The Budget highlights is clearly about complementing macro-growth with micro-all-inclusive welfare, digital economy and fintech, tech-enabled development, energy transition, bolstering investment, and climate action – which augurs well for the nation.

As the Budget decodes **'Kaam, Kisan and Kamai'** as the focus, the outlays have come out with a 'budget for the economy', with sustainability and infrastructure investment as its underlying theme.

However, for investors in cryptocurrencies, it turned out to be an eventful Budget. The finance minister's announcement on tax on virtual or digital assets offers some clarity on the way forward for such investment avenues that many Indians, especially millennials, have taken fancy to.

Ease of Doing Business has been the mantra for this government from the very beginning. Therefore, the industry welcomes a much-awaited focus to resolve long-standing issues of reduction in approval timelines for land and construction.

The PM Gati Shakti Master Plan for expressways to be formulated in 2022-23, to facilitate faster movement of people and goods, and expansion of the national highway network to 25,000 km in 2022-23 with additional impetus on inclusive development for last-mile connectivity, public investment, capital spending, and financing of investments, will enhance the overall health of the sector.

Executive Summary

Vision on Macroeconomics

- As per World Bank, ADB and IMF projections, India to remain the fastest growing major economy in the world during 2021-24
- Indian economy to grow by 9.2% in real terms in 2021-22
- Agriculture to grow by 3.9 % in 2021-22 in comparison to 3.6% in the previous year
- Industrial sector to witness sharp rebound from a contraction of 7% in 2020-21 to expansion of 11.8% in 2021-22
- Services to clock 8.2% growth in 2021-22 after a contraction of 8.4% last year
- Foreign exchange reserves stood at US$ 634 billion as on 31st December 2021 equivalent to over 13 months of imports and higher than country's external debt
- Investment is expected to see a strong growth of 15% in 2021-22
- Consumer Price Index (CPI) combined inflation of 5.6% in December 2021 is well within targeted tolerance band
- Fiscal deficit for April-November 2021 contained at 46.2% of budget estimates

Direct Tax

- No change in income tax rates in Individuals, HUF, Firms & Corporates.
- Rate of surcharge on long term capital gains tax capped at 15%
- Withholding tax at the rate of 1% applicable on sale of virtual digital assets
- Extension of claiming benefit in case of start-ups extended to 31st March, 2023
- Option to update the return up to a period of 2 years from the end of relevant assessment year on payment of certain additional tax.
- Deferment of filing of appeal by the Revenue where substantial question of law is pending before jurisdictional high court or Supreme court.

Indirect Tax

- The PLI scheme introduced by Government in 14 sectors received excellent response. The potential is to create 60 lakh new jobs and an additional production of 30 lakh Crore in next 5 years
- SEZ law to be replaced with new legislation. Also, reforms in in Customs Administration of SEZs and it shall henceforth be fully IT driven and function on the Customs National Portal
- The Government has clarified that where Basic Customs Duty (BSD) is NIL no Social Welfare Surcharge (SWS) is payable. This comes as a welcome relief to importer as customs authorities were demanding SWS on goods where BCD was exempted through notification
- Customs' reforms have played a very vital role in domestic capacity creation, providing level playing field to MSMEs
- To further strengthen "Make In India", concession on project imports and capital goods to be phased out.
- Under GST, the time limit for availment of credit or issuance of invoice / credit note / debit note has been extended to 30th November instead of September of subsequent year.

ECONOMIC SURVEY:

Economic Survey (ES) released on 31st January, 2022, for second year running, was written under the cloud of the Covid-19 pandemic. These have been difficult times for the world economy. It is not just about the immediate disruptions and uncertainty caused by repeated waves of the pandemic, but also the longer-term uncertainty about the post-Covid world due to accelerated shifts in technology, consumer behaviour, supply chains, geo-politics, climate change and a host of other factors. Not only are these individual factors difficult to forecast, but the impact of their interactions is also fundamentally unpredictable. The theme of this Economic Survey, therefore, relates to the art and science of policy making under conditions of extreme uncertainties.

A glance on few key indicators:

1.Growth Outlook – Gross Domestic Product:

- India will grow 8-8.5 per cent in 2022-23, the Economic Survey said in a guarded prognosis on 31st January, with the economy poised to dash onto a faster lane, decisively leaving behind the coronavirus-inflicted devastation. The International Monetary Fund (IMF) has projected that India's real gross domestic product (GDP) will grow 9 per cent in 2022 and 2023 followed by 7.1 per cent growth in 2024.

- Agriculture and allied sectors have been the least impacted by the pandemic and the sector is expected to grow by 3.9 per cent in 2021-22 after growing 3.6 per cent in the previous year. Advance estimates suggest that the GVA (Gross Value Added) of Industry (including mining and construction) will rise by 11.8 per cent in 2021-22 after contracting by 7 per cent in 2020- 21. The Services sector has been the hardest hit by the pandemic, especially segments that involve human contact.

2.Inflation:

- The surge in energy prices, non-food commodities, input prices, disruption of global supply chains, and rising freight costs stoked global inflation during the year. In India, Consumer Price Index (CPI) inflation moderated to 5.2 per cent in 2021- 22 (April-December) from 6.6 per cent in the corresponding period of 2020-21.

3.Exports – Imports:

- India's exports of both goods and services have been exceptionally strong so far in 2021-22. Merchandise exports have been above US$ 30 billion for eight consecutive months in 2021-22, despite a rise in trade costs arising from global supply constraints. Concurrently, net services exports have also risen sharply, driven by professional and management consulting services, audio visual and related services, freight transport services, telecommunications, computer and information services.

- Imports also recovered strongly with revival of domestic demand and continuous rise in price of imported crude and metals. Imports are expected to grow by 29.4 per cent in 2021-22 surpassing corresponding pre-pandemic levels

4.Supply Side Reforms:

- Another distinguishing feature of India's economic response has been an emphasis on supply-side reforms rather than a total reliance on demand management. These supply-side reforms include deregulation of numerous sectors, simplification of processes, removal of legacy issues like 'retrospective tax', privatization, production linked incentives and so on.

- There are two common themes in India's supply-side strategy: (i) Reforms that improve flexibility and innovation to deal with the long-term unpredictability of the post-Covid world, and (ii) Reforms aimed at improving the resilience of the Indian economy.

5.Patents:

- There has been gradual increase in the filing and granting of patents in India. The number of patents filed in India has gone up from 39,400 in 2010-11 to 45,444 in 2016-17 to 58,502 in 2020-21 and the patents granted in India has gone up from 7,509 to 9,847 to 28,391 during the same time period. The share of Indian residents in total applications has increased from 20 per cent in 2010-11 to around 30 percent in 2016-17 and 40 per cent in 2020-21. Consequently, India's ranking in Global Innovation Index has climbed 35 ranks, from 81st in 2015- 16 to 46th in 2021.

- This is a remarkable progress, but the number of patents granted in India is still a fraction compared to patents granted in China, USA, Japan, and Korea. According to World Intellectual Property Organization (WIPO), the number of patents granted in China, USA, Japan, Korea stood at 5.30 lakh, 3.52 lakh, 1.79 lakh, 1.35 lakh respectively for 2020.

6.Vaccination:

- Vaccination has played a critical role in minimizing loss of lives, boosting confidence in the economy towards resumption of activity and containing the sequential decline in output due to second wave. As India completed one year of its COVID-19 vaccination drive on 16th January, 2022, it crossed the historic milestone of administrating more than 156 crore doses of vaccine.

7.Conclusion:

- Initiatives under Atma Nirbhar Bharat including introduction of structural and procedural reforms, record vaccinations, various PLI scheme designed to attract investments in sectors of core competency and cutting-edge technology, Makein-India programme to boost domestic manufacturing capacity, reduction of corporate tax rate, etc and steps to improve operational efficiency have helped the different sectors to keep up its ante.

KEY DIRECT TAX CHANGES

- No change of tax in case of Individuals, HUF, Firms and Corporate Assesses. However, in case of Co-operative societies, the rates of surcharge and Alternate Minimum Tax have been changed. The details of change are in table as below

Rates	Earlier	Proposed
Surcharge when Income exceeds Rs. 1 crore but does not exceed Rs. 10 crores	12%	7%
Surcharge when Income exceeds Rs. 10 crores	12%	12%
Alternate Minimum Tax as per Section 115JC	18.5%	15%

- Rate of surcharge on Long Term Capital Gains capped at 15%. This amendment is effective from 01st April, 2022.

- Definition of slump sale as contained in clause (42C) of Section 2 of the Act had an anomaly wherein the word sales was mentioned instead of transfer. Such anomaly has been corrected by way of an amendment and is in sync with the amendment which was carried out by Finance Act 2021 through insertion of Explanation 3. This amendment is effective retrospectively from 01st April, 2021 and will accordingly apply in relation to assessment year 2021- 2022 onwards.

- Virtual Digital Asset The term Virtual Digital Asset has been introduced by way It has been added as a separate class of assets. The definition has been provided to include:
    - Any information or code or number or token (not being Indian currency or foreign currency), generated through cryptographic
    - Non-fungible token or any other token of similar nature c. any other digital asset. This amendment is effective from 01st April, 2022.

Expenditure on earning exempt Income-

- An explanation to Section 14A has been proposed to be inserted which will provide that non-existence of an exempt income shall not be a reason for not invoking the provisions of Section 14A for the purposes of disallowance of expense incurred in earning such income in any of the years. This amendment is effective from 01st April, 2022.

Withholding tax on certain types of income-

- Section 28(iv) of the Act states that value of benefits or perquisites, whether convertible into money or not, arising from business or the exercise of profession shall be chargeable to income tax under the head “Profits and gains of business or profession”.
- However, wherein such benefit or perquisite is partly in cash and partly in kind or in kind completely, the person responsible for providing such benefit or perquisite shall ensure that tax has been paid before release of such perquisite or benefit by the person. However, no deduction is applicable under this Section wherein the benefit or perquisite does not exceed ₹20,000 during a F.Y. As on today such perquisites or benefits have not been defined nor are there any provisions to value such perquisites or benefits. This amendment is effective from 01st July, 2022.

- Allowability of expenditure Explanation has been inserted to Section 37(1) of the Act which provides that any amount expended towards anything which is prohibited under any law whether applicable directly or indirectly or is expended outside India shall not be allowed as a deductible expenditure. This amendment is effective from 01st April, 2022.

- Treatment of cess & surcharge for the purposes of deduction the controversy revolving around the inclusion of Education Cess & Higher Education Cess ('cess') in the definition of tax has been settled by way of insertion of Explanation 3 to sub-clause (ii) of section 40 of the Act. Through this insertion, cess has been included in the definition of tax, thus, to be not allowed as deduction in computation of income tax. This amendment is effective retrospectively from 1st April, 2005 and will accordingly apply in relation to assessment year 2005- 2006 onwards.

- Conversation of interest into debentures The provisions of Section 43B has been amended to provide that conversion of outstanding interest into debentures shall not be treated as actual payment of liability, thus not allowed as deduction. This amendment is effective from 01st April, 2022.

- Removal of goodwill from block of asset Explanation to Section 50 has been inserted wherein reduction of value of goodwill from the block of asset has been specifically included as a transfer and the cost of acquisition in case of such transfer shall be governed by the provisions of Section 43(6) of the Act.

- Gift of certain Assets Going forward gift of Virtual Digital Assets shall be taxable in the hands of such recipient of gift under section 56(2)(x) of the Act. Such gift will be subject to certain exceptions as is applicable to other class of assets i.e., gift from relative etc.

- Such requirement shall not apply where amount is provided by Venture Capital Fund, Venture Capital Company registered with SEBI. This amendment is effective from 01st April, 2023 and will accordingly apply in relation to assessment year 2023-2024 onwards.to be amended to "Liability of Directors of a private company" as the liability is not conditional to liquidation of the company and no reference was made in the section itself.

- Set off loss and unabsorbed depreciation in case of search A new Section 79A has been inserted to not allow for any set-off of any losses or unabsorbed depreciation against undisclosed income emanating from search and seizure operation or survey undertaken by the income tax authorities.

- Bonus stripping The provisions of Section 94 of the Act dealing with bonus stripping has been amended by expanding the definition to include securities, units of Infrastructure Investment Trust (InvIT) or Real Estate Investment Trust (REIT) or Alternative Investment Funds (AIFs). Such inclusion shall make the provisions applicable to wide variety of instruments and funds.

- Extension of last date of commencement of manufacturing The timelines to start the manufacturing for the purpose of availing the benefit of reduced rate available under section 115BAB has been extended from 31st March, 2023 to 31st March, 2024 with a view to incentivize the taxpayers who could not start the manufacturing process because of Covid-19 pandemic.

- Dividend received by foreign company Section 115BBD of the Act provides a concessional rate of tax at 15% wherein dividend is received by any Indian company from a foreign company.

- Cash Credits Amendment in Section 68: The provisions of Section 68 have been amended to provide that amount received as loans shall be required to be explained by the person giving such amount to the recipient and explanation by the receiver of such funds shall not suffice.

- Update of tax return Section 139 has been amended by insertion of sub-section 8A which provides an opportunity to the taxpayer to update its return of income beyond the period of revision and even after the end of the relevant assessment year. It provides for an extended window of 2 years from the end of relevant assessment year on payment of certain amount as additional tax over and above the regular tax liability determined.

- However, such provisions are not applicable in case of loss return or in situations where such updation has the effect of reducing the tax liability. Also wherein case there has been any search undertaken on notices issued under PMLA or Black Money provisions or in case of ongoing assessment, the option to update such return shall cease to exist. This amendment is effective from 01st April, 2022.

- Update of tax return Section 139 has been amended by insertion of sub-section 8A which provides an opportunity to the taxpayer to update its return of income beyond the period of revision and even after the end of the relevant assessment year. It provides for an extended window of 2 years from the end of relevant assessment year on payment of certain amount as additional tax over and above the regular tax liability determined. However, such provisions are not applicable in case of loss return or in situations where such updation has the effect of reducing the tax liability. Also wherein case there has been any search undertaken on notices issued under PMLA or Black Money provisions or in case of ongoing assessment, the option to update such return shall cease to exist. This amendment is effective from 01st April, 2022.

- Reduction of tax litigation Section 158AB has been inserted in the Income Tax provisions with a purpose to reduce tax litigation. It imposes certain restrictions on the income tax authorities for filing appeal against a favourable order issued to the Assessee, wherein similar issue is pending as a question of law before any jurisdictional higher forum including Hon'ble Supreme Court in an appeal filed by the income tax authorities and such appeal is yet to be adjudicated. Such decision shall be taken by the collegium which shall comprise of two or more Chief Commissioner or Principal Commissioner or Commissioners of Income tax. This amendment is effective from 01st April, 2022.

Liability of directors Section 179 of the Act makes the directors jointly and severally liable in case of private company wherein taxes cannot be recovered from the company itself. The title of this section states "Liability of Directors of a private company in liquidation" and the same has been proposed.

- Further, the term tax due has also been amended to include fees in its ambit. This amendment is effective from 01st April, 2022.

- Withholding tax on purchase of immoveable properties Section 194-IA of the Act provides for deduction of tax on payment on transfer of certain immovable property other than agricultural land by any person.

- Responsible for paying to a resident on any sum by way of consideration for transfer of such immovable property at the time of credit or payment of such sum to the resident at the rate of 1% wherein the consideration was ₹50 lakhs or more. Now, where such consideration is increased by Section 43CA or Section 50C of the Act as the case may be, the requirement to withhold tax shall also trigger even in case where actual consideration was less than ₹ 50 lakhs, but Stamp Duty value was ₹ 50 lakhs or more. This amendment is effective from 01st April, 2022.

- Withholding tax on sale of virtual digital assets A new Section 194S has been inserted wherein TDS at the rate of 1% has been proposed to be deducted by the purchaser of Virtual Digital Assets on the amount of consideration payable. The proposed section has been introduced as a non-obstante clause, thereby avoiding over lapping with any other withholding tax provisions with a specific reference to Section 194-O. separately, it has been proposed to exclude the withholding tax provision from the provisions of 203A & 206AB i.e., the requirement to obtain as Tax Deduction Account Number and filing of income tax return shall not apply and irrespective the rate shall remain at 1%. This amendment is effective from 01st July, 2022.

- Amendment in Section 201 & Section 206C The provisions of Section 201 & Section 206C have been amended by way of insertion of a proviso which provides that the order of the assessing officer calculating the interest on default of TDS/TCS payment shall be the final order and will liability of directors Section 179 of the Act makes the directors jointly and severally liable in case of private company wherein taxes cannot be recovered from the company itself. The title of this section states “Liability of Directors of a private company in liquidation” and the same has been proposed.

In both these sections the definition of specified person has been proposed to be amended to reduce the two-year requirement of filing of tax returns to one year now.

Further, the provisions of Section 206AB have been proposed to be relaxed and will not be applicable in case where TDS is required to be deducted under Section 194-IA, 194-IB and 194-IM. This amendment is effective from 01st April, 2022.

- Extension of timelines for inclusion in faceless assessment The scheme of faceless assessment which was to include in it the transfer pricing assessment, dispute resolution panel and appeal to tribunal was to be implemented in the coming years i.e., in 2022 & 2023 as the case maybe. The proposed deadline of inclusion has now been extended further and the same is tabulated below:

Relevant	Existing Date Of Limitation	Proposed Date of Extension
Section 92CA	31st March, 2022	1st April 2024
Section 144c	31st March, 2022	1st April 2024
Section 253	31st March, 2022	1st April 2024
Section 255	31st March, 2022	1st April 2024

KEY INDIRECT TAX CHANGES

GST Update:

Extension of time limit:

- To avail GST credit on an invoice or a debit note from due date of furnishing of the return for the month of September to 30th November of subsequent year

- Liability of directors Section 179 of the Act makes the directors jointly and severally liable in case of private company wherein taxes cannot be recovered from the company itself. The title of this section states "Liability of Directors of a private company in liquidation" and the same has been proposedin the Form GSTR-1 of a tax period up-to September from end of the F.Y. If the taxpayer files the return of September after the due date, still amendment was allowed. Through a proposed amendment in Finance bill 2022, taxpayer cannot do any amendment if GSTR 1 is filed after 30th November.

- Similarly, errors and omission in Form GSTR-3B can be revised up-to 30th November from previously due date of furnishing of the return for the month of September, from end of a financial year.

- Section 42, 43 and 43A has been omitted so as to align that credit is claimed only as reflected in GSTR 2B and do away with provisional availment of credit and subsequent matching, reversal mechanism.

1. Amendment made in legislation to provide that Taxpayer cannot file GSTR 3B if GSTR-1 is pending to be filed. Also, Taxpayer can only file Form GSTR-1 for a month if he has filed it for previous months.
2. Late fee has been imposed on delay infilling of TCS return.
3. **Interest:** Retrospective amendment w.e.f. 01.07.2017 has been introduced to provide that interest on GST credit wrongly availed and utilized would be charged @ 18% instead of 24%.
4. **Electronic cash ledger:** Amount lying in ECL can be transfer to a distinct person.

Customs Law

- Definition of Proper Officer has been amended to include officer who has been assigned function by the Board or the Principal Commissioner of Customs or the Commissioner of Customs under Section 5 of Customs Act, 1962 (CA).

- Liability of directors Section 179 of the Act makes the directors jointly and severally liable in case of private company wherein taxes cannot be recovered from the company itself. The title of this section states “Liability of Directors of a private company in liquidation” and the same has been proposed.

- In Section 5 of the Customs Act, following sub-sections shall be inserted Power of Assignment of function to officers of customs by the Board or as the case may be by the Principal Commissioner of Customs or Commissioner of Customs has been explicitly provided by inserting Sub-section (1A) and (1B) in section 5 of the Act.

- The criteria which the Board may adopt while imposing limitations or conditions while assigning functions to the officer of Customs is being delineated by inserting Sub-section (4) to Section 5.

- For instance, one of the limitations/ conditions that the Board currently imposes on “officers of Customs” is that they are required to operate within a specified territorial jurisdiction. However, with the launch of faceless assessments and other trade facilitation initiatives wherein, for instance, a need is felt for the development of industry-specific expertise in assessments the Board may need to confine jurisdiction to certain goods or class of goods.

- To ensure that wherever necessary, for the proper management of work, two or more officers of customs, can concurrently exercise powers and functions Sub-section (5) to Section 5 is being inserted.

Additional Obligation of Importers has been specified by amending Section 14 in respect of a class of imported goods whose value is not being declared correctly, the criteria of selection of such goods, and the checks in respect of such goods. This amendment is a measure to address the issue of undervaluation in imports.

6. Advance ruling under sub-section (1) of Section 28J is now valid for a period of three years or till there is a change in law or facts based on which the advance ruling has been pronounced, whichever is earlier by substituting sub-section (2) under Section 28J. A proviso is also being inserted to provide that the advance rulings in force on the date on which the Finance Bill, 2022 receives assent of the President, the said period of three years shall be reckoned from the date on which the Finance Bill receives assent of the President.

7.The import and export data submitted to Customs by importers or exporters in their declarations will be protected by making the publishing of such information unless provided by the law, as an offence under Customs Act by inserting Section 135AA.

Amendment to Customs Import of Goods at Concessional Rate of duty (IGCR) Rules, 2017

Customs (Import of Goods at concessional rate of duty) Rules, 2017 are being amended to provide the following facilities:

- End to end automation is being introduced. Requirement of submitting all the necessary details electronically, through a common portal, is being brought out in the Rules itself.

- Standardizing and notifying the various forms in which details are to be submitted electronically.
- Accordingly, the need for any transaction-based permissions and intimations are all being done away with.
- Consequently, the procedure to claim the notification benefit is being simplified and automated.
- A Monthly Statement is being proposed which is to be submitted by the importer on the Common Portal for effective monitoring of the use of goods for the intended purposes.
- An option for voluntary payment of the necessary duties and interest, through the Common Portal is being provided to the importer.

Customs Tariffs

- Change in Custom Duty rates for some key goods being imported into India
- Phased Manufacturing Program (PMP) is being prescribed for BCD rates on project imports to be phased out gradually.
- *New projects registered after 30th September, 2022 under project imports will attract 7.5% BCD rate.
- *Projects registered till 30th September, 2022 under project imports will continue to get lower rates of duty till 30th September, 2023.
- *With effect from 30th September, 2023, all projects registered under project imports will attract 7.5% BCD rate.