

BRIEF ANALYSIS ON DIRECT TAX PROPOSALS

– UNION BUDGET 2023



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INTRODUCTION

The Union Budget to envision the Amrit Kaal had a vibrant touch on the multifarious areas of the economy. The Indian economy is on the right fast track heading toward a vision of a Developed India. India's global profile is rising due to world-class digital infrastructure and a proactive role in frontier areas.

The Second time holder of the Indian Sovereign had protruded and put out a non-surreptitious and pellucid budget to India. To achieve the vision of the Amrit Kaal, the Budget lays down seven priority areas- Saptarishi" i.e., Inclusive Development: Sabka Sath Sabka Vikas, Reaching the Last Mile, Infrastructure & Investment, Unleashing the Potential, Green Growth, Youth Power, and finally and a very important boost to the Financial Sector.

The budget also is in augmenting the benefits and upliftment of the MSMEs in India, creating PAN as the Common Identifier for the Digital System, Jan Vishwas Bill whereby it amended 42 Acts and enhanced the Ease of Doing Business as envisioned by the World Bank, more than 39,000 compliances have been reduced and more than 3,400 legal provisions had been decriminalized, further boosting the Green Energy to align India with the Nationally Determined Contribution, improve the Science and Technology field to have the catch-hold on the impending opportunities for India.

In this article, we are trying to throw light towards some of the major proposals on Income Tax regime.

1. Personal Taxation

★ With an intention to increase the acceptability towards a new regime system of taxation, changes are proposed in the same. New Regime System under Section 115 BAC shall

be the default system of filing returns.

- ★ There are no changes in the old regime taxation system.
- ★ The rebate under section 87A has been extended from Rs. 12,500/- to Rs. 25,000 who opt for the New Regime System and thereby total income up to 7 Lakhs would be tax free. There is a change in slab rates also for the New Regime Holders wherein the maximum exemption limit shall be Rs. 3,00,000.
- ★ The salaried persons now can avail of a standard deduction of Rs. 50,000 by opting for new regime also, thereby effectively a salaried person using this enhanced rebate and standard deduction limits, tax free salary would be up to Rs. 7,50,000.
- ★ The Non-govt employees shall be getting the maximum limit of Rs. 15 lakhs compared to the existing Rs. 3 lakhs exemption on leave encashment benefits.

The proposed new slab rate:

Sl.No	Income (in INR)	Tax Liability (in INR)
	Up to Rs. 3,00,000	Nil
	Between Rs. 3,00,001 to 6,00,000	5% of Income in excess of Rs. 3,00,000
	Between Rs. 6,00,001 to 9,00,000	Rs. 15,000 plus 10% of the amount by which the income exceeds Rs. 6,00,000
	Between Rs. 9,00,001 to 12,00,000	Rs. 45,000 plus 15% of the amount by which the income exceeds Rs. 9,00,000
	Between Rs. 12,00,001 to 15,00,000	Rs. 90,000 plus 20% of the amount by which the income exceeds Rs. 12,00,000
	Above Rs. 15,00,000	Rs. 1,50,000 plus 30% of the amount by which the income exceeds Rs. 15,00,000

For the new regime taxpayers, there is a reduction in higher surcharges from 37% to 25%, resulting in a maximum marginal rate (Personal Income Tax) from 42% to 39%

Normal Tax Regime (No Change) :

Sl.No	Income (in INR)	Tax Liability (in INR)
	Up to Rs. 2,50,000	Nil
	Between Rs. 2,50,001 to 5,00,000	5% of income in excess of Rs. 2,50,000
	Between Rs. 5,00,001 to 10,00,000	Rs. 12,500 plus 20% of the amount by which the income exceeds Rs. 5,00,000
	Above Rs. 10,00,000	Rs. 1,12,500 plus 30% of the amount by which the income exceeds Rs. 10,00,000

2. Relief to Cooperative Sector

★ A new section 115 BAE was introduced to cooperative societies doing manufacturing and production activities incorporated after 01st April 2023 commencing production before 31st March 2024 at an attractive rate of 15%, subject to the conditions.

★ Section 194N, the cash withdrawal threshold limit for cooperatives enhanced to Rs. 3 crores.

★ Moreover, by amending Section 269SS and 269T the cash deposit and loan limit for Primary Agricultural Credit Societies or PCARDB has been enhanced to Rs. 2 lakhs without penalty.

★ Some relief has been pronounced to the sugar cooperative society regarding the deduction claimed for purchasing of sugar prior to Assessment Year 2016-17.

3. Computation of Income

★ Section 28(iv) regarding the value of any benefit or perquisites has been amended by including 'cash or in kind or partly of both'. This may be to increase the scope of section 194R also.

★ Regarding payment to MSMEs, the payment due to them shall be on an actual cash payment basis beyond 45 days from the date of invoice or as per the written agreement whichever is earlier.

★ For those assessee having cash receipts 5% or less of the total receipts Section 44AD would be extended to Rs. 3 crores and Section 44ADA limit to Rs. 75 Lakhs.

★ Conversion of gold into electronic gold receipt (Digi-Gold) or vice versa shall not be a transfer and thereby no capital gain on such transaction. By inserting a proviso to Section 48 it has been provided that the interest on the home loan deducted under section 24(b) or under Section 80EE, 80EEA shall not be treated as the cost of improvement and thereby interest not taken as deduction aforesaid may be taken as cost of improvement of a capital asset.

★ While reinvesting the proceeds under sections 54 and 54F in a house property the maximum threshold limit for deduction shall be restricted to Rs. 10 crores in other words the investment in excess of Rs. 10 crores shall not be eligible for deductions.

★ Winning from an online game shall be taxed at 30% under section 115BBJ.

★ Startups with continuity of 51% of shareholding shall be allowed to carry forward the loss up to 10 years from 7 years and those startups' last date has been extended up to 31st of March 2024, further the eligibility to get registered as the startup has been extended.

★ In order to ease in claiming the deduction on amortization of preliminary expenses instead of preparing a feasibility report, project report, market survey report, etc. a statement containing the particulars of expenditure shall be the condition to amortize the same.

★ Budget 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.

4. Opportunity for Cost Accountants

★ The cost accountants have been entrusted to value inventories, if required by the assessing officer by inserting section 142(2A)(ii). Thereby the assessing officer during various assessments and can direct the assessee to get their inventory valued by a cost accountant nominated by the proper authority with such particulars as may be prescribed.

★ The remuneration to such cost accountants shall be determined by the Principal Commissioner and shall be paid by the Central Government.

★ The Assessee shall be given an opportunity to be heard while accepting the value determined by the Cost Accountant.

★ ICDS 2 relates to the valuation of inventory and Section 148 of the Companies Act, 2013 also mandates the maintenance of Cost records and audits. The report may be submitted within prescribed time limit and such period shall be excluded from the assessment time limit under section 153.

★ This is a very welcome move for the entire Cost and management Accountant fraternity as Cost Accountants are having the skillsets are being recognised and is the need of the hour.

★ During assessment procedure inventory valuation

being a complex process to get valued and which does have an immense effect on the profitability position, and this amendment would help the department to assess the stock by a proper professional.

5. TDS and TCS

★ TCS for the overseas tour package and remittance above Rs. 7 lakhs for any other purpose other than from education loan for medical treatment have been increased to 20%. Reduced rate or nil rate of TDS under section 197 has been extended to Section 194LBA cases also.

★ The specified person under section 206AB and Section 206CCA has been amended to exclude a non-resident who is not having a permanent establishment in India and certain persons who are not required to file ITR notified by Central Government.

★ TDS at the rate of 30% on winning from online games has been inserted.

★ 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.

6. Agnipath Scheme

★ This scheme is an unique opportunity to fulfil the dream of youths for joining the Armed Forces & serving the Nation. A fund has been created for this purposes and various proposals mentioned below are being made in the budget regarding this.

★ Individuals enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund shall get a deduction of the Government contribution to their Seva Nidhi under the new tax regime.

★ Sum received from the Agniveer Corpus Fund by a person enrolled under the Agnipath Scheme 2022 shall be exempt from tax under Section 10(12C).

★ Full Deductions for contributions made to the Agniveer Corpus Fund shall be allowed under Section 80CCH in both existing and new tax regimes.

★ Contribution by the Central Government to the Agniveer Corpus Fund account of an individual enrolled in the Agnipath Scheme shall be considered as a salary under

Section 17.

7. Charitable and Religious Trusts.

★ The trusts or institutions cannot claim the benefit of exemption provisions by filing an updated return of income u/s 139 (8A).

★ Repayment of loan or investment/depositing back into corpus shall be considered an application for charitable or religious purposes only within 5 years of application from the corpus or loan.

★ The donations by a trust or institution to another trust or institution shall be treated as the application of up to 85% of such donations.

★ Donations to Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, and Rajiv Gandhi Foundation have been removed from the list of eligible funds for a deduction under Section 80G.

★ The submission of an application for registration containing false or incorrect information, or if it is incomplete, shall be considered a specified violation and result in the cancellation of the registration of trusts or institutions by PCIT/CIT.

★ The provisions of accreted tax under Section 115TD are extended to trusts or institutions if they fail to apply for re-registration.

★ The trusts or institutions shall file Form 9A and Form 10 at least 2 months before the due date of filing of return of income, to claim accumulation of income.

8. Assessment & Appeals

★ An appeal can be filed against penalty orders imposed by the Commissioner (Appeals) under Sections 271AAB, 271AAC, and 271AAD and revision orders passed by the Principal Chief Commissioner or Chief Commissioner under Section 263.

★ The amendment also enables the filing of the memorandum of cross-objections in all cases appealable to the Appellate Tribunal.

★ The amendment is proposed to Section 132 to allow the authorized officer to seek assistance from approved professionals, such as digital forensic experts and

registered valuers, during the search and seizure process.

★ The completion of assessment in search cases will be linked to the execution of the last authorization during the search.

★ A new appellate authority of the Joint Commissioner (Appeal) is introduced for select categories of assesseees, such as individuals and HUFs, to expedite resolution in appeal proceedings.

★ The time available with the “Interim Board for Settlement” for disposal of pending rectification applications is extended to provide sufficient opportunity.

★ The time available for completion of the assessment is increased from 9 months to 12 months with effect from Assessment Year 2022-23.

★ If an assessment or reassessment is pending in search cases, the deadline for completion of the assessment or reassessment shall be extended by 12 months for the assessee for whom the search was initiated or the requisition was made and the assessee to whom any seized or requisitioned money, bullion, jewellery, or other valuable items belong or to whom any seized or requisitioned books of account or documents pertain or contain relevant information.

Other Proposals

★ Income Tax returns would be rationalised by merging ITR 1 to ITR 6 as a single form.

★ 95 per cent of the forfeited amount relating to bid or

performance security, by MSMEs during the covid period will be returned to them by government and government undertakings.

★ The PAN will be used as the common identifier for all digital systems of specified government agencies.

★ Through Jan Viswas Bill , 42 central acts to be amended to reduce 39,000 compliance procedures and to decriminalise 3400 provisions.

★ Insurance policies issued after 1.04.2023, premium up to 5 lakhs per annum only shall be exempt on proceeds received.

Conclusion

The benefits of New Tax regimes and the allocation of the space for the people to move with the Old Tax Regime show the effectiveness of the Union Budget during the period of Amrit Kaal. Though lot of ease of doing business proposals are made to prevent tax evasion and for a better taxation structure various amendments are made. For Cost Accountants fraternity this budget provided better scope and recognition in direct taxes regime also and the entire community would be delighted with this.

The Union Budget seems more of an all-pervasive model to cope with technological development and shall be considered more of a reform model to bring in all the necessary items dealt by the people into the ambit of the proper statutory taxation which shall have the power to improve tax base and tax collections in India.

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