

Finance Budget 2023



This was the last full budget of the current Government before India goes in general election next year, therefore, it was an opportunity and at the same time an uphill task for the Government to continue focus on growth and stability considering the geopolitical uncertainties and economic slowdown among major economies of the world.

This year's budget termed as the first budget in "Amrit Kaal" reinstating India's growth journey towards 100 years of independence. The major opportunities or the key drivers to help India achieve the "Amrit Kaal" have been identified as 'Saptarishi'

- Inclusive Development
- Reaching the Last Mile
- Infrastructure and Investment
- Unleashing the Potential
- Green Growth
- Youth Power
- Financial Sector

From tax perspective, the expectations were quite high on both direct tax and indirect tax front, however, while the budget failed to meet the said expectations, but with focus on infrastructure and rationalizing tax provisions, it can be considered more than a neutral budget. The proposed tax changes in the budget have been kept minimalistic and impetus of focus is more in growth and inclusiveness of masses.

On the direct tax part, the proposals are aimed at maintaining continuity and stability of taxation along with further simplification and rationalization of various provisions to reduce the compliance burden.

Similarly on changes in indirect taxes was primarily focused on promoting exports, boosting domestic manufacturing, enhancing the domestic value addition, and encouraging green energy. However, despite, industry's expectation, neither any update was provided on DESH scheme and GST Tribunals nor amnesty scheme under GST or customs.

With India poised to be the fastest-growing major economy at 6.5-7.0 per cent in FY23, these optimistic growth forecasts stem in part from the resilience of the Indian economy seen in the rebound of private consumption seamlessly replacing the export stimuli as the leading driver of growth.

Economic Survey

Direct Tax

Indirect Tax

Economic Survey estimates 6.0 to 6.8% GDP growth in 2023-24

- India's economic recovery from the pandemic is complete and the economy is expected to grow in the range of **6% to 6.8%** in the coming financial year 2023-24.
- Economy is expected to grow at **7 per cent** (in real terms) for the year ending March 2023, this follows an 8.7 per cent growth in the previous financial year.
- The Economic Survey said that India remains the fastest growing major economy in the world.
- It projects a baseline GDP Growth of **6.5 per cent** in real terms in FY24.
- Private consumption as a percentage of GDP stood at 58.4 per cent in Q2 of FY23, the **highest among the second quarters of all the years since 2013-14**, supported by a rebound in contact-intensive services such as trade, hotel and transport.

Capex growth driver of Indian economy in 2022-23

- Capital expenditure of Central Government and crowding in the private Capex led by strengthening of the balance sheets of the Corporates is one of the growth driver of the Indian economy in the current year.
- Capital expenditure (capex) of the central government increased by **63.4 per cent** in the first eight months of FY23.
- Centre's Capital expenditure for Road Transport and Highways in Apr-Nov FY23 stood at Rs 1.49 lakh crore rise of 102% YoY. Centre's Capital expenditure for Railways in Apr-Nov FY23 stood at Rs 1.15 lakh crore, a rise of 76.65% YoY.

India sixth largest foreign exchange reserves holder in the world

- India's forex reserves, at \$563 billion in December 2022, cover 9.3 months of imports, and make it the sixth largest foreign exchange reserves holder in the world.

- The current stock of external debt is well shielded by the comfortable level of foreign exchange reserves.
- Challenge of the **depreciating rupee**, although better performing than most other currencies, persists with the likelihood of further increases in policy rates by the US Fed.

Economic Survey 2022-23 highlights need to monitor current account deficit

- The **widening of the Current Account Deficit (CAD)** may also continue as global commodity prices remain elevated and the growth momentum of the Indian economy remains strong.
- The **loss of export stimulus is further possible** as the slowing world growth and trade shrinks the global market size in the second half of the current year.
- The country's current account deficit **widened to 4.4% of the GDP** in the quarter ending September, from 2.2% of the GDP during the April-June period due to a higher trade gap.

- Survey points to the lower forecast for growth in global trade by the world trade organisation, from 3.5 per cent in 2022 to **1.0 per cent** in 2023.

Credit offtake increased in 2022-23

- Financial health of the **PSU banks has seen an improvement**. This has positioned them for better credit supply.
- Credit growth to the micro, small, and medium enterprises (MSME) sector has been remarkably high, **over 30.5 per cent**, on average during Jan-Nov 2022.
- The Gross Non-Performing Advances (GNPA) of the Scheduled Commercial Banks (SCBs) has fallen to a **seven-year low of 5.0%** in the year 2022.

Other Key Highlights

- RBI projects headline inflation at **6.8 per cent** in FY23, which is outside its target range
- Return of migrant workers to construction activities helped housing market witnessing a significant decline in inventory overhang to **33 months** in Q3 of FY23 from 42 months last year

- Surge in **growth of exports** in FY22 and the first half of FY23 induced a shift in the gears of the production processes from mild acceleration to cruise mode
- It is expected that **reaching the budget estimate for the fiscal deficit** during FY23 will not be a concern for the Union Government. Union Government will be on track with the fiscal path outlined by the Medium-Term Fiscal Policy Statement.
- The country is now a **global force in steel production** and the 2nd largest crude steel producer in the world. The steel sector's performance in the current fiscal year has been robust, with cumulative production and consumption of finished steel at 88 MT and 86 MT, respectively.
- The Gross Tax Revenue registered a **Year-on-Year growth of 15.5%** from April to November 2022, according to the Economic Survey. It was driven by robust growth in the direct taxes and Goods and Services Tax (GST).

Tax Rates

No changes prescribed in tax rate and slab limit of individual and HUF in old tax regime.

Updated slab rate under new tax regime.

Total Income	Rates
Up to 3,00,000	Nil
3,00,001 to 6,00,000	5%
6,00,001 to 9,00,000	10%
9,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%
Above ₹15,00,000/-	30%

Further, tax relief under section 87A is revised from ₹5,00,000/- to ₹7,00,000/-

Highest rate of surcharge applicable on taxes under new tax regime has been capped at 25% from earlier rate of 37%.

The beneficial rate of tax in case company engaged in manufacturing activities has now been extended to newly incorporated manufacturing co-operative societies.

Thus, such Co-Operative societies eligible for lower rate of 15%.

No change in tax rates for other taxpayers

There are no changes proposed in the tax rate for Firm, Companies, LLP, AOP.

Provisions applicable to Non-Residents

The taxability of consideration received over and above the fair market value of shares issued in the hands of closely held companies has been extended to shares issued to non-residents.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards.

- Section 56(2)(viib)

Relief from higher rates of TDS/TCS

The persons not liable to furnish the returns of income are to be excluded from the category of non-filer of returns and accordingly not to be subjected to higher rates of TDS/TCS.

This amendment is effective from April 1, 2023.

- Section 206AB and 206CCA

No restriction on interest deductibility to NBFCs

For calculating thin capitalization disallowance which limit the interest deductibility on foreign debts to 30% of EBITDA, specific exclusion has been given to NBFCs engaged in the business of financing.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards. Relevant notification will be issued in due course.

- Section 94B

Relief from blockage of funds from higher tax withholding in case of Income from units of Mutual Funds

Double Taxation Treaty benefits were not available while calculating rate of withholding tax in case of income arising from units of mutual funds. Such anomaly has now been resolved by providing such treaty benefits to calculate applicable rate of withholding tax.

This amendment is effective from April 1, 2023.

- Section 196A

Rationalization of TDS rates from accumulated balance of EPF in case of non-furnishing of PAN

Tax withholding from payment of accumulated balance of EPF when no PAN is furnished by the employee is limited to 20% instead of the earlier provisions which provide for withholding of tax at maximum marginal rate.

This amendment is effective from April 1, 2023.

- Section 192A

Establishing a mechanism for claiming TDS credit in respect of income already offered to tax in prior years

Time limit of two years, from the end of financial year where TDS is deducted, has been provided for claiming TDS credit for which corresponding income has already been offered to tax. Such TDS can be claimed by way of filing of application for rectification.

Interest on refund arising out such rectification shall be granted for the period from the date of the application to the date of grant of refund.

This amendment is effective from October 1, 2023.

- Section 155 and 244A

Set off and withholding of Refunds

The provisions of Set off and withholding of refunds have been merged together to avoid the overlap of both the provisions.

The refund which has been withheld due to pending assessment or re-assessment shall not be eligible for additional interest for the period starting from the date of withholding to the date of such adjustment.

This amendment is effective from April 1, 2023.

- Section 245

Allowance on actual payment basis to Micro and Small Enterprises

A new insertion has been proposed to be made wherein any sum payable to a Micro and Small Enterprise beyond the time limit as per the MSMED Act i.e., 45 days in case of a written agreement or 15 days in other scenarios will be allowed as a deduction only on actual payment basis.

Further, no deduction shall be allowed for that financial year even when the payment is made on or before due date of filing of return.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards.

- Section 43B

Tax Incentives to units in International Financial Services Centre (IFSC)

The relocation by the transfer of capital assets in an original fund to a resultant fund will not be regarded as a transfer wherein such relocation is made on or before March 31, 2025 (earlier March 31, 2023)

This amendment is effective from April 1, 2023 and will accordingly apply in relation to AY 2023-24 onwards.

-Section 47(viia)

Income distributed on the offshore derivative instrument entered into with an offshore banking unit of an IFSC will be exempt in the hands of non-residents.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards.

-Section 10(4E)

Taxation of capital gains in case of Market Linked Debentures

A new section has been proposed to be added, wherein the transfer, redemption and maturity of Market Linked Debentures will be taxed as short-term capital gains irrespective of the period of holding.

Market Linked Debentures will include securities which have an underlying principle component in the form of debt securities and returns are linked to market returns or other underlying securities.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards.

- Section 50AA

Reduction in time period for furnishing of TP Study and other related documents

The time period for furnishing the information or document as required by the Assessing Officer during the TP Audit has been reduced from 30 days to 10 days.

This amendment is effective from April 1, 2023

-Section 92D(3)

Penalty and prosecutions provisions applicable in case of Section 194R, 194S and 194BA

Penalty and prosecution provisions applicable in case of failure to deduct or pay TDS will be also applicable on the person responsible who fails to ensure that tax has been paid before releasing of benefit or perquisite (Section 194R), consideration (Section 194S) or net winnings (Section 194BA)

This amendment is effective from April 1, 2023 in case of Section 194R & 194S and is effective from July 1, 2023 in case of Section 194BA

-Section 271C & Section 276B

Taxability on benefits or perquisites in cash

Benefits or perquisites will also include those received in cash and will be taxable under the head income from “Profit and Gains of business or profession”.

Similar inclusion has also been made under Section 194R for the purpose of applicability of withholding tax provisions.

Amendment of Section 194R is effective from April 1, 2023.

-Section 28(iv) and 194R

Availability of Lower Deduction Certificate

Section 194LBA which talks about withholding of taxes on certain incomes received from the units of a Business Trust, now has been added to the list which is mentioned in Section 197, thus extending the benefit to such payments.

This amendment is effective from April 1, 2023.

- Section 197

Rationalization in limit of exemption for calculating capital gains

A limit of ₹ 10 crores has been imposed to cap the benefit of exemption under Section 54. Further the same amount of limit has been imposed on the new cost of asset while calculating exemption under Section 54F.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to assessment year 2024-25 onwards.

- Section 54 & 54F

Provisions regarding Joint Development Agreements

Alignment of provisions of Section 45(5A) with the TDS provisions of Section 194-IC has been made. In the existing provisions of Section 45(5A), the words 'or by a cheque or draft or by any other mode' has been added alongside mention of cash.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to assessment year 2024-25 onwards.

- Section 45(5A)

Provisions for Cost of Acquisition & Cost of Improvement

Nil cost of improvement which was applicable to goodwill has now been extended to include 'any intangible asset or any other right'.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to assessment year 2024-25 onwards.

- Section 55

Presumptive Taxation

The threshold limit for an eligible business has been increased from existing ₹ 2 crores to ₹ 3 crores in cases where the turnover or gross receipts in cash does not exceed 5% of the aggregate.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards.

– Section 44AD

The threshold limit for professionals referred in Section 44AA has been increased from existing ₹ 50 Lakhs to ₹ 75 Lakhs in cases where the professional receipts in cash does not exceed 5% of the aggregate.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards.

– Section 44ADA

For calculation of income under presumptive tax provisions for non-residents engaged in oil and gas and turnkey power projects, no set off of unabsorbed depreciation and brought forward losses shall be allowed in the year in which income has been computed on such basis.

This amendment is effective from April 1, 2024 and will accordingly apply in relation to AY 2024-25 onwards.

– Section 44BB and 44BBB

Re-Assessment Proceedings

Time limit for completion of assessment, reassessment and recomputation has been extended from 9 months to 12 months from the end of the relevant assessment year.

Time limit for completion of assessment, reassessment and recomputation in case of orders passed by **Principal Chief Commissioner or Chief Commissioner** under section 263 or section 264 also stand extended by 9 months from the end of the financial year in which order has been passed.

Sub-section 3A to Section 153 has been inserted to provide for extension of 12 months for completion of assessment or reassessment where search is initiated under section 132 or requisition is made under section 132A or where any money, bullion, jewellery or other valuable article or thing or books of accounts or documents seized or requisitioned belongs to other assessee.

This amendment is effective from April 1, 2023.

– Section 153

Amortization of preliminary expenditure allowed on self-declaration basis

Preliminary expenses of specific nature which were earlier requiring approval of the board can now be incurred by the Assessee itself.

For claiming such expenditure as deduction self-declaration of expenditure by the Assessee will be a sufficient compliance and no approval of board is required.

This amendment will take effect from 1 April, 2024 and will accordingly apply to the assessment year 2024-2025 and subsequent assessment years.

- Section 35D

Extension of scope of Appealable orders before ITAT

Certain consequential changes in section 253 have been made wherein they have now included orders of CIT (A), passed under section 271AAB, 271AAC and 271AAD as appealable orders before ITAT. Accordingly, revisionary orders passed by Principal Chief Commissioner and Chief Commissioner are also included in the appealable order list. Further, revenue authority can now file cross objection against any class of orders.

These amendments will take effect from the 1 day of April, 2023.

-Section 253A

Time limit for submission of return of income in response to notice of reassessment

Time limit of 3 months have been mentioned in which the return of income in response to notice under section 148 is required to be filed. Any return submitted after the afore-mentioned period will not be considered as a valid return under section 139. However, it is still a matter of ambiguity that where the return has not been accepted by the AO, can the original return filed be treated as the return in response to the notice for reassessment.

These amendments will take effect from the 1 day of April, 2023

-Section 148

Extension of timelines for issuance of notice of reassessment

Where certain information/search proceedings have been respectively received/initiated between the period of March 15 to March 31, period of 15 days shall be excluded while calculating the limitation period for issuance of notice.

These amendments will take effect from the 1 day of April, 2023

-Section 149

Taxability of Gifts in hands of Not-ordinary resident

Sums received by not-ordinarily resident from residents of India in the form of gift is to be taxed in the hands of not-ordinary resident. Earlier similar amendment was brought in case of non-resident

Threshold limit- more than ₹ 50,000

This amendment will take into effect from April 1, 2024 and will accordingly apply to assessment year 2024-25 and subsequent assessment years

- Section 9(1)(viii)

TDS on payment of Interest on listed debenture

The exemption from withholding of tax on payment of interest on listed debenture has been revoked thus bringing such payments under the scope of tax withholding.

The intent of this amendment is to bring the unreported interest income within the tax net.

This amendment will take into effect from April 1, 2023

- Section 193

Key changes in withholding tax provision on online games

The threshold limit of ₹ 10,000 for applicability of withholding tax provisions is to be checked on an aggregate basis for all the winning from lottery or crossword puzzle or any other card games or horse races.

Scope of section 194B has been further widened by including gambling or betting of any form or nature.

This amendment will take into effect from April 1, 2023.

- Section 194B and 194BB

Further, new tax withholding provision has been introduced to cover income from all types of online games.

Simultaneously, a new Section 115BBJ (applicable from April 1, 2023) has also been introduced to provide for tax on winnings from online game which shall be calculated at rate of 30% on amount of net winnings from such online game.

Consequently, such online games will be excluded from Section 194B going forward.

This amendment will take into effect from July 1st, 2023

- Section 194BA

Increase in TCS rate on foreign remittances

TCS rate on overseas tour package has been increased from 5% to 20% without any threshold limit for applicability of TCS provisions.

Similar increase in TCS rate has been done in case of foreign remittance made for the purpose other than education and medical treatment from 5% to 20%.

Such higher rates of TCS reflects the intention of government to discourage outflow of funds.

This amendment will take into effect from July 1, 2023

- Section 206C(1G)

Deduction of Interest on borrowed capital for acquiring, renewing or reconstructing a property

There was a prevalent practice for taking double deduction for interest paid on borrowed funds for acquiring, renewing or reconstructing a property once by way of deduction under section 24 and again by including such amount in cost of acquisition or improvement for computation of capital gains.

In order to curb such practice, a proviso has been inserted in section 48 to not include such interest expenses.

This amendment will take into effect from April 1, 2024 and will accordingly apply to assessment year 2024-25 and subsequent assessment years

- Section 48

Penalty for false self-certifications by reportable persons

False certification provided by person which leads to inaccurate furnishing of statement of financial transaction by financial institution now attracts a penalty of ₹ 5,000 which the financial institution can subsequently recover from the person who has furnish such false certification.

This amendment will take into effect from April 1, 2023.

- Section 285BA

Relief of carry forward & setting off of losses to start ups

The existing period of 7 years has been extended to 10 years for the eligible start ups to carry forward and set off of losses even when there is change in shareholding of more than 49%.

This amendment will take into effect from April 1, 2023

- Section 79

Extension of date of incorporation for start ups

The existing period for incorporation of start ups has been extended from March 31st, 2023 to March 31st, 2024.

This amendment will take into effect from April 1, 2023

- Section 80-IAC

Conversion of gold to electronic gold receipt

For promoting electronic gold, the conversion of physical form into electronic form has been excluded from the purview of transfer for capital gains purposes. Where such conversion has been done, the cost of acquisition of electronic gold shall be the cost of gold in the hands of the person and the period of holding shall be from the period when such gold was held in physical form. Similar provisions shall apply in case of conversion from electronic gold to gold.

This amendment will take into effect from April 1, 2024

- Section 47 and 2(42A)

Repatriation of export proceeds into India

For availing benefit of Section 10AA by SEZ unit, the proceeds from sale of goods or provision of services, the taxpayer will be required to bring convertible foreign exchange within a period of 6 months from the end of the previous year unless extended by competent authority. Such foreign exchange will be deemed to have been received if received in a separate account of a bank outside India with prior approval of RBI.

Also, provision of filing return on or before the due date of Section 139(1) has been made applicable for claiming deduction under section 10AA.

This amendment will take into effect from April 1, 2024 and will accordingly apply to assessment year 2024-25 and subsequent assessment years

- Section 10AA

Central Goods and Services Tax

The widening scope of the Composition scheme (Section 128 of Finance Bill)

- Suppliers of goods or services through e-commerce operators were not eligible to opt for a composition scheme. Said restriction on the supply of goods has been removed under this budget. Therefore, suppliers of goods through e-commerce operators can also opt for the scheme. There is no change in the case of suppliers of services through said operators.

This will open huge E-commerce market for small suppliers availing composition scheme to sell their goods on the E-commerce platform

- Widening scope of section 10(2A) of the CGST Act:

Previously, only notified manufacturers of goods or suppliers of services were allowed to opt for a composition scheme under section 10(2A). The said restriction has been removed under this budget for a manufacturer of goods and they can opt for the scheme freely.

Restriction on availment of an Input tax credit used for supply of taxable as well as exempted supplies (Section 130 of Finance Bill)

Under Finance Act 2018, the supply of warehoused goods to any person before clearance for home consumption was made to be neither treated as a supply of goods nor a supply of services. For block credits under section 17(3), said supply did not use to consider as an “exempt supply”. Under this budget, section 17(3) has been amended to include said transaction under “exempt supply”.

Therefore, GST credit availed on common inputs, input services, and capital goods, would be required to be reversed on said supply as well.

Block credits (Section 130 of Finance Bill)

Under Income Tax Act, expenses incurred on corporate social responsibilities are not deductible expenses from the total business income of a taxpayer.

Under this budget, the same principle is incorporated by not allowing the input tax credit in respect of goods or services or both received and used or intended to be used for activities relating to obligations under corporate social responsibility.

It has always been a matter of debate in industry so this amendment has a put a rest on this debate.

However, as the amendment is prospective, one can take still take a stand that such ITC would be eligible before this amendment stands notified.

Exemption from GST registration (Section 131 of Finance Bill)

Because of the proposed amendment under section 23 of the CGST Act which overrules provisions of sections 22 and 24 of the said Act, registration requirement has been done away with for persons engaged in exempted supplies even if the supplies are made through an e-commerce operator or in case the person receives any service covered under reverse charge mechanism.

Capping of the maximum time period allowed for filing a return of GST (Section 132 to 135 of the Finance Bill)

To motivate taxpayers for filing GST returns and on the same hand reduce the burden of the tax department of managing taxpayers not filing returns for a long time, under this budget, the Government proposed to fix a maximum time allowed for filing a GST return, which is three years from the due date of filing.

Said capping has been currently fixed for Form GSTR-1, Form GSTR-3B, Form GSTR-9, and Form GSTR-8.

GST refund (Section 136 of Finance Bill)

Existing law provides that a tax officer can sanction 90% of the refund to the taxpayer on a provisional basis in case the said officer is prima facie satisfied with the claim of refund. However, existing law did not allow a provisional refund of provisionally accepted input tax credit. It meant until the input tax credit of the relevant year had passed an assessment in scrutiny or an audit, a provisional refund of the input tax credit was not allowed.

Under this budget, said restriction has been removed and a provisional refund will be allowed for the total refund claimed, including, output GST paid by utilizing the input tax credit.

Penalty under section 122 of CGST Act (Section 138 of the Finance Bill)

Under this budget, a penalty of Rs. 10,000 or the amount of tax evaded, whichever is higher, for an e-commerce operator is proposed in the case of said operator:

- Allows a supply of goods or services or both through it by an unregistered person other than a person exempted from registration by a notification issued under this Act to make such supply.
- Allows an inter-State supply of goods or services or both through it by a person who is not eligible to make such inter-State supply.
- Failure to furnish the correct details in the statement to be furnished under sub-section (4) of section 52 of any outward supply of goods effected through it by a person exempted from obtaining registration under this Act.

It seems that the onus of ensuring compliances on the relaxation provided under section 23 and section 10 has been put on e-commerce operators, which might again dilute the relaxations provided to these persons.

Relaxation in imprisonment cases (Section 139 of the Finance Bill)

Under this budget, Government has proposed to relax certain offenses liable for imprisonment such as:

- Obstructing or preventing any officer in the discharge of his duties under the Act.
- Tampering with or destroying any material evidence or documents.
- Failure in supplying any information that the taxpayer is required to supply under the Act or Rules, or supply of false information.

The Widening scope of Compounding of offenses (Section 140 of the Finance Bill)

Previously, compounding of offenses by a person who has been allowed to compound once in respect of any offence, other than those under section 132(1) of the Act or under the provisions of any State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act or the Integrated Goods and Services Tax Act in respect of supplies of value exceeding one crore rupees, **was not allowed.**

Under this budget, said restriction has been removed.

- Under this budget, the amount payable under compounding has been proposed for revision as follows:

	Before Budget	After Budget
Minimum Amount	Rs. 10,000 or 50% of the tax involved, whichever is higher	25% of the tax involved
Maximum	Rs. 30,000 or 150% of tax involved, whichever is higher	100% of tax involved

Schedule III retrospective amendment (Section 142 of the Finance Bill)

Under Finance Act, 2018, the following activities were made neither to be treated as a supply of goods nor a supply of services:

- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India.

- Supply of warehoused goods to any person before clearance for home consumption.

The above amendments were made effective from 01.02.2019. However, under this budget, Government has proposed to make it effective from 01.07.2017.

There have been various disputes where the departments have issued show-cause notices demanding tax on said transactions for the period 01.07.2017 to 31.01.2019. To remove ambiguity in the Law, under this budget Government has also proposed to make an amendment that where the tax department has already collected tax from taxpayers from 01.07.2017 till 31.01.2019, it shall not be refunded back to the taxpayers.

Integrated Goods and Services

Tax

The widening scope of Online Information Database Access or Retrieval Services (OIDAR) (Section 143 of the Finance Bill)

Under this budget, the definition of OIDAR is amended to include cases where services are mediated through information technology over the internet or an electronic network, where,

- It is not essentially automated (i.e., even simple automation could make supply fall under the OIDAR ambit).
- Even a large amount of human intervention is involved, which could make supply fall under the OIDAR ambit.

Under existing law, the above two were exclusive exemptions of OIDAR.

Place of supply provisions (Section 144 of the Finance Bill)

In accordance with the proposed amendment under section 12(8) of the IGST Act, for services provided by a transporter, including mail and courier, where the destination of goods is outside India, the place of supply shall be within India which used to be outside India before this budget.

Customs

Exemption under section 25 of the Customs Act (Section 123 of the Finance Bill)

Vide Finance Act, 2021, Government had put a sunset clause on any exemption issued under section 25 of the Customs Act. Said restriction had been inserted vide section 25(4A) of the Act. Considering the wide nature of exemptions being issued under the Customs Act, including but not limited to, any multilateral or bilateral trade agreement, schemes under foreign trade policies, and Central Government schemes, which already provide sunset time under their respective notifications. To remove the ambiguity, under this budget, Government makes certain exclusions to ensure that the relevant effective period of any exemption issued under the Customs Act is governed through its relevant notification only.

Settlement Commission (Section 124 of the Finance Bill)

Under this budget, Government has prescribed a time limit of 9 months for issuing an order by a settlement from the last date of the month in which the application was received from the taxpayer. Such a period can be extended by the Settlement Commission for a further period of three months.

In case no order is passed by the Settlement Commission within the prescribed time, the adjudicating authority before whom the proceedings at the time of making an application were pending, shall dispose of the application in accordance with the provisions of the Act as if no application under the said section had been made.

Customs Tarriff

- BCD on camera lens for camera module and input/sub parts for lens of camera module of mobile phone is being reduced from 2.5% to Nil
- BCD on parts for manufacture of open cells of TV panels is being reduced from 5% to 2.5%
- BCD on vehicles in SKD form is being increased from 30% to 35% with exemption from SWS
- BCD on vehicles in Completely-Built Unit (CBU) form is being increased from 60% to 70%, with exemption from SWS
- BCD is reduced to NIL in respect of import of specified capital goods and machinery required for the manufacture of lithium-ion cells for batteries used in electric vehicles

- Seeds for use in manufacture of rough lab grown diamond (exemption for a period of two years) – reduced to Nil.

Central Sales Tax

Constitution of Appellate Tribunal (Section 149 of the Finance Bill)

To dispose of Central Sales Tax Cases liable to be heard before an appellate tribunal, under this budget, Government has appointed Central Excise and Service Tax Tribunal to settle inter-State disputes under Central Sales Tax Act.

Change in effective rate of duty of customs

S. No	Category	Heading, Sub-heading and Item	Commodity	Effective Date of Amendment in Tariff	Rate of Duty						Impact on overall duty
					Basic Customs Duty		Social Welfare Surcharge		Agricultural, Industrial and Development cess		
					From	To	From	To	From	To	
1	Chemicals	2902 30 00	Styrenes	02.02.2013	2.0%	2.5%	-	-	-	-	Increase
2	Chemicals	2902 21 00	Vinyl Chloride Monomer	02.02.2013	2.0%	2.5%	-	-	-	-	Increase
3	Rubber	4005	Compounded Rubber	02.02.2013	10.0%	2.5% or 30.30 kg, Whichever is lower.	-	-	-	-	Increase
4	Gems and Jewellery Sector	7115, 7114	Articles Of Precious Metals	02.02.2013	20.0%	24.0%	10%	0%	-	-	Increase
5	Gems and Jewellery Sector	7117	Imitation Jewellery	02.02.2013	20% or Rs 400/kg, Whichever is higher.	25% or Rs 600/kg, Whichever is higher.	10%	0%	-	-	Increase
6	Electrical Goods	8414 00 00	Electric Kitchen Chimney	02.02.2013	7.5%	13.0%	-	-	-	-	Increase
7	Automobiles	8712 00 10	Bicycles	02.02.2013	30.0%	34.0%	10%	0%	-	-	Increase
8	Automobiles and Toys	9503	Toys And Parts Of Toys (Other Than Parts Of Electronic Toys)	02.02.2013	00.0%	70.0%	10%	0%	-	-	Increase
9	-	4011 30 00	New Or Retreaded Pneumatic Tyres, Rubber, Of A Kind Used On Aircraft, Of Heading 8802	02.02.2013	3.0%	2.5%	-	-	Nil	0.0%	No change
10	-	7106	Silver (Including Silver Plate) With Gold Or Platinum, Unwrought Or In Semi-Manufactured Forms, Or In Powder Form	02.02.2013	12.7%	10.0%	10%	0%	2.5%	2%	No change
11	Agricultural products and By-products	0209 00	Peanut	02.02.2013	100.0%	36.0%	-	-	-	-	Decrease
12	Agricultural products and By-products	1504 20	Fish Liquid Oil For Use In Manufacture Of Aquatic Feed	02.02.2013	30.0%	15.0%	-	-	-	-	Decrease
13	Agricultural products and By-products	1530 00 00	Glyceerin For Use In Manufacture Of Epichlorohydrin	02.02.2013	7.5%	2.5%	-	-	-	-	Decrease
14	Agricultural products and By-products	2102 20 00	Algal Pitte (Flour) For Use In Manufacture Of Aquatic Feed	02.02.2013	30.0%	15.0%	-	-	-	-	Decrease
15	Agricultural products and By-products	2207 20 00	Denatured Ethyl Alcohol For Use In Manufacture Of Industrial Chemicals	02.02.2013	50%	Nil	-	-	-	-	Decrease
16	Agricultural products and By-products	2301 20	Fish Meal For Use In Manufacture Of Aquatic Feed	02.02.2013	15.0%	50%	-	-	-	-	Decrease
17	Agricultural products and By-products	2301 20	Kaif Meal For Use In Manufacture Of Aquatic Feed	02.02.2013	15.0%	50%	-	-	-	-	Decrease
18	Agricultural products and By-products	2309 90 90	Mineral And Vitamin Premixes For Use In Manufacture Of Aquatic Feed	02.02.2013	15.0%	50%	-	-	-	-	Decrease
19	Minerals	2528 22 00	Acid Grade Fluorspar (Containing By Weight More Than 97% Of Fluorine)	02.02.2013	50%	2.5%	-	-	-	-	Decrease
20	Petrochemicals	2710 12 21, 2710 12 22, 2710 12 29	Naphtha	02.02.2013	10%	2.5%	-	-	-	-	Increase
21	Gems and Jewellery Sector	7102, 7104	Seeds For Use In Manufacturing Of Rough Lab-Grown Diamonds	02.02.2013	50%	Nil	-	-	-	-	Decrease
22	Gems and Jewellery Sector	7106	Silver (Including Silver Plate) With Gold Or Platinum, Unwrought Or In Semi-Manufactured Forms, Or In Powder Form	02.02.2013	7.5%	10.0%	10%	0%	2.5%	2%	Increase
23	Gems and Jewellery Sector	7106	Silver Discs	02.02.2013	61.0%	10.0%	10%	0%	2.5%	43.5%	Increase
24	IT, Electronic	26 26 22 39 40 69 73 85	Specific Chemicals For Manufacture Of Braided Fibre	02.02.2013	7.5%	Nil	-	-	-	-	Decrease
25	IT, Electronic	3824 99 00	Pelletized Tetra Amine Sulphate For Manufacture Of Resin Or Composites	02.02.2013	7.5%	Nil	-	-	-	-	Decrease
26	IT, Electronic	Any Chapter	Camera Lens And Its Repair Parts For Use In Manufacture Of Camera Modules Of Cellular Mobile Phone	02.02.2013	2.5%	Nil	-	-	-	-	Decrease
27	IT, Electronic	8529	Specific Parts For Manufacture Of Open Cell Of TV Panel	02.02.2013	50%	2.5%	-	-	-	-	Decrease
28	Electronic appliances	8516 80 00	Heat Coil For Use In The Manufacture Of Electric Kitchen Chimneys	02.02.2013	20.0%	15.0%	-	-	-	-	Decrease
29	Automobiles	8703	Vehicle (Including Electric Vehicles) In Semi-Assembled (Skit) Form	02.02.2013	30.0%	35.0%	10%	0%	-	-	Increase
30	Automobiles	8703	Vehicle (Including Complete Built Unit) Other Than Motor Vehicle With Or Without Or With Or Without Capacity More Than 3000 Cc For Diesel-Race Vehicle And More Than 2500 Cc For Diesel-Race Vehicle, Or With Both	02.02.2013	60.0%	70.0%	10%	0%	-	-	Increase
31	Automobiles	8703	Electrically Operated Vehicle (Complete Built Unit) Other Than With Or Without Capacity More Than 4000 Cc	02.02.2013	60.0%	70.0%	10%	0%	-	-	Increase
32	Automobiles	89 40 38 70, 72, 73 83, 84 85, 85 80	Vehicles, Specified Automobile Parts, Components, Sub-Systems And Tyres Whose Importation Is Permitted For Testing Agencies For The Purpose Of Testing And Certification, Subject To Conditions	02.02.2013	As Applicable	Nil	-	-	-	-	Decrease
33	Capital goods	84 85	Specific Capital Goods/Machinery For Manufacture Of Lithium-Ion Cell For Use In Battery Of Electrically Operated Vehicle (Ev)	02.02.2013	As Applicable	Nil	-	-	-	-	Decrease
34	-	2701, 2702, 2703	Coal, Peat, Lignite	02.02.2013	10%	2.5%	-	-	1.50%	Nil	No change
35	-	7107 00 00	Base Metals Clad With Silver, Not Further Worked Than Semi-Manufactured	Enactment of Finance Act	12.5%	10.0%	-	-	-	-	Decrease
36	-	7108	Gold (Including Gold Plate) Unwrought Or In Semi-Manufactured Forms, Or In Powder Form	Enactment of Finance Act	12.5%	10.0%	10%	0%	2.50%	2%	No change
37	-	7109 00 00	Base Metals Or Silver, Clad With Gold, Not Further Worked Than Semi-Manufactured	Enactment of Finance Act	12.5%	10.0%	-	-	-	-	Decrease
38	-	7110 11 10, 7110 11 20, 7110 19 00, 7110 21 00, 7110 29 00, 7110 41 00, 7110 49 00	Platinum, Unwrought Or In Semi-Manufactured Form, Or In Powder Form	Enactment of Finance Act	12.5%	10.0%	10%	0%	1.50%	3.40%	Increase
39	-	7111 00 00	Base Metals, Silver Or Gold, Clad With Platinum, Not Further Worked Than Semi-Manufactured	Enactment of Finance Act	12.5%	10.0%	-	-	-	-	Decrease
40	-	7112	Waste And Scrap Of Precious Metal Or Of Metal Clad With Precious Metal, Other Than Waste And Scrap Containing Precious Metal Or Precious Metal Compound, Of A Kind Used Principally For The Recovery Of Precious Metal (Other Than Goods Of Heading 8540)	Enactment of Finance Act	12.5%	10.0%	-	-	-	-	Decrease
41	-	7118	Coin	Enactment of Finance Act	12.5%	10.0%	-	-	-	-	Decrease
42	-	8802 20 00, 8802 30 00, 8802 40 00	Aero Planes And Other Aircrafts	Enactment of Finance Act	3.0%	2.5%	10%	0%	Nil	0.0%	No change
43	-	7108	Gold Discs	Enactment of Finance Act	11.87%	10.0%	10%	0%	2.50%	43.5%	No change

Change in effective date of notification

S.No	Notification No	S.No in Notification.	Commodity	Rate of Duty	New Extension date of notification
1	50/2017-Customs	368	Ferrous waste and scrap	Nil	31.03.2024
2	50/2017-Customs	374;375	Raw materials for use in manufacture of CRGO steel	Nil	31.03.2024
3	50/2017-Customs	527A	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	5%	31.03.2024
4	50/2017-Customs	527B	Lithium-ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle (EVs) or hybrid motor vehicle	5%	31.03.2024
5	50/2017-Customs	168	Specified inputs and sub-parts for use in manufacture of telecommunication grade optical fibre or optical fibre cables	Nil	31.03.2025
6	50/2017-Customs	341	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	5%	31.03.2025
7	50/2017-Customs	341A	Inputs for manufacture of Preform of silica	Nil	31.03.2025
8	50/2017-Customs	237	Specified inputs for use in the manufacture of EVA sheet or back sheets which are used in the manufacture of solar cell or modules	Nil	31.03.2024
9	50/2017-Customs	340	Solar tempered glass for use in the manufacture of solar cell or solar module.	Nil	31.03.2024
10	50/2017-Customs	405;406	Raw materials and parts for manufacture of wind operated electricity generators, including permanent magnets for manufacture of PM synchronous generators above 500 KW for use in wind operated electricity operators	5%	31.03.2025
11	50/2017-Customs	559	Raw material and parts (including Dredger) for use in the manufacture of ships/vessels	Nil	31.03.2025
12	50/2017-Customs	166	Specified Drugs, medicines, diagnostics kits or equipment, bulk drugs used in manufacture of drugs or medicines	5%	31.03.2025
13	50/2017-Customs	167	Life saving drugs/ medicines and diagnostic test kits, bulk drugs used in manufacture of life-saving drugs or medicines	Nil	31.03.2025
14	50/2017-Customs	90	Lactose for use in manufacture of homeopathic medicine	Exempt	31.03.2024
15	50/2017-Customs	133	Gold ores and concentrates for use in manufacture of Gold	Exempt	31.03.2024
16	50/2017-Customs	139	Specified bunker Fuel for use in ships or vessels	Exempt	31.03.2024
17	50/2017-Customs	150	Goods of Heading 2710 or 271490 for manufacture of Fertilizers	Exempt	31.03.2024
18	50/2017-Customs	155	Excess Liquefied petroleum gases (LPG) returned by DTA unit to SEZ unit	Exempt	31.03.2024
19	50/2017-Customs	164	Electrical energy supplied to DTA by power plants of 1000MW or above got approval	Exempt	31.03.2024
20	50/2017-Customs	165	Electrical energy supplied to DTA from power plant less than 1000MW	Exempt	31.03.2024
21	50/2017-Customs	183	Medical use fission Molybdenum-99 (Mo-99) for use in manufacture of radio pharmaceutical	Exempt	31.03.2024
22	50/2017-Customs	184	Pharmaceutical Reference Standard	Exempt	31.03.2024
23	50/2017-Customs	188	Specified goods for manufacture of ELISA Kits	Exempt	31.03.2024
24	50/2017-Customs	204	Anthraquinone or 2-Ethyl Anthraquinone, for use in manufacture of Hydrogen Peroxide	Exempt	31.03.2024
25	50/2017-Customs	212A	Medicines/drugs/vaccines supplied free by United Nations International Children's Emergency Fund (UNICEF), Red Cross or an International Organization	Exempt	31.03.2024
26	50/2017-Customs	213	Drugs and materials	Exempt	31.03.2024
27	50/2017-Customs	218	Organic or inorganic coating material for manufacture of electrical steel	Exempt	31.03.2024
28	50/2017-Customs	253	Goods for manufacture of Brushless Direct Current (BLDC) motors	Exempt	31.03.2024
29	50/2017-Customs	254	Catalyst for manufacture of cast components of Wind Operated Electricity Generator	Exempt	31.03.2024
30	50/2017-Customs	255	Resin for manufacture of cast components of Wind Operated Electricity Generator	Exempt	31.03.2024

For other amendments refer the finance bill

Withdrawal of exemption notification

S.No	Notification No	S.No in Notification.	Description of goods
1	50/2017-customs	132	Goods for manufacture of specified refractory products
2	50/2017-customs	289	Wood in chips or particles for manufacture paper and paperboard; newsprint.
3	50/2017-customs	397	Specified goods for use in high voltage power transmission project
4	50/2017-customs	399	Specified goods and their parts for use in manmade or synthetic fibre or yarn industry
5	50/2017-customs	400	Specified goods and its parts for use in textiles industry
6	50/2017-customs	403	Parts and raw materials for manufacture of goods of off-shore oil exploration or exploitation
7	50/2017-customs	407	Goods required for substitution of ozone depleting substances (ODS) and setting up of new capacity with non-ODS technology
8	50/2017-customs	408	Machinery, instruments, apparatus and appliances or raw material for renovation or modernization of a fertilizer plant fertilizer plants and spare parts, consumable stores, essentials for maintenance of that plant
9	50/2017-customs	430	Goods for use in pharmaceutical and biotechnology sector for R & D
10	50/2017-customs	432	Specified goods for use in the textile industry
11	50/2017-customs	434	Specified machinery and capital goods for use in the silk textile industry
12	50/2017-customs	436	Spare, supplied with outboard motors for maintenance of such outboard motors
13	50/2017-customs	448	Specified advance capital goods/machinery used in agriculture
14	50/2017-customs	460	Shuttle less looms and parts/components for its manufacturing
15	50/2017-customs	513	Parts or components for use in manufacture of populated printed circuit board of DVR, NVR, CCTV camera
16	50/2017-customs	393	Machinery/Capital goods for manufacturing sports goods
17	50/2017-customs	394	Bacteria removing clarifier
18	50/2017-customs	395	Machinery/ Capital goods used in Fisheries sector
19	50/2017-customs	409	Goods required for setting up crude petroleum refinery
20	50/2017-customs	439	Specified machinery/capital goods in leather / footwear industry
21	50/2017-customs	440	Fogging Machines imported by Municipal Committee, District Board to combat Malaria etc
22	50/2017-customs	444	Geothermal ground source heat pumps
23	50/2017-customs	445	Machinery/Capital goods for making Gems & Jewellery
24	50/2017-customs	455	Goods specified under 8422 3000, 8422 4000 or 8422 9090 in packaging industry
25	50/2017-customs	458	Machineries under 8438 used in food processing industry
26	50/2017-customs	461	Specified textile Machinery specified under 8444, 8445, 8446, 8447, 8448 (except 84483100), 8449
27	50/2017-customs	469	Atmospheric Water Generator
28	50/2017-customs	470	Presses for manufacturing of particle board or fibre building board of wood or other ligneous material and other machinery for treating wood or cork
29	50/2017-customs	594	Snow Ski and other snow ski equipment; water-skis, surf-boards, sailboards and other water sports equipment
30	50/2017-customs	16	Human Embryo
31	50/2017-customs	325	Monofilament yarn
32	48/2017-Customs	-	Exemption to catering cabin equipment, food and drinks on re-importation by aircrafts of the Indian Airlines Corporation from foreign flights

Change in effective rate of duty of Central Excise

CENTRAL EXCISE

1.The Seventh Schedule of the Finance Act, 2001 is being amended to revise the specific rates of National Calamity Contingent Duty (NCCD) levied as duty of excise on specified cigarettes w.e.f. 2nd February, 2023 as follows:

S. No	Tariff Item	Description of Goods	From (Rs per 1000 Sticks)	To (Rs per 1000 Sticks)
1	2402 20 10	Other than filter cigarettes, of length not exceeding 65 millimetres	200	230
2	2402 20 20	Other than filter cigarettes, of length exceeding 65 millimetres but not exceeding 70 millimetres	250	290
3	2402 20 30	Filter cigarettes of length not exceeding 65 millimetres	440	510
4	2402 20 40	Filter cigarettes of length exceeding 65 millimetres but not exceeding 70 millimetres	440	510
5	2402 20 50	Filter cigarettes of length exceeding 70 millimetres but not exceeding 75 millimetres	545	630
6	2402 20 90	Other cigarettes	735	850
7	2402 90 10	Cigarettes of tobacco substitutes	600	690

Notification No 05/2023-Central Excise, dated 01.02.2023 w.e.f. 02.02.2023

Central excise duty exemption is being provided on Blended Compressed Natural Gas (CNG) from so much of the amount as is equal to the GST paid on Bio Gas /Compressed Bio Gas contained in such blended CNG.

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