MOHINDER PURI & CO.
CHARTERED ACCOUNTANTS

Corporate Update

SPECIAL EDITION
ON

THE FINANCE BILL, 2023

23rd FEBRUARY, 2023

FOREWORD

Dear Reader,

This Update contains a detailed analysis of direct tax provisions proposed in the Annual Budget of the Government of India, presented by the Finance Minister on February 01, 2023 for the Financial Year 2023-24.

As earlier indicated, the changes as proposed primarily relate to focus on amendments, simplifying and rationalization of the tax provisions to reduce the compliance burden and for widening the tax net.

Generally, the Budget as was presented has received good comments from the Economists, Professionals, and the General public as being growth oriented, keeping in view the large budgetary allocation on financing improvement of infrastructure and social objectives.

C.S. Mathur
Partner

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DIRECT TAX

Tax Rates

Amendments in Tax Rates

There is no change in the tax rates applicable to corporates.

In the case of individuals, New Tax Regime introduced by the Finance Act, 2020 under Section 115BAC of the Income-tax Act ("the Act") has been revamped by the Finance Bill, 2023. No changes have been proposed in the old tax regime (tax rates provided under First Schedule of the Finance Bill, 2023).

The rates of tax applicable for Assessment Year (AY) 2023-24 and AY 2024-25 in respect of individuals under the New Tax Regime as well as under the old tax regime, and for Corporates have been provided in Appendix A, Appendix B and Appendix C respectively.

Business income

Promoting timely payments to Micro and Small Enterprises

Under the existing provisions of Section 43B of the Act, deduction of certain specified expenditure incurred by a taxpayer is allowed only on actual payment of such expenditure. First proviso to Section 43B, however, allows deduction of certain specified expenditure on accrual basis if the payment of such expenditure is made on or before the due date for furnishing the return of income under Section 139(1) of the Act.
The payments relating to 'micro' and 'small' enterprises are governed by the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act). As per Section 15 of the MSMED Act, it is mandatory that payments be made to 'micro' and 'small' enterprises within the time as mentioned in the written agreement, which cannot exceed 45 days. Where no such written agreement exists, the said section mandates payment to be made within 15 days.

In order to promote timely payments to 'micro' and 'small' enterprises, it is proposed to include a new clause (h) in Section 43B to provide that any payment made to such enterprises shall be allowed as a deduction only upon actual payment.

Further, it has also been provided that no deduction under Section 43B(h) shall be available on accrual basis (in terms of the proviso) even if belated payments to micro and small enterprises are made on or before the due date for furnishing the return of income under Section 139(1) of the Act.

The above amendment shall be effective from AY 2024-25.

Relief to start-ups

As per the existing provisions of Section 80-IAC of the Act, 100% deduction is allowed to an eligible start-up in respect of profits and gains derived from an eligible business for any 3 consecutive assessment years out of 10 years from the year of incorporation. Such eligible start-ups are required to be incorporated before April 01, 2023.

In order to promote development of start-ups in India, the last date for incorporation of such eligible start-ups has been extended from April 01, 2023 to April 01, 2024. Now eligible start-ups incorporated before April

01, 2024 can claim deduction under Section 80-IAC subject to fulfilment of other prescribed conditions.

This amendment shall be effective from April 01, 2023.

Further, an eligible start-up is allowed to carry forward its losses under Section 79 even if the condition of continuity of at least 51% shareholding (as on the last date of the relevant Financial Year in which loss is incurred) is not maintained in any subsequent year in which the loss is to be carried forward. Presently, the relaxation in carry forward of losses is subject to the following conditions:

- All the shareholders of such start-up who hold shares carrying voting power on last day of the year in which loss was incurred continue to hold those shares on the last day of such financial year in which the loss is set-off; and

- The loss has been incurred during the period of 7 years beginning from the year in which the start-up is incorporated.

In order to align this period of 7 years with period of 10 years for claiming deduction under Section 80-IAC, it is proposed to substitute the said period of 7 years with 10 years. Therefore, in case any loss has been incurred during period of 10 years beginning from the year in which the start-up is incorporated, such loss shall be considered for set-off, which however will be subject to the restriction under the relevant section for maximum number of years allowed for such carry forward.
This amendment shall be effective from April 01, 2023.

Ease in claiming deduction on amortization of preliminary expenses

As per the existing provisions of Section 35D of the Act, an Indian company or resident person is allowed amortization of specified preliminary expenses which are incurred prior to commencement of business or after commencement, in connection with extension of an existing undertaking or setting up of new unit.

The subject provision provides that certain preliminary expenses such as preparation of feasibility report or project report, conduct of market survey or any other survey and engineering services shall be allowed to be amortized if such activity is carried out by the assessee himself or by a concern approved by the Central Board of Direct Taxes (CBDT).

Now, it is proposed to remove the condition of carrying out of above-mentioned activity by a concern approved by CBDT. Instead, it has been provided that the assessee shall be required to furnish a statement containing particulars of expenditure with the prescribed income-tax authority for claiming the amortization.

The above amendment shall be effective from AY 2024-25.

Clarification on taxability of benefits and perquisites in cash under Section 28(iv)

As per the existing provisions of Section 28(iv) of the Act, the value of any benefit or perquisite whether convertible into money or not, arising from business or profession, is chargeable to tax as profit and gains from business or profession.

Some courts have interpreted that the provisions of Section 28(iv) do not cover any benefit or perquisite in cash.

In order to clarify the intention of the legislature, Section 28(iv) has been amended to provide that any benefit or perquisite whether in cash or in kind or partly in cash and partly in kind arising from business or profession shall be chargeable to tax as profit and gains from business or profession.

The above amendment shall be effective from AY 2024-25.

Further, as per the existing provisions of Section 194R, tax is deducted at source at 10% by any person on value or aggregate of value of benefit or perquisite provided to a resident pursuant to carrying on business or profession.

An explanation has been introduced in Section 194R to provide that the provisions of Section 194R shall apply to any benefit or perquisite whether in cash or in kind or partly in cash and partly in kind.

The above amendment shall apply from April 01, 2023.

Widening of scope of Strategic Disinvestment by the Central or any State Government for carry forward of accumulated losses

Section 72A of the Act specifies the conditions of carry forward and set off of accumulated loss and unabsorbed depreciation allowance in the case of amalgamation or demerger, etc. Conditions have also been laid down in the said section to facilitate carry forward and set off of loss and unabsorbed depreciation in the case of strategic disinvestment. Strategic disinvestment has been defined as sale of shareholding by the Central Government or any State Government in a public sector company which results in reduction of its shareholding to below 51% along with transfer of control to the buyer.

To facilitate further strategic disinvestment, it is proposed to modify the definition of strategic disinvestment to include sale by a public sector company also.

The above amendment shall apply retrospectively from AY 2023-24.

Widening of scope of Strategic Disinvestment in case of banks for carry forward of accumulated losses

Section 72AA of the Act prescribes the provisions relating to carry forward of accumulated losses and unabsorbed depreciation allowance in a scheme of amalgamation in certain cases, which, *inter-alia*, includes amalgamation of one or more banking company with any other banking institution.

It is proposed to amend section 72AA of the Act to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking company with any other banking institution or a company subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of the strategic disinvestment.

The above amendment shall apply retrospectively from AY 2023-24.

Provisions related to Non Residents and Transfer Pricing

Issue of shares by unlisted companies at premium to non-residents

Section 56(2)(viib) of the Act was inserted by the Finance Act, 2012 to tax share premium received by a closely held company from resident investors in excess of its fair market value, with an object to prevent generation and circulation of unaccounted money. The said section is presently not applicable to share premium received from non-resident investors.

It is proposed to make this provision applicable to consideration received from any person irrespective of its residential status, including non-residents.

The proposed amendment shall be effective from AY 2024-25.

Under the relevant section, determination of fair market value is to be made as per the prescribed Rule 11UA. The investment by a non-resident is also regulated by the provisions under the Foreign Exchange Management Act (FEMA) and the Rules prescribed for valuation thereunder.

As there could be a contradiction in the objective and basis of determination of Fair Value under FEMA as compared to the provisions of Act, representations have been made to clarify the basis of valuations as would be applicable. The Finance Ministry has agreed to look into the same.

Income deemed to accrue or arise in India to include gift to Not-Ordinarily Resident

Section 9 of the Act deals with income deemed to accrue or arise in India. As per Section 9(1)(viii), any sum of money or value of property exceeding Rs. 50,000, received by a non-resident without consideration or at a value less than its Fair Market Value from a 'resident' is deemed as income accruing or arising in India.

Presently, this provision is not applicable to persons falling in the status of 'Not Ordinarily Residents'. It is proposed to include such persons receiving gifts or specified property from resident persons and not paying tax on it on the ground that such income does not accrue or arise in India.

Therefore, it is proposed to amend Section 9(1)(viii) to extend this deeming provision to "Not Ordinarily Resident" persons.

This amendment shall be effective from AY 2024-25.

Certain NBFCs to be excluded from Thin Capitalization provisions

Section 94B of the Act provides restriction on deduction of interest expense in respect of any debt issued by a non-resident, being an associated enterprise of the borrower. It applies to an Indian company, or a Permanent Establishment (P.E.) of a foreign company in India, which is a borrower.

As per the aforesaid Section, if the borrower incurs interest expense exceeding Rs. 1 crore (Rs. 10 million), the deduction of the same shall be restricted to the extent of 30% of its earnings before interest, taxes, depreciation and amortisation (EBITDA).

Certain companies which are engaged in the banking or insurance business are excluded from the scope of Section 94B.

It is now proposed to amend Section 94B of the Act to provide exemption from the provisions of this section to certain class of Non- Banking Financial Companies [NBFCs] borrowers, as may be notified by the Central Government.

This amendment shall be effective from AY 2024-25.

Reduction in time to furnish transfer pricing documentation

In terms of Section 92D of the Act, every person who has entered into an international transaction shall keep and maintain the information and documents (hereinafter referred to as 'TP documentation') as prescribed under Rule 10D of the Income-tax Rules, 1962.

As per Section 92D(3) of the Act, the Assessing Officer or the Commissioner (Appeals) may, in the course of any income tax proceedings, require such person to furnish TP documentation within a period of 30 days from the date of receipt of a notice issued in this regard.

Considering limited time available for finalisation of transfer pricing proceedings and also that the TP documentation is already in possession of the taxpayer, it is proposed to reduce the above referred period of 30 days to 10 days. However, the power to extend such time limit by the Assessing Officer or Commissioner (Appeals) by a further period of 30 days remains unchanged.

This amendment shall be effective from April 01, 2023.

Presumptive Taxation

Increase in threshold of presumptive taxation schemes under Section 44AD and Section 44ADA for residents engaged in eligible business/ profession

Section 44AD provides for a presumptive taxation scheme for an eligible assessee being a resident individual, HUF, partnership firm (excluding limited liability partnership) which carries on an eligible business having a turnover or gross receipts of Rs. 2 crore (Rs. 20 million) or less. A sum equal to 8% or 6% of the turnover or gross receipts is deemed to be the profits and gains from business.

Similarly, Section 44ADA provides for presumptive taxation for professionals being a resident individual or partnership firm (excluding limited liability partnership) which are engaged in specified professions and whose turnover or gross receipts do not exceed Rs. 50 lakh (Rs. 5 million). As per Section 44ADA, a sum equal to 50% of the gross receipts is deemed to be the profits and gains from profession on presumptive basis.

It is proposed to raise the threshold limits for such presumptive schemes under Section 44AD and Section 44ADA from Rs. 2 crore (Rs. 20 million) to 3 crore (Rs. 30 million) and Rs. 50 lakh (Rs.5 million) to Rs. 75 lakh (Rs. 7.5 million) respectively, where the amount or aggregate of amount received during the year in cash does not exceed 5% of the total turnover or gross receipts of such eligible assessee.

Further, it has been clarified that the provisions of tax audit under Section 44AB shall not apply to the person who declares profits and gains in accordance with presumptive schemes under Section 44AD and Section 44ADA of the Act.

The above amendments shall be effective from AY 2024-25 onwards.

Preventing misuses of presumptive taxation schemes for specified business of non-resident under Section 44BB and Section 44BBB

As per the existing provisions of Section 44BB of the Act, in the case of a non-resident assessee engaged in the business of providing services or facilities in connection with supplying plant and machinery on hire, used for the prospection, extraction or production of mineral oils, 10% of the specified amounts is deemed to be the profits and gains from such business. Similarly, as per the provisions of Section 44BBB of the Act, in the case of a foreign company engaged in the business of civil construction or erection, testing and commissioning of plant or machinery in connection with a turnkey power project, 10% of the amount receivable is deemed as profits and gains from such business.

Under both the above provisions, the assessee may claim lower profits and gains than the profits and gains as deemed under the above-mentioned provisions if it keeps and maintains prescribed books under Section 44AA and gets the same audited under Section 44AB of the Act.

Various taxpayers, in the year of loss, opt for non-presumptive taxation regime by maintaining books of account and getting them audited and claiming loss as per such books of account, which is carried forward. However, in the year of higher profits i.e., profits exceeding 10%, the assessee opts for presumptive scheme to restrict the taxable profit to 10% and sets off the brought forward losses of prior year(s).

To avoid this misuse, it is proposed to amend Section 44BB and Section 44BBB of the Act to provide that no set off of unabsorbed depreciation and brought forward losses shall be allowed to the assessee against income computed under the above presumptive schemes. It may be noted that there is no restriction on set off of brought forward loss in the year in which profit is computed under the provisions other than Section 44BB / Section 44BBB.

The above amendment shall be effective from AY 2024-25.

Capital Gains

Prevention of double deduction on interest on capital borrowed for acquisition of a property

Section 24 of the Act provides for the deduction of interest on amounts borrowed for purchase / construction of house property while computing income under the head ‘House Property’. In some cases, deduction is also available under Chapter VI-A from Total Income.

Further, under section 48 of the Act, capital gains are computed by deducting cost of acquisition and cost of improvement from the full value of consideration and interest on borrowed capital is considered as a part of cost of acquisition / improvement and therefore double deduction is claimed (under section 24 as well as under section 48).

In order to prevent the double deduction, amendment has been made by inserting a new proviso after clause (ii) of section 48 to provide that cost of acquisition / improvement shall not include the amount of interest claimed under section 24 or chapter VI-A of the Act.

This amendment shall be effective from AY 2024-25.

Monetary ceiling on exemption of capital gain claimed under section 54 and 54F on purchase of residential house property

The existing provisions of section 54 and 54F of the Act allow deduction (subject to certain conditions) on the long-term capital gains if the capital gain is reinvested in the construction/ purchase of a residential house. There is no monetary ceiling on the amount of capital gain/ consideration to be reinvested to claim exemption from capital gain.

In order to deny claim of exemption of large amounts by High Net worth Individuals (HNIs) on purchase of expensive residential houses, it is proposed to limit the maximum deduction that can be claimed by an assessee under section 54 and 54F to Rs. 10 crore (Rs. 100 million). It has been provided that if the cost of the new asset purchased is more than rupees ten crore, the cost of such asset shall be deemed to be Rs. 10 crore (Rs. 100 million) for the purpose of computing the exemption of capital gain. This will limit the deduction under the two sections to ten crore rupees.

Further, amendments have also been made to the provisions dealing with deposit in the Capital Gains Account Scheme, which state that the same shall apply only to capital gains or net consideration, as the case may be, up to Rs. 10 crore (Rs. 100 million).

These amendments shall be effective from AY 2024-25.

Defining the cost of acquisition in case of intangible assets for computing capital gains

Section 55 defines ‘cost of acquisition’ and ‘cost of improvement’ of capital assets including intangible assets for the purposes of computing capital gains. In respect of intangible assets like goodwill, trade mark, brand name, right to carry on any business or profession, tenancy rights and other specified assets/ rights, the cost of acquisition is deemed as ‘Nil’. However, cost of acquisition of all other intangible assets or any right for which no consideration is paid is not clearly defined as ‘Nil’, due to which chargeability of capital gain from transfer of such assets has been a matter of dispute.

It is proposed to provide that cost of improvement and cost of acquisition of such intangible assets or any other right (other than those specifically mentioned in section 55) shall be deemed to be ‘Nil’.

This amendment shall be effective from AY 2024-25.

Conversion of Gold to Electronic Gold Receipt (EGR) and vice versa to be tax neutral

In order to promote the concept of Electronic Gold under the regulatory framework of Securities and Exchange Board of India (SEBI), it is proposed to exclude the conversion of physical form of gold into EGR and vice versa by a SEBI registered Vault Manager from the purview of 'transfer' for the purpose of levy of Capital gain.

It is also proposed that cost of gold shall be deemed to be the cost of acquisition of the EGR under section 49 for the purpose of computing capital gains, and the holding period for the purpose of capital gains would include the period for which gold was held by the assessee prior to its conversion into EGR. Similarly, provisions for reconversion from EGR to gold are also proposed.

These amendments shall be effective from AY 2024-25.

Taxation of capital gains in case of Market Linked Debentures

'Market Linked Debentures' are listed securities. They are currently being taxed as long term capital gain at the rate of 10% without indexation. However, these securities are in the nature of derivatives which are normally taxed at applicable rates. Further, they give variable interests as they are linked with the performance of the market.

In order to tax the capital gains arising from the transfer or redemption or maturity of these securities as short-term capital gains at the applicable rates, it is proposed to insert a new section 50AA to specifically deal with the taxation of Market Linked Debentures.

As per the proposed section 50AA, gains arising from the transfer or redemption or maturity of such market linked debentures shall be deemed to be the short term capital gain irrespective of its period of holding, and taxed as per the tax rates applicable to the taxpayer.

'Market linked Debenture' is defined as a security which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices, and includes any security classified or regulated as a market linked debenture by SEBI.

For computing capital gains, deduction of cost of acquisition and the expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity shall be allowed from the sale consideration. No indexation benefit shall be allowed on such cost of acquisition and expenditure on transfer. Further, it is also provided that no deduction shall be allowed in respect of the Securities Transaction Tax paid, if any.

This amendment shall be effective from AY 2024-25.

Clarification regarding value of consideration in case of Joint Development Agreement

Section 45(5A) of the Act provides for taxability of capital gains arising from the transfer of land or building or both under a Joint Development Agreement. The section also provides that the full value of consideration on transfer of the capital asset would be stamp duty value as increased by 'consideration received in cash'.

It was being inferred that the consideration received in a mode other than cash would not be includible in the consideration. In order to clarify the position in line with the withholding tax provisions contained in Section 194-IC, it is proposed that the Full Value of Consideration shall be taken as the stamp duty value of the share as increased by any consideration received in cash or by a cheque or draft or by any other mode.

This amendment shall be effective from AY 2024-25.

Charitable Trusts

Rationalisation of the provisions relating to Charitable Trust and Institutions

Income of any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or subclause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 of the Act or any trust or institution registered under section 12AA or 12AB of the Act is exempt subject to the fulfilment of the conditions provided under various sections. The exemption to these trusts or institutions is available under the two regimes-

(i) Regime for any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in subclause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 (hereinafter referred to as the first regime); and

(ii) Regime for the trusts registered under section 12AA/12AB of the Act (hereinafter referred to as the second regime).

The Finance Act, 2021 brought comprehensive amendments to align both the regimes. The Finance Bill, 2023 has proposed further rationalisation measures in both the regimes.

Provisional/ regular registration provisions aligned

The following amendments have been proposed with regard to registration of trust/ institutions:

- At present, new trusts or institutions need to apply for the provisional registration/approval at least one month prior to the commencement of the financial year for which the said registration/approval is sought. As such, trusts or institutions incorporated during the financial year are not able to get the exemption for that year. Further, where activities have already commenced, they are required to apply for both provisional and regular registration.

- To rationalise the above provisions, it is proposed to allow direct final registration in such cases under both the regimes (as well as under 80G regime). It is therefore proposed that where the activities have:

  a) Not commenced, application for the provisional approval shall be made one month before the commencement of Financial Year from which the registration is sought.

  b) Commenced and no exemption has been claimed, application for registration can be filed at any time after commencement of the activities.

These amendments shall be effective from October 01, 2023.

Time limit prescribed for depositing back of corpus and repayment of loans or borrowings

As per section 11(1)(d) of the Act, corpus donations are not considered as taxable income of the trust or institution. For other donations, trust or institution is required to apply 85% of its income in order to claim income-tax exemption. The income not applied for charitable or religious purposes and accumulated or set apart for application, is required to be invested or deposited in the modes prescribed under section 11(5). Similar conditions for Fund or trust or institution etc. referred to in sub-clause (iv) or (v) or (vi) or (via) of Section 10(23C) are contained in 3rd proviso to Section 10(23C) read with Explanation 1 and Explanation 3 of the said proviso.

The Finance Act, 2021 made certain changes to rationalize the provisions as under:

- corpus donation is also required to be invested in the modes prescribed under section 11(5);
- application out of corpus donation shall not be considered as application of income for charitable or religious purposes. That is, application of income (other than corpus) cannot be made out of corpus funds. However, when the amount out of the income of a financial year is invested or re-deposited (in the modes prescribed under section 11(5)) towards corpus, the same shall be treated as application for charitable or religious purposes in such financial year.
- application from any loan or borrowing shall not be treated as application of income for charitable or religious purposes. However, such loan or borrowing shall be treated as application for charitable or religious purposes in the year in which the loan or borrowing is repaid from the income of that year.

It was observed that application from corpus/loan/borrowings have already been claimed as application prior to April 01, 2021. To avoid double deduction, it is now proposed that application out of corpus or loans or borrowings before April 01, 2021 shall not be allowed as application for charitable or religious purposes when such amount is deposited back or invested into corpus or when the loan or borrowing is repaid.

Further, it was also noted that availability of indefinite period for the investment or depositing back to the corpus or repayment of loan would make the implementation of the provisions quite difficult. Accordingly, it is proposed that the repayment of loan or investment/depositing back the amount into corpus will be treated as application for charitable or religious purposes only if the same is done within 5 years of application from the corpus or loan.

It is also proposed that the conditions that are required to be satisfied in the case of application for charitable or religious purposes must also be satisfied while making the application from the corpus or loan or borrowing. Where the conditions are not satisfied, the repayment of loan or investment/depositing back into corpus of such amount will not be treated as application. These conditions include the following:

- Application should not be in the form of corpus donation to another trust;
- TDS, if applicable, should be deducted on such application;
- Application whereby payment or aggregate of payments made to a person in a day exceeds Rs. 10,000 in other than specified modes (such as cash) is not allowed;
- Carry forward and set off of excess application of earlier year is not allowed for computing the amount of application for the relevant year;
- Application is allowed in the year in which it is actually paid and not on accrual basis;
- Application should not directly or indirectly benefit any specified person (trustees etc.) under Section 13(3).

These amendments shall be effective from April 01, 2023.

Donation to other trusts to be considered as 85% application only

A trust or institution is required to apply 85% of its income in order to claim income-tax exemption under both the regimes. Such application can be made by the trust/ institution either by itself or by making donations to the trusts/ institutions with similar objectives. It was noticed that certain trusts or institutions were forming multiple trusts and accumulating 15% at each layer. This resulted in significant reduction of application of income towards the charitable or religious activities.

It is proposed that any eligible donations made by a trust or institution to another trust shall be treated as application only to the extent of 85% of such donation.

These amendments shall be effective from AY 2024-25.

Trusts or institutions not filing the application for registration in certain cases to be considered for Exit Tax

It was observed that certain new trusts/institutions did not apply for regular registration after getting provisional registration and certain existing trusts/ institutions did not apply for re-registration/approval. Further, there may be instances that trusts/ institutions will not apply for re-registration after the expiry of original registration. By not applying for re-registration/ approval or registration/approval, the trust gets an easy route to exit without payment of the tax on accreted income.

As per Section 115TD, the accretion in income (accreted income) of the trust or institution is taxable on conversion of trust or institution into a form not eligible for registration under section 12 AA or section 12AB or approval under sub-clause (iv), (v), (vi) or (via) of Section 10(23C).

In order to curb these violations, it is proposed that upon failure to apply for registration/ re-registration, the trust or institution shall be deemed to have been converted into any form not eligible for registration/approval and shall attract tax on accreted income under Section 115TD, which is in the nature of Exit tax. The principal officer/trustee of the specified person or the specified person shall be liable to pay tax on accreted income within

14 days from the end of the financial year in which the registration expires.

These amendments shall be effective from April 01, 2023.

Scope of Specified violations for cancellation of registration extended

It was observed that in some cases the form furnished by the trusts for provisional approval/re-registration were defective or incomplete and the registrations granted by the CPC could not be cancelled since filing of defective or incomplete forms is not covered under "specified violations". It is proposed that the "specified violation" shall also include the case where the application is not complete or contains false or incorrect information.

These amendments shall be effective from April 01, 2023.

Exemption to apply only where return is filed within time allowed under 139(1) or 139(4)

The exemptions to charitable trusts or institutions under both the regimes are available if the return of income is furnished within the time allowed under Section 139 of the Act.

Section 139 of the Act was amended by the Finance Act, 2022 to provide an option to the taxpayers to furnish 'Updated' return of income up to 2 years from the end of relevant assessment year, subject to satisfaction of the prescribed conditions.

It is proposed to clarify that the exemption to trust/ institutions under section 11, 12 and similar exemption to university and institutions under section 10(23C) of the Act will be available only if the return of income has been furnished within the time allowed under sub-section (1) or sub-section (4) of section 139 of the Act. As such, exemption under respective sections shall not apply to the trusts where they furnish updated return of income under Section 139(8A) when original return is not filed within the due dates.

These amendments shall be effective from April 01, 2023.

Time limits aligned for furnishing tax audit report and other forms

The trusts and institutions are required to get their accounts audited and the audit report is required to be furnished at least one month before the due date for furnishing the return of income.

Further, where the trust or institution under the second regime accumulates or sets apart its income, such trust or institution is required to furnish a statement in the prescribed form (Form 10) on or before the due date specified under section 139(1) for furnishing the return of income. Similarly, where a trust or institution under the first regime accumulates or set apart its income, it is also required to furnish Form 10 on or before the due date of furnishing the return of income.

Furthermore, where the trust or institution registered under Section 12AA/ 12AB of the Act deems certain income to be applied, such trust or institution is required to furnish a statement in the prescribed form (Form 9A) on or before the due date specified under section 139(1) of the Act.

The auditors are required to report the details of Form 10/9A in the audit report which are generally filed after the due date of the audit report.

In order to rationalise the provisions, it is proposed to provide for filing of Form No. 10/9A at least two months prior to the due date of filing return of income.

These amendments shall be effective from April 01, 2023.

Co-operative Societies

Concessional Tax Rate for promotion of new manufacturing co-operative societies

A concessional taxation regime was introduced under section 115BAB for new manufacturing domestic companies by the Taxation Laws (Amendment) Act, 2019 whereby a concessional tax rate of 15% was allowed in lieu of certain specified exemptions and subject to satisfaction of the prescribed conditions. Presently, for certain resident cooperative societies, section 115BAD provides a concessional rate of 22% if they do not avail specified deductions or exemptions. However, representation was made for providing a level playing field between new manufacturing co-operative societies and new manufacturing companies by providing for the concessional tax regime of 15% to new manufacturing co-operative societies as well.

Therefore, a new section 115BAE is proposed to be introduced to extend the benefit of concessional tax rate to a new manufacturing co-operative society set up on or after April 01, 2023, which commences manufacturing or production on or before March 31, 2024 and does not avail of any specified incentive or deductions. The concessional tax rate would be 15% and surcharge would be restricted to 10%.

The specified incentive or deductions prescribed under section 115BAE which will be required to be foregone to avail the concessional tax rate are similar to that provided under concessional taxation scheme for domestic manufacturing companies under section 115BAB. Such incentives/ deductions include profit linked tax holidays available under Special Economic Zones, additional depreciation, deduction related to scientific research, deduction under Chapter VI-A, etc.

The provisions relating to fulfilment of prescribed conditions, non-applicability of Alternate Minimum Tax (AMT) provisions, applicability of domestic transfer pricing provisions, etc are similar to that applicable under section 115BAB.

The above amendments shall be effective from AY 2024-25.

Increase in threshold limit for co-operatives to withdraw cash without TDS

Under the existing provisions of section 194N of the Act, deduction of tax at the rate of 2% of the cash withdrawn exceeding Rs. 1 Crore (Rs. 10 million) from a banking company or a co-operative society or a post office is provided. Further, in the case of a non-filer of tax return, tax is to be deducted at the rate of 2% on any sum exceeding Rs. 20 lakh (Rs. 2 million) but not exceeding Rs. 1 crore (Rs. 10 million) in aggregate during the financial year and, at the rate of 5% on sum exceeding Rs. 1 crore (Rs. 10 million) in aggregate during the financial year.

It is proposed to amend section 194N of the Act to increase the above thresholds for deduction of tax from one crore rupees to three crore rupees where the recipient is a co-operative society.

This amendment shall be effective from April 01, 2023.

Relief to sugar co-operatives from past demand on payment to sugarcane growers

Sugar factories operating in the co-operative sectors pay to sugarcane growers a final amount, often referred to as Final Cane Price (FCP) which is over and above the Statutory Minimum Price (SMP), now known as Fair and Remunerative Price (FRP), fixed by the Central Government.

The payment of FCP by the co-operative sugar factories over and above the SMP/ FRP for purchase of sugarcane had resulted into tax litigation on the ground that the excess price paid for purchase of sugar cane over and above SMP/ FRP is in the nature of appropriation/distribution of profit and hence not allowable as deduction.

Section 36 was amended by the Finance Act, 2015 from AY 2016-17 onwards to provide deduction of such amount which is equal to or less than the price fixed by or fixed with the approval of the Government. The CBDT further clarified that "price fixed or approved by the Government" included State Advised Price, which may be higher than SMP/ FRP fixed by the Central Government.

In order to extend the benefit of the abovementioned relief to all the earlier years, it is proposed to insert a new sub-section (19) in Section 155 to provide that where any deduction in respect of any expenditure incurred for the purchase of sugarcane has been claimed by a sugar mill cooperative in AY 2015-16 or any earlier assessment year and such deduction has been disallowed wholly or partly, the Assessing Officer shall, on the basis of an application made by such assessee in this regard, recompute the total income of such assessee for such year after allowing deduction of the expenditure which is equal to or less than the price fixed or approved by the Government for that year.

This amendment shall be effective from the April 01, 2023.

Special provisions of taxation for specified income

Prevention of tax avoidance through distribution as 'repayment of debt' by Business Trusts

Under the special taxation regime provided to Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT) [commonly referred to as 'business trusts'] under section 115UA, a pass-through status is provided to Business Trusts in respect of interest income, dividend income received by the business trust from a special purpose vehicle in case of both REIT and InvIT and rental income in case of REIT. Such income is taxable in the hands of the unit holders unless specifically exempted.

Business Trusts invest in special purpose vehicles (SPV) through equity or debt instruments. Business trusts distribute sums to their unit holders which are categorised in the following four categories: (a) Interest; (b) Dividend; (c) Rental income; (d) Repayment of debt.

The distributions made by the business trust to its unit holders which are shown as 'repayment of debt' represents income of unit holder, which however does not suffer taxation either in the hands of business trust or in the hands of unit holder.

The dual non taxation of any distribution made by the business trust is not the intent of the law. Hence, it is proposed to make such sum received by unit holder taxable in his hands by including the same under section 56(2)(xii) of the Act and excluding the same from the purview of special taxation under section 115UA.

Further, to cover a situation when the sum received by a unit holder from a business trust represents redemption of unit held by him, it is proposed to provide that such sum shall be reduced by the cost of acquisition of the units to the extent such cost does not exceed the sum received. Therefore, no loss will be allowed against the sun received on redemption of unit.

These amendments shall be effective from AY 2024-25.

Rationalization of provisions relating to units in Special Economic Zone

The existing section 10AA of the Act, inter alia, provides 15-year tax deduction to a unit established in a SEZ which begins to manufacture/provide services before 1st day of April, 2021.

It is proposed to amend the section to provide that:-

- Tax deduction to be allowed only if return of income is furnished by due date under section 139(1).
- Deduction to be available only if proceeds are received in, or brought into, India by the assessee in convertible foreign exchange, within 6 months from the end of the financial year or, within any extended period allowed by Reserve Bank of India (RBI).
- The export proceeds to be deemed to be received in India if credited to a separate account with a bank outside India with the approval of the RBI.
- Consequential amendment to be made in section 155 of the Act to allow the Assessing Officer to amend the assessment order later where the export earning is realized in India after the permitted period.

These amendments shall be effective from AY 2024-25 and onwards.

Separate taxation provisions for winnings from online games

Section 115BB of the Act provides for the rate of tax on winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature. Section 194B and Section 194BB provides for deduction of tax at source on such income as referred to in Section 115BB.

It is seen that deductors are deducting tax under section 194B and 194BB of the Act by applying the threshold of Rs 10,000/- per transaction and avoiding tax deduction by splitting a winning into multiple transactions each below Rs 10,000/-. This is against the intention of legislature.

Considering that there has been a rise in the users of online games and there is a need for specific provisions for the taxation and TDS on such income, it is proposed to insert a new section 115BBJ in the Act to tax the net winnings from online games, computed in the prescribed manner, at the rate of thirty percent. The total income as reduced by the net winnings will be charged to tax as per normal provisions of the Act.

Corresponding amendment is also proposed in section 115BB of the Act to exclude income from winnings from online games from the purview of the said section.

This amendment shall be effective from AY 2024-25.

<u>Withholding tax on payments for online games winnings</u>

A comprehensive section dealing with withholding tax provisions for winnings from online games is proposed to be inserted as section 194BA. The tax is required to be deducted on 'net winnings' at the rate prescribed in section 115BBJ i.e., at 30% at the end of the financial year. However, in a case where there is a withdrawal from user account during the financial year, the income-tax shall be deducted at the time of such withdrawal on the net winnings comprised in such withdrawal.

It is also clarified that Net Winnings shall be computed in the prescribed manner and wherever the winnings are wholly in kind or partly in kind and cash winning is not sufficient to meet the full tax liability, the person responsible for paying shall ensure the payment of taxes before releasing the amount of winnings.

Consequent to the introduction of Section 194BA, Section 194B is proposed to be amended to exclude TDS on online games from its purview.

These amendments shall be effective from July 01, 2023.

<u>Withholding tax on payments covered under section 194B and section 194BB</u>

It is proposed to amend section 194B and 194BB to provide that TDS under these sections shall be on the aggregate of the amounts exceeding Rs 10,000 during the financial year.

This amendment shall be effective from April 01, 2023.

Personal Taxation

Changes in the new Concessional Taxation Regime contained in Section 115BAC for individuals and other specified persons

The Finance Act, 2020 introduced an alternative concessional tax regime under section 115BAC (hereinafter referred to as "New Tax Regime") for individual and HUF by providing an option to forego certain exemptions and deductions in lieu of concessional tax rates. The major deductions/ exemptions required to be foregone under the New Tax Regime were as under:

a) Standard deduction;
b) Any deduction under chapter VI-A, except the deduction under sub-section (2) of section 80CCD and section 80JJAA;
c) Leave Travel Allowance;
d) House Rent Allowance;
e) Specific allowances under section 10(14);
f) Entertainment allowance and employment/ professional tax under section 16;
g) Interest under section 24 in respect of self-occupied or vacant property referred to in sub-section (2) of section 23;
h) Deduction on account of family pension;
i) Other specified deductions pertaining to scientific research, specified businesses.

The option between current tax regime and new tax regime is exercised at the time of filing of return of income within the due date.

However, if such option is exercised by an individual/ HUF having business income or professional income, such option is applicable in perpetuity. Such persons are allowed to withdraw from this scheme only once, and having so withdrawn, would not be able to opt for this scheme in any future year (unless they cease to have business income or professional income).

In order to promote the above tax regime having fewer tax exemptions, the following changes have been proposed by inserting a new sub-section (1A) and substituting the existing sections:

a. Earlier New Tax Regime was applicable to individuals and HUF only. However, from AY 2024-25 it is proposed to include following persons under the scope of new tax regime:

1. As individual
2. HUF
3. Association of Persons (other than a cooperative society)
4. Body of Individuals (whether incorporate or not)
5. Artificial Juridical Person referred in section 2(31)(vii) of the Act.

b. Now, as per the amended Scheme, the new amended Scheme shall be the default taxation Regime. However, if an assessee chooses taxation as per the rates provided under First Schedule to the Finance Act (hereinafter referred to as the “Old Tax Regime”) an option needs to be exercised in this regard.

c. New tax rates have been provided in Section 115BAC(1A), which are comparatively favourable to the taxpayers vis-à-vis the unamended concessional tax rates. The proposed tax rates are as under:

Rates from AY 2024-25 onwards	
Total Income	**Rate of Tax**
Up to Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5 %
From Rs. 6,00,001 to Rs. 9,00,000	10%
From Rs. 9,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%

A comparison of the tax rates as proposed and as per the unamended Scheme is given as per Appendix A.

d. The abovementioned tax rates will be increased by applicable surcharge. However, the highest rate of surcharge shall be restricted to 25% as against 37% where the new scheme is opted for.

e. The new tax regime allows for certain additional deductions like standard deduction up to Rs. 50,000 for salaried individuals, deduction to family pensioners up to Rs. 15,000 and deduction towards contribution to Agniveer Corpus Fund.

f. It is also proposed to increase the amount of rebate under section 87A of the Act from Rs. 12,500 to Rs. 25,000 for resident individual whose income is chargeable to tax under new regime and the total income does not exceed Rs. 7,00,000.

All other machinery and transition provisions have also been amended to give effect to the abovementioned proposals.

This amendment shall be effective from AY 2024-25.

Exemption limit for leave encashment enhanced

Under the existing provisions, exemption of leave encashment received on retirement of an employee (other than a government employee) was allowed up to a maximum of Rs. 3,00,000. It is proposed to increase this limit to Rs. 25,00,000. The relevant notification may be issued in due course.

Tax on Maturity of life insurance policies having high premium

Clause (10D) of section 10 of the Act provides for income-tax exemption on the sum received under a life insurance policy, including bonus on such policy, if the premium payable on such policy does not exceed 10% of the capital sum assured.

In order to prevent misuse of the exemption by high-net-worth individuals to earn exempt income through investment in life insurance policies having large premium contributions, it is proposed to tax income from insurance policies (other than ULIP for which provisions already exist) issued on or after April 01, 2023, having premium or aggregate of premium above Rs. 5,00,000 in a year.

The sum received on such insurance policies shall be taxable under the head "income from other sources". Deduction shall be allowed for premium paid, if such premium has not been claimed as deduction earlier. The mechanism for computation of such income shall be prescribed.

Income received on the death of the insured person is not proposed to be taxed.

There will not be any change in taxation for policies issued before this date.

This amendment shall be effective from AY 2024-25.

Rationalization of provisions related to the valuation of residential accommodation provided to employees

As per clause (2) of section 17 of the Act, "perquisite" inter alia includes value of rent-free accommodation or value of any concession in the matters of rent provided to employees by the employer. The employer may be either Central/State Government or other than Government. There are different methodologies of valuation of perquisites for the two categories of employers.

In order to prescribe a uniform methodology in the Rules for computing the value of perquisite and to clearly classify the two categories of perquisites with respect to accommodation provided by the employers, it is proposed to amend sub-clauses (i) and (ii) of clause (2) of section 17 of the Act.

Further, it is proposed to amend the Explanation 1 to sub-clause (ii) of clause (2) of section 17 of the Act to provide that accommodation shall be deemed to have been provided at a concessional rate if the value of the accommodation computed in the prescribed manner exceeds the rent recoverable from or payable by the assessee.
This amendment shall be effective from AY 2024-25.

Contribution to Agniveer Corpus Fund

Contribution made by the Central Government to the Agniveer Corpus Fund account of an individual, being an Agniveer enrolled in Indian Armed Forces under Agnipath Scheme referred to in section 80CCH, shall be considered as salary of that individual. However, such individual shall be allowed a deduction of the whole of the amount deposited by him and also the amount contributed by the Central Government. Further, such deduction shall continue to be available under the Amended New Taxation Scheme under Section 115BAC(1A).

It is also proposed to exempt from tax any payment received by Agniveer or his nominee from the Agniveer Fund, which comprises of the amount deposited by the Agniveer, contribution by the Central Government, and interest on the accumulated amount.

These amendments shall apply retrospectively from AY 2023-24.

Returns, Assessments, Appeals, Survey & Search

Power to modify the directions issued to implement faceless schemes and e-proceedings

The Central Government has undertaken a number of measures to conduct various proceedings under the Act in an electronic and/ or faceless manner. Various schemes have been notified and directions issued for implementation of e-proceedings and faceless schemes along with the time limitations to issue such directions, as follows:

Section	Scheme	Time limit to issue directions
135A	e-Verification Scheme, 2021	31.03.2022
245MA	e-Dispute Resolution Scheme, 2022	31.03.2023
245R	e-advance rulings Scheme, 2022	31.03.2023
250	Faceless Appeal Scheme, 2021	31.03.2022

274	Faceless Penalty Scheme, 2021	31.03.2022

However, there is no power to amend such directions upon expiry of the relevant time period. Therefore, it is proposed to empower Central Government from the date on which the time limit to issue such direction expires, to amend such direction at any time by notification in the Official Gazette.

These amendments shall take effect retrospectively from April 01, 2022 for sections 135A, 250 and 274, and for sections 245MA and 245R, these amendments shall take effect from April 01, 2023.

Changes relating to filing of Modified Return and Assessment thereof in case of Business Reorganisation

Section 170A, inserted by the Finance Act, 2022, provides that in case of business reorganisation (amalgamation or demerger), where a return of income has been filed by the 'successor' under section 139 prior to the date of order of the tribunal or the High Court or the Adjudicating Authority as defined in clause (1) of section 5 of the Insolvency and Bankruptcy Code, 2016 (IBC), such successor shall furnish a 'modified return' within six months from the end of the month in which such order of business reorganisation was issued, in accordance with and limited to the said order.

There is no provision specifying the procedure to be followed by the Assessing Officer after the modified return is furnished by the successor entity.

It is proposed to clarify that where any return of income has been furnished by an "entity to which such order applies", the successor shall furnish, within a period of six months from the end of the month in which the said order was issued, a modified return in the form and manner, as may be prescribed, in accordance with and limited to the said order. This would also enable modification of the returns filed by the predecessor wherever required.

It is proposed to provide that the Assessing Officer shall pass an order of assessment or reassessment (or revise the order to modify the total income for which proceedings are already completed) in accordance with the order of the business reorganisation and taking into account the modified return so furnished. It is clarified that the tax rate of relevant assessment year shall only be applicable.

This amendment shall be effective from April 01, 2023.

Clarification regarding computation of interest on additional tax while filing Updated Return

The Finance Act, 2022 inserted sub-section (8A) in section 139 of the Act to enable furnishing of an updated return to promote tax compliance by taxpayers within two years from the end of the relevant assessment year, subject to fulfilment of certain conditions as well as payment of 'additional tax'. For the determination of the amount of additional tax on such updated return section 140B was inserted in the Act.

Section 140B(4) provides that interest payable under section 234B of the Act shall be computed on an amount equal to the assessed tax or the amount by which the advance tax paid falls short of the assessed tax. Further, Section 140B(4)(a)(i) (which lists down the nature of tax paid or tax credits which will be further reduced from the aforesaid amount for computing the amount on which the interest is to be paid) provides that advance tax which has been claimed in earlier return of income shall be taken into account. This led to the confusion whether advance tax can be reduced twice for the purpose of computing the amount on which interest under Section 234B is to be charged.

In order to clarify the position, it has been proposed that for computing interest payable under section 234B, the amount of advance tax, the credit for which has been claimed in the earlier return, shall be reduced only once.

This amendment shall apply retrospectively from April 01, 2022.

Provisions relating to reassessment proceedings

It has been proposed to amend section 148 to provide that a return of income in response to a notice for reassessment under section 148 of the Act shall be furnished within three months from the end of the month in which such notice is issued, or within such further time as may be allowed by the Assessing Officer on a request made in this behalf by the assessee.

Any return which is furnished beyond the period allowed in the section 148 to furnish such return of income shall not be deemed to be a return under section 139 of the Act. As a result, the consequential requirements viz. notice under sub-section (2) of section 143 etc. would not be mandatory for such returns.

In cases where survey under section 133A of the Act is conducted, the Assessing Officer is deemed to have 'information' for the purposes of section 148 of the Act but proceedings under section 148A of the Act (giving opportunity of being heard etc.) need to be conducted prior to issuance of notice under section 148 of the Act. Where the aforementioned search, requisition or survey proceedings are conducted after 15th March of a financial year, there is little time available to collate the evidence of tax evasion reflected in the statements recorded or documents seized or impounded and issue a notice under section 148 or show cause notice under section 148A(b) of the Act up to 31st March. Accordingly, it has been proposed that in cases where a search under section 132 is initiated or a search for which the last of the authorization is executed or requisition is made under section 132A, after 15th March of any financial year, a period of fifteen days shall be excluded for the purpose of computing the period of limitation for issuance of notice under section 148 and the notice so issued shall be deemed to have been issued on the 31st day of March of such financial year.

It is also proposed to insert another proviso in the section 149 of the Act to provide that in cases where the information deemed to be with the Assessing Officer emanates from a statement recorded or documents impounded under summons or survey, as the case may be, on or before the 31st day of March of a financial year, in consequence of, a search initiated or last of the authorization executed under section 132 or a requisition made under section 132A, after the 15th day of March of such financial year, a period of fifteen days shall be excluded for the purpose of computing the period of limitation for issuance of notice under section 148 and the show cause notice issued under clause (b) of section 148A in such case shall be deemed to have been issued on the 31st day of March of such financial year.

It is also proposed to clarify that Chief Commissioner or Director General shall be the specified authority for granting approval for issue of reassessment notice under Section 148 and 148A alongside Principal Chief Commissioner or Principal Director General under clause (ii) of Section 151.

To give further clarity with regard to the specified authority a proviso is proposed to be inserted in Section 151 to provide that while computing the period of three years for the purposes of determining the specified authority the period which has been excluded or extended as per the provisos in section 149 of the Act from the time limit, for issuance of notice under Section 148 of the Act shall be taken into account.

These amendments shall be effective from the April 01, 2023.

Rationalisation of timeline provisions for completion of assessment and reassessment

Extension of time limit for assessment

It is proposed to increase the time available for completion of assessment from 9 months to 12 months from the end of the relevant assessment year from A.Y 2022-23 onwards. Consistent with the above, the time available for completion of assessment proceedings in the case of an updated return under Section 139(8A) is also proposed to be increased to 12 months from the end of the financial year in which such return is furnished.

Thus, for A.Y. 2022-23, the time limit is extended to March 31, 2024 from December 31, 2023.

Time limit for fresh assessment pursuant to order under section 263 to apply also to the orders passed by Chief Commissioner u/s 263

Section 263 of the Act was amended by the Finance Act, 2021 to enable Principal Chief Commissioner and Chief Commissioner to also pass an order of revision under the said section. However, the timeline provided in section 153 of the Act under sub-sections (3), (5) and (6) to pass an order of assessment or reassessment or order under section 92CA by the Transfer Pricing Officer does not refer to the orders so passed by Principal Chief Commissioner or Chief Commissioner. Therefore, Section 153 is proposed to be amended to provide that the provision of the said sub-section (3), (5) and (6) shall be applicable to order under section 263 or section 264 passed by the Principal Commissioner or Commissioner as well as the Principal Chief Commissioner or Chief Commissioner.

Assessment or Reassessment consequent to search

Further, the current provisions of the Act do not provide for abatement or revival of any assessment or reassessment proceedings pending on the date of search under section 132 of the Act or requisition under section 132A of the Act. As a result, the information available in a search, which has a bearing on the pending scrutiny proceedings may not be effectively used due to the limitation of such proceedings.

It is therefore proposed to insert a new sub-section (3A) to provide that where an assessment or reassessment is pending on the date of initiation of search under section 132 or making of requisition of books of account, other documents etc. under section 132A, the period available for completion of assessment or reassessment, shall be extended by twelve months:

a) in the case of an assessee where such search is initiated under section 132 or such requisition is made under section 132A; or
b) in the case of an assessee to whom any money, bullion, jewellery or other valuable article or thing seized or requisitioned belongs to; or
c) in the case of an assessee to whom any books of account or documents seized or requisitioned pertain to, or any information contained therein, relates to.

These amendments shall be effective from April 01, 2023.

Introduction of Joint Commissioner (Appeals) as a new appellate authority

Taking into consideration large pendency of appeals before the first appellate authority i.e., Commissioner (Appeals) [CIT(A)], a new authority for appeals is proposed to be created at Joint Commissioner/ Additional Commissioner level to handle the appeals against the order passed by an assessing officer below the rank of Joint Commissioner/ Additional Commissioner.

Joint Commissioner of Income-tax (Appeals) [JCIT(A)] shall have all powers and responsibilities similar to that of CIT(A) with respect to the procedure for disposal of appeals. JCIT(A) shall act as first appellate authority concurrently with CIT(A).

It is proposed to substitute section 246 of the Act to provide provisions for appeals to be filed before JCIT(A).

An appeal cannot be filed before JCIT(A) where the order is passed by or with the approval of an income-tax authority above the rank of Deputy Commissioner. In such cases, appeal shall lie before the CIT(A).

It is also proposed that an appeal pending before the CIT(A) may be transferred by the CBDT, after giving an opportunity of being heard to the appellant, to the JCIT(A) who may proceed with such appeal or matter. Similarly, any appeal which is pending before JCIT(A) may be transferred, after giving an opportunity of being heard to the appellant, to the CIT(A).

Further, consequential amendments are proposed in the relevant provisions of the Act in order to ensure that functioning of the JCIT(A) is aligned with that of the CIT(A) including faceless disposal of appeals.

An order passed by JCIT(A) can be challenged before the Income-tax Appellate Tribunal (ITAT).

These amendments shall be effective from April 01, 2023.

Rationalisation of Appeals to the Appellate Tribunal

Section 253 of the Act contains the provisions relating to filing of appeals to Appellate Tribunal against various types of orders passed by Assessing Officer/ CIT(A)/ CIT.

However, against the penalty orders passed by CIT(A) under Sections 271AAB (Penalty where search has been initiated), 271AAC (Penalty in respect of certain income) and 271AAD (Penalty for false entry in the books of accounts), which power was granted by the Finance Act, 2022, no corresponding amendment was made in Section 253(1) to enable filing of appeal by the assessee against the same.

Similarly, section 263 of the Act was amended by the Finance Act, 2021 to enable Principal Chief Commissioner and Chief Commissioner also to pass an order of revision under the said section. However, the reference to the above was not inserted in section 253(1).

In order to align the appeals against the penalty orders with the provisions of the Act, it has been proposed to amend the provisions of section 253 of the Act to provide that appeal against the following orders shall be made to the Appellate Tribunal:

- Penalty orders passed by Commissioner (Appeals) under section 271AAB, 271AAC and 271AAD; and
- Order passed by Principal Chief Commissioner and Chief Commissioner under section 263 of the Act.

Further, it is proposed to amend section 253(4) to enable filing of memorandum of cross-objections in all classes of cases against which appeal can be made to the Appellate Tribunal [as against the existing provisions to file cross objection against CIT(A) orders only].

Furthermore, provisions have been made to permit filing of appeal before ITAT against orders passed by JCIT(A).

These amendments shall be effective from April 01, 2023.

Assistance to authorised officer during search and seizure

During the course of search, the authorised officer may requisition the services of any police officer or any officer of the Central Government, to assist him for any of the actions required to be performed during the course of such search.

Similarly, there is also a provision that the authorised officer may make a reference to a valuation officer for estimating the fair market value of the property and such reference can be made during the search or within 60 days from the date of executing the last authorisation for search.

It is proposed to amend the relevant provisions of the section to provide that during the course of search, the authorised officer may requisition the services of any other person or entity, as approved by the Principal Chief Commissioner or the Chief Commissioner, the Principal Director General or the Director General, in accordance with the procedure prescribed by the CBDT in this regard, to assist him for the purposes of the search.

Similarly, during the post search enquiries, the authorised officer may make reference to any person or entity or any valuer registered by or under any law for the time being in force, who shall estimate the fair market value of the property in the manner prescribed and submit a report of the estimate to the authorised officer or the Assessing Officer within sixty days from the receipt of such reference.

This amendment shall be effective from April 01, 2023.

The timelines for completing assessment or reassessment in search cases is linked to the execution of the last of the authorisations during such procedure, in order to establish the day of conclusion of search proceedings. In this regard, it is proposed to provide the meaning of execution of last authorisation under section 132.

This amendment shall apply retrospectively from April 01, 2022.

Tax Deducted at Source (TDS), Tax Collection at Source (TCS) and Advance Tax

Limiting of TDS under section 192A on accumulated balance of provident fund to 20% in the absence of PAN

Presently, second proviso to section 192A of the Act provides for deduction of tax at Maximum Marginal rate (where tax is otherwise deductible) on payment of accumulated balance of Provident Fund if PAN is not furnished by the employee, as against the applicable rate of 10%.

In order to remove the hardship, it is proposed to omit the above second proviso to section 192A of the Act so that in case of failure to furnishing of PAN by the employee (relating to payment of accumulated balance due to him) tax will be deducted at the rate of 20% (instead of the maximum marginal rate), as in other non-PAN cases in accordance with section 206AA of the Act.

This amendment shall be effective from April 01, 2023.

Removal of exemption from TDS on payment of interest on listed debentures

Section 193 of the Act provides for withholding of tax on payment of interest on securities to residents. The proviso to the section lists down transactions on which TDS shall not be applicable. A specific exemption from TDS is also available in the case of any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India.

It is proposed to withdraw the above exemption from TDS to curb the under reporting of interest income by the recipients. Now, the payments towards interest on listed debentures will attract withholding tax.

This amendment shall be effective from April 01, 2023.

Tax treaty relief at the time of deduction of tax at source (TDS) under section 196A on income of specified mutual funds

Section 196A of the Act provides for TDS at a specific rate of 20% on income in respect of units of a Mutual Fund specified under clause (23D) of section 10 of the Act or from the specified company referred to in the Explanation to clause (35) of section 10 of the Act to a non-resident or to a foreign company.

To enable applicability of lower rates provided under a tax treaty of a particular country at the TDS stage, it is proposed to insert a proviso to sub-section (1) of section 196A of the Act to restrict the withholding tax under this section at the rate provided under the relevant DTAA or 20%, whichever is lower, subject to the furnishing of Tax Residency Certificate by the payee.

This amendment shall be effective from April 01, 2023.

Extension of scope of lower tax deduction certificate under section 197

Section 197 of the Act empowers the Assessing Officer to grant a certificate of tax deduction at lower or nil rate on an application made by a person responsible for making the payment. Section 197 enlists various withholding tax sections in respect of which the certificate can be granted by the Assessing Officer.

Section 194LBA of the Act, which provides that business trust shall deduct and deposit tax at the rate of 5% on interest income of non-resident unit holders or a foreign company is not listed under Section 197 and therefore is not eligible for grant of certificate for lower deduction of tax. Due to certain exemptions available to such unit holders, the applicable tax rate on the payments covered under Section 194LBA may be even lower than 5% but as per the present provision, the rate of TDS cannot be lower than the specified rate of 5%.

To remove this difficulty, it is proposed to amend section 197(1) of the Act to provide that payments covered under section 194LBA of the Act shall also be eligible for issue of a certificate for deduction of tax at lower rate.

This amendment shall be effective from April 01, 2023.

Relief from special provision for higher rate of TDS/TCS for non-filers of tax return

Section 206AB and Section 206CCA provided for a higher TDS/ TCS (as the case may be) for Specified Person. ‘Specified Person’ means non-filer of tax return satisfying the prescribed conditions but excludes a non-resident who does not have a permanent establishment in India.
It is proposed to amend the definition of ‘Specified Person’ to exclude a person who is not required to furnish the return of income and is notified by the Central Government.

These amendments shall be effective from April 01, 2023.

Increasing rate of TCS on certain remittances

Section 206C of the Act provides for TCS on business of trading in alcohol, liquor, forest produce, scrap etc. Sub-section (1G) of the aforesaid section provides for TCS on foreign remittance through the Liberalised Remittance Scheme (LRS) and on sale of overseas tour package.

In order to increase TCS on certain foreign remittances and on sale of overseas tour packages, amendment is proposed in sub-section (1G) of section 206C of the Act.

The current and proposed TCS rates are tabulated as under:

Type of remittance	Present rate	Proposed rate
For the purpose of any education, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E.	0.5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh (Rs. 0.7 million).	No change
For the purpose of education, other than (i) or for the purpose of medical treatment.	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh (Rs. 0.7 million).	No change
Overseas tour package	5% without any threshold limit.	20% without any threshold limit
Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh (Rs. 0.7 million).	20% without any threshold limit

This amendment shall be effective from July 01, 2023.

Penalties and Prosecution

Penalty and Prosecution provisions to cover failure to 'ensure payment of tax' as a specified default

The existing provisions of Section 271C of the Act (Penalty for failure to deduct tax at source) and Section 276B of the Act (Failure to pay tax) do not clearly mandate a penalty or prosecution for a person who fails to 'ensure that tax has been paid' in a situation where the benefit or perquisite is passed in kind. This would cover the situations where benefit or perquisite as referred to in Section 194R is given in kind or consideration paid in kind for transfer of Virtual Digital Assets as referred to in Section 194S, or consideration in kind on winnings of online games as referred to in Section 194BA, which require deduction of tax at source as per the provisions of the said sections.

In order to enable such penalty and prosecution on failure to ensure payment of tax on consideration paid in kind, it is proposed to amend Section 271C and Section 276B to include failure to 'ensure payment of tax' as a specified default/ offence liable for penalty and prosecution under such sections.

These amendments shall be effective from April 01, 2023. However, the amendments pertaining to the default under section 194BA shall be effective from July 01, 2023.

Additional penalty for furnishing inaccurate statement of financial transaction or reportable account

Section 271FAA provides for penalty of Rs. 50,000 for furnishing inaccurate statement of financial transaction or reportable account by persons responsible for registering or maintaining books of accounts or other document containing a record of any specified financial transaction or any reportable account as referred to in Section 285BA.

However, there is no penal provision for the submission of a false self-certification by reportable persons and the account holders as mandated under Rule114H, which in turn leads to furnishing of an incorrect statement under section 285BA.

Therefore, in order to introduce a provision for penalizing false self-certification in the Act, it is proposed to insert a new section (2) in section 271FAA to impose an additional penalty of Rs. 5,000 for every inaccurate reportable account on such institution submitted by a prescribed reporting financial institution and such inaccuracy is due to false or inaccurate information submitted by the account holder.

The reporting financial institution has been made entitled to recover/retain the amount so paid (as additional penalty) on behalf of the account holder.

These amendments shall be effective from April 01, 2023.

Decriminalisation of defaults by Liquidator under section 276A

Under the existing provisions of Section 276A of the Act, prosecution of a liquidator for up to 2 years imprisonment is provided for specified defaults.

As the liquidator is now working under the oversight of Insolvency and Bankruptcy Code, 2016 which has precedence over section 178, it is proposed to amend section 276A by providing a sunset clause with effect from March 31, 2023 stating that no fresh prosecution shall be initiated under this section on or after April 01, 2023. However, the earlier prosecutions will continue.

The above amendment shall be effective from April 01, 2023.

Tax Administration Measures for the benefit of taxpayers

Allowing credit of TDS deducted subsequently for income already disclosed in earlier year

In many instances, tax is deducted by the deductor in the year in which the income is actually paid to the assessee. However, following accrual method, the assessee may have already disclosed this income in the earlier years in their return of income. This results in TDS mismatch. Presently, the tax return form permits claim of credit of tax withheld in the relevant year as well as in the earlier year, if income pertaining to such TDS is shown in the relevant year. There is no provision to claim the credit of tax deducted in the subsequent years on income reported in the earlier years.

In order to remove such difficulty, an amendment is proposed in section 155 of the Act to provide that if the income is reported in the tax return of any assessment year and corresponding tax is deducted in any subsequent year, an application can be made in the prescribed form to the assessing officer within two years from the end of the financial year in which the tax was deducted at source. The assessing officer shall allow the credit of such tax in the intimation order / assessment order of the relevant assessment year in which income was offered.

It has also been provided that the interest on refund arising out of above rectification shall be calculated at the rate of 0.5% for every month comprised in the period from the date of the application to the date on which the refund is granted.

This amendment shall be effective from October 01, 2023.

Extension of time for disposing rectification applications by Interim Board for Settlement

Settlement Commission was abolished by the Finance Act, 2021, w.e.f. February 01, 2021. For settlement of cases (which involve true and full disclosure of additional income) pending with the Settlement Commission, Interim Board for Settlement was constituted as an interim measure.

In relation to the pending rectification/ amendment applications, Section 245D(9)(iv) provides that the time period from February 01, 2021 to the date of constitution of the Interim Board (i.e. August 08, 2021) shall be excluded from the time limit to pass the rectification, provided that the minimum time available to pass the order or filing application for rectification shall not be less than 60 days.

Representations were made to extend such time limit.

It is proposed that where the time-limit for amending an order or for making an application for rectification under Section 245D(6B) expires on or after February 01, 2021 but before February 01, 2022, such time-limit shall stand extended to September 30, 2023.

This amendment shall apply retrospectively from February 01, 2021.

Miscellaneous Amendments

Set off and withholding of refunds in certain cases

The existing provisions of Section 241A empowers the Assessing Officer to withhold refund due to an assessee under section 143(1) after previous approval of the Commissioner, in a case where notice for assessment is issued to him under section 143(2), if he is of the opinion that the grant of refund is likely to adversely affect the revenue.

It is proposed to cover this provision under Section 245 (which deals with set off of refunds against tax remaining payable), and to make provisions of Section 241A inapplicable w.e.f. April 01, 2023.

Further, as the amendments proposed under section 245 would have an impact on cases referred to in sub-section (1A) of section 244A, i.e., where refund due to the assessee is required to be withheld by the

AO under sub-section (2) of the proposed section till the date of the making assessment or reassessment, it is proposed to amend sub-section (1A) of section 244A by inserting a proviso that in case of an assessee where proceedings for assessment or reassessment are pending, the additional interest shall not be payable to the assessee under this sub-section, for the period beginning from the date on which such refund is withheld by the Assessing Officer, till the date on which the assessment or reassessment pending in such case is made.

However, the proposed amendment shall not impact the existing position with regard to all other types of interest, except additional interest under sub-section (1A) of section 244A, payable to the assessee as required under the Act.

These amendments shall be effective from April 01, 2023.

Preventing permanent deferral of taxes through undervaluation of inventory

As per the current provisions of section 142(2A), if the Assessing Officer, during proceedings before him doubts about the correctness of the accounts or due to specialised nature of business activity of the assessee, etc. 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 his accounts audited by an accountant and to furnish report as per rules. 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.

Further, consequential amendments are proposed to amend section 153 of the Act, so as to exclude the period for inventory valuation through the cost accountant for the purposes of computation of time limitation of proceedings before the Assessing Officer.

These amendments shall be effective from April 01, 2023.

Removal of certain funds from deduction under Section 80G

Section 80G(2) of the Act, inter alia, provides the list of the funds to which any sum paid by the assessee in any year as donation is allowed as a deduction to an extent of 50 per cent /100 per cent of the amount so donated.

It has been observed that there are only three funds based on names of the persons in the said section. It is proposed to omit sub-clauses (ii), (iiic) and (iiid) of clause (a) of sub-section (2) of section 80G of the Act to make the donation to the following funds ineligible for deduction:-

(ii) the Jawaharlal Nehru Memorial Fund;
(iiic) the Indira Gandhi Memorial Trust;
(iiid) the Rajiv Gandhi Foundation
This amendment shall be effective from AY 2024-25.

Removal of exemption to income of a notified News Agency

Section 10(22B) provides exemption to any income of a notified news agency which is set up in India solely for collection and distribution of news. The exemption is subject to the condition that the news agency applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

In accordance with the policy of the Government to phase out exemptions and deductions under the Act, the exemption available to news agencies under clause (22B) of section 10 of the Act is proposed to be withdrawn from AY 2024-25.

Exemption to Development Authorities set up by Central or State Act for Public Service

Section 10(46) provides exemption to any specified income arising to a body or authority or Board or Trust or Commission, or a class thereof which is constituted by Central Government or State Government for public service and is not engaged in any "commercial activity".

The restriction on undertaking commercial activities by such body has been a litigated issue. Recently, the Supreme Court of India held that the term "commercial" has the same meaning as "trade, commerce, business" in clause (15) of section 2 of the Act. Therefore, sums charged by such notified body, authority, Board, Trust or Commission will require similar consideration i.e., whether it is at cost with a nominal mark-up or significantly higher, to determine if it falls within the mischief of "commercial activity". The Court also opined that amount charged for public services by a body is prima facie to be excluded from the business or commercial receipts as their objects are essential for advancement of public purposes/ functions.

In view of the same, it is proposed to insert a new clause (46A) in section 10 to exempt any income arising to a body or authority or Board or Trust or Commission which has been established or constituted by or under a Central or State Act for certain specified purposes for the benefit of general public.

The above amendment shall be effective from AY 2024-25.

Distribution of income to non-resident Offshore Derivative Instruments holders

As per the existing provisions of Section 10(4E) of the Act, income of non-residents on transfer of Offshore Derivative Instruments (ODI) entered into with IFSC Banking unit is exempt from tax in India.

After the payment of tax, IFSC Banking unit passes such income to the ODI holders. Presently, the exemption is provided only on the transfer of ODIs and not on the distribution of income to the non-resident ODI holders, hence this distributed income is taxed twice in India i.e. first when received by the IFSC Banking unit and second, when the same income is distributed to non-resident ODI holders.

In order to remove the double taxation, it is proposed to amend clause (4E) of section 10 of the Act to provide exemption to any income distributed to the non-resident ODI holders.

It has also been clarified that such exempted income shall include only that amount which has been charged to tax in the hands of the IFSC Banking Unit under section 115AD of the Act.

The above amendment shall be effective from AY 2024-25.

Appendix A

TAX AND SURCHARGE RATES APPLICABLE FOR INDIVIDUALS UNDER CONCESSIONAL TAXATION SCHEME UNDER SECTION 115BAC

A. *Tax Rates - A Comparative Table*

Proposed rates from AY 2024-25 onwards		Rates for AY 2021-22 to AY 2023-24	
Total Income	**Rate of Tax**	**Total Income**	**Rate of Tax**
Up to Rs. 3,00,000	Nil	Up to Rs. 2,50,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5 %	From Rs. 2,50,001 to Rs. 5,00,000	5 %
From Rs. 6,00,001 to Rs. 9,00,000	10%	From Rs. 5,00,001 to Rs. 7,50,000	10%
From Rs. 9,00,001 to Rs. 12,00,000	15%	From Rs. 7,50,001 to Rs. 10,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%	From Rs. 10,00,001 to Rs. 12,50,000	20%
Above Rs. 15,00,000	30%	From Rs. 12,50,001 to Rs. 15,00,000	25%
		Above Rs. 15,00,000	30%

Note: *The aforesaid rates of tax are subject to surcharge (as per the following table) as well as cess of 4%.*

B. *Rates of Surcharge*

Particulars	Rates for AY 2023-24	Rates for AY 2024-25
Where taxable income is less than Rs. 5 million	Nil	Nil
Where taxable income exceeds Rs. 5 million but does not exceed Rs. 10 million	10%	10%
Where taxable income exceeds Rs. 10 million but does not exceed Rs. 20 million	15%	15%
Where taxable income exceeds Rs. 20 million but does not exceed Rs. 50 million (excluding dividend, income under Section	25%	25%

111A, Section 112 and Section 112A)		
Where taxable income exceeds Rs. 50 million (excluding dividend, income under Section 111A, Section 112 and Section 112A)	37%	25%
Where taxable income includes dividend or income under Section 111A (Short term capital gain on equity), Section 112 (Long term capital gain) and Section 112A (Long term capital gain on equity) and such taxable income after inclusion of such dividend income, income under Section 111A, Section 112 and Section 112A exceeds Rs. 20 million	15% on such dividend, income under Sections 111A, 112 and 112A.	15% on such dividend, income under Sections 111A, 112 and 112A
Where taxable income exceeds Rs. 20 million or 50 million and also includes dividend income, income under Section 111A, Section 112 and Section 112A in addition	25% or 37% as aforesaid. Surcharge to be restricted to 15% on dividend, income under Sections 111A, 112 and 112A, included above	25% Surcharge to be restricted to 15% on dividend, income under Sections 111A, 112 and 112A, included above

Note: *The applicable rates of surcharge will be computed on the amount of income-tax and cess will be computed on income-tax plus surcharge.*

Appendix B

TAX AND SURCHARGE RATES FOR INDIVIDUALS UNDER RELEVANT FINANCE ACT (APPLICABLE IF SECTION 115BAC IS NOT OPTED FOR)

A. *Tax Rates for AY 2023-24 and AY 2024-25*

Income tax slabs	Age less than 60 years	Age of 60 years or more but less than 80 years	Age of 80 years or more
Up to Rs. 250,000	Nil	Nil	Nil
Rs. 250,000 to Rs. 300,000	5% of income in excess of Rs. 250,000	Nil	Nil
Rs. 300,000 to Rs. 500,000	Rs. 2,500 + 5% of income in excess of Rs. 300,000	5% of income in excess of Rs. 300,000	Nil
Rs. 500,000 to Rs. 1,000,000	Rs. 12,500 + 20% of income in excess of Rs. 500,000	Rs. 10,000 + 20% of income in excess of Rs. 500,000	20% of income in excess of Rs. 500,000
Above Rs. 1,000,000	Rs. 112,500 + 30% of income in excess of Rs. 1,000,000	Rs. 110,000 + 30% of income in excess of Rs. 1,000,000	Rs. 100,000 + 30% of income in excess of Rs. 1,000,000

Note*: The aforesaid rates of tax are subject to surcharge (as per following table) as well as cess of 4%*

B. *Rates of Surcharge*

Particulars	Rates for AY 2023-24 and AY 2024-25
Where taxable income is less than Rs. 5 million	Nil
Where taxable income exceeds Rs. 5 million but does not exceed Rs. 10 million	10%
Where taxable income exceeds Rs. 10 million but does not exceed Rs. 20 million	15%
Where taxable income exceeds Rs. 20 million but does not exceed Rs. 50 million (excluding dividend, income	25%

under Section 111A, Section 112 and Section 112A)	
Where taxable income exceeds Rs. 50 million (excluding dividend, income under Section 111A, Section 112 and Section 112A)	37%
Where taxable income includes dividend or income under Section 111A (Short term capital gain on equity) , Section 112 (Long term capital gain) and Section 112A (Long term capital gain on equity) and such taxable income after inclusion of such dividend income, income under Section 111A, Section 112 and Section 112A exceeds Rs. 20 million	15% on such dividend, income under Sections 111A, 112 and 112A
Where taxable income exceeds Rs. 20 million or 50 million and also includes dividend income, income under Section 111A, Section 112 and Section 112A in addition	25% or 37% as aforesaid. Surcharge to be restricted to 15% on dividend, income under Sections 111A, 112 and 112A, included above

Note: *The applicable rates of surcharge will be computed on the amount of income-tax and cess will be computed on income-tax plus surcharge.*

Appendix C

CORPORATE TAX RATES

A. *Tax Rates for Corporates for the Assessment Year 2023-24 and 2024-25:*

Particulars	Tax Rates
Domestic Companies:	
Tax Rate for Assessment Year 2023-24 where turnover for Financial Year 2020-21 is up to Rs. 4000 million **Tax Rate for Assessment Year 2024-25 where turnover for Financial Year 2021-22 is up to Rs. 4000 million**	25%
Tax Rate for Assessment Year 2023-24 where turnover for Financial Year 2020-21 is more than Rs. 4000 million **Tax Rate for Assessment Year 2024-25 where turnover for Financial Year 2021-22 is more than Rs. 4000 million**	30%
Domestic manufacturing companies opting for Concessional taxation under Section 115BA	25%
Domestic companies opting for Concessional taxation under Section 115BAA	22%
New manufacturing companies opting for Concessional taxation under Section 115BAB	15%
Foreign Companies	40%

Note: *The aforesaid rates of tax are subject to surcharge (as per the following table) as well as cess of 4%*

B. *Rates of Surcharge*

Particulars	Rates
Domestic Companies (not opting for concessional taxation under Section 115BAA and Section 115BAB)	
Where taxable income is up to Rs. 10 million	Nil
Where taxable income exceeds Rs. 10 million but does not exceed Rs. 100 million	7%

Where taxable income exceeds Rs. 100 million	12%
Companies opting for Concessional taxation	
Companies opting for Concessional taxation under sec 115BAA	10%
Companies opting for Concessional taxation under sec 115BAB	10%
Foreign Companies	
Where taxable income is up to Rs. 10 million	Nil
Where taxable income exceeds Rs. 10 million but does not exceed Rs. 100 million	2%
Where taxable income exceeds Rs. 100 million	5%

Note: *The applicable rates of surcharge will be computed on the amount of income-tax and cess will be computed on income-tax plus surcharge.*

About Us

Mohinder Puri & Co. is a firm of Chartered Accountants established in 1954. Led by eminent and highly experienced partners and complemented by a team of multi-disciplinary professionals, we offer a diverse range of professional services to our clients, besides our core competencies of audit and taxation. With over 69 years of experience, we have been providing advice and support to domestic and international clients in diverse sectors on audit, accounting, taxation and regulatory matters. Built on a strong commitment to client service, the Firm acts as a One-Stop Advisor offering expertise and hands-on support. We pride ourselves on our quality and integrity to drive the growth of our clients.

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