



# □ FOREWARD



- India's economic growth in the current year is estimated to be 9.2% which is highest amongst all large economies.
- Despite the pandemic GST revenues are buoyant, Gross GST collections for the month of January 2022 is ₹1,40,986 cr, which is the highest since the inception of GST. There is rapid economic recovery post covid.
- A 6.4% fiscal deficit has been projected for India in FY23, revised fiscal deficit estimated at 6.9% of GDP.
- States to get Rs 1 lakh crore as 50-year interest-free loans to help fund PM Gati Shakti-related investments.
- The government's effective capital expenditure is estimated at Rs 10.68 lakh crore in 2022-23, about 4.1% of GDP.
- The outlay for capital expenditure to be stepped up sharply by 35.4% from Rs 4.54 lakh crore to Rs 7.50 lakh crore in 2022-23.

# Budget Highlights



# □ DIRECT TAX



- Introducing new '**Updated return**' 2 years from the end of relevant A.Y for the payment of additional taxes .
- Alternate Minimum Tax paid by Cooperative societies reduced from 18.5% to 15%.
- Surcharge on Cooperative Societies reduced from 12% to 7%.
- Tax relief to persons with disability on payment of annuity and lump sum amount from Insurance Scheme.
- Tax deduction limit increased to 14% from 10% on Employer's Contribution to the National Pension Scheme account of State Government Employees.
- Any surcharge and cess levied on income are not allowed as business expenditure.
- Brought forward loss cannot be set off against undisclosed income detected during any survey or search

- Period of Incorporation extended up to 31-03-2023 for eligible start-ups to avail the tax benefit.(section 80IAC)
- Extension of incentive for commencement of manufacturing or production under section 115BAB up to 31-03-2024.
- Any income from transfer of any **virtual digital asset (Crypto currency)** to be taxed at the rate of 30%.
- TDS shall be deducted at the rate of 1% on payment made in relation to transfer of virtual digital assets.
- Surcharge on AOPs (consortium formed to execute a contract) to be capped at 15%.
- Surcharge on long term capital gains arising on transfer of any type of assets to be capped at 15%.



# 1. Changes under the head Profit and gains from business or Profession

- i. Any expenditure is “not” allowed against the “exempted incomes” where the incomes are “not” accrued, arise or received during the previous year relevant to the assessment year applicable from April 01, 2022- AY. 2023-2024
- ii. Any expenditure is “not” allowed against the “incomes” as incurred on the activities which are offensive or prohibited under the law in India and outside India “both” explanation to Section 37(1) applicable from April 01, 2022 - Assessment year 2023-2024
- iii. “Deduction” is not allowed in the hands of donor where donee is a research association, university, college or other institution as referred under the clause (ii) or clause (iii) or the company referred in Section 35(1) in clause (iia) has not filed the statement of “all” donations as received from all donors applicable from April 01, 2021 - Assessment year 2022-2023
- iv. “Deduction” is not allowed against the payment of “deferred interest” through conversion of interest into debentures or any other instruments, section 43B, applicable from April 01, 2022 - Assessment year 2023-2024
- v. “Extension” of time is allowed from March 31, 2023 to March 31, 2024 for concessional rate of Income tax @ 15% to the “new manufacturing companies” against commencement of manufacturing or production of articles/things, section 115BAB, applicable from April 01, 2022

## 2. Changes under the head of Income from Other Sources, section 56(2)(x)

- i. Amount as received for medical treatment or on account of death due to COVID-19 is not to be treated as income. Hence this receipt is exempted from treating as income under the head income from other sources. However followings important features are to be considered applicable from April 01, 2020 - Assessment year 2021-2022
  - a) 100% amount is not to be treated as income where amount is received from “any person” for expenditures on illness under the head Covid-19 against medical treatment of a person or his family.
  - b) 100% amount is not to be treated as income where amount is received by a family member of the “diseased employee” from the “employer” against death of employee due to Covid-19.
  - c) Maximum 10 Lakhs is not to be treated as income where amount is received by a family member of the “diseased person” from the “any person” against death of the person due to Covid-19. Moreover the amount should also be received within 12 months from the death of the person. (ii) Now value of the “gift” or any transfer for “inadequate consideration” is to be treated as income under the head income from the other sources where the gift or transfer is made under the head “Virtual Digital Assets” (VDA). Applicable from April 01, 2022 - Assessment year 2023-202
- ii. Now value of the “gift” or any transfer for “inadequate consideration” is to be treated as income under the head income from the other sources where the gift or transfer is made under the head “Virtual Digital Assets” (VDA). Applicable from April 01, 2022

### **3. Changes under the head Incomes from Salary-section 17, applicable from April 01, 2020 - Assessment year 2021-22.**

“Perquisites” are not to be treated as income in the hands of the employees where any sum is paid by employer for the expenditures 2 against the illness under the head Covid-19 for the purpose of medical treatment of the employee or his family

### **4.Changes under the head of Capital Gain, “New” explanation under, section 50, applicable from April 01, 2021 - Assessment year 2022-23.**

Goodwill of a business or profession is treated as “deemed transfer” where goodwill is “reduced” from the block of assets.





## 5. Changes under the head Rates of Income Tax, Cess & Surcharge



- i. “Reduction” for non-corporate assessee against the Alternate Minimum Tax (AMT)-Section 115JC
  - (a) For a Co-operative society from 18.5% to 15%.
  - (b) For any type of assessee against an unit as located in International Financial Services Centre (IFSC) where the incomes are received in convertible foreign exchange from 18.5% to 9%.
- (ii) “Reduction” in rates of the surcharge
  - (a) For a Co-operative Society where income is between 1 crore and 10 crore from 12% to 7%. Hence “no reduction” in surcharge where income is exceeding 10 crore.
  - (b) For an any type of assessee against long Term capital gains section 112 from 25 % / 37% to 15%
- (iii) “Abolition” of the concessional rate of Income tax- Section 115BBD • Now concessional rate of Income tax @ 15% is abolished against receipt of dividend incomes by a resident of India from the dividend paying specified foreign company

# □ INDIRECT TAX



## Remarkable progress in GST –

- **Special Economic Zones** - Customs Administration of SEZs to be fully IT driven and function on the Customs National Portal - shall be implemented by 30th September 2022.
- **Customs Reforms and duty rate changes** - Faceless Customs has been fully established. During Covid-19 pandemic, Customs formations have done exceptional frontline work against all odds displaying agility and purpose.
- **Project imports and capital goods** - Certain exemptions for advanced machineries that are not manufactured within the country shall continue.
- Gradually phasing out of the concessional rates in capital goods and project imports; and applying a moderate tariff of 7.5 percent - conducive to the growth of domestic sector and 'Make in India'.
- A few exemptions introduced on inputs, like specialized castings, ball screw and linear motion guide - to encourage domestic manufacturing of capital goods.
- The due date to file GSTR-5 by Non-resident taxable persons is revised from 20th of next month to 13th of next month.
- Section 38, earlier called furnishing of inward supplies, is amended completely to remove reference of earlier GSTR-2 and replace it with GSTR-2A and GSTR-2B with new heading as 'Communication of details of inward supplies and input tax credit'.

## □ MAJOR CHANGES IN GOODS AND SERVICE TAX

1. A new clause (ba) to sub-section (2) of section 16 of the CGST Act is being inserted to provide that input tax credit with respect to a supply can be availed only if such credit has not been restricted in the details communicated to the taxpayer under section 38. Further, sub-section (4) of section 16 of the CGST Act is being amended so as to provide for an extended time for availment of input tax credit by a registered person in respect of any invoice or debit note pertaining to a financial year upto thirtieth day of November of the following financial year.
2. Clause (b) and (c) of sub-section (2) of section 29 of the CGST Act are being amended so as to provide that the registration of a person is liable for cancellation, where - (i) a person paying tax under section 10 has not furnished the return for a financial year beyond three months from the due date of furnishing of the said return; (ii) a person, other than those paying tax under section 10, has not furnished returns for continuous tax period of six months.
3. Sub-section (2) of section 34 of the CGST Act is being amended so as to provide for an extended time for issuance of credit notes in respect of any supply made in a financial year upto thirtieth day of November of the following financial year.

# GOODS AND SERVICE TAX

4. Section 37 of the CGST Act is being amended so as to:

- (i) provide for prescribing conditions and restrictions for furnishing the details of outward supply and for communication of the details of such outward supplies to concerned recipients;
- (ii) do away with two-way communication process in return filing;
- (iii) provide for an extended time upto thirtieth day of November of the following financial year for rectification of errors in respect of details of outward supplies furnished under subsection (1);
- (iv) provide for tax period-wise sequential filing of details of outward supplies under sub-section (1).

5. Section 38 of the CGST Act is being substituted for prescribing the manner as well as conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement and to do away with twoway communication process in return

6. Section 39 of the CGST Act is being amended so as to:

- (i) provide that the non-resident taxable person shall furnish the return for a month by thirteenth day of the following month;
- (ii) provide an option to the persons furnishing return under proviso to sub-section (1), to pay either the self-assessed tax or an amount that may be prescribed;
- (iii) provide for an extended time upto thirtieth day of November of the following financial year, for rectification of errors in the return furnished under section 39; provide for furnishing of details of outward supplies of a tax period under sub-section (1) of section 37 as a condition for furnishing the return under section 39 for the said tax period.

## □ OTHERS

- Review of customs exemptions and tariff simplification
  - More than 350 exemption entries proposed to be gradually phased out, like exemption on certain agricultural produce, chemicals, fabrics, medical devices, & drugs and medicines for which sufficient domestic capacity exists.
  - Simplifying the Customs rate and tariff structure particularly for sectors like chemicals, textiles and metals and minimize disputes; Removal of exemption on items which are or can be manufactured in India and providing concessional duties on raw material that go into manufacturing of intermediate products - in line with the objective of 'Make in India' and 'Atmanirbhar Bharat'.
  - Unblended fuel shall attract additional differential excise duty
  - Customs duty rates are being calibrated to provide a graded rate structure to facilitate domestic electronics manufacturing





- **New Provisions relating to Virtual Digital Assets (VDA) (Crypto Currencies, NFT Etc.) “New” section-115BBH, applicable from April 01, 2022 for Assessment year 2023-2024**
  - (i) Now income tax is to be levied on the VDA (Crypto Currencies, NFT etc.) The important features are followings :-
    - (a) Incomes from the VDA transactions are to be charged for the Income tax @ 30% (flat).
    - (b) “Incomes” on the VDA transactions are to be computed “after” deduction of cost of acquisition “only”. Hence any “other expenses” are not allowed for deduction against the VDA incomes.
    - (c) “Losses” on the VDA transactions are not to be set off against any head of the incomes in “current” assessment year.
    - (d) “Losses” on the VDA transactions are not to be set off against any head of the incomes in “next” assessment years.
  - (ii) The term VDA is being defined under section 2(47A)
  - (iii) The term “gift of VDA” is being included as “property” under section 56(2)(x)

## ❑ Tax Deducted at source

- (i) Now TDS @ 1% is to be deducted against transfer of immovable property (non agricultural land) to a resident on “stamp duty” value or “actual transaction” value whichever is higher where the amount is exceeding 50 lac under section 194-I
  
- (ii) TDS @ 10% on the benefits and perquisites in kind under “new” section 194-R 15
  - (a) Now TDS @ 10% is applicable “before” provision of any benefit or perquisite “in kind” to a resident relating to a business or profession
  - (b) TDS under is not applicable in the following circumstances.
    - (ba) Where aggregate value of the benefits and perquisites to a resident is not exceeding Rs. 20 thousand during the financial year or
    - (bb) Where an individual or HUF whose total sales, gross receipts or turnover is not exceeding Rs. 1 Cr relating to business or Rs. 50 lacs relating to profession during the financial year immediately preceding the financial year in which the benefit or perquisite is provided
  
- (iii) “Changes” under the section 206AB
  - (a) Now the sections 194-IA, 194-IB and 194-M have been added in the “list of exclusion” for the purpose of “special provision” of the TDS.
  - (b) Now the requirement for “increased rate” of TDS and TCS on the assessee whose return of income is not filed for the previous assessment year (AY) is “reduced” from 2 AY to 1 AY under section 206AB and 206CC

## ❑ MISCELLANEOUS PROVISIONS

1. Increased” the scope of section 94 under the head “bonus stripping” by way of inclusion of the securities or units and also to include units of a business trust like Infrastructure Investment Trust, Real Estate Investment Trust or Alternative Investment Funds
2. Now CBDT is permitted to issue any order or instruction under section 234F for any “general” relief or relaxation
3. Now AO is required to pass the “final order” within 1 month from end of month in which order of Dispute Resolution Committee (DRC) under section 245MA is received by the assessee
4. “Extension” for date of issuance of direction under section 144C for the faceless regime for Dispute Resolution Panel (DRP) from March 31st 2022 to March 31st 2024.
5. In bonus stripping, the investors acquire units before the mutual fund company makes any bonus issue. Once they issue the bonus units, the investors sell the original units, which they had held earlier. This can lead to short term capital loss. Later, after one year, they dispose of the bonus units. Hence, investors enjoy two-fold benefits. One benefit is the short term capital loss for the sale of original units, which is available for set off against any capital gains. The other is the benefit of a concessional rate of tax of 10% of the long term gains made on the same of the bonus units.



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