INDIA BUDGET 20₹3

K C Mehta & Co LLP

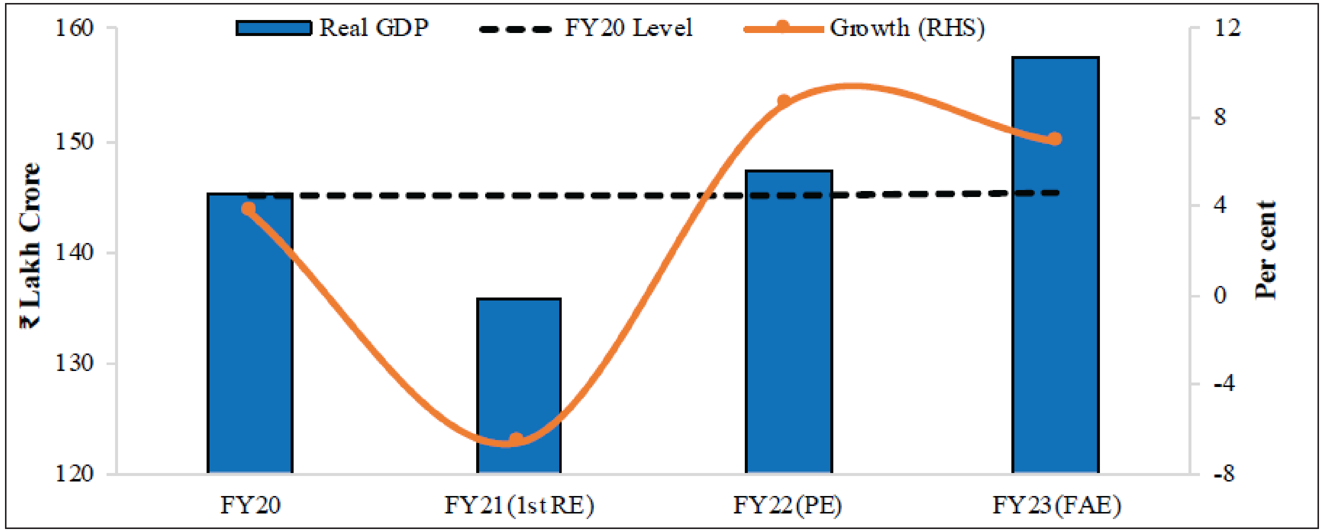
Chartered Accountants

01 Economic Overview

Economic Survey - FY 22-23

India's Resilient Growth Story

- **Nominal GDP for FY 23 expected to be around USD 3.5 trillion**
- **Real GDP to grow at around 7% in the ongoing FY 23 and Nominal GDP expected to grow at 11%**
  - Follows 8.7% growth in FY 22, which was mainly on account of steep fall during FY 21
  - Economy has recovered from GDP Contractions and achieved pre-pandemic levels
    - Rebound of domestic consumption led by universal vaccine coverage and significant increase in Capex considered key reasons



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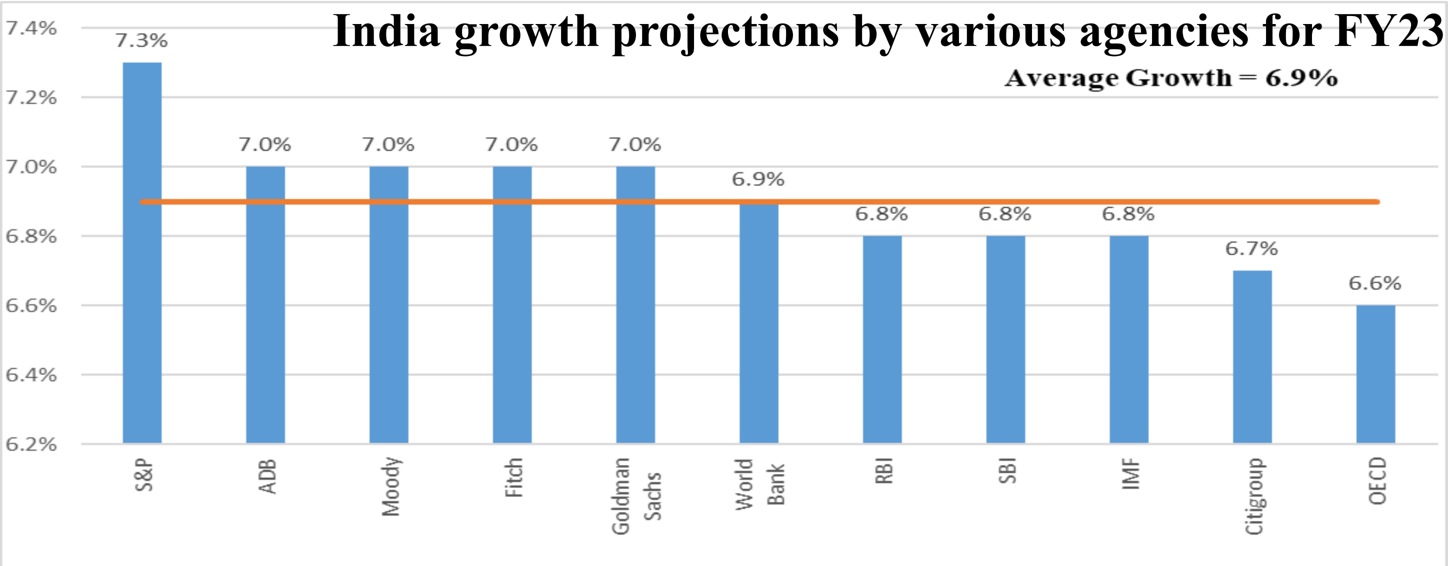
India's Resilient Growth Story

GDP growth projected at 6-6.8% in FY24

- GDP growth expected to slow down on account of global factors
  - Rise in Inflation due to Russia-Ukraine conflict
  - Followed by Interest rate hikes and tight monetary policies by US Federal which drove capital to US markets, causing appreciation in USD
  - Projected Decline in global growth – Expected to decline from 3.2% in 2022 to 2.7% in 2023 by IMF and 3.5% in 2022 to 1% in 2023 as per WTO
- India Expected to be fastest growing economy despite slow down in GDP growth

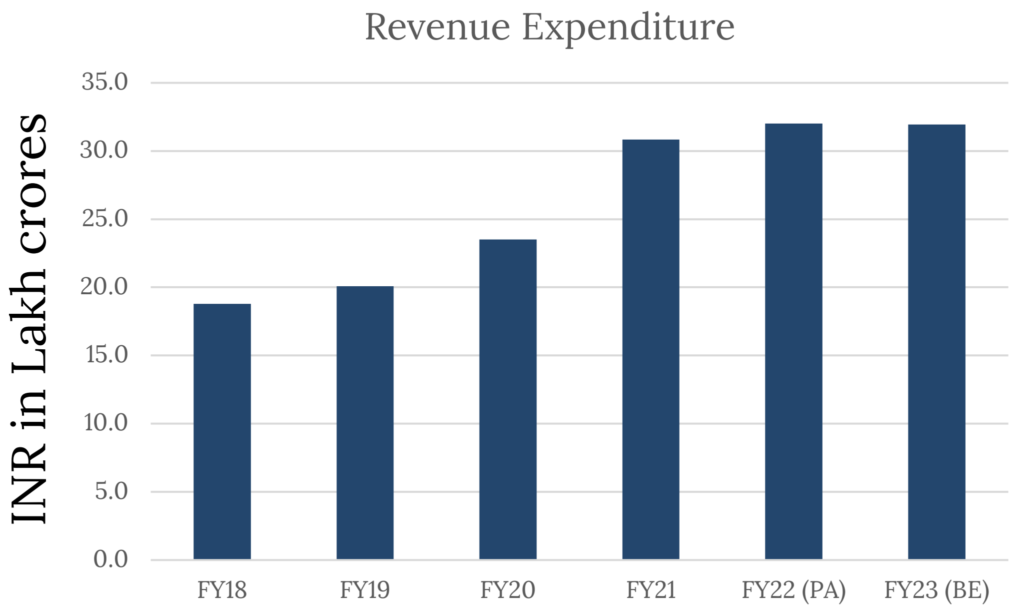


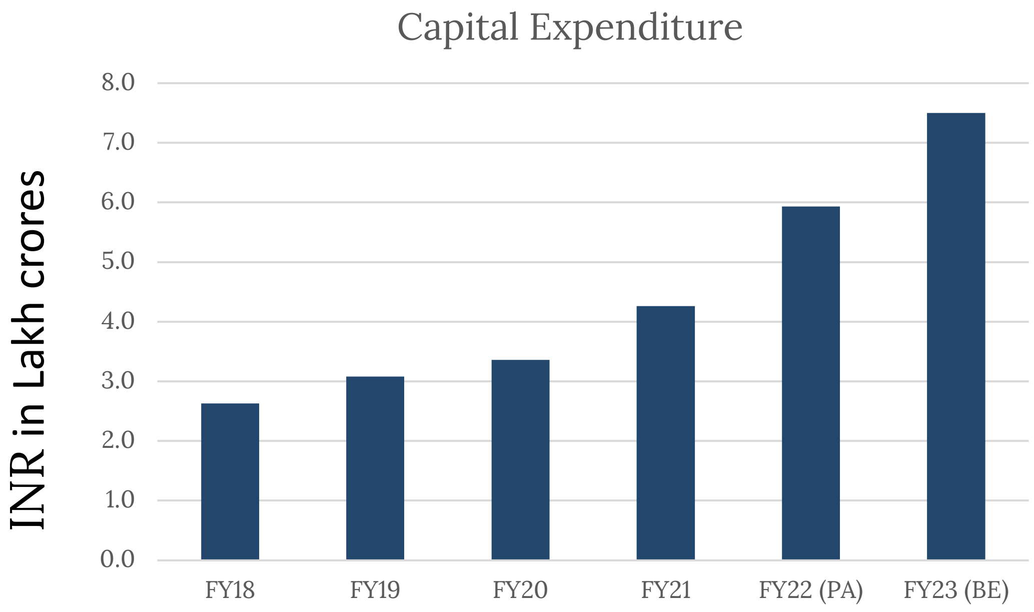
Fiscal Position

- **Fiscal deficit to decline from 9.2% of GDP in FY 21 and 6.7% of GDP in FY22 to 6.4% in FY23**
  - Contributed by economic activity recovery & buoyancy in tax revenues
- **FY 23 RE of total receipts other than borrowings is INR 24.3 lakh crore, of which net tax receipts are INR 20.9 lakh crore**
- **Capex steadily increased from long-term average of 1.7% of GDP (FY09 to FY20) to 2.5 per cent of GDP in FY22 PA**
  - Capex expected to be 2.9% of GDP in FY 23
- **Revenue expenditure reduced from 15.6% of GDP in FY 21 to 13.5% of GDP in FY 22 PA**
  - Estimated to be 12.4% of GDP for FY 23
- **Fiscal deficit for FY 24 estimated to be 5.9% of GDP**

Revenue and Capital Expenditure

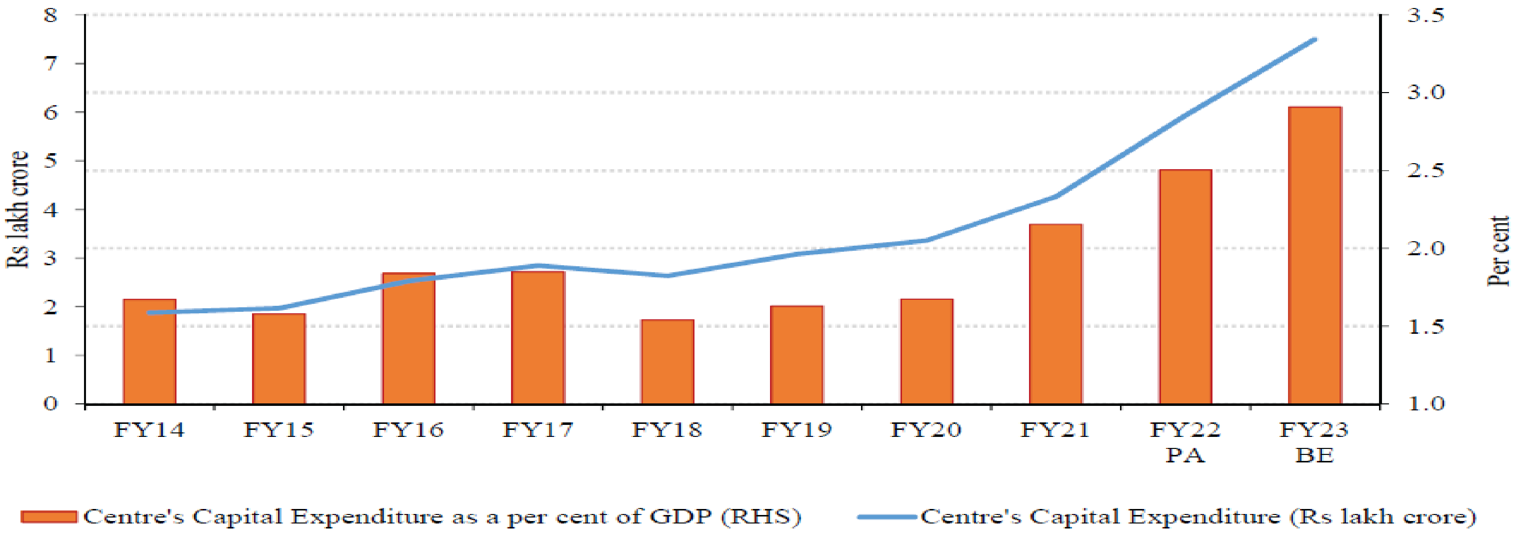
- Capex doubled in past 5 years, total Capex by CG & SG grew at an average rate of 13.0% during FY12 and FY22
  - Increased buoyancy in tax revenues and slow growth in revenue expenses provide more room for increased capex, without enlarging fiscal deficit





Enhanced Capex

- **Capital investment outlay enhanced sharply from 5.5 Lakh crore in FY 22 to 7.5 lakh crore in FY 23**
  - Expected to increase steeply in FY 24 for 3rd year in a row by 33% to INR 10 lakh crore, which would be 3.3% of GDP.
  - If State Grants for Capex included – INR 10.5 L Cr FY23 and INR 13.7 L Cr FY24
- **Increased focus on infrastructure development to incentivize private investments and broaden economic landscape**
  - Economic output to increase by > 4 times Capex as per Capex multiplier estimates



Inflation

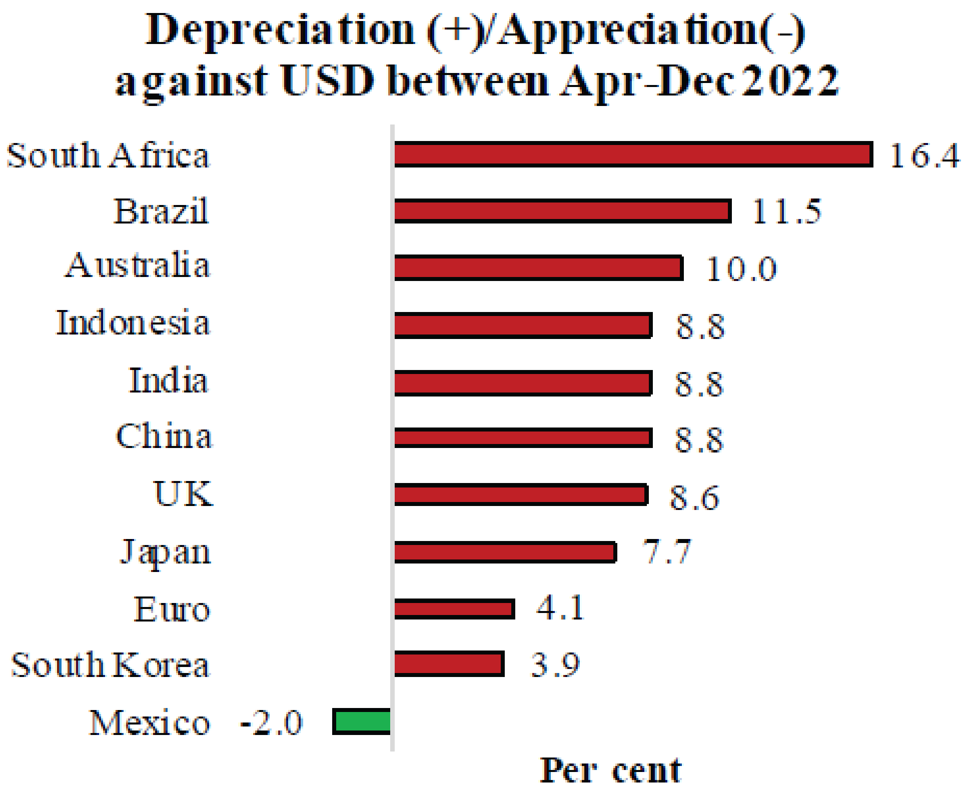
- **Consumer price inflation peaked at 7.8% in April 22 and moderated to 5.7% by Dec 22**
- **CPI based Inflation in FY 23 estimated at 6.8% (with Food Inflation 7 %)**
  - Slightly exceeds RBI's target of 6%
  - Increase is not high enough to deter private consumption or low enough to weaken investment
  - One of the contributor is edible oils – Russia – Ukraine war responsible
- **WPI based inflation rose to 13% in FY 22, leapt to 16.6% in May 22 and estimated at 11.5% in FY 23**
  - Gap between WPI and CPI based inflations was wide but reduced by the end of the year
  - Significant decline being observed since July 2022
  - Global Crude Oil Price showing a decline from Peak in June 22
- **Pressure on Indian rupee and inflation could continue due to tightening of monetary policy in US and other economies including India**

External Sector

- **Current Account Deficit was recorded at USD 36.4 billion (4.4 per cent of GDP) in Q2FY23**
  - In contrast to a deficit of USD 9.7 billion (1.3 per cent of GDP) in Q2FY22
  - CAD was 3.3% of GDP in H1FY23
  - Sharp rise in oil prices and global economic conditions placed BoP under pressure
- **Service exports followed by Remittances by Indian emigrants contribute to narrowing CAD**
  - Remittances anticipated to reach a milestone of USD 100 billion in 2022
- **Net FDI Inflows remained constant around USD 20 bn**
  - Net Capital Inflow reduced to USD 29 bn in H1FY23 from USD 65 bn SPLY pursuant to policy tightening by the US Fed and the strengthening of the US dollar
- **Foreign exchange reserves stood at USD 562.7 billion as of end-December 2022 covering 9.3 months of imports**
- **INR may come under pressure if CAD continues to widen**
- **INR appreciated against select major currencies barring the USD**
  - Average exchange rate of INR against GBP appreciated by 6.7% in April-Dec 22 on YoY basis
  - Appreciation was 14.5% wrt JPY & 6.4% wrt Euro

Increasing Global Footprint

- **India assumed presidency of G20 this year**
  - Strengthening India's role in world economic order
- **Fastest growing economies despite some decline expected in growth rate**
- **India is fifth largest economy in terms of size and exchange rate and third largest in terms of purchasing power parity**
- **Beginning of *Amrit Kaal – an empowered and inclusive economy with a vision of* self reliance in next 25 years**
- **Indian Rupee depreciated against USD but performed well compared to other EMEs**



Saptarishi or Seven Priorities

- **Inclusive Development**
  - Digital Public Infra-structure on open access platform, Nursing Colleges, Teachers' Training, National Digital Library, Physical Books by National Book Trust / Children's Book Trust
- **Reaching the Last Mile**
  - Aspirational District / Blocks, Eklavya Model Schools including Residential
- **Infrastructure and Investment**
  - Push in Infra-structure Investment, Targetted 50 year interest free loans to State Governments
- **Unleashing the Potential – Providing a transparent and accountable administration**
  - Centre For Excellence in AI, MSME Vivad se Viswas
- **Green Growth**
  - Net-zero carbon emission by 2070 to usher in green industrial and economic transition.
- **Youth Power**
  - Kaushal Vikas Yojana 4.0 – Coding, Robotics, Mechatronics, IoT, 3D Printing, Drones and Soft Skills
- **Financial Sector –** Data Embassies in GIFT City

02 Direct Tax

Tax Rates

- **Companies**
  - No changes in Tax Rates
- **Individuals**
  - Alternate 'New' Tax Regime introduced by Finance Act 2020 to now be the 'default' tax regime
    - Taxpayer may opt out
  - 'New' Tax Regime made more attractive
    - Basic exemption limit increased to INR 3 Lacs [~ USD 3600] from current INR 2.5 Lacs [~ USD 3000]
    - Benefit of standard deduction for salaried individuals of INR 50,000 [~ USD 600] now available
    - Benefit of deduction in respect of family pension also permitted
    - Slabs revised upwards resulting in reduced tax liability under New Regime
    - Highest tax surcharge reduced to 25% from 37%
      - To impact taxpayers falling in highest tax bracket of more than INR 5 Crores (~ USD 600k)
    - Effectively, no tax for individuals with income up to INR 7 Lacs (~ USD 8500)

Tax Rates

- **AOP / BOI**
  - Included in 'New' Tax Regime
    - To be taxed at maximum 30% tax plus surcharge and cess
    - Surcharge to be capped at 15% if all members are companies, else capped at 25%
    - Could possibly impact computation / applicability of Maximum Marginal Rate
    - Similarly, it can also be argued that even if Foreign companies are members, 'New' Tax Regime would apply
      - May not be subjected to higher tax under section 167B

Corporate Tax

- **Premium received on issuance of Shares to non-resident now taxable as 'Income'**
  - Amount in excess of fair value of shares
  - Tight rope with FEMA and Transfer Pricing requirements
  - Discounted Cash Flow Approach permitted if carried out by Category I Merchant Banker, else adjusted Book Value Approach
  - Historically termed as 'FDI Tax' – Shell & Vodafone controversy
- **Value of benefit / perquisite received in cash - taxable as business income**
  - All benefits / perks, whether received in cash, in kind, or partly in cash and partly in kind, now covered
  - Supreme Court ruling in case of Mahindra & Mahindra nullified – benefit would cover only 'in kind'
  - Whether *quid pro quo* required?
  - Could significantly lead to litigation for cases like loan waiver, capital grants or subsidies, etc.
  - Similar amendment in Section 194R requiring TDS @ 10%

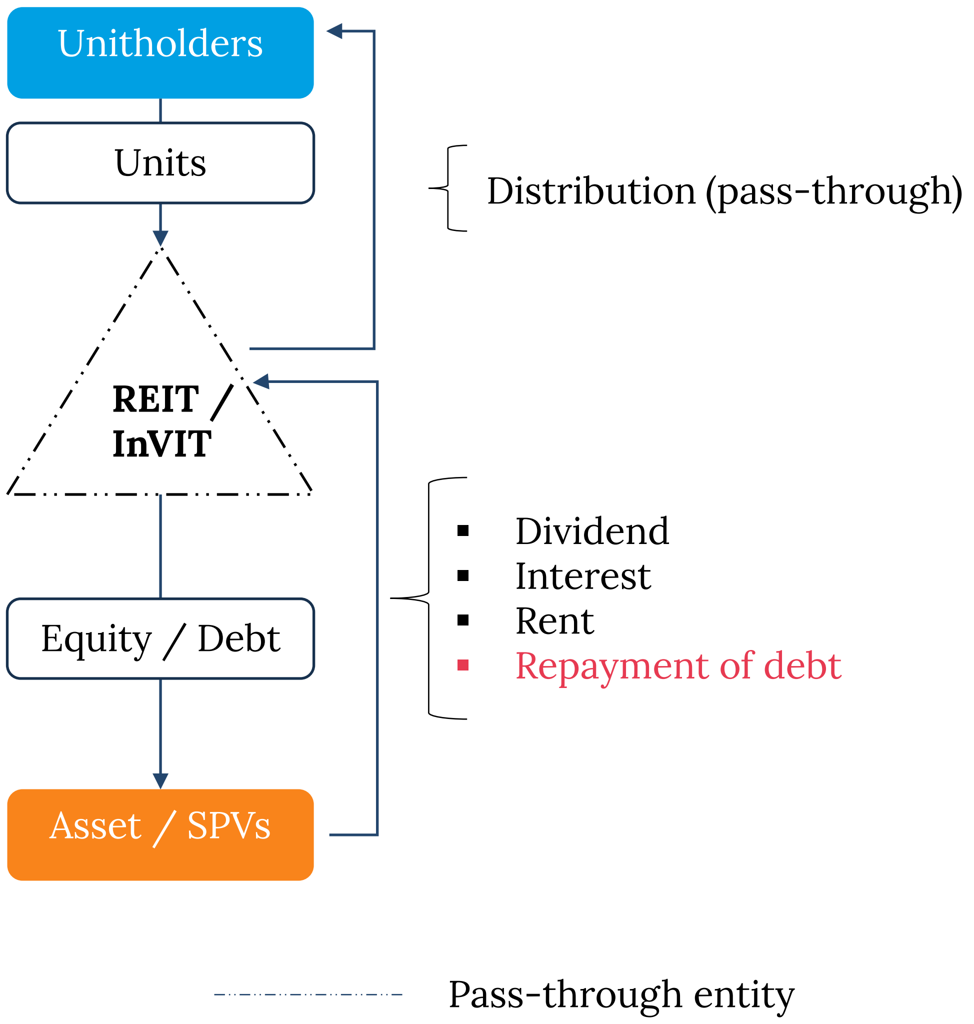
Corporate Tax

- **Deduction for expenses paid to Micro & Small Enterprises only on payment basis**
  - Relaxation of payment before due date of filing return of income to claim deduction not available
    - Micro Enterprise – P&M < INR 1 Crore & Turnover < INR 5 Crores
    - Small Enterprise - P&M < INR 10 Crore & Turnover < INR 50 Crores
- **Preliminary Expenses deductibility under section 35D**
  - Feasibility report, project report, market survey need not be prepared by CBDT approved service provider
  - A specified form containing requisite details to be submitted to claim deduction
- **Section 10AA – SEZ**
  - Benefits available only if exports realized in convertible forex within 6 months from end of FY
  - Filing of Return before due date mandatory to claim benefit
- **Exemption to Press Trust of India withdrawn**

Corporate Tax

Business Trust

- Pass-through status accorded to REITs / InVITs
- Income of SPV paid to REITs / InVITs in form of repayment of debt
  - Considered as not taxable on distribution to Unit-holders (treated as pass-through) though Unit-holders only invested in Units
- Any distribution to Unit-holders must suffer tax
  - Residual sum taxed under Income from Other Sources
  - If Units are redeemed, cost of acquisition would be deductible



Startups

- **Protection of Carry forward of loss in case of change in Shareholding**
  - Loss incurred up to first 10 years from Incorporation (instead of 7 years)
    - Subject to overall limit of 8 years [Section 72]
  - Condition – all shareholders in the year of loss should continue to hold those shares in the year of set-off
- **Sunset date for incorporation of Startups eligible for 80-IAC deduction**
  - Extended to March 31, 2024
  - Benefit – 100% deduction for 3 consecutive years' profits (out of first 10 Years)

Co-operatives

- **Concessional tax rate of 15% applicable for new manufacturing co-operative entities**
  - Setup after April 1, 2023
  - Should commence manufacturing on or before March 31, 2024
  - Should be engaged only in manufacturing or related research activities
  - Should not avail any specific deductions / exemptions
  - Transaction between co-operative society and person with close connection to be at arm's length price
- **TDS on Cash withdrawal by co-operatives**
  - Limit increased to INR 3 Crores (from INR 1 Crore)
- **269SS and 269T limit for loan / repayment in cash increased to INR 2 Lacs per member**
  - For Primary Agricultural Credit Societies ("PACS") and
  - Primary Co-Operative Agricultural and Rural Development Bank ("PCARD")

Personal Taxation

- **Capital gains benefit on investment in residential property**
  - Maximum deduction under section 54 and 54F capped at INR 10 Crores
- **Tax exemption on leave encashment upon retirement of non-government employees**
  - Hiked to INR 25 Lacs (from current INR 3 Lacs)– to be notified separately
- **TDS on taxable PF withdrawal in non-PAN cases reduced from 30% to 20%**
- **Maturity amount of Life Insurance Policy taxable as 'Income from Other Sources'**
  - For policies issued on or after April 1, 2023 with aggregate annual premium of more than INR 5 Lacs
  - Insurance premium paid deductible (no indexation benefit)
  - Not applicable to ULIP / Keyman Insurance
  - Exempt if amount received upon death
  - Similar treatment for currently taxed policy [annual premium being more than 10% of sum assured]

Personal Taxation

- **Contribution to Agniveer Corpus Fund to follow E-E-E Tax Model**
  - Government contribution made non-taxable
  - Agniveer's contribution made tax deductible (even under New Regime)
  - Payment from such Fund also made Exempt
- **New modalities would be provided for valuation of Accommodation perquisite**
- **Donations to three specific foundations no more eligible for 80G deduction**

Presumptive taxation schemes

Applicability	Existing thresholds	Proposed thresholds
Section 44AD –Profits / gains of eligible business presumed at 8% / 6% of gross receipts or turnover	Gross receipts <= INR 2 Crores	If at least 95% receipts are non-cash, threshold increased to INR 3 Crores
Section 44ADA – Profits / gains of specified professions taxed at 50% of gross receipts	Gross receipts <= INR 50 Lacs	If at least 95% receipts are non-cash, threshold increased to INR 75 Lacs

- **Tax Audit not applicable in those cases**

Capital gains

- **Capital Gains in respect of <u>any other intangible asset or any other right</u>**
  - Cost of acquisition of self-generated asset - Nil
  - Cost of acquisition of purchased asset – Actual cost
  - Cost of improvement of purchased / self-generated asset – Nil
- **Other Intangible assets still considered separate from 'Goodwill'**
  - Goodwill (self-generated or acquired) not eligible for Depreciation
  - Other intangible assets (customer list, contracts, etc.) would continue to be eligible for depreciation if acquired
- **Cost of acquisition to exclude Interest on Housing Loan**
  - If claimed as deduction under section 24(b)
- **Conversion of Gold into Electronic Gold Receipt and vice versa not to trigger Capital Gains**

Capital gains

- **Capital Gains on transfer of Market Linked Debentures**
  - Market linked debenture shall include any debt security with market-linked returns
  - Currently taxed at 10% as listed security under section 112 in case held for long term
  - Proposed to be taxed as Short-term Capital Gains in all cases

Non-resident taxation

- **Gift of money exceeding INR 50k (~ USD 600) by Resident to Not Ordinarily Resident made taxable**
- **Lower / No withholding tax certificate**
  - Now, can be obtained for income to be paid by business trusts to non-resident unit holders
- **Non-resident service entity for oil & gas sector / turnkey power projects – Section 44BB / 44BBB**
  - No set-off of carry forward loss / depreciation in the year of opting for presumptive taxation
- **Withholding tax on income payable by Mutual Fund to NR unit-holders**
  - WHT at 20% or a rate provided as per DTAA, whichever is lower
- **IFSC linked Incentives**
  - Benefit of relocation of Funds from overseas to IFSC extended up to March 31, 2025
  - Income distributed by IFSC Banking Unit to Offshore Derivative Instrument (ODI) holders to be exempted

Strategic Disinvestments

- **Carry forward and set-off of accumulated losses and unabsorbed depreciation in case of strategic disinvestment extended to include disinvestment by public sector company -**
  - Sale of shares of public sector company or a company which results in
    - Reduction of shareholding below 51%, and
    - Transfer of control to buyer
  - Carry forward / losses allowed for amalgamation subsequent to disinvestment of a banking company, if amalgamation carried out within 5 years of disinvestment (*IDBI Bank*)

TDS / TCS provisions

- **Scope of TDS / TCS expanded**
  - TDS @ 10% applied to Interest on listed Bonds & Debentures / other Securities
  - TDS @ 30% on net winning from online games (upon withdrawal – for withdrawn and balance amount)
  - TDS @ 30% on income from betting or gambling in excess of INR 10k
  - TCS on LRS / overseas tour package increased to 20% (from 5%) without any threshold
    - TCS on forex purchase for education / medical purpose continued at earlier levels
  - Threshold of INR 10k under section 194B & 194BB to be considered on aggregate basis for all transactions
    - Crossword puzzle, lottery, gambling, betting, card games, horse races, etc.
- **Credit for TDS made in subsequent year to be granted in the year when Income offered**
  - AO should amend assessment order / intimation upon assessee's application in prescribed form
  - Application to be made within 2 years from the end of FY in which tax deducted
- **Penalty & Prosecution provisions amended**
  - To cover cases where taxpayer needs to ensure that sufficient tax has been deposited where TDS is applicable on income in kind

Returns & Refund

- **Authorized officer for Search Proceedings**
  - Permitted to requisition services of any entity / person as approved (e.g., data forensic, digitization, cloud storage, archive experts)
- **Modified return pursuant to business reorganisation**
  - To be furnished by successor within 6 months (even if original return furnished by predecessor)
  - AO to pass order modifying / assessing total income
- **Return under section 148 to be filed within 3 months**
  - From end of the month in which notice issued
  - If not filed within time, it shall not be deemed to be a return under section 139
- **Refund may be withheld by AO if proceedings pending before it**
  - Much expanded scope as compared to refund arising upon order under section 143(1)
  - No additional interest under section 244A(1A) @ 3% p.a. on such withheld amount while the liability, if any, would continue to bear interest under section 234B @ 12% p.a.

Assessment & Appeal

- **Time for completion of assessment**
  - On and from AY 2022-23 – 12 months from end of AY
  - For Updated Return – 12 months from end of FY in which it is furnished
  - Pending assessment on the date of Search / requisition – extended by 12 months
- **AO may refer Valuation of Inventory to Cost Accountants**
- **JCITs to be appointed to hear some of the first level of Appeals**
  - To hear cases where orders passed and approved by AO below rank of JCIT
  - Difficulty in identification in Faceless mechanism
- **Time limit for furnishing documents during TP Assessment**
  - Reduced to 10 days (instead of current 30 days)
- **Time limit for issuance of notice under section 148 for search conducted in last fortnight of FY**
  - Liberalised in view of practical challenges to safeguard revenue of the First Year

NGO

- **Trust / Institutions covered under section 10(23C)**
  - Donation by a Trust to another Trust as non-corpus donation
    - Only 85% amount treated as 'application'
  - Funds utilised out of corpus / loan before April 1, 2021 not to be regarded as application, when recouped subsequently
    - Corpus / loan (taken on or after April 1, 2021) recouped / repaid within 5 years to be regarded as application
  - Form 9A / 10 to be filed 2 months prior to Return filing
  - Application for registration of Trust can be filed post commencement of activity
    - Not eligible for exemption up to date of application
- **Deemed conversion of Charitable Trust to Non-Charitable**
  - Failure to make application for re-registration within time permitted
  - Failure to apply for regular registration after expiry of provisional registration within time permitted
  - Taxes on accreted income under section 115TD to be discharged within 14 days from end of PY in which registration expired

03 Goods & Services Tax

Union Budget 2023-24 : GST proposals

Key expectations from Budget : EODB : Tax Simplification and avoiding uncertainty due to litigation

Core of budget proposals

- Decriminalization of offences
- Mitigation of undue litigation
- Robust tax compliances
- Trade facilitation measures

- Subsuming of petroleum fuels
- Rationalization of rates
- Clarity w.r.t. taxability of on-line gaming
- Amnesty scheme for initial procedural lapses

GST law : Major changes proposed by Finance Bill 2023 (1/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
1	Decriminalization of offences	139 (132)	▪ Following offences dropped from punishment involving imprisonment – ▪ Obstructs or prevents any officer in discharge of his duties ▪ Tampers with or destroys any material evidence or document ▪ Fails to supply any information which he is required to supply under this GST law or supplies false information ▪ Other specified offences liable for imprisonment only where the amount involved is more than INR 2 Crore (earlier it was 1 Crore) ▪ Offence involving issuance of invoice without underlying supply continues to be liable for imprisonment if amount involved is more than INR 1 Crore ▪ Offence involving falsifying or producing fake accounts continues to be liable for imprisonment for up to 6 months

KCM comments : Recommendation made by the 48th GST Council held on 17 Dec 2022 has been accepted

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (2/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
2	Mitigation of undue litigation	129 (16)	▪ Where amount towards value of supply is not paid by the recipient to the supplier within 180 days from date of invoice, an amount equal to ITC availed by recipient shall be **paid by him along with interest payable under section 50** (*earlier it was – "shall be added to his output tax liability along with interest thereon*) ▪ For recredit of ITC upon payment subsequently, the words "to supplier" added for explicitly clarifying the provision

KCM comments : The proposed amendment is in line with the revised return filing mechanism and would help mitigate undue litigation on this topic

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (3/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
3	Mitigation of undue litigation	143 (2(17))	▪ Definition of “online information and database access or retrieval services” proposed to be amended to remove the terms “***essentially automated and involving minimal human intervention***” from the definition. ▪ The revised definition would read as – *“service whose delivery is mandated by information technology over internet or an electronic network and the nature of which renders their supply impossible to ensure in the absence of information technology and includes electronic services such as…….”*

KCM comments : Probable dispute over words like “*essentially automated*” and “*minimal human intervention*” in the earlier definition and issues emerging post ruling given by Karnataka Appellate Authority for Advance Rulings reversing the earlier AR in case of NCS Pearsons Inc. has been now mitigated

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (4/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
4	Mitigation of undue litigation	143 (2(16))	▪ Definition of “non-taxable online recipient” has been amended to mean any unregistered person receiving online information and data base access or retrieval services located in taxable territory ▪ Explanation added to clarify that it shall include a person registered solely in terms of section 24(vi) of CGST Act ie to say person who are required to deduct tax under section 51

KCM comments : Probable chances of litigation due to the earlier definition has been mitigated

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (5/10)

Sr. No.	Objectives	Relevant section*	Proposed change & Implication
5	Mitigation of undue litigation	144 (12(8))	▪ Proviso providing that PoS shall be place of destination of goods where transportation of goods is to a place outside India has been proposed to be omitted

KCM comments : Exemption on services by way of transportation of goods (*including by mail or courier*) from India to outside India was withdrawn with effect from 1 October 2022 and accordingly suppliers were charging IGST. Doubts were raised with regard to availability of ITC on such IGST as PoS was outside India as per proviso to section 12(8) of IGST Act The issue was earlier also clarified vide Circular 184/16/2022-GST dated 27 Dec 2022. Probable chances of litigation has been mitigated now.

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (6/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
6	Robust tax compliance	130 (17(3))	▪ Explanation added to clarify that "Value of exempt supply" for the purpose of section 17 shall include "supply of warehoused goods to any person before the clearance of home consumption"
		130 (17(5))	▪ ITC shall not be allowed for goods or services which are used or intended to be used for activities relating to CSR

KCM comments : Amendment proposed to explanation to section 17(3) shall restrict ITC claims on warehoused goods

Amendment proposed to section 17(5) shall restrict claim of ITC for CSR activities. Decision of UP AAR in case of Dwarikesh Sugar no longer relevant now. Rulings under erstwhile regime allowing ITC also no longer relevant now.

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (7/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
7	Robust tax compliance	132 (37) 133 (39) 134 (44) 135 (52)	▪ Amendment proposed to restrict filing of GSTR 1, 3B, 9 and 7 after expiry of three years from the due date of furnishing the said return/ statement

KCM comments : The proposed amendment is targeted to ensure appropriate compliances.

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (8/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
8	Robust tax compliance	138 (122(1B))	▪ New sub-section proposed to prescribe a penalty of ten thousand rupees or amount of tax - whichever is higher, if any electronic commerce operator - (a) Allows supply through it by an unregistered person (b) Allows inter-state supply by person who is not eligible to make such inter-state supply (c) Fails to furnish correct details in GSTR 07
9	Robust tax compliance	141 (158(A))	▪ New section proposed for consent-based sharing of information basis information furnished by taxable person with regard to registration, GSTR 1, etc.

KCM comments : The proposed amendment is targeted to ensure appropriate compliances.

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

GST law : Major changes proposed by Finance Bill 2023 (9/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
10	Trade facilitation measure	142	▪ Supply of goods from a place in non-taxable territory to another place in non-taxable territory without entering into India, supply of warehoused goods and supply on high-sea sales basis before clearance for home consumption have been treated as activities neither as supply of goods nor supply of services. ▪ These activities which were added to Schedule III of CGST Act w.e.f. 1st February 2019 have now been proposed to be made effective from 1 July 2017

KCM comments : The ambiguity regarding taxability of such transactions during 1 July 2017 to 31 Jan 2019 have been mitigated

- *of Finance Bill 2023*

GST law : Major changes proposed by Finance Bill 2023 (10/10)

Sr. No.	Objective	Relevant section*	Proposed change & Implication
11	Trade facilitation measure	128 (10)	Amendment proposed to allow taxpayers engaged in supply of goods through electronic commerce operators to opt for composition levy
12	Trade facilitation measure	131 (23)	▪ Ambiguity with regard to compulsory registration (under section 24) for person engaged exclusively in exempt supplies and agriculturist removed by retrospective amendment to section 23 making it notwithstanding anything to the contrary contained in section 22(1) or section 24

KCM comments : The proposed amendments would benefit the taxpayers due to removal of ambiguities

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

04 Central Excise

Excise : Major changes proposed by Finance Bill 2023

Sr. No.	Objective	Relevant notification	Proposed change & Implication
1	Trade facilitation measure	05/2023- dated 1 Feb 2023	▪ Excise duty on CNG exempted when blended with Biogas or Compressed Biogas, to the extent of GST paid on Biogas / Compressed Biogas ▪ Manufacturer of such blended CNG to maintain prescribed details and records, submit certified reconciliation statement by 10th of each quarter ▪ Pay differential duty of excise along with interest if any shortfall observed post reconciliation

KCM comments : The proposed amendment – effective from 2nd Feb 2023, shall help mitigate cascading effect of GST paid on Biogas or Compressed Biogas used by manufacturer of blended CNG

05 Customs Duty

Customs : Major changes proposed in rates (1/2)

Sr. No.	Product	Proposed change & Implication
1	Batteries for electrically operated vehicles (including two and three wheeled electric motor vehicle)	Exemption from levy of customs duty extended till 31 March 2024 for these and various other products
2	Specified Parts, components and subparts for use in manufacture of Lithium-ion battery and battery pack	
3	Inputs ,parts or subparts for manufacture of PCBA of Lithium ion battery and battery pack	
4	Lithium ion cell used in manufacture of battery or battery pack of items other than cellular mobile phone, electrically operated vehicle or hybrid motor vehicle	
5	Goods of Heading 2710 or 271490 for manufacture of Fertilisers	
6	Catalyst for manufacture of cast components of Wind Operated Electricity Generator	
7	Resin for manufacture of cast components of Wind Operated Electricity Generator	

Customs : Major changes proposed in rates (2/2)

Sr. No.	Product	Proposed change & Implication
8	Naphtha	BCD increased from 1% to 2.5%
9	Gems & jewelry	BCD increased for specified tariffs
10	Compounded Rubber	BCD increased to 25% from 10%
11	Electric kitchen chimney	BCD increased to 15% from 7.5%
12	Specified parts for manufacture of open cell of TV panel	BCD reduced from 5% to 2.5%

KCM comments : First Schedule to the Customs Tariff Act, 1975 is also being amended to modify the tariff rates on certain tariff items as part of rationalization of customs duty rate structure. Wherever there are increase in duty rates, they would come into effect from midnight of 1 February (i.e., from 2 February 2023) and the others would come into effect from the date of assent of the Bill

Customs law : Major changes proposed by Finance Bill 2023

Sr. No.	Objective	Relevant section*	Proposed change & Implication
1	Trade facilitation measure	123 (25)	▪ Section 25 of the Customs Act, (Power to grant exemption from duty), has been amended to provide that the validity of 2 years will not be applicable exemption granted in relation to - ▪ multilateral & bilateral trade agreement, ▪ obligations under international agreements, treaties, conventions; UN agencies, diplomats, international organisations; ▪ privileges of constitutional authorities; ▪ schemes under FTP; ▪ other Central Govt. schemes with validity of 2 years; ▪ re-imports, temporary imports, goods imported as gifts or personal baggage; ▪ IGST leviable under Customs Tariff Act, other than duties under Section 12 of the Customs Act.)
2	Trade facilitation measure	124 (127C)	▪ Time limit of 9 months specified for disposal of application filed for settlement proceedings

- *The one without bracket is section of Finance Bill 2023*
- *The one in bracket is the section of CGST Act 2017 proposed to be changed*

INDIA BUDGET 2023

Thank You!!

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