

RAMAN SINGLA & CO.
CHARTERED ACCOUNTANTS



Budget 2022-2023

Nirmala Sitharaman

Minister of Finance

February 1, 2022

“Hon'ble Speaker, Sir, I take this opportunity to thank all the taxpayers of our country who have contributed immensely and strengthened the hands of the government in helping their fellow citizens in this hour of need.”



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BUDGET PROPOSALS 2022-23

Introducing new 'Updated return

A new provision permitting taxpayers to file an **Updated Return** on payment of additional tax is being proposed. This updated return can be filed within two years from the end of the relevant assessment year. With this proposal, there will be a trust reposed in the taxpayers that will enable the assessee herself to declare the income that she may have missed out earlier while filing her return.

Reduced Alternate minimum tax rate and Surcharge for Cooperatives

Currently, cooperative societies are required to pay Alternate Minimum Tax at the rate of eighteen and one half per cent. However, companies pay the same at the rate of fifteen per cent. To provide a level playing field between co-operative societies and companies, it has been proposed to reduce this rate for the cooperative societies also to fifteen per cent. It has also been proposed to reduce the surcharge on co-operative societies from present 12 per cent to 7 per cent for those having total income of more than Rs 1 crore and up to Rs 10 crores.

Tax relief to persons with disability

It has been proposed to allow the payment of annuity and lump sum amount to the differently abled dependent during the lifetime of parents/guardians, i.e., on parents/ guardians attaining the age of sixty years.

Parity between employees of State and Central government

To provide equal treatment to both Central and State government employees, it has been proposed to increase the tax deduction limit from 10 per cent to 14 per cent on employer's contribution to the NPS account of State Government employees as well.

Incentives for Start-ups

Eligible start-ups established before 31.3.2022 had been provided a tax incentive for three consecutive years out of ten years from incorporation. In view of the Covid pandemic, it has been proposed to extend the period of incorporation of the eligible start-up by one more year, that is, up to 31.03.2023 for providing such tax incentive.

Incentives for newly incorporated manufacturing entities under concessional tax regime

A concessional tax regime of 15 per cent tax was introduced by the government for newly incorporated domestic manufacturing companies. It has been proposed to extend the last date



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for commencement of manufacturing or production under section 115BAB by one year i.e. from 31st March, 2023 to 31st March, 2024.

Scheme for taxation of virtual digital assets

For the taxation of virtual digital assets, it has been proposed to provide that any income from transfer of any virtual digital asset shall be taxed at the rate of 30 per cent.

- No deduction in respect of any expenditure or allowance shall be allowed while computing such income except cost of acquisition. Further, loss from transfer of virtual digital asset cannot be set off against any other income.
- Further, in order to capture the transaction details, it has also been proposed to provide for TDS on payment made in relation to transfer of virtual digital asset at the rate of 1 per cent of such consideration above a monetary threshold.
- Gift of virtual digital asset is also proposed to be taxed in the hands of the recipient.

Litigation management to avoid repetitive appeals by the Department

It has been proposed to provide that, if a question of law in the case of an assessee is identical to a question of law which is pending in appeal before the jurisdictional High Court or the Supreme Court in any case, the filing of further appeal in the case of this assessee by the department shall be deferred till such question of law is decided by the jurisdictional High Court or the Supreme Court. This will greatly help in reducing the repeated litigation between taxpayers and the department.

Tax incentives to IFSC

It has been proposed to provide that income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax, subject to specified conditions.

Rationalization of Surcharge

It has been proposed to cap the Surcharge of AOP's at 15 per cent. It has also been proposed to cap the surcharge on long term capital gains arising on transfer of any type of assets at 15 per cent.

Deterrence against tax-evasion

It has been proposed to provide that no set off, of any loss shall be allowed against undisclosed income detected during search and survey operations.



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Rationalizing TDS Provisions

It has been proposed to provide for tax deduction by the person giving benefits, if the aggregate value of such benefits exceeds Rs 20,000 during the financial year.

Export Promotion - SEZ

The Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.

Alongside, reforms in Customs Administration of SEZs shall also be undertaken and it shall henceforth be fully IT driven and function on the Customs National Portal with a focus on higher facilitation and with only risk-based checks. This will ease doing business by SEZ units considerably. This reform shall be implemented by 30th September 2022.

Project imports and capital goods

It is proposed to phase out the concessional rates in capital goods and project imports gradually and apply a moderate tariff of 7.5 per cent. Certain exemptions for advanced machineries that are not manufactured within the country shall continue. A few exemptions are being introduced on inputs, like specialised castings, ball screw and linear motion guide, to encourage domestic manufacturing of capital goods.

Customs - Review of customs exemptions and tariff simplification

As a simplification measure, several concessional rates are being incorporated in the Customs Tariff Schedule itself instead of prescribing them through various notifications.

Sector Specific Proposals

Certain proposals for sectors like Electronics, Gems and Jewellery, Chemicals, MSME, Exports, Tariff measure to encourage blending of fuel.

Sunrise Opportunities

Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems have immense potential to assist sustainable development at scale and modernize the country. They provide employment opportunities for youth, and make Indian industry more efficient and competitive.



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Supportive policies, light-touch regulations, facilitative actions to build domestic capacities, and promotion of research & development will guide the government's approach. For R&D in these sunrise opportunities, in addition to efforts of collaboration among academia, industry and public institutions, government contribution will be provided.

Green Bonds

As a part of the government's overall market borrowings in 2022-23, sovereign Green Bonds will be issued for mobilizing resources for green infrastructure. The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy.

GIFT-IFSC

World-class foreign universities and institutions will be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by IFSCA to facilitate availability of high-end human resources for financial services and technology.

An International Arbitration Centre will be set up in the GIFT City for timely settlement of disputes under international jurisprudence. Services for global capital for sustainable & climate finance in the country will be facilitated in the GIFT City.

Digital Rupee

Introduction of Central Bank Digital Currency (CBDC) will give a big boost to digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It is, therefore, proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23.

Income Tax Slabs 2022-23

No change in the present budget



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GST Amendments

- 1) A new clause (ba) to sub-section (2) of section 16 of the CGST Act is being inserted to provide that input tax credit with respect to a supply can be availed only if such credit has not been restricted in the details communicated to the taxpayer under section 38. Further, sub-section (4) of section 16 of the CGST Act is being amended so as to provide for an extended time for availment of input tax credit by a registered person in respect of any invoice or debit note pertaining to a financial year upto thirtieth day of November of the following financial year.
- 2) Clause (b) and (c) of sub-section (2) of section 29 of the CGST Act are being amended so as to provide that the registration of a person is liable for cancellation, where - (i) a person paying tax under section 10 has not furnished the return for a financial year beyond three months from the due date of furnishing of the said return; (ii) a person, other than those paying tax under section 10, has not furnished returns for such continuous tax period as may be prescribed.
- 3) Sub-section (2) of section 34 of the CGST Act is being amended so as to provide for an extended time for issuance of credit notes in respect of any supply made in a financial year upto thirtieth day of November of the following financial year
- 4) Section 37 of the CGST Act is being amended so as to: (i) provide for prescribing conditions and restrictions for furnishing the details of outward supply and for communication of the details of such outward supplies to concerned recipients; (ii) do away with two-way communication process in return filing; (iii) provide for an extended time upto thirtieth day of November of the following financial year for rectification of errors in respect of details of outward supplies furnished under sub-section (1); (iv) provide for tax period-wise sequential filing of details of outward supplies under sub-section (1).
- 5) Section 38 of the CGST Act is being substituted for prescribing the manner as well as conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement and to do away with two-way communication process in return filing.
- 6) Section 39 of the CGST Act is being amended so as to: (i) provide that the non-resident taxable person shall furnish the return for a month by thirteenth day of the following month;



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- (ii) provide an option to the persons furnishing return under proviso to sub-section (1), to pay either the self-assessed tax or an amount that may be prescribed; (iii) provide for an extended time upto thirtieth day of November of the following financial year, for rectification of errors in the return furnished under section 39; (iv) provide for furnishing of details of outward supplies of a tax period under sub-section (1) of section 37 as a condition for furnishing the return under section 39 for the said tax period.
- 7) Section 41 of the CGST Act is being substituted so as to do away with the concept of “claim” of eligible input tax credit on a “provisional” basis and to provide for availment of selfassessed input tax credit subject to such conditions and restrictions as may be prescribed.
- 8) Sections 42, 43 and 43A of the CGST Act are being omitted so as to do away with two-way communication process in return filing.
- 9) Section 47 of the CGST Act is being amended so as to provide for levy of late fee for delayed filing of return under section 52. Further, reference to section 38 is being removed consequent to the amendment in section 38 of the CGST Act.
- 10) Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 48 of the CGST Act is being amended so as to remove reference to section 38 therefrom.
- 11) Section 49 of the CGST Act is being amended so as to: (i) provide for prescribing restrictions for utilizing the amount available in the electronic credit ledger; (ii) allow transfer of amount available in electronic cash ledger under the CGST Act of a registered person to the electronic cash ledger under the said Act or the IGST Act of a distinct person; (iii) provide for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger.
- 12) Sub-section (3) of section 50 of the CGST Act is being substituted retrospectively, with effect from the 1st July, 2017, so as to provide for levy of interest on input tax credit wrongly availed and utilized.
- 13) Sub-section (6) of section 52 of the CGST Act is being amended so as to provide for an extended time upto thirtieth day of November of the following financial year for rectification of errors in the statement furnished under subsection (4).



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- 14) Section 54 of the CGST Act is being amended so as to: (i) explicitly provide that refund claim of any balance in the electronic cash ledger shall be made in such form and manner as may be prescribed; (ii) provide the time limit for claiming refund of tax paid on inward supplies of goods or services or both under section 55 as two years from the last day of the quarter in which the said supply was received; (iii) extend the scope of withholding of or recovery from refunds in respect of all types of refund; (iv) provide clarity regarding the relevant date for filing refund claim in respect of supplies made to a Special Economic Zone developer or a Special Economic Zone unit by way of insertion of a new sub-clause (ba) in clause (2) of Explanation thereto.
- 15) Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 168 of the CGST Act is being amended so as to remove reference to section 38 therefrom.
- 16) Notification No. 9/2018 – Central Tax, dated the 23rd January, 2018, is being amended so as to notify www.gst.gov.in, retrospectively, with effect from 22nd June, 2017, as the Common Goods and Services Tax Electronic Portal, for all functions provided under Central Goods and Services Tax Rules, 2017, other than those provided for e-way bill and for generation of invoices under sub-rule (4) of rule 48 of the CGST Rules.
- 17) Notification No. 13/2017 – Central Tax, dated the 28th June, 2017, is being amended retrospectively, with effect from the 1st day of July, 2017, so as to notify rate of interest under subsection (3) of section 50 of the CGST Act as 18%.

Thanks and Regards

CA Raman Singla