

Finance Bill, 2023

Summary of Amendments - DIRECT TAXATION

Individuals:

1. No change in old tax regime
2. New tax regime is the default tax regime. However, individuals are free to change to old tax regime, which is same as last year.
3. Rebate under New Tax Regime increased from INR 12,500 to INR 25,000 (If total income is less than 7 lakhs, no tax payable)
4. Surcharge under New Tax Regime reduced from 37% to 25% - Effective tax rate will now be 39% in place of 42.74% other than capital gains more than 2 crores
5. New Tax Regime Slab Rates

Sl No	Total Income	Rate of tax
1.	Upto 3,00,000	NIL
2.	3,00,001 - 6,00,000	5%
3.	6,00,001 - 9,00,000	10%
4.	9,00,001 - 12,00,000	15%
5.	12,00,001 - 15,00,000	20%
6.	More than 15,00,000	30%

6. Presumptive Taxation Limits (provided total cash receipts is less than 5% of gross receipts / turnover):
 - Business - 3 crores
 - Profession - 75 lakhs
7. Exemption of Capital Gains under section 54 & 54F is allowed with restriction cost of new asset being house property to Rs.10 Crores or less.
8. Any deductions claimed under Section 24(b) or under provision of Chapter VIA will be reduced from cost of acquisition for the purpose of computation of capital gain.

MSA Comments: It is clear that an individual cannot add the interest component claimed as deduction under House property income to cost of acquisition and repayment of principal (claimed under section 80C) shall be reduced.

9. Contribution to Agnipath Scheme on or after 01.11.2022 shall be allowed as deduction from total income.
10. Total contribution towards Agniveer Corpus Fund by Central Government Employees through their monthly salary deducted, claimable as deduction under section 80CCH(2).
11. TDS on PF withdrawals where PAN is not available is reduced from 39% to 10%.
12. Exemption of maturity value of life insurance proceeds under section 10(10D) shall not be available if the total yearly premium paid on all the existing policies exceed Rs. 5 lakhs. This condition for claiming exemption would be applicable for policies obtained on or after 01.04.2023.
13. Winnings from online games taxed at 30% as per computation mechanism to be notified.
14. The authorized dealers (Banks) to collect Tax Collected at Source (TCS) on foreign outward remittances @5% under Liberalized Remittance Scheme towards for the purpose of education and medical treatment and amount of remittance exceeds Rs. 7 Lacs and **@20% in all other remittances irrespective of limits.**

Companies:

15. If shares are issued at a price above the fair market value to any person (Resident / Non-resident) the differential premium of total consideration and the fair market value would be taxed under Income from Other Sources in the hands of the Company.
16. Special deduction for SEZ units under section 10AA shall be available only if the SEZs file the income tax return within the specified due date. Further, the special deduction for SEZ would be available only if the entire proceeds from export of goods or services is brought into India within 6 months from the end of the previous year.
17. Eligible start-ups in the event of change in shareholding can now set off and carry forward losses up to 10 years from the year of incorporation
18. The incorporation period for eligible startup is increased from 01st April 2023 to **01st April 2024.**
19. Any sum payable by the assessee to a Micro or Small enterprise beyond the time limit specified in Section 15 of the MSME Act, 2006 will disallowed under Section 43B.

Trusts:

20. If in case a trust is unable to appropriate 85% of the income towards its objects, it is now required to communicate the said fact of non-appropriation in Form 10 at least **2 months** prior to the due date of filing income tax return.

Co-Operative Societies

21. Co-Operative societies which are engaged in manufacturing are have an option to pay the income tax at 15% if the Co-Operative Society set up and registered 01st April 2023 and has commenced manufacturing or production on or before 31st March 2024.
22. Tax Deducted at Source on cash withdrawal limit increased from Rs.1 Crore to Rs.3 Crores where recipient is a Co-Operative Society.

Summary of Amendments - INDIRECT TAXATION

1. Composition dealers now allowed to make intra-state supply of goods through E-Commerce Operators i.e., **Operations through e-Commerce is allowed;**
2. Input tax credit can **either be added to Output tax or reversed from ITC**, if consideration for supplies is not paid within 180 days;
3. **No requirement to reverse proportionate input tax credit** on supply of warehoused goods before clearance for home consumption;
4. GST paid on Goods or services used to fulfil CSR Obligations is **NOT** eligible as input tax credit.
5. **Exempt suppliers / agriculturalists need not obtain GST registration (retrospectively)**, even if they
 - receive supplies liable under reverse charge;
 - effect inter-state supplies;
 - supply through E-commerce operators etc.,
6. Tax payers barred from filing GSTR 1, GSTR 3B, GSTR 9, GSTR 9C and GSTR 8 (TCS Return) **after 3 years from the respective due dates;**
7. **Penalty imposed on E-Commerce Operators (ECO)** at Rs. 10,000 or tax component, whichever is higher if they:
 - Allow an unregistered person to make supplies through them;
 - Allow inter-state supplies even when unregistered supplier is not eligible to do so (For Example, composition dealers as they are not allowed to supply outside their state)
 - Fail to furnish details in GSTR 8

8. **Below offences are decriminalized** (No imprisonment):

- Obstructing an officer;
- Failure to provide information and
- Tampering / Destroying documents.

9. Applicability of imprisonment if tax evaded is less than 250 lakhs:

Particulars	Imprisonment
In case of "issuing invoice leading to ITC availment / utilization / refund without underlying supply".	1 year with fine
Any other case	No Imprisonment or fine

10. Amount payable for compounding of offences:

Time frame	Minimum	Maximum
Earlier to Finance Act, 2023	10,000 or 50% of tax, whichever is higher	30,000 or 150% of tax, whichever is higher
Subsequent to Finance Act, 2023 (Date not yet notified)	25% of tax involved	100% of tax involved

11. **Common Portal authorized to share these details** to various other systems (such as Income Tax, RBI) after obtaining consent from parties involved –

- ✓ Registration application details
- ✓ Details furnished in GSTR 3B, GSTR 1, GSTR 9 and GSTR 9C
- ✓ Details uploaded for E-invoice
- ✓ Details furnished for E-way Bill etc.,

12. **Retrospective applicability of the below supplies as neither goods nor services** –

- (a) Supply of goods from non-taxable territory to another place in non-taxable territory
- (b) Supply of warehoused goods before clearance for home consumption

13. Foreign vendors like Google / Facebook / Godaddy is now required to pay tax on online information database access or retrieval services under forward charge (in place of RCM by recipient involved in business) when supplied to unregistered persons.

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