
Seminar on Union Budget

Changes in
Direct Taxation &
Indirect Taxation

Thane Chapter of
WIRC of ICSI- 4th
Feb 23



Overview

- Some Highlights from the Budget 2023
- Old Tax Regime
- New Tax Regime(Existing)
- New Tax Regime(Proposed)
- Changes in the Regimes
- Presumptive Taxation Limits
- Changes for Start-Ups
- Changes for Co-operative Societies
- Other Direct Tax Updates
- Changes in GST
- Changes in Customs Duty

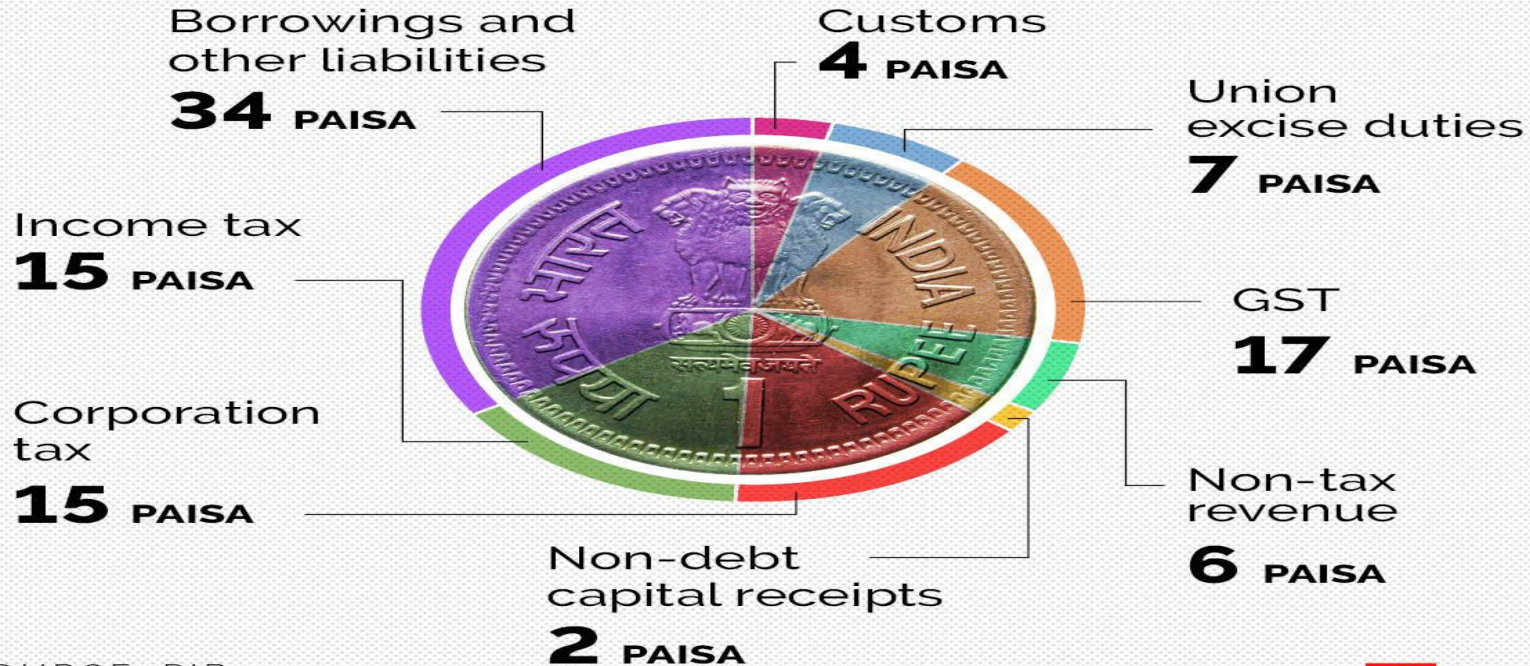
Highlights of the Budget w.r.t Taxation

- The New Tax Regime is now the default tax regime. However, taxpayers have an option to choose the Old Tax Regime.
- Income limit for rebate of income tax increased to ₹7 Lakhs under the new tax regime.
- The standard deduction of ₹50,000 has been introduced under the new tax regime as well.
- No changes in the Old Tax Regime.
- Enhanced limits for micro enterprises & professionals to avail benefits of presumptive taxation subject to some conditions.
- Extension of period of tax benefits to funds relocating to IFSC, GIFT till 31st March, 2025.
- Exemption threshold for Leave encashment has been increased.
- Reduction in basic customs duty to reduce input costs, deepen value addition, to promote export competitiveness, correct inverted duty structure so as to boost domestic manufacturing.



OF EVERY
1 RUPEE
EARNED

WHERE INDIA GETS ITS MONEY FROM

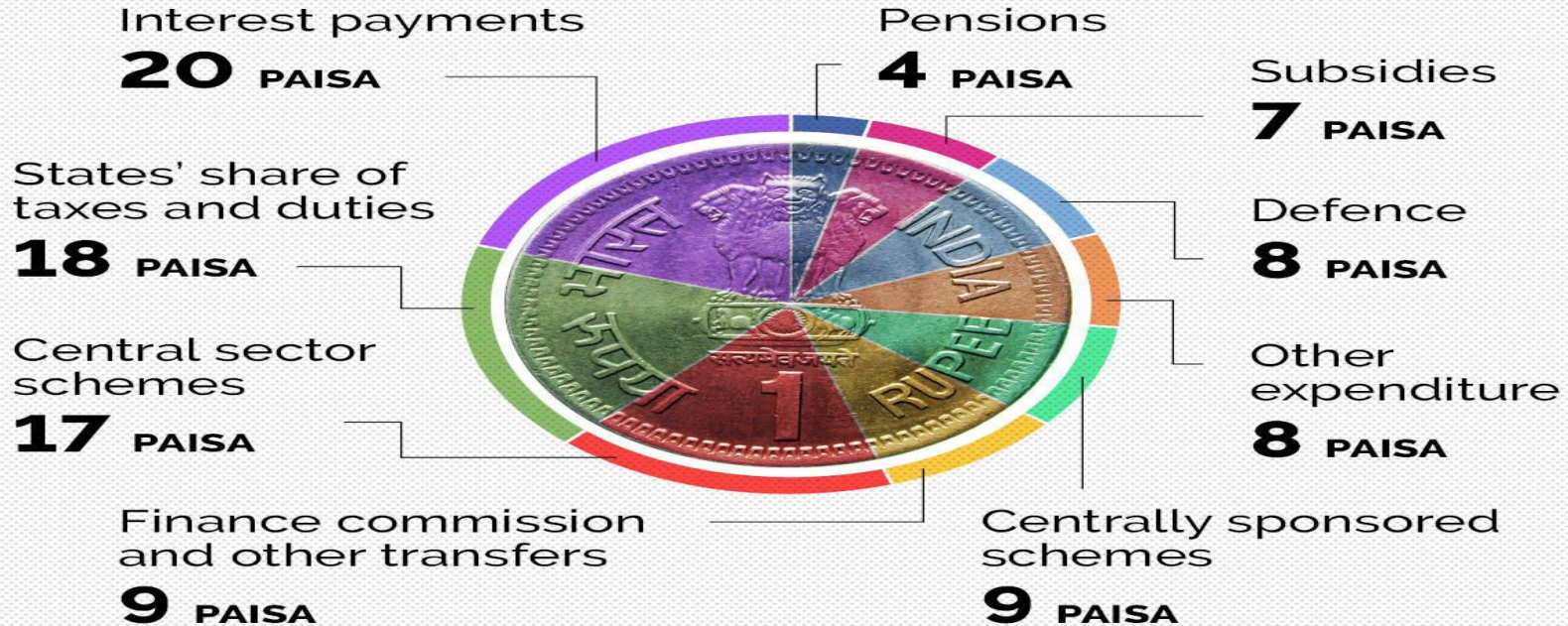


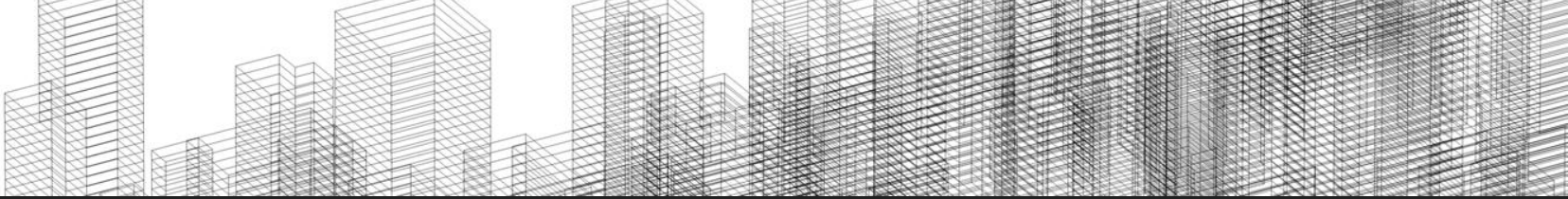
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OF EVERY
1 RUPEE
SPENT

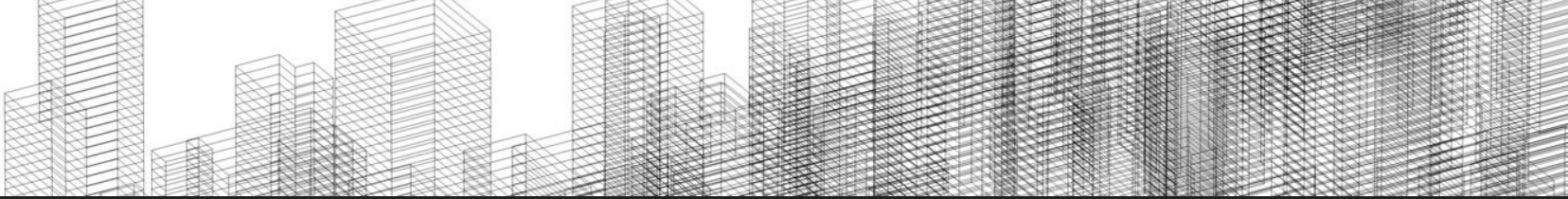
WHERE INDIA SPENDS ITS MONEY





OLD TAX REGIME(Existing)

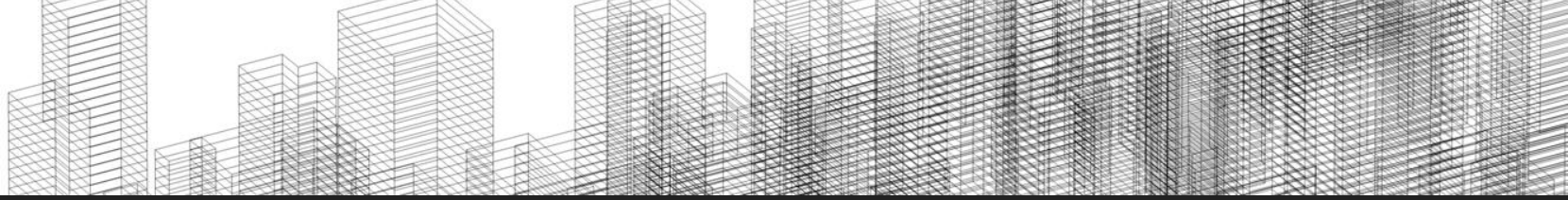
Upto ₹2,50,000	0%
₹2,50,001 - ₹5,00,000	5%
₹5,00,001 - ₹10,00,000	20%
> ₹10,00,001	30%



OLD TAX REGIME(Proposed)

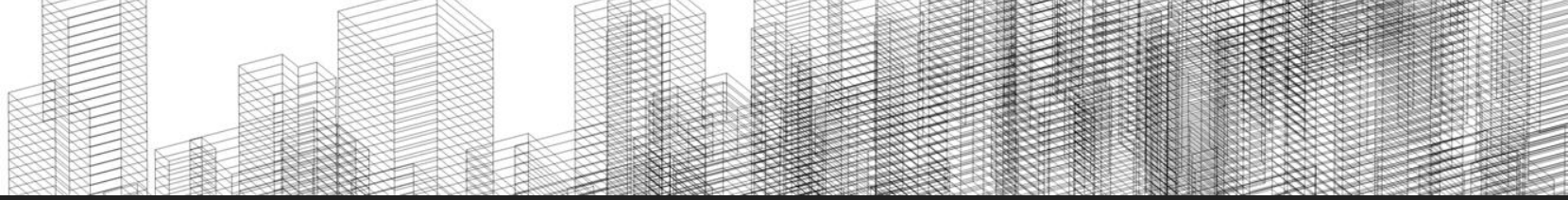
Upto ₹2,50,000	0%
₹2,50,001 - ₹5,00,000	5%
₹5,00,001 - ₹10,00,000	20%
> ₹10,00,001	30%

- There are no proposed changes in the old tax regime.



NEW TAX REGIME (Existing)

Upto ₹2,50,000	0%
₹2,50,001 - ₹5,00,000	5%
₹5,00,001 - ₹7,50,000	10%
₹7,50,001 - ₹10,00,000	15%
₹10,00,001 - ₹12,50,000	20%
₹12,50,001 - ₹15,00,000	25%
> ₹15,00,001	30%



NEW TAX REGIME (Proposed)

Upto ₹3,00,000	0%
₹3,00,001 - ₹6,00,000	5%
₹6,00,001 - ₹9,00,000	10%
₹9,00,001 - ₹12,00,000	15%
₹12,00,001 - ₹15,00,000	20%
> ₹15,00,001	30%

Proposed Changes in the New Tax Regime

The government has taken 5 key measures to make the new tax regime more attractive:-

- Changes in new tax regime slabs as shown in prior slide.
- A tax rebate income limit increased from ₹5 lakhs to ₹7 lakhs under the new tax regime. Therefore, you do not have to pay tax if your taxable income is upto 7 lakhs under the new tax regime.
- The highest surcharge under the new tax regime has been reduced to 25% from 37% for people earning more than Rs 5 crore. This move brings down their tax rate from 42.74% to 39%.
- The new regime is made default tax regime.



Presumptive Taxation Limits Revised (Exempt for maintaining Books of Accounts)

Category	Previous Limits	Revised Limits
Sec 44AD: For small businesses	₹2 Crores	₹3 Crores*
Sec 44ADA: For professionals like doctors, lawyers, engineers, etc.	₹50 Lakhs	₹75 Lakhs*

- The increase in limits is subject to a condition that the 95% of the receipts must be through online channels.*
- No Set off for brought forward losses or unabsorbed depreciation to be allowed for Non Resident engaged in mineral, oils etc also for foreign companies engaged civil construction*

Regarding Start-Ups

START-UPS	PREVIOUS LIMIT	REVISED LIMIT
Date of incorporation for income tax benefits	31.03.2023	31.03.2024
Time limit for set-off and carry forward of losses	7 years from incorporation	10 years from incorporation

** Only condition is that shareholders who hold at least 51% shareholding must continue to hold the shares in the year such loss is to be carried forward and set-off.*

Senior Citizens and Mahila Sanman Bachat Patra

Senior Citizen Schemes (Higher Interest Rate)

- Senior Saving Scheme Deposit Limit will be raised from 15 Lakhs to 30 lakhs (Post Office)
- The Maximum Deposit Limit for Monthly Income Account Scheme will be enhanced from 4.5 Lakhs to 9 Lakhs for single account and from 9 Lakhs to 15 Lakhs for Joint Account

Azadi Ka Amrit Mahotsav Mahila Sanman Bachat Patra

- One time New Small Saving Scheme will be made available for a Two Year Period upto March 2025 for Women. This will offer deposit of Rs. 2.00 Lakhs for a Tenure of 2 years with an Interest Rate of 7.5% with Partial Withdrawal Allowed (Post Office)



Capital Gain

- Similar to Goodwill Cost of Acquisition to be considered as NIL in case of Self Generated Intangible Assets and Other Rights
- Capital Gains in case of Market Linked Debentures to be taxed as Short Term Capital Gains without allowing STT as deduction
- Deduction under section 54 (Sale of House Property to HP) to 54 F (Other Capital Assets to HP) allowed only upto Rs. 10 Cr.
- Conversion of Physical Gold to Electronic Gold and Vice Versa is not a Transfer
- Carry Forward Losses and Unabsorbed Depreciation now include Government or Public Sector Companies now allowed in Banking Companies with in 5 years



Regarding Co-operative Societies

Some of the proposals announced for co-operative Societies are:

- **New manufacturing initiatives:** The government has extended the benefit of concessional tax rate of 15% to new co-operatives that commence manufacturing by 31st March, 2024.
- **Sugar co-operatives:** Any expenditure was disallowed to sugar co-operatives prior to 2016-17, can be claimed now by making an application to the Assessing Officer.
- **Section 194N:** TDS limit on cash withdrawals is increased to ₹3 crores for co-operatives societies.
- **Cash deposit limit:** Limit for cash deposits and loans by Primary Agricultural Co-operative Societies (PACS) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) is being increased to a maximum of 200,000 per member.

CMA RECOGNISED FOR INVENTORY VALUATION UNDER THE INCOME TAX ACT



Amendment in Section 142(2A) of Income Tax Act:-

- It is proposed to amend the said sub-section (2A) so as to enable the Assessing Officer to get the inventory of the assessee valued by a **Cost Accountant**.

The details of the proposed amendments are given below;

Clause & Section	Existing Provision	Proposed Amendment
68 142(2A) Of Income Tax Act	<p>Inquiry before assessment.</p> <p>(2A) If, at any stage of the proceedings before him, the Assessing Officer, having regard to the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialised nature of business activity of the assessee, and the interests of the revenue, is of the opinion that it is necessary so to do, he may, with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, direct the assessee to get the accounts audited by an accountant, as defined in the <i>Explanation</i> below sub-section (2) of section 288, nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in this behalf and to furnish a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed and such other particulars as the Assessing Officer may require :</p> <p>Provided that the Assessing Officer shall not direct the assessee to get the accounts so audited unless the assessee has been given a reasonable opportunity of being heard.</p>	<p>68. In section 142 of the Income-tax Act,—</p> <p>(a) for sub-section (2A), the following sub-section shall be substituted, namely:—</p> <p>“(2A) If, at any stage of the proceedings before him, the Assessing Officer, having regard to the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialised nature of business activity of the assessee, and the interests of the revenue, is of the opinion that it is necessary so to do, he may, with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, direct the assessee to get either or both of the following, namely:—</p> <p>(i) to get the accounts audited by an accountant, as defined in the <i>Explanation</i> below sub-section (2) of section 288, nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in this behalf and to furnish a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars, as may be prescribed, and such other particulars as the Assessing Officer may require;</p> <p>(ii) to get the inventory valued by a cost accountant, nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in this behalf and to furnish a report of such inventory valuation in the prescribed form duly signed and verified by such cost accountant and setting forth such particulars, as may be prescribed, and such other particulars as the Assessing Officer may require:</p>

		Provided that the Assessing Officer shall not direct the assessee to get the accounts so audited or inventory so valued unless the assessee has been given a reasonable opportunity of being heard.”;
	<p>(2D) The expenses of, and incidental to, any audit under sub-section (2A) (including the remuneration of the accountant) shall be determined by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner] (which determination shall be final) and paid by the assessee and in default of such payment, shall be recoverable from the assessee in the manner provided in Chapter XVII-D for the recovery of arrears of tax :</p> <p>Provided that where any direction for audit under sub-section (2A) is issued by the Assessing Officer on or after the 1st day of June, 2007, the expenses of, and incidental to, such audit (including the remuneration of the Accountant) shall be determined by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in accordance with such guidelines as may be prescribed and the expenses so determined shall be paid by the Central Government.</p>	<p>(b) in sub-section (2D),—</p> <p>“audit or inventory valuation under sub-section (2A) (including the remuneration of the accountant or the cost accountant, as the case may be)”</p> <p>(i) in the proviso,—</p> <p>(I) “audit or inventory valuation under”</p> <p>(II) “such audit or inventory valuation (including the remuneration of the accountant or the cost accountant, as the case may be)”</p>
	(3) The assessee shall, except where the assessment is made under section 144, be given an opportunity of being heard in respect of any material gathered on the basis of any inquiry under sub-section (2) or any audit under sub-section (2A) and proposed to be utilised for the purposes of the assessment.	“ audit or inventory valuation ”

Other Direct Tax Updates



- **Leave Encashment:** The exemption threshold for Leave encashment has been increased to ₹ 25 lakh from ₹ 3 lakh for non-government employees.
- **TDS on EPF Withdrawal:** TDS rate has been reduced to 20% from 30% on taxable withdrawal of EPF.
- **Payment Based Deduction:** Any payment made to MSME shall be allowed as expenditure only when payment is actually made.
- **No Penalty:** No penalty would arise under Section 269SS or 269ST.
- **Online Gaming TDS:** Winning from Online Gaming Sections 194BA and 115BBJ will be subject to TDS @30%

Regarding GST Changes



- Decriminalisation (Secs 132 & 138 of CGST Act amended)
- Facilitate e-commerce for micro enterprises (Secs 10 & 122 of CGST Act amended)
- Return filing under GST (Secs 37, 39, 44 & 52 of CGST Act, 2017 are being amended and limited to 3 Years from its due date)
- Input Tax Credit for expenditure related to CSR (Sec 17(5) of CGST Act is being amended)
- Sharing of information (New Sec 158A in CGST Act is being inserted) Like any other information Like Cost Audit Report
- Amendments in section 2 clause (16) of IGST Act, 2017
- Online information and database access or retrieval services (Clause (17) of Sec 2 of IGST Act is being amended)
- Place of supply in certain cases (Proviso to sub-section (8) of Sec 12 of the IGST Act) easing out exports

Regarding Custom Duty Changes



- Amendments in the **Customs Act, 1962 (Section 25 (4A))** being amended to exclude certain categories of conditional customs duty exemptions.
- Amendments in the provisions relating to Anti-Dumping Duty (ADD), Countervailing Duty (CVD) & Safeguard Measures (**Sections 9, 9A, 9C** amended)
- Amendments in the **First Schedule** to the Customs Tariff Act, 1975 (New tariff lines are proposed to be created)
- Amendment in the **Second Schedule** to the Customs Tariff Act, 1975

ITEMS OF WHICH CUSTOMS DUTY IS REVISED	IMPACT/BENEFIT
Imported capital goods for lithium-ion battery manufacturing	For greener mobility
Imported mobile camera lens	Deepening value addition
Denatured ethyl alcohol	Benefits the chemical industry
Primary inputs for making shrimp feed	Increase in marine exports
Seeds for manufacturing lab-grown diamonds	Promotes exports
Extending the concessional Basic Customs Duty (BCD) on copper scrap	Increasing raw material availability for MSMEs
Compounding rubber to bring it at par with natural rubber	To curb duty circumvention

Questions & Contact

CMA IP (Dr.) Ashish P Thatte
Chairman Direct Taxes Committee, ICAI-CMA
Partner, Joshi Apte and Associates
Cost and Management Accountant, Thane and Pune
Ph: 09820973559, Office:8104550934
Email: ashishpthatte@gmail.com
cmaashishpthatte@gmail.com

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