enhance domestic value addition, encourage green energy and mobility.

119. A simplified tax structure with fewer tax rates helps in reducing compliance burden and improving tax administration. I propose to reduce the number of basic customs duty rates on goods, other than textiles and agriculture, from 21 to 13. As a result, there are minor changes in the basic custom duties, cesses and surcharges on some items including toys, bicycles, automobiles and naphtha.

Green Mobility

120. To avoid cascading of taxes on blended compressed natural gas, I propose to exempt excise duty on GST-paid compressed bio gas contained in it. To further provide impetus to green mobility, customs duty exemption is being extended to import of capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles.

Electronics

121. As a result of various initiatives of the Government, including the Phased Manufacturing programme, mobile phone production in India has increased from 5.8 crore units valued at about ₹ 18,900 crore in 2014-15 to 31 crore units valued at over ₹ 2,75,000 crore in the last financial year. To further deepen domestic value addition in manufacture of mobile phones, I propose to provide relief in customs duty on import of certain parts and inputs like camera lens and continue the concessional duty on lithium-ion cells for batteries for another year.

122. Similarly, to promote value addition in manufacture of televisions, I propose to reduce the basic customs duty on parts of open cells of TV panels to 2.5 per cent.

Electrical

123. To rectify inversion of duty structure and encourage manufacturing of electric kitchen chimneys, the basic customs duty on electric kitchen chimney is being increased from 7.5 per cent to 15 per cent and that on heat coils for these is proposed to be reduced from 20 per cent to 15 per cent.

Chemicals and Petrochemicals

124. Denatured ethyl alcohol is used in chemical industry. I propose to exempt basic customs duty on it. This will also support the Ethanol Blending Programme and facilitate our endeavour for energy transition. Basic customs duty is also being reduced on acid grade fluorspar from 5 per cent to 2.5 per cent to make the domestic fluorochemicals industry competitive. Further, the basic customs duty on crude glycerin for use in manufacture of epicholorhydrin is proposed to be reduced from 7.5 per cent to 2.5 per cent.

Marine products

125. In the last financial year, marine products recorded the highest export growth benefitting farmers in the coastal states of the country. To further enhance the export competitiveness of marine products, particularly shrimps, duty is being reduced on key inputs for domestic manufacture of shrimp feed.

Lab Grown Diamonds

126. India is a global leader in cutting and polishing of natural diamonds, contributing about three-fourths of the global turnover by value. With the depletion in deposits of natural diamonds, the industry is moving towards Lab Grown Diamonds (LGDs) and it holds huge promise. To seize this opportunity, I propose to reduce basic customs duty on seeds used in their manufacture.

Precious Metals

127. Customs Duties on dore and bars of gold and platinum were increased earlier this fiscal. I now propose to increase the duties on articles made therefrom to enhance the duty differential. I also propose to increase the import duty on silver dore, bars and articles to align them with that on gold and platinum.

Metals

128. To facilitate availability of raw materials for the steel sector, exemption from Basic Customs Duty on raw materials for manufacture of CRGO Steel, ferrous scrap and nickel cathode is being continued.

129. Similarly, the concessional BCD of 2.5 per cent on copper scrap is also being continued to ensure the availability of raw materials for secondary copper producers who are mainly in the MSME sector.

Compounded Rubber

130. The basic customs duty rate on compounded rubber is being increased from 10 per cent to ‘25 per cent or ₹ 30/kg whichever is lower’, at par with that on natural rubber other than latex, to curb circumvention of duty.

Cigarettes

131. National Calamity Contingent Duty (NCCD) on specified cigarettes was last revised three years ago. This is proposed to be revised upwards by about 16 per cent.

Direct Taxes

132. I now come to my direct tax proposals. These proposals aim to maintain continuity and stability of taxation, further simplify and rationalise various provisions to reduce the compliance burden, promote the entrepreneurial spirit and provide tax relief to citizens.

133. It has been the constant endeavour of the Income Tax Department to improve Tax Payers Services by making compliance easy and smooth. Our tax payers' portal received a maximum of 72 lakh returns in a day; processed more than 6.5 crore returns this year; average processing period reduced from 93 days in financial year 13-14 to 16 days now; and 45 per cent of the returns were processed within 24 hours. We intend to further improve this, roll out a next-generation Common IT Return Form for tax payer convenience, and also plan to strengthen the grievance redressal mechanism.

MSMEs and Professionals

134. MSMEs are growth engines of our economy. Micro enterprises with turnover up to ₹ 2 crore and certain professionals with turnover of up to ₹ 50 lakh can avail the benefit of presumptive taxation. I propose to provide enhanced limits of ₹ 3 crore and ₹ 75 lakh respectively, to the tax payers whose cash receipts are no more than 5 per cent. Moreover, to support MSMEs in timely receipt of payments, I propose to allow deduction for expenditure incurred on payments made to them only when payment is actually made.

Cooperation

135. Cooperation is a value to be cherished. In realizing our Prime Minister's goal of *"Sahkar se Samriddhi*", and his resolve to "connect the spirit of cooperation with the spirit of *Amrit Kaal"*, in addition to the measures proposed in Part A, I have a slew of proposals for the co-operative sector.

136. First, new co-operatives that commence manufacturing activities till 31.3.2024 shall get the benefit of a lower tax rate of 15 per cent, as is presently available to new manufacturing companies.

137. Secondly, I propose to provide an opportunity to sugar co-operatives to claim payments made to sugarcane farmers for the period prior to assessment year 2016-17 as expenditure. This is expected to provide them with a relief of almost ₹ 10,000 crore.

138. Thirdly, I am providing a higher limit of ₹ 2 lakh per member for cash deposits to and loans in cash by Primary Agricultural Co-operative Societies (PACS) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs).

139. Similarly, a higher limit of ₹ 3 crore for TDS on cash withdrawal is being provided to co-operative societies.

Start-Ups

140. Entrepreneurship is vital for a country's economic development. We have taken a number of measures for start-ups and they have borne results. India is now the third largest ecosystem for start-ups globally, and ranks second in innovation quality among middle-income countries. I propose to extend the date of incorporation for income tax benefits to start-ups from 31.03.23 to 31.3.24. I further propose to provide the benefit of carry forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years.

Appeals

141. To reduce the pendency of appeals at Commissioner level, I propose to deploy about 100 Joint Commissioners for disposal of small appeals. We shall also be more selective in taking up cases for scrutiny of returns already received this year.

Better targeting of tax concessions

142. For better targeting of tax concessions and exemptions, I propose to cap deduction from capital gains on investment in residential house under sections 54 and 54F to ₹ 10 crore. Another proposal with similar intent is to limit income tax exemption from proceeds of insurance policies with very high value.

Rationalisation

143. There are a number of proposals relating to rationalisation and simplification. Income of authorities, boards and commissions set up by statutes of the Union or State for the purpose of housing, development of cities, towns and villages, and regulating, or regulating and developing an activity or matter, is proposed to be exempted from income tax. Other major measures in this direction are:

- Removing the minimum threshold of ₹ 10,000/- for TDS and clarifying taxability relating to online gaming;
- Not treating conversion of gold into electronic gold receipt and vice versa as capital gain;
- Reducing the TDS rate from 30 per cent to 20 per cent on taxable portion of EPF withdrawal in non-PAN cases; and
- Taxation on income from Market Linked Debentures.

Others

144. Other major proposals in the Finance Bill relate to the following:

- Extension of period of tax benefits to funds relocating to IFSC, GIFT City till 31.03.2025;
- Decriminalisation under section 276A of the Income Tax Act;
- Allowing carry forward of losses on strategic disinvestment including that of IDBI Bank; and
- Providing EEE status to Agniveer Fund.

Personal Income Tax

145. Now, I come to what everyone is waiting for -- personal income tax. I have five major announcements to make in this regard. These primarily benefit our hard-working middle class.

146. The first one concerns rebate. Currently, those with income up to ₹ 5 lakh do not pay any income tax in both old and new tax regimes. I propose to increase the rebate limit to ₹ 7 lakh in the new tax regime. Thus, persons in the new tax regime, with income up to ₹ 7 lakh will not have to pay any tax.

147. The second proposal relates to middle-class individuals. I had introduced, in the year 2020, the new personal income tax regime with six income slabs starting from ₹ 2.5 lakh. I propose to change the tax structure in this regime by reducing the number of slabs to five and increasing the tax exemption limit to ₹ 3 lakh. The new tax rates are:

₹ 0-3 lakh	Nil
₹ 3-6 lakh	5 per cent
₹ 6-9 lakh	10 per cent
₹ 9-12 lakh	15 per cent
₹ 12-15 lakh	20 per cent
Above ₹ 15 lakh	30 per cent

148. This will provide major relief to all tax payers in the new regime. An individual with an annual income of ₹ 9 lakh will be required to pay only ₹ 45,000/-. This is only 5 per cent of his or her income. It is a reduction of 25 per cent on what he or she is required to pay now, ie, ₹ 60,000/-. Similarly, an individual with an income of ₹ 15 lakh would be required to pay only ₹ 1.5 lakh or 10 per cent of his or her income, a reduction of 20 per cent from the existing liability of ₹ 1,87,500/.

149. My third proposal is for the salaried class and the pensioners including family pensioners, for whom I propose to extend the benefit of standard deduction to the new tax regime. Each salaried person with an income of ₹ 15.5 lakh or more will thus stand to benefit by ₹ 52,500.

150. My fourth announcement in personal income tax is regarding the highest tax rate which in our country is 42.74 per cent. This is among the highest in the world. I propose to reduce the highest surcharge rate from 37 per cent to 25 per cent in the new tax regime. This would result in reduction of the maximum tax rate to 39 per cent.

151. Lastly, the limit of ₹ 3 lakh for tax exemption on leave encashment on retirement of non-government salaried employees was last fixed in the year 2002, when the highest basic pay in the government was ₹ 30,000/- pm. In line with the increase in government salaries, I am proposing to increase this limit to ₹ 25 lakh.

152. We are also making the new income tax regime as the default tax regime. However, citizens will continue to have the option to avail the benefit of the old tax regime.

153. Apart from these, I am also making some other changes as given in the annexure.

154. As a result of these proposals, revenue of about ₹ 38,000 crore – ₹ 37,000 crore in direct taxes and ₹ 1,000 crore in indirect taxes – will be forgone while revenue of about ₹ 3,000 crore will be additionally mobilized. Thus, the total revenue forgone is about ₹ 35,000 crore annually.

155. Mr. Speaker Sir, with these words, I commend the Budget to this august House.

*****

Annexure to Part B of the Budget Speech 2023-24

Amendments relating to Direct Taxes

A. PROVIDING TAX RELIEF UNDER NEW PERSONAL TAX REGIME

A.1 The new tax regime for Individual and HUF, introduced by the Finance Act 2020, is now proposed to be the default regime.

A.2 This regime would also become the default regime for AOP (other than co-operative), BOI and AJP.

A.3 Any individual, HUF, AOP (other than co-operative), BOI or AJP not willing to be taxed under this new regime can opt to be taxed under the old regime. For those person having income under the head "profit and gains of business or profession" and having opted for old regime can revoke that option only once and after that they will continue to be taxed under the new regime. For those not having income under the head "profit and gains of business or profession", option for old regime may be exercised in each year.

A.4 Substantial relief is proposed under the new regime with new slabs and tax rates as under:

Total Income (₹)	Rate (per cent)
Upto 3,00,000	Nil
From 3,00,001 to 6,00,000	5
From 6,00,001 to 9,00,000	10
From 9,00,001 to 12,00,000	15
From 12,00,001 to 15,00,000	20
Above 15,00,000	30

A.5 Resident individual with total income up to ₹ 5,00,000 do not pay any tax due to rebate under both old and new regime. It is proposed to increase the rebate for the resident individual under the new regime so that they do not pay tax if their total income is up to ₹ 7,00,000.

A.6 Standard deduction of ₹ 50,000 to salaried individual, and

	deduction from family pension up to ₹ 15,000, is currently allowed only under the old regime. It is proposed to allow these two deductions under the new regime also.
A.7	Surcharge on income-tax under both old regime and new regime is 10 per cent if income is above ₹ 50 lakh and up to ₹ 1 crore, 15 per cent if income is above ₹1 crore and up to ₹ 2 crore, 25 per cent if income is above ₹ 2 crore and up to ₹ 5 crore, and 37 per cent if income is above ₹ 5 crore. It is proposed that the for those individuals, HUF, AOP (other than co-operative), BOI and AJP under the new regime, surcharge would be same except that the surcharge rate of 37 per cent will not apply. Highest surcharge shall be 25 per cent for income above ₹ 2 crore. This would reduce the maximum rate from about 42.7 per cent to about 39 per cent. No change in surcharge is proposed for those who opt to be under the old regime.
A.8	Encashment of earned leave up to 10 months of average salary, at the time of retirement in case of an employee (other than an employee of the Central Government or State Government), is exempt under sub-clause (ii) of clause (10AA) of section 10 of the Income-tax Act ("the Act") to the extent notified. The maximum amount which can be exempted is ₹ 3 lakh at present. It is proposed to issue notification to extend this limit to ₹ 25 lakh.
B. SOCIO-ECONOMIC WELFARE MEASURES	
B.1	**Promoting timely payments to Micro and Small Enterprises** In order to promote timely payments to micro and small enterprises, it is proposed to include payments made to such enterprises within the ambit of section 43B of the Act. Thus, deduction for such payments would be allowed only when actually paid. It will be allowed on accrual basis only if the payment is within the time mandated under the Micro, Small and Medium Enterprises Development Act.
B.2	**Agnipath Scheme, 2022** The payment received from the Agniveer Corpus Fund by the Agniveers enrolled in Agnipath Scheme, 2022 is proposed to be exempt from taxes. Deduction in the computation of total income is proposed to be allowed to the Agniveer on the contribution

made by him or the Central Government to his Seva Nidhi account.

B.3 Relief to sugar co-operatives from past demand

It is proposed that for sugar co-operatives, for years prior to A.Y. 2016-17, if any deduction claimed for expenditure made on purchase of sugar has been disallowed, an application may be made to the Assessing Officer, who shall recompute the income of the relevant previous year after allowing such deduction up to the price fixed or approved by the Government for such previous year.

B.4 Increasing threshold limit for Co-operatives to withdraw cash without TDS

It is proposed to enable co-operatives to withdraw cash up to ₹ 3 crore in a year without being subjected to TDS on such withdrawal.

B.5 Penalty for cash loan/transactions against primary co-operatives

It is proposed to amend section 269SS of the Act to provide that where a deposit is accepted by a primary agricultural credit society or a primary co-operative agricultural and rural development bank from its member or a loan is taken from a primary agricultural credit society or a primary co-operative agricultural and rural development bank by its member in cash, no penal consequence would arise, if the amount of such loan or deposit in cash is less than ₹ 2 lakh. Further, section 269T of the Act is proposed to be amended to provide that where a deposit is repaid by a primary agricultural credit society or a primary co-operative agricultural and rural development bank to its member or such loan is repaid to a primary agricultural credit society or a primary co-operative agricultural and rural development bank by its member in cash, no penal consequence shall arise, if the amount of such loan or deposit in cash is less than ₹ 2 lakh.

B.6 Relief to start-ups in carrying forward and setting off of losses

The condition of continuity of at least 51 per cent shareholding for setting off of carried forward losses is relaxed for an eligible start up if all the shareholders of the company continue to hold those shares. At present this relaxation applies for losses incurred during the period of 7 years from incorporation of such start-up. It is proposed to increase this period to 10 years.

B.7 Extension of date of incorporation for eligible start up for exemption

Certain start-ups are eligible for some tax benefit if they are incorporated before 1st April, 2023. The period of incorporation of such eligible start-ups is proposed to be extended by one year to before 1st April, 2024.

B.8 Gold to Electronic Gold Receipt

The conversion of physical gold to Electronic Gold Receipt and vice versa is proposed not to be treated as a transfer and not to attract any capital gains. This would promote investments in electronic equivalent of gold.

B.9 Incentives to IFSC

Relocation of funds to IFSC has certain tax exemptions, if the relocation is before 31.03.2023. This date is proposed to be extended to 31.03.2025. Further, any distributed income from the offshore derivative instruments entered into with an offshore banking unit is also proposed to be exempted subject to certain conditions.

B.10 Exemption to development authorities etc.

It is proposed to provide exemption to any income arising to a body or authority or board or trust or commission, (not being a company) which has been established or constituted by or under a Central or State Act with the purposes of satisfying the need for housing or for planning, development or improvement of cities, towns and villages or for regulating any activity or matter, irrespective of whether it is carrying out commercial activity.

B.11 Facilitating certain strategic disinvestments

To facilitate certain strategic disinvestments, it is proposed to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking company with any other banking institution or a company subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of strategic disinvestment. It is also proposed to modify the definition of 'strategic disinvestment'.

B.12 15 per cent concessional tax to promote new manufacturing co-operative society

In order to promote the growth of manufacturing in co-operative sector, a new co-operative society formed on or after 01.04.2023, which commences manufacturing or production by 31.03.2024 and do not avail of any specified incentive or deduction, is proposed to be allowed an option to pay tax at a concessional rate of 15 per cent similar to what is available to new manufacturing companies.

C. EASE OF COMPLIANCE

C.1 Ease in claiming deduction on amortization of preliminary expenditure

At present for claiming amortization of certain preliminary expenses, the activity is to be carried out either by the assessee or by a concern approved by the Board. In order to ease the process of claiming amortization of these expenses it is proposed to remove the condition of activity in connection with these expenses to be carried out by a concern approved by the Board. Format for reporting of such expenses by the assessee shall be prescribed.

C.2 Increasing threshold limits for presumptive taxation schemes

In order to ease compliance and to promote non-cash transactions, it is proposed to increase the threshold limits for presumptive scheme of taxation for eligible businesses from ₹ 2 crore to ₹ 3 crore and for specified professions from ₹ 50 lakh to ₹ 75 lakh. The increased limit will apply only in case the amount or aggregate of the amounts received during the year, in cash, does not exceed five per cent of the total gross receipts/turnover.

C.3 Extending the scope for deduction of tax at source at lower or nil rate

It is proposed to allow a taxpayer to obtain certificate of deduction of tax at source to lower or nil rate on sums on which tax is required to be deducted under section 194LBA of the Act by Business Trusts.

D. WIDENING & DEEPENING OF TAX BASE AND ANTI AVOIDANCE	
D.1	It is proposed to extend the deemed income accrual provision relating to sums of money exceeding fifty thousand rupees, received from residents without consideration to a not ordinarily resident with effect from 1st April, 2023.
D.2	It is proposed to omit the provision to allow tax exemption to news agencies set up in India solely for collection and distribution of news from the financial year 2023-24.
D.3	It is proposed to tax distributed income by business trusts in the hands of a unit holder (other than dividend, interest or rent which is already taxable) on which tax is currently avoided both in the hands of unit holder as well as in the hands of business trust.
D.4	It is proposed to withdraw the exemption from TDS currently available on interest payment on listed debentures.
D.5	With respect to presumptive schemes for non-residents, it is proposed to disallow carried forward and set off of loss computed as per books of account with presumptive income.
D.6	For online games, it is proposed to provide for TDS and taxability on net winnings at the time of withdrawal or at the end of the financial year. Moreover, TDS would be without the threshold of ₹ 10,000. For lottery, crossword puzzles games, etc threshold limit ₹ 10,000 for TDS shall continue but shall apply to aggregate winnings during a financial year.
D.7	The rate of TCS for foreign remittances for education and for medical treatment is proposed to continue to be 5 per cent for remittances in excess of ₹ 7 lakh. Similarly, the rate of TCS on foreign remittances for the purpose of education through loan from financial institutions is proposed to continue to be 0.5 per cent in excess of ₹7 lakh. However, for foreign remittances for other purposes under LRS and purchase of overseas tour program, it is proposed to increase the rates of TCS from 5 per cent to 20 per cent.
D.8	Tax on capital gains can be avoided by investing proceeds of such gains in residential property. This is proposed to be capped at ₹ 10 crore.

D.9	The income from market linked debentures is proposed to be taxed as short-term capital gains at the applicable rates.
D.10	It is proposed to provide for some provisions to minimise risk to revenue due to undervaluation of inventory.
D.11	It is proposed to provide that where aggregate of premium for life insurance policies (other than ULIP) issued on or after 1st April, 2023 is above ₹ 5 lakh, income from only those policies with aggregate premium up to ₹ 5 lakh shall be exempt. This will not affect the tax exemption provided to the amount received on the death of person insured. It will also not affect insurance policies issued till 31st March, 2023.
D.12	It is proposed to amend provisions for computing capital gains in case of joint development of property to include the amount received through cheque etc. as consideration.
D.13	While interest paid on borrowed capital for acquiring or improving a property can, subject to certain conditions, be claimed as deduction from income, it can also be included in the cost of acquisition or improvement on transfer, thereby reducing capital gains. It is proposed to provide that the cost of acquisition or improvement shall not include the amount of interest claimed earlier as deduction.
D.14	There are certain assets like intangible assets or rights for which no consideration has been paid for acquisition and the transfer of which may result in generation of income. Their cost of acquisition is proposed to be defined to be NIL.
E. IMPROVING COMPLIANCE AND TAX ADMINISTRATION	
E.1	With respect to rectification of orders by the Interim Board of Settlement, it is proposed to provide that where the time-limit for amending an order by it or for making an application to it expires on or after 01.02.2021 but before 01.02.2022, such time-limit shall stand extended to 30.09.2023.
E.2	To expedite the disposal of certain appeals pending with Commissioner (Appeals), it is proposed to introduce a new authority in the rank of Joint Commissioner/ Additional Commissioner [JCIT(Appeals)], for appeals against certain orders

passed by or with the approval of an authority below the rank of Joint Commissioner. Certain related and consequential amendments are also proposed in this regard.

E.3 It is proposed to reduce the minimum time period required to be provided by the transfer pricing officer to assessee for production of documents and information from 30 days to 10 days.

E.4 It is proposed to provide for appeal against penalty orders passed by Commissioner (Appeals) under certain sections of the Act before the Appellate Tribunal. It is also proposed to provide that an order under section 263 of the Act passed by the Principal Chief Commissioner or Chief Commissioner and any rectification order for the same shall also be appealable before the Appellate Tribunal. Further, it is proposed to enable filing of memorandum of cross-objections in all classes of cases against which appeal can be made to the Appellate Tribunal.

E.5 It is proposed to amend section 132 of the Act, dealing with search and seizure, to allow the authorised officer to take assistance of specific domain experts like digital forensic professionals, valuers and services of other professionals like locksmiths, carpenters etc. during the course of search and also to aid in accurate estimation of undisclosed income held in the form of property by the assessee.

E.6 Section 170A of the Act, inserted vide Finance Act, 2022 is proposed to be substituted to clarify that a modified return shall be furnished by an entity to whom the order of the business reorganisation applies, and to introduce provisions for assessment or reassessment in cases where such modified return is furnished.

E.7 It is proposed that an order of assessment may be passed within a period of 12 months from the end of the relevant assessment year or the financial year in which updated return is filed, as the case may be. It is also proposed that in cases where search under section 132 of the Act or requisition under section 132A of the Act has been made, the period of limitation of pending assessments shall be extended by twelve months.

E.8 It is proposed to make amendments to empower the Central Government to make modifications in the already notified

	schemes regarding e-Verification, Dispute Resolution, Advance Rulings, Appeal and Penalty, at any time to enable better implementation of such schemes.
E.9	It is proposed to limit the time for furnishing of a return for reassessment. Further, it is also proposed to provide that in cases where search related information is available after 15th March of any financial year, an additional period of fifteen days shall be allowed for issuance of notice, for assessment/reassessments etc, under section 148 of the Act. It is also proposed to clarify that the specified authority for granting approval shall be Principal Chief Commissioner or Principal Director General or Chief Commissioner or Director General.
E.10	It is proposed to provide a penalty of ₹ 5,000 if there is any inaccuracy in the statement of financial transactions submitted by a prescribed reporting financial institution due to false or inaccurate information submitted by the account holder.
E.11	It is proposed to amend section 271C and section 276B of the Act to provide for penalty and prosecution where default in TDS relates to transaction in kind.
E.12.	It is proposed to amend the time period for filing of appeal against the order of the Adjudicating authority under Benami Act within a period of 45 days from the date when such order is received by the Initiating Officer or the aggrieved person. The definition of 'High Court' is also proposed to be modified to allow determination of jurisdiction for filing appeal in the case of non-residents.
F. RATIONALISATION	
F.1	The restriction on interest deductibility on interest payment to overseas associated enterprise does not apply to those in the business of banking and insurance. It is proposed to extend this benefit to non-banking financial companies, as may be notified.
F.2	TDS on payment of certain income to a non-resident is currently at the rate of 20 per cent, but the tax rate in treaties may be lower. It is proposed to allow the benefit of tax treaty at the time of TDS on such income under section 196A of the Act.

F.3	At present the TDS rate on withdrawal of taxable component from Employees' Provident Fund Scheme in non-PAN cases is 30 per cent. It is proposed to reduce it to 20 per cent, as in other non-PAN cases.
F.4	Sometimes, tax for income of an earlier year is deducted later, while tax thereon has already been paid in the earlier year. Amendment is proposed to facilitate such taxpayers to claim credit of this TDS in the earlier year.
F.5	Higher TDS/TCS rate applies, if the recipient is a non-filer i.e. who has not furnished his return of income of preceding previous year and has aggregate of TDS and TCS of ₹ 50,000 or more. It is proposed to exclude a person who is not required to furnish the return of income for such previous year and who is notified by the Central Government in the Official Gazette in this behalf.
F.6	It is proposed to clarify that the amount of advance tax paid is reduced only once for computing the interest payable u/s 234B in the case of an updated return.
F.7	It is proposed to extend taxability of the consideration (share application money/ share premium) for shares exceeding the face value of such shares to all investors including non-residents.
F.8	It is proposed to enable prescription of a uniform methodology for computing the value of perquisite with respect to accommodation provided by employers to their employees.
F.9	It is proposed to provide a time limit for an SEZ unit to bring the proceeds from exports of goods or services into India. The filing of income-tax return is also proposed to be made mandatory for claiming deduction on export income.
F.10	Due to changes in classification of non-banking financial companies by the Reserve Bank of India, it is proposed to make necessary amendments to align such classifications in the Act with the same.
F.11	It is proposed to clarify that for taxability under section 28 of the Act as well for tax deduction at source under section 194R of the Act, the benefit could also be in cash.
F.12	It is proposed to make amendments relating to exemption

provided to charitable trusts and institution to

- provide clarity on tax treatment on replenishment of corpus and on repayment of loans/borrowings;
- treat only 85 per cent of donation made to another trust as application;
- omit the redundant provisions related to rolling back of exemption;
- combine provisional and regular registration in some cases;
- modify the scope of specified violation;
- provide for payment of tax on assets if a trust does not apply for exemption after getting provisional exemption and for re-exemption after expiry of exemption;
- align of time for furnishing of certain forms;
- clarify that the time provided for furnishing return of income for claiming exemption shall not include the time provided for furnishing updated return.

F.13 It is proposed to omit certain name-based funds from section 80G of the Act, which provides for deduction of donation to such funds from the income of the donor.

F.14 It is proposed to provide that where refund is due to a person, such refund shall be set off against existing demand, and if proceedings for assessment or reassessment are pending in such case, the refund due will be withheld by the Assessing Officer till the date of assessment or reassessment.

G. OTHERS

G.1 It is proposed to omit section 88 and some of the clauses of section 10 of the Act which are no longer in force.

G.2 It is proposed to extend tax exemption to Specified Undertaking of Unit Trust of India (SUUTI) till 30th September, 2023. It is also proposed to enable the Central Government to notify the date of vacation of office of administrator of SUUTI.

G.3 It is proposed to decriminalize certain acts of omission of liquidators under section 276A of the Act with effect from 1st April, 2023.

Annexure to Part B of the Budget Speech 2023-24

Amendments relating to Indirect Taxes

A. LEGISLATIVE CHANGES IN CUSTOMS LAWS

A.1 Amendments in the Customs Act, 1962

Section 25 (4A) is being amended to exclude certain categories of conditional customs duty exemptions from the validity period of two years, such as, notifications issued in relation to multilateral or bilateral trade agreements; obligations under international agreements, treaties, conventions including with respect to UN agencies, diplomats, international organizations; privileges of constitutional authorities; schemes under Foreign Trade Policy; Central Government schemes having a validity of more than two years; re-imports, temporary imports, goods imported as gifts or personal baggage; any other duties of Customs under any other law in force including IGST levied under section 3(7) of Customs Tariff Act, 1975, other than duty of customs levied under section 12 of the Customs Act 1962.

Section 127C is being amended to specify a time limit of nine months from date of filing application for passing final order by Settlement Commission.

A.2 Amendments in the provisions relating to Anti-Dumping Duty (ADD), Countervailing Duty (CVD), and Safeguard Measures

Sections 9, 9A, 9C of the Customs Tariff Act are being amended to clarify the intent and scope of these provisions. They are also being validated retrospectively with effect from 1st January 1995.

A.3 Amendments in the First Schedule to the Customs Tariff Act, 1975

The First Schedule to the Customs Tariff Act, 1975 is being amended to increase the rates on certain tariff items with effect from 02.02.2023 and also modify the rates on certain other tariff items as part of rate rationalisation with effect from date of assent.

The First Schedule to the Customs Tariff Act is being proposed to be amended in accordance with HSN 2022 amendments.

New tariff lines are also proposed to be created, which will help in better identification of millet-based products, mozzarella cheese, medicinal plants and their parts, certain pesticides, telecom products, synthetic diamonds, cotton, fertilizer grade urea etc. This will also help in trade facilitation by better identification of the above items, getting clarity on availing concessional import duty through various notifications and thus reducing dwell time.

These changes shall come into effect from 01.05.2023.

A.4 Amendment in the Second Schedule to the Customs Tariff Act, 1975

The Second Schedule (Export Tariff) is being amended to align the entries under heading 1202 with that of the First Schedule (Import Tariff) .

B. LEGISLATIVE CHANGES IN GST LAWS

B.1 Decriminalisation

Section 132 and section 138 of CGST Act are being amended, inter alia, to **-**

- raise the minimum threshold of tax amount for launching prosecution under GST from ₹ one crore to ₹ two crore, except for the offence of issuance of invoices without supply of goods or services or both;
- reduce the compounding amount from the present range of 50 per cent to 150 per cent of tax amount to the range of 25 per cent to 100 per cent;
- decriminalize certain offences specified under clause (g), (j) and (k) of sub-section (1) of section 132 of CGST Act, 2017, viz.-
  - obstruction or preventing any officer in discharge of his duties;
  - deliberate tempering of material evidence;
  - failure to supply the information.

B.2 Facilitate e-commerce for micro enterprises

Amendments are being made in section 10 and section 122 of the CGST Act to enable unregistered suppliers and composition taxpayers to make intra-state supply of goods through E-Commerce Operators (ECOs), subject to certain conditions.

B.3 Amendment to Schedule III of CGST Act, 2017

Paras 7, 8 (a) and 8 (b) were inserted in Schedule III of CGST Act, 2017 with effect from 01.02.2019 to keep certain transactions/ activities, such as supplies of goods from a place outside the taxable territory to another place outside the taxable territory, high sea sales and supply of warehoused goods before their home clearance, outside the purview of GST. In order to remove the doubts and ambiguities regarding taxability of such transactions/ activities during the period 01.07.2017 to 31.01.2019, provisions are being incorporated to make the said paras effective from 01.07.2017. However, no refund of tax paid shall be available in cases where any tax has already been paid in respect of such transactions/ activities during the period 01.07.2017 to 31.01.2019.

B.4 Return filing under GST

Sections 37, 39, 44 and 52 of CGST Act, 2017 are being amended to restrict filing of returns/ statements to a maximum period of three years from the due date of filing of the relevant return / statement.

B.5 Input Tax Credit for expenditure related to CSR

Section 17(5) of CGST Act is being amended to provide that input tax credit shall not be available in respect of goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013.

B.6 Sharing of information

A new section 158A in CGST Act is being inserted to enable sharing of the information furnished by the registered person in his return or application of registration or statement of outward supplies, or the details uploaded by him for generation of electronic invoice or E-way bill or any other details on the common portal, with other systems in a manner to be prescribed

B.7 Amendments in section 2 clause (16) of IGST Act, 2017

Clause (16) of section 2 of IGST Act is amended to revise the definition of "non-taxable online recipient" by removing the condition of receipt of online information and database access or retrieval services for purposes other than commerce, industry or any other business or profession so as to provide for taxability of OIDAR service provided by any person located in non-taxable territory to an unregistered person receiving the said services and located in the taxable territory. Further, it also seeks to clarify that the persons registered solely in terms of clause (vi) of Section 24 of CGST Act shall be treated as unregistered person for the purpose of the said clause.

B.8	**Online information and database access or retrieval services** Clause (17) of section 2 of IGST Act is being amended to revise the definition of “online information and database access or retrieval services” to remove the condition of rendering of the said supply being essentially automated and involving minimal human intervention.
B.9	**Place of supply in certain cases** Proviso to sub-section (8) of section 12 of the IGST Act is being omitted so as to specify the place of supply, irrespective of destination of the goods, in cases where the supplier of services and recipient of services are located in India.

C. CUSTOMS DUTY RATE CHANGES

C.1. Reduction in basic customs duty to reduce input costs, deepen value addition, to promote export competitiveness, correct inverted duty structure so as to boost domestic manufacturing etc [with effect from 02.02.2023]

S. No.	Commodity	From (per cent)	To (per cent)
I.	**Agricultural Products**		
1.	Pecan Nuts	100	30
2.	Fish meal for manufacture of aquatic feed	15	5
3.	Krill meal for manufacture of aquatic feed	15	5
4.	Fish lipid oil for manufacture of aquatic feed	30	15
5.	Algal Prime (flour) for manufacture of aquatic feed	30	15
6.	Mineral and Vitamin Premixes for manufacture of aquatic feed	15	5
7	Crude glycerin for use in manufacture of Epichlorohydrin	7.5	2.5
8	Denatured ethyl alcohol for use in manufacture of industrial chemicals.	5	Nil
II.	**Minerals**		
1	Acid grade fluorspar (containing by weight more than 97 per cent of calcium fluoride)	5	2.5
III.	**Gems and Jewellery Sector**		
1.	Seeds for use in manufacturing of rough lab-grown diamonds	5	Nil

IV.	**Capital Goods**		
1.	Specified capital goods/machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs)	As applicable	Nil (up to 31.03.2024)
V.	**IT and Electronics**		
1.	Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder	7.5	Nil (up to 31.03.2024)
2.	Palladium Tetra Amine Sulphate for manufacture of parts of connectors	7.5	Nil (up to 31.03.2024)
3.	Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone	2.5	Nil
4.	Specified parts for manufacture of open cell of TV panel	5	2.5
VI.	**Electronic Appliances**		
1.	Heat coil for manufacture of electric kitchen chimneys	20	15
VII.	**Others**		
1.	Warm blood horse imported by sports person of outstanding eminence for training purpose	30	Nil
2.	Vehicles, specified automobile parts/components, sub-systems and tyres when imported by notified testing agencies, for the purpose of testing and/ or certification, subject to conditions.	As applicable	Nil

C.2. Increase in Customs duty [with effect from 02.02.2023]

S. No.	Commodity	Rate of duties	
		From (per cent)	To (per cent)
I.	**Chemicals**		
1.	Styrene	2 (+0.2 SWS)	2.5 (+0.25 SWS)
2.	Vinyl chloride monomer	2 (+0.2 SWS)	2.5 (+0.25 SWS)
II	**Petrochemical**		
1	Naphtha	1 (+ 0.1 SWS)	2.5 (+0.25 SWS)
III.	**Precious Metals**		
1.	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	7.5 (+ 2.5 AIDC+ 0.75 SWS)	10 (+ 5 AIDC+ Nil SWS)
2.	Silver dore	6.1 (+ 2.5 AIDC+ 0.61 SWS)	10 (+ 4.35 AIDC+ Nil SWS)
IV.	**Gems and Jewellery Sector**		
1.	Articles of Precious Metals such as gold/silver/platinum	20 (+Nil AIDC +2 SWS)	25 (+Nil AIDC +Nil SWS)
2.	Imitation Jewellery	20 or ₹ 400/kg., whichever is higher (+Nil AIDC +2 or ₹ 40 per Kg SWS)	25 or ₹ 600/kg., whichever is higher (+Nil AIDC +Nil SWS)

S. No.	Commodity	Rate of duties	
		From (per cent)	To (per cent)
V.	**Automobiles**		
1	Vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form .	30 (+3 SWS)	35 (+Nil SWS)
2	Vehicle in Completely Built Unit (CBU) form, other than with CIF more than USD 40,000 or with engine capacity more than 3000 cc for petrol-run vehicle and more than 2500 cc for diesel-run vehicles, or with both	60 (+6 SWS)	70 (+Nil SWS)
3	Electrically operated Vehicle in Completely Built Unit (CBU) form, other than with CIF value more than USD 40,000	60 (+ 6 SWS)	70 (+Nil SWS)
VI.	**Others**		
1.	Bicycles	30 (+ Nil AIDC +3 SWS)	35 (+ Nil AIDC +Nil SWS)
2.	Toys and parts of toys (other than parts of electronic toys)	60 (+Nil AIDC+ 6 SWS)	70 (+Nil AIDC+ Nil SWS)
3.	Compounded Rubber	10	25 or ₹ 30/kg., whichever is lower
4.	Electric Kitchen Chimney	7.5	15

** AIDC -Agriculture Infrastructure Development Cess; SWS – Social Welfare Surcharge*

D. CHANGES IN CENTRAL EXCISE

D.1. **NCCD Duty rate on Cigarettes [with effect from 02.02.2023]**

Description of goods	Rate of excise duty	
	From (₹ per 1000 sticks)	To (₹ per 1000 sticks)
Other than filter cigarettes, of length not exceeding 65 mm	200	230
Other than filter cigarettes, of length exceeding 65 mm but not exceeding 70 mm	250	290
Filter cigarettes of length not exceeding 65 mm	440	510
Filter cigarettes of length exceeding 65 mm but not exceeding 70 mm	440	510
Filter cigarettes of length exceeding 70 mm but not exceeding 75 mm	545	630
Other cigarettes	735	850
Cigarettes of tobacco substitutes	600	690

D.2. **Other changes in Central Excise [with effect from 02.02.2023]**

In order to promote green fuel, central excise duty exemption is being provided to blended Compressed Natural Gas from so much of the amount as is equal to the GST paid on Bio Gas/Compressed Bio Gas contained in the blended CNG**.**

E. OTHERS

There are few other changes of minor nature. For details of the budget proposals, the Explanatory Memorandum and other relevant budget documents may be referred to.

*****