

## Budget 2023 Highlights : Tax Proposals

**UNION** ₹  
**BUDGET**





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## **Indirect Tax Proposals**

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## 1) Tax Slab Rates for Individual/HUF

Total Income (Rs)	Rate (per cent)
Up to 3,00,000	Nil
3,00,000 – 6,00,000	5 %
6,00,001 – 9,00,000	10 %
9,00,001 – 12,00,000	15 %
12,00,001 – 15,00,000	20 %
Above 15,00,000	30 %

## 2) Rebate u/s 87A

Rebate u/s 87A is proposed to be increased for income not exceeding 7 lakhs.  
**Effectively there would be Zero Tax for income upto 7 lakhs.**

## 3) Deduction

₹50,000/- standard deduction to salaried employees to be also allowed in new regime.  
 ₹15,000/- deduction in case of pension received by family member of deceased employee.  
 (It is already allowed in old tax regime).

## 4) Surcharge

Maximum surcharge rate under new regime is proposed to be capped at 25% from 37%  
 (for income > 5 crore).



### 1) Tax Slab Rates for Individual/HUF

- No change is proposed in tax slab under old tax regime.
- The prevailing slab rate are be as under.

Total Income (Rs)	Individual (upto 60 years)	Senior Citizen (60 years – 80 Years)	Senior Citizen (Above 80 Years)
Up to 2,50,000	Nil	Nil	Nil
2,50,000 – 3,00,000	5 %	Nil	Nil
3,00,001 – 5,00,000	5%	Nil	Nil
5,00,001 – 10,00,000	20 %	20 %	20 %
Above 10,00,000	30 %	30 %	30 %

### 2) Other Points

Deduction under Chapter VI-A is allowed (i.e. Deduction related to Life Insurance, PPF, Mutual funds, Medical Insurance, etc).

Exemption pertaining to HRA is allowed u/s 10(13A) for salaried employees.

## Comparison - Old vs New Regime

Sr. No.	Taxable Income	New Regime	Old Regime					
			Scenario 1: No Investments	Scenario 2: Investments	Scenario 3: Investments and Hsg Loan Int	Scenario 4: Investments, HRA and Hsg Loan Int		
			Tax	Tax	Tax	Tax	HRA Exemption	Tax
1	5,00,000	-	-	-	-	-	1,00,000	-
2	7,00,000	-	52,500	-	-	-	1,40,000	-
3	9,00,000	45,000	92,500	47,500	-	-	1,80,000	-
4	10,00,000	60,000	1,12,500	67,500	27,500	-	2,00,000	-
5	12,00,000	90,000	1,52,500	1,07,500	67,500	-	2,40,000	19,500
6	15,00,000	1,50,000	2,62,500	1,95,000	1,35,000	-	3,00,000	45,000
7	20,00,000	3,00,000	4,12,500	3,45,000	2,85,000	-	4,00,000	1,65,000
8	1,00,00,000	29,70,000	30,93,750	30,19,500	29,53,500	-	20,00,000	22,93,500
9	6,00,00,000	2,21,25,000	2,44,03,125	2,43,10,650	2,42,28,450	-	30,00,000	2,29,95,450

- Amount Considered for old Regime → Investment u/s 80C, 80D, 80CCD(1B) - ₹ 2,25,000, and Housing Loan Interest u/s 24b - ₹ 2,00,000.
- Tax amount includes Basic Tax and Surcharge.

### Note :

- 1) Under old regime, House Rent Allowance (HRA) exemption (upto 40%/50% of basic salary) is available depending on rent paid. Estimated amount of HRA Exemption is considered for calculation.
- 2) The new tax regime would be the default tax regime (However, an option to avail the benefit of the old tax regime would be available).

# Corporate Tax

## 1) Tax Rate for Companies/ Firm, etc

No Change in Tax Rate for Companies, Firm, LLP, etc

## 2) Preliminary Expenses u/s 35

Preliminary expenditure incurred in connection with preparation of feasibility report, project report, etc. are no longer required to be approved by the CBDT.

## 3) Tax on income distributed by Business Trusts

- Income distributed by business trusts to unit holders (which business trusts had received in repayment of debt) is taxable in the hands of unit holders which is currently not taxed both in the hands of business trust as well as the unit holders.
- In case of redemption of units, cost of acquisition allowed as a deduction.

## 4) Premium on shares

Any consideration received by Private limited company from resident or non-resident person, for issue of shares in excess the face value of such shares would be taxable. (Previously amount received from non-resident person was not taxable).

## 5) Start-ups

Eligible start-ups incorporated upto 31<sup>st</sup> March, 2024 would be eligible for Tax exemptions.

In case of eligible start-ups, losses would be allowed to be carried forward even if there is substantial change in shareholding, if such loss has been incurred within 10 years of the Incorporation.

# Capital Gain



## 1) Exemption u/s 54 and 54F

Section 54 and 54F of the Act provide for exemption from capital gains in respect of acquisition of residential house property

Section	Applicability	Proposal
54	Sale of Long term residential property	Maximum amount of investment of capital gain eligible for deduction capped at ₹10 crore.
54F	Sale of any Long term asset	Maximum amount of investment of Net consideration eligible for deduction capped at ₹10 crore.

2)

### Market-linked debentures

Capital gains arising on transfer of 'Market linked debentures' to be treated as "Short Term Capital Gains" irrespective of period of holding. The same shall be taxed at normal/slab rates.

In Computing such capital gains, no deduction to be allowed in respect of any STT paid.

3)

### Electronic Gold Receipts (EGR)

Conversion of physical gold into Electronic Gold Receipt and vice versa not to be considered as a "transfer" for capital gains purposes.

Period of holding and the cost of acquisition of EGR/physical gold shall include the period of holding and the cost of acquisition prior to conversion.

4)

### Self-generated Intangible Assets

Cost of improvement or cost of acquisition of any intangible asset or any other right shall be nil except where it is acquired for a consideration





# TDS/TCS



Nature	Section	Rate	Provision	Proposal
TDS	194N	2%	Withholding of Tax on cash Withdrawal	Threshold limit of TDS on cash withdrawal is increased to ₹ 3 crore for co-operative societies
TDS	194R	10%	Withholding of Tax on business gifts/perquisites	It is clarified that TDS would be applicable on business gifts/perquisites whether in cash or kind.
TDS	194BA	30% (Rates in force)	Withholding of Tax on winning from online games	TDS is proposed to be deducted on Net winnings from online games.
TDS	194A	20%	Withholding on withdrawal from PF account	TDS rate of 20% would be applicable instead of 30% in case of non-furnishing of PAN at the time of withdrawal of the PF balance from the EPFO.
TCS	206C	20%	Collection of Tax on foreign remittances	It is proposed to collect TCS at higher rate (@ 20% from old rate of 5%) on purchase of overseas tour program package and other foreign remittances
TCS	206C	5%	Collection of Tax on foreign remittances for education and medical purpose	TCS should be collected at 5%. (No change is proposed).



## 1) Presumptive Income

It is proposed to increase threshold Turnover/Receipts limit to opt for presumptive taxation u/s 44AB and 44ADA

Section	Updated Limit	Previous Limit
44AD (Business receipts)	₹3 crore	₹2 crore
44ADA (Professional receipts)	₹75 Lakhs	₹50 Lakhs

**(\*) Condition: Updated threshold limit is applicable if cash receipts do not exceed 5% of the total turnover/ receipts.**

## 2) Leave Encashment

Maximum exemption for leave encashment received by non-govt employee on retirement is proposed to be increased to ₹ 25,00,000/- from ₹ 3,00,000/-.

## 3) Income from Insurance Policy

Receipts from life insurance policies including bonus (other than ULIP) issued on or after April 1, 2023, would be taxable (i.e. not be exempt) as income from other sources for the policies with the aggregate annual premium exceeding ₹5,00,000/-

However, any amount received on occasion of death of the insurer would be fully exempt.



## 4) **Manufacturing co-operative societies**

Concessional tax rate of 15% would be available for new manufacturing co-operative society which commence manufacturing before 31st March, 2024.

Such co-operative societies would not be allowed to avail any special incentives or tax deductions.

(Thus, Benefit of lower tax rate available for new manufacturing companies is now extended to co-operative societies as well)

## 5) **Payment to Micro and Small Enterprises**

Deduction for payment made to Micro and Small Enterprise beyond the time limit specified in the Section 15 of the MSMEDA to be allowed based on actual payment basis.

If Payment is made to Micro and Small Enterprise beyond the period of 45 days, then deduction would be allowed in the year of payment.

(Note : The amendment is applicable only for payment made to registered micro and small enterprises. Payment to medium enterprise is not covered in above amendment)

\* Micro Enterprises : Turnover < 5 Crore, Investment < 1 crore  
Small Enterprises : Turnover < 50 Crore, Investment < 10 crore



## 6) Miscellaneous

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### **GIFT IFSC**

Due date for availing exemption by shareholder on relocation of Funds to IFSC extended from March 31, 2023 to March 31, 2025.



### **Time limit for Completion of Assessments**

- From AY 2022-23, assessment shall be completed within a period of 12 months from the end of the assessment year.
- Assessment proceedings in case of an updated return shall be completed within a period of 12 months from the end of the FY in which the updated return is furnished.



### **Income Tax Return**

It is proposed to merge all the ITR Forms and introduce common ITR form for all persons.



## 01

## Return Filing

It is proposed to provide the maximum time limit within which delayed returns under GST Act can be filed after its respective due dates.

Return		Time Limit
GSTR 1 (Return of outward supplies)	→	3 Years
GSTR 3B	→	3 Years
GSTR 8 (Return by e-commerce operator)	→	3 Years
GSTR 9/9C (Annual return)	→	3 Years

## Ineligible Input Tax Credit

## 02

*Input tax credit shall not be available in respect of goods or services or both received by a taxable person for undertaking CSR activities referred to in section 135 of the Companies Act, 2013.*



### 03 Refund under GST

It is proposed to remove the provision of claiming of refund based on provisionally accepted ITC.

The taxpayer would be allowed to claim refund only based on self-assessed Input Tax Credit.

### Registration

04

*It is clarified that any person engaged exclusively in the business of supplying goods or services which is not liable to tax is not required to obtain the GST registration.*

### 05 Prosecution and Compounding

Limit for initiating prosecution under GST law increased to ₹ 2 crore, unless involved in issuance of invoices without supply of goods / services.

Range of Compounding amount reduced to 25 to 100% (Earlier it was 50-150%).





## CUSTOMS DUTY

### Changes in Rates and Tariff

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- Custom duty on Specific capital goods/machinery for the manufacturing of lithium ion cell for use in the batteries of EVs is proposed to be made Nil. Customs Duty rates of other items like Articles of precious metals, Toys, Bicycles are also proposed to be modified.
- Time limit of 9 months (which is further extendable by 3 months) is prescribed for disposal of applications before the Settlement Commission under customs.

### Custom Exemptions

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- Validity period of two years in case of custom exemptions would not apply to exemptions issued in relation to:
  - Any multilateral or bilateral trade agreement
  - Obligations under international agreements
  - Schemes under the Foreign Trade Policy
  - The Central Government schemes having validity of more than two years
  - Any duty of customs imposed under any law for the time being in force, including IGST other than BCD



# OTHER ASPECTS OF BUDGET



- 01 Common Identifier**

PAN will be used as the common identifier for all digital systems of specified government agencies to bring in Ease of Doing Business.
- 02 Single window IT system**

Single window IT system would be set up for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI.
- 03 Central Processing Centre - MCA**

Central Processing Centre for centralized handling of various forms filed under Companies Act.
- 04 Fiscal Deficit**

The fiscal deficit is estimated to be 5.9 per cent of GDP.
- 05 Entity DigiLocker**

Entity DigiLocker to be setup for use by MSMEs, large business and charitable trusts to store and share documents online securely.



Thank You..

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