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Budget 2023

Highlights





Budget 2023- Vision

Nirmala Sitharaman, Minister of Finance, presented the first Amrit Kaal budget on February 1. According to the FM, the Budget for 2023-24 builds on the foundation of the previous budget and the blue print for India@100. The government is focusing on wide-ranging reforms and some policies are being implemented through 'Sabka Prayas', Sitharaman said.

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**Budget-
2023
follows
Seven
priorities**



- Inclusive development.
- Reaching the last mile.
- Infrastructure and investment.
- Unleashing the potential.
- Green growth.
- Youth power.
- Financial sector.

Direct Tax

- No change in rate of income tax for companies or firms.
- Change in new tax regime for Individual and HUF. Also, now section 115BAC of the Income tax Act, 1961 (the Act) will be applicable to association of persons (other than co-operative societies), body of individuals, whether incorporated or not or artificial juridical persons. The summary of tax slabs is as follows:

New slabs under new tax regimes

INR 0-3 lakh : Nil

INR 3-6 lakhs: 5%

INR 6-9 lakhs: 10%

INR 9-12 lakhs: 15%

INR 12-15 lakhs: 20%

INR Over 15 lakhs: 30%



- In addition to revised slab rate, rebate under section 87A of the Act has also been increased from INR 12,500 to INR 25,000 for new tax regime. Currently, those with income up to INR 5 lakhs do not pay any income tax in both old and new tax regimes. It is proposed to increase the rebate limit to INR 7 lakhs in the new tax regime. Thus, persons in the new tax regime, with income up to INR 7 lakhs will not have to pay any tax.

Direct Tax

- Also, salaried person will get standard deduction of INR 50,000 in the new tax regime. Earlier, the same was available in old tax regime only. Thus, tax liability of salaried persons with income of INR 15.5 lakhs or more shall be reduced by INR 52,500 in the new tax regime when compared to slab rates available till the Assessment Year 2023-24.
- Further, to enhance benefit of new tax regime, current surcharge rate of 37% (if income exceeds INR 5 crore annually) shall be reduced to 25% only. Thus, the effective tax rate, if the income exceeds INR 5 crores has been reduced from 42.74% to 39%.
- New section inserted for withholding tax deduction on winning from online games.
- Turnover Limits of Presumptive taxation scheme under section 44AD of the Act and section 44ADA of the Act has been increased for small enterprises and professionals. Entities with turnover up to INR 3 crores (earlier INR 2 crores) and certain professionals with turnover of up to INR 75 lakhs (earlier INR 50 lakhs) can avail the benefit of presumptive taxation. However, subject to the condition that cash receipts does not exceed 5% of total turnover.

Direct Tax

- MSMEs are growth engines of our economy. Thus, to ensure timely payments to MSMEs, all businesses will get deduction for expenses only when actual payment is made to MSME and not when they book the expenses in their accounts.
 - Also, to give relief to co-operative societies, withholding tax under section 194N of the Act shall be applicable when co-operative societies withdraw cash in excess of INR 3 crores (for other entities the limit is INR 1 crore).
 - India is now the 3rd largest ecosystem for start-ups globally, and ranks 2nd in innovation quality among middle-income countries. Thus, to promote start-ups, the date of incorporation for availing income tax benefits has been extended from 31.03.2023 to 31.03.2024. Further, the benefit of carry forward of losses on change of shareholding of start-ups has been extended from 7 years of incorporation to 10 years.
- The Taxation Laws (Amendment) Act, 2019, inter-alia, inserted section 115BAB of the Act which provides that new manufacturing domestic companies set up on or after 1st October, 2019, which commence manufacturing or production by 31st March, 2023 and do not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15%. The time for commencing manufacturing or production has been extended to 31st March, 2024 by the Finance Act, 2022. The same provision has not been provided to new manufacturing co-operative societies also. Thus, it is proposed to insert a new section 115BAE of the Act so as to provide that new manufacturing co-operative society set up on or after 1st April, 2023, which commence manufacturing or production by 31st March, 2025 and do not avail of any specified incentive or deduction, may opt to pay tax at a concessional rate of 15%.

Direct Tax

- To reduce the pendency of appeals at the Commissioner level, 100 Joint Commissioners for disposal of small appeals would be deployed. Also, income tax department will be more selective in taking up cases for scrutiny of returns already received for Assessment Year 2023-24.
- For better targeting of tax concessions and exemptions, deduction from capital gains on investment in residential house under sections 54 of the Act & section 54F of the Act has been capped to INR 10 crores i.e., if the value of new asset purchased / developed is more than INR 10 crores, then that excess amount shall not be considered to calculate exemption under section 54 of the Act & section 54F of the Act.
- TCS rate for foreign remittances for purposes other than medical and education under the Liberalized Remittance Scheme & purchase of overseas tour program has increased from 5% to 20%.
- The limit of INR 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 INR 30,000 per month. In line with the increase in government salaries, this limit has been increased to INR 25 lakhs.
- 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 INR 5 lakh, income from only those policies with aggregate premium up to INR 5 lakh shall be exempt. This will not affect the tax exemption provided to the amount received on the death of the person insured. It will also not affect insurance policies issued till 31st March, 2023.
- Higher limit of INR 2 lakh per member for cash deposits to and loans in cash by Primary Agricultural Co-operative Societies and Primary Co-operative Agriculture and Rural Development Banks.
- Withholding tax rate has been reduced from 30% to 20% on taxable portion of EPF withdrawal in non-PAN cases.

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Indirect Tax:

- 16% tax hike on certain cigarettes.
- New cooperatives that commence manufacturing till March, 2024 to get lower tax rate of 15%.
- Basic customs duty on crude, glycerine reduced to 2.5%.
- Import duty on silver bars hiked to align it with gold, platinum.
- Extend customs duty cut on imports of parts of mobile phones by 1 year.
- To promote TV manufacturing, customs duty on open cells of TV panels reduced to 2.5%.



- Concessional duty on lithium-ion cells for batteries extended for another year.
- Number of basic custom duty rates on goods other than textiles and agriculture reduced from 21 to 13. As a result, there are minor changes in taxes on some.
- Relief provided on Customs Duty on import of certain parts & inputs like camera lens.

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GST Amendments

- Sec 17 (3) has been amended to include value of activities/transactions specified in Para 8 of the Schedule 3 (High sea sale and sale of warehoused goods before clearance for HC) in meaning of exempt supply for the reversal of common ITC.
 - Sec 17 (5) amended to restrict ITC in respect of goods/services used for the purpose of CSR The Finance Bill, 2023 Changes in GST Act.
 - Sec 23 (Person not liable for registration) is amended to give override effect on Sec 22 & Sec 24 w.e.f 01.07.2017. E.g Now, person engaged exclusively in exempt supplies are not liable for registration even for RCM supplies.
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GST Amendments

- Sec 37 - Taxpayer can now file details of outward supplies in GSTR-1 up to 3 years from due date of furnishing of said details.
 - Sec 39 - Taxpayer can now file GSTR-1 only upto 3 years from due date of return. After that period, portal will not allow filing GSTR-1.
 - Sec 44 - Taxpayer can now file Annual return upto 3 years from due date of return. After that period, portal will not allow filing.
 - Sec 122 - Penalty for E-Commerce operator has been specified who allows unregistered person/composite person to transact business through them or allows interstate supply of goods through them in violation to GST Act and rules (except those who are specifically exempted).
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Saving Schemes Announcements:

A few changes were also made to the existing savings schemes.

- Maximum deposit limit for Senior Citizen Savings Scheme to be enhanced to INR 30 lakh from INR 15 lakh.
- Monthly Income Scheme limit doubled to INR 9 lakh and INR 15 lakh for joint accounts.
- One-time new saving scheme Mahila Samman Saving Certificate for women to be made available for 2 years up to 2025.

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Railways gets massive boost:

- An outlay of INR 2.4 lakh crore provided for railways in FY24.
- It's the highest ever highest ever allocation for Railways and is nearly nine times over FY14 allocations.



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Capex hiked 33%

- Capital Expenditure increased 33 percent to INR 10 lakh crore, which would be 3.3% of GDP, says FM.
- Effective capital expenditure of centre to be - INR 13.7 lakh crore.
- Capital investment outlay to be 3.3% of GDP in FY24.
- Effective capital expenditure of Centre at INR 13.7 lakh in FY24.

MSME

- Revamped credit guarantee for MSMEs to take effect from Apr 1, 2023 with infusion of INR 9,000 crore in corpus.
- New credit guarantee scheme for MSMEs to reduce cost of credit by 1 percentage point.

Aviation

- 50 additional airports, helipods, water aero drones, advanced landing grounds will be revived to improve regional air connectivity.

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Skill Training

- Government will launch Pradhan Mantri Kaushal Vikas Yojana 4.0
- To skill the youth for international opportunities, 30 Skill India International Centres will be set up across different States.

Gems and Jewellery:

- To encourage the indigenous production of lab-grown diamonds, a research and development grant is to be provided to one of the IITs for five years.
- Proposal to review customs duty of lab-grown diamonds to be included in Part-B of Budget document.

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Clean Energy

- INR 35,000 crores priority capital for the energy transition.
- Green credit programme will be notified under the Environment Protection Act.
- Battery storage to get viability gap funding.
- Govt to support setting up of battery energy storage of 4,000 MWh.





Ease of Doing Business

- One stop solution for reconciliation and updating identity maintained by various agencies to be established using digi locker and Aadhaar as foundational identity.
- PAN as common identifier for all digital systems of govt agencies.
- Govt to bring another dispute resolution scheme Vivad Se Vishwas-2 to settle commercial disputes.
- Central Processing Centre to be set up for faster response to companies filing forms under Companies Act.
- More than 39,000 compliances have been reduced and over 3,400 legal provisions decriminalised to enhancing ease of doing business.
- Finance Minister announces multiple measures to enhance business activity in GIFT City.

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Digital Services

- Scope of services in DigiLocker to be expanded.
- 100 labs for developing applications to use 5G services to be set up in engineering institutions.
- Labs will cover smart classrooms, precision farming, and healthcare applications.



- Phase 3 of E-courts projects to be launched with outlay of INR 7,000 crore.
- Leading industry players will partner to developing, providing scalable options for health, agri and other sectors

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