

Quick Summary of Key Provisions: Budget 2023

Personal tax under 'new regime'

- i. New regime to now be the default tax regime.
- ii. Basic tax exemption limit increased from INR 2.5 lakhs to INR 3 lakhs.
- iii. Rebate of entire income-tax if total income does not exceed INR 7 lakhs.
- iv. Availability of standard deduction for salaried employees while computing taxable income.
- v. Maximum surcharge rate capped at 25%.

Cap on limit of exemption on Capital Gains

Exemption to be restricted to cost of new house up to INR 10 Cr under sections 54 and 54F.

Share subscription by non-residents

Issue of shares by a closely held company to non-resident investors for a consideration exceeding the fair market value of shares to be taxable.

Reduction of exemption for new life insurance policies

Proceeds received (other than on death) from life insurance policies issued on or after 1 April 2023 is taxable if aggregate premium exceeds INR 5 Lakhs in any of the previous years.

Exclusion of NBFCs from thin capitalization norms

Restriction on interest deductibility for debt issued by a non-resident associated enterprise not applicable to notified classes of NBFCs.

Disallowance on late payments to MSMEs

All payments to MSMEs allowable as deduction on payment basis; to be within the timeline as per MSMED Act

Benefit for eligible start-ups

- i. Eligibility period for shareholding change by >51% extended to 10 years from date of incorporation for the purpose of carry forward of loss.
- ii. Applicable from AY 2023-24.
- iii. Deadline to incorporate start-ups to claim tax holiday extended to 31st March 2024.

Increase in rate of TCS for foreign remittances

Foreign remittances under LRS (other than for education and medical purposes), including overseas tour packages and gifts liable to a higher rate of TCS at 20% without any threshold limit.

Taxability of winnings from online games

- i. Taxation of net winnings from online games proposed at 30%.
- ii. Tax deduction at source at 30% on the net winnings.

Charitable organizations

- i. Time limit of 5 years for repayment of loan or depositing back into corpus to claim application of income.
- ii. Only 85% of donation to other trusts allowed as application.
- iii. Exit tax applicable if Trust does not apply for re-registration /approval in time.
- iv. No exemption available on filing an updated return if original return was not filed in time.

Taxability of benefit / perquisite received in cash

Benefit or perquisite received in cash or partly in cash also now taxable as business income.

Others

- i. TDS extended for payment of interest on listed securities in dematerialized form.
- ii. Transfer or redemption of Market Linked Debentures considered as short-term capital gains.
- iii. Turnover limit for presumptive taxation increased to INR 3 Cr for business and INR 75 lakhs for profession.
- iv. Export realization within 6 months from the end of the previous year to avail deduction under section 10AA.
- v. Increase in exemption of leave encashment from INR 3 lakh to INR 25 lakh to be notified .

Input Tax Credit

- i. GST input tax credit in respect of corporate social responsibility activities inadmissible.
- ii. Supply of goods kept in customs bonded warehouse before clearance for home consumption to be considered as exempt supply for the purpose of input tax credit reversal.

Place of Supply for Goods Transportation Services

Place of supply for goods transportation services by Indian supplier to Indian recipient proposed to be amended from destination of goods to location of the recipient (registered recipient) or location of handing over of goods (unregistered recipient)

Time limit for Filing of GST Returns

Maximum time limit of three years prescribed for filing GST returns (i.e., GSTR-1, GSTR-3B, GSTR-8 and GSTR-9).

E-commerce Operators

E-commerce operators liable to penalties for contravention of provisions relating to supply of goods through them by unregistered suppliers or composition taxpayers.

Prosecution and Compounding of Offences

- i. Decriminalisation of certain offences .
- ii. Threshold for launching prosecution increased from INR 1 Crore to 2 Crore except for offence related to fake invoicing.
- iii. Rationalisation of compounding provisions.
- iv. Significant reduction in minimum and maximum amount for compounding of offences.

Customs

- i. Changes in Customs Tariff Rates with the objectives of promoting exports, giving a fillip to the Make in India movement, encouraging green energy and mobility
- ii. Rationalisation of Customs duty rate structure with corresponding changes in rates of Agriculture Infrastructure And Development Cess / Social Welfare Surcharge with an intent to maintain total effective duty.
- iii. Customs duty exemptions includes exemption on specified agricultural products, gems and jewellery, capital goods, IT and electronics.

Excise

- i. National Calamity Contingent Duty rates on specified cigarettes increased by around 16%.
- ii. Excise duty exemption on blended Compressed Natural Gas ("CNG") to the extent of GST paid on biogas/ compressed biogas contained in such CNG.

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