

GOPAL CHOPRA & ASSOCIATES

CHARTERED ACCOUNTANTS

UNION BUDGET

2022-2023

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FOREWORD



With the repeated waves of infection, the COVID-19 pandemic has cast its effect in the second year also on the world economy. This has resulted in supply-chain disruptions and more recently, global inflation has created very challenging times for the Policy makers in both emerging as well as advanced economies of the world.

Faced with these challenges the Government of India in the Budget 2022 opted for the “Barbell Strategy” that provided with various

Schemes for the vulnerable sections of the society and the business sector with emphasis on the MSME Sector. It also focused on significant capital expenditure on infrastructure including social infrastructure and implement supply side measures which include De-regulation of numerous sectors, Simplification of processes, Removal of legacy issues like “Retrospective Tax, Privatization & monetization and Production-linked incentives for sustained long term expansion.

The Finance Minister is quite optimistic for the year ahead as she states that the economy is well poised to boost the private sector investment with the Financial System in a good position to provide the support for the revival of the economy. Even the indicators show that the economic impact of the “Second wave” in Q 1 was much less than that experienced during the full lockdown phase in 2020-21. The world bank, ADB and IMF have also projected India to remain the Fastest Growing Major Economy in the World during 2021-24. Further the growth projections for 2022-23 assumes no major pandemic related economic disruption, Normal monsoon, Orderly withdrawal of the global liquidity, Oil prices to remain in the range of US\$ 70 – \$ 75/bbl and easing out of the global supply chain disruptions.

With this scenario in mind the Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman presented her Fourth Budget on Tuesday 1st February 2022.

To ensure better compliance, the Finance Minister has introduced various measures/Schemes which include the following :-

- Taxpayers are allowed to file updated returns within two years for correcting errors.
- Income from transfer of virtual digital assets to be taxed at 30%. TDS to be levied at 1% on payments made on transfer of digital assets. Gifts will be taxable in the hands of the recipient.
- Tax relief to a person with a disability – payment of annuity on attaining 60 years by parent or guardian.
- Proposal to increase tax deduction limit to 14% on employer’s contribution to the NPS account of state government employees.
- Har Ghar, Nal Se Jal: 3.8 crore households to be covered in 2022-23.

- PM Awas Yojana: 80 lakh houses to be completed in 2022-23.
- PM-Devine: To fund infrastructure and social development based on felt needs of the North East.
- 100% of post offices to come on the core banking system. Scheduled Commercial Banks to set up 75 Digital Banking Units in 75 districts.
- The Budget has incentivized states for expanding their capital expenditures by allowing a fiscal deficit limit of 4% of GDP with 0.5% points tied to expansion of power infrastructure. Additionally, INR1 lakh crore allocated to states for capital expenditure in 2022-23 as 50-year interest-free loans, over and above normal borrowings allowed to them.
- Issuance of chip embedded e-Passports.
- Providing a battery swapping policy as an alternative to setting up charging stations in urban areas.
- Budget 2022 – Budget allocation Support to 5G under PLI scheme.
- Unique Land Parcel Identification Number for IT-based management of land records.
- Establishing C-PACE to facilitate voluntary winding up of companies.
- End to end online e-Bill System and utilising surety bonds in government procurement.

The Budget signals prioritization of capital expenditure over revenue expenditure in the composition of its total expenditure. While total expenditure growth is budgeted at 4.6% in 2022-23, capital expenditure is stimated to grow by 24.5%.

Overall Budget 2022 is growth-oriented. It is not a populist budget and pegs the fiscal deficit for the financial year 2022-23 at 6.4% of GDP while maintaining the GDP growth at 8.5%. Public investment has focussed on road, railways, communication, and defense and leaving the rest of the sectors to private investment.

ECONOMIC INDICATORS



1. GDP GROWTH RATE

Advance estimates suggest that the Indian economy is expected to witness real GDP expansion of 9.2 per cent in 2021-22 after contracting in 2020-21. This implies that overall economic activity has recovered past the pre-pandemic levels. With the vaccination programme having covered the bulk of the population, economic momentum building back and the likely long-term benefits of supply-side reforms in the pipeline, the Indian economy is in a good position to witness GDP growth of 8.0-8.5 per cent in 2022-23.

During the year 2020-21, the shortfall in revenue collection owing to the interruption in economic activity and the additional expenditure requirements to mitigate the fallout of the pandemic on vulnerable people, small businesses, and the economy in general, created immense pressure on the available limited fiscal resources. As a result, the budgeted fiscal deficit for 2020-21 was revised from 3.5 per cent in BE to 9.5 per cent in RE. The fiscal deficit for 2020-21 Provisional Actuals stood at 9.2 per cent of GDP i.e. lower than RE (**Figure 1: Trends in Deficit**).

FIGURE 1: TRENDS IN DEFICIT



Source: Union Budget Documents & CGA
 BE: Budget Estimate. PA: Provisional Actuals
 FD: Fiscal Deficit; RD: Revenue Deficit; PD: Primary Deficit

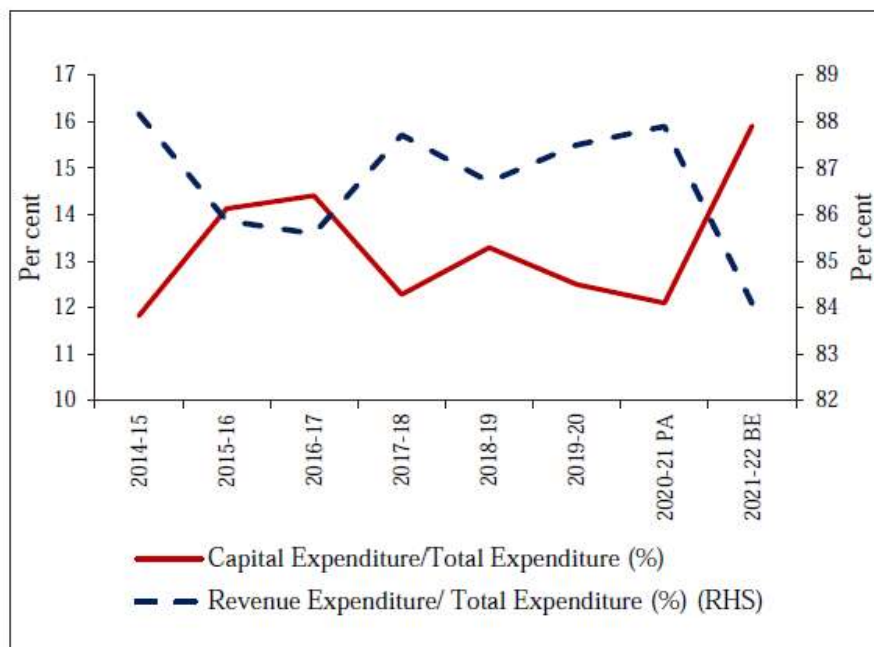
The Medium- Term Fiscal Policy (MTFP) Statement presented with Budget 2021-22 envisaged a fiscal deficit target of 6.8 per cent of GDP for 2021-22. This reduction in deficit during the current year was budgeted on account of reduction in expenditure From 17.7 per cent of GDP in 2020-21 RE to 15.6 per cent in 2021-22 BE; and a budgeted marginal increase in gross tax revenues to the tune of 0.1 per cent of GDP. The data on Government accounts for April to November 2021, released by the Controller General of Accounts, shows that the Government is well on track for achieving the budget estimate for fiscal deficit in 2021-22.

2. GOVERNMENT EXPENDITURE

Government has focused on improving the quality of expenditure in both 2020-21 and 2021-22 BE. Capital expenditure registered a YoY growth of 26.5 per cent in 2020-21 PA, as it increased from 1.6 per cent of GDP in 2019-20 to 2.2 per cent of GDP in 2020-21 PA.

The emphasis on capital expenditure was envisaged to continue in 2021-22 BE to reach a budget estimate of ` 5.54 lakh crore i.e. 2.5 per cent of GDP. This translates into a growth of 34.5 per cent and 30.5 per cent over 2020-21 BE and 2020-21 PA, respectively. As a proportion of total expenditure, capital expenditure has been estimated to increase from 12.1 per cent in 2020-21 PA to 15.9 per cent in 2021-22 BE (**Figure 2: Share of revenue and capital expenditure in total expenditure**). The higher capital expenditure with a focus on infrastructure spending in 2021-22 BE will have a multiplier effect on the ongoing economic recovery.

FIGURE 2: SHARE OF REVENUE AND CAPITAL EXPENDITURE IN TOTAL EXPENDITURE



Source: Union Budget Documents & O/o CGA
BE: Budget Estimate, PA: Provisional Actuals.

Apart from budgetary spending, Extra Budgetary Resources (EBR) have also been mobilised to finance infrastructure investment since 2016-17. Government has raised EBRs of ` 6.04 lakh crore from 2016-17 to 2020-21, of which ` 1.43 lakh crore have been mobilised from the issue of Govt. fully serviced bonds and ` 4.61 lakh crore have been raised through financial support extended through loans from NSSF. The Budget 2021-22 focusses on improving fiscal transparency, as the EBRs for 2021-22 have been estimated at ` 30,000 crore. Further, in 2020-21 RE, the Government has estimated to pre-pay around ` 1.5 lakh crore of outstanding food subsidy related loans of the Food Corporation of India. In 2021-22 BE, the food subsidy requirements of FCI has been provided in the Budget.

3. CONSUMER PRICE INDEX (CPI)

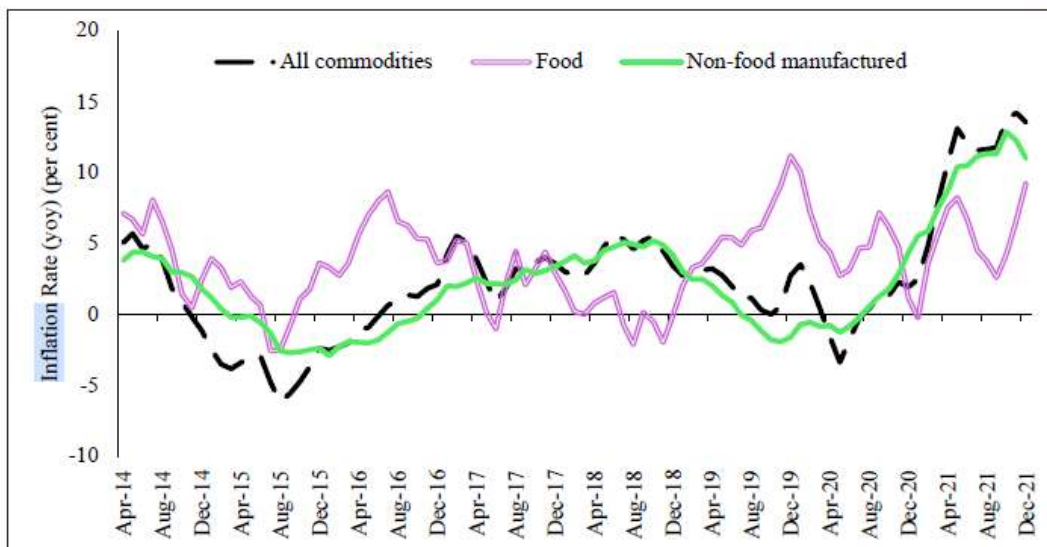
WPI inflation during the current financial year, in contrast to the trends observed in CPI-C inflation, has shown an increasing trend, and remained high (**Figure 3**). WPI inflation has been benign during 2020-21 and 2019-20 while being moderate or low in the preceding years. Therefore, part of the high inflation in WPI being witnessed currently could be because of a low base in the previous year.

While WPI inflation has been higher in the current financial year compared to the previous year in all the three major groups, it was above 20 per cent in ‘fuel and power’ group reflecting the high international petroleum prices as mentioned earlier (**Table 1**). Within the primary articles group, ‘crude petroleum & natural gas’ sub-group has witnessed very high inflation and stood at 55.7 per cent in December 2021.

Similarly, minerals has witnessed high inflation throughout the year. Impact of rising international prices in WPI manufacturing was clearly visible, especially in manufacture of basic metals (**Box 4**). Manufacture of basic metals saw inflation of 27.3 per cent in 2021-22 (April-December). Within manufactured food products, edible oils were a major contributor. During 2021-22 (April to December), edible oils inflation in WPI was 36.4 per cent.

As mentioned earlier, the high import dependence on edible oils has meant that high international prices in these products are also reflected in the domestic prices. Inflation in manufacture of textiles also remained high at 15.3 per cent during this period pushed up by the rise in the prices of textile fibres.

FIGURE 3: TREND IN WPI – ALL COMMODITIES, FOOD AND NON-FOOD MANUFACTURED PRODUCTS INFLATION



Source: Office of Economic Adviser, DPIIT

TABLE1: INFLATION IN SELECTED GROUPS OF WPI- BASE 2011-12 (IN PER CENT)

	Weight	2019-20	2020-21	2020-21^	2021-22#	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21(P)	Dec-21(P)
All Commodities	100	1.7	1.3	0.0	12.5	10.7	13.1	12.1	11.6	11.6	11.8	13.8	14.2	13.6
Primary Articles	22.6	6.8	1.7	1.3	8.6	9.9	9.4	8.6	6.3	5.9	6.0	7.4	10.3	13.4
Food articles	15.3	8.4	3.2	4.0	2.5	4.6	4.2	3.3	0.1	-0.8	-2.6	1.0	4.9	9.6
Cereals	2.8	7.5	-2.6	-1.4	0.1	-3.1	-2.6	-2.8	-2.9	-1.1	1.3	3.2	4.0	5.1
Pulses	0.6	15.9	11.6	12.1	8.1	10.7	12.1	11.6	8.4	9.5	9.3	5.0	2.9	3.9
Vegetables	1.9	31.1	3.4	7.6	-6.6	-9.0	-7.2	-0.8	-8.3	-12.6	-32.3	-17.4	3.9	31.6
Non-Food Articles	4.1	4.6	1.3	-0.4	20.4	15.6	18.4	18.6	22.9	28.7	29.5	18.4	13.8	19.0
Minerals	0.8	13.2	6.8	3.5	15.3	20.6	13.3	15.3	12.6	7.2	30.8	16.6	20.9	3.8
Crude Petroleum & Natural Gas	2.4	-7.6	-17.4	-25.2	57.9	80.8	59.5	47.0	42.3	34.5	49.0	86.4	76.6	55.7
Fuel & power	13.2	-1.8	-8.0	-11.6	31.4	21.3	36.7	29.3	27.0	28.2	29.5	38.6	39.8	32.3
Manufactured Products	64.2	0.3	2.8	1.5	11.3	9.4	11.3	11.0	11.5	11.6	11.6	12.9	11.9	10.6
Food products	9.1	4.1	5.6	5.0	12.5	13.1	15.6	13.3	13.1	12.7	12.9	12.8	10.3	8.7
Edible oils	2.6	1.5	20.3	17.5	36.4	44.5	51.9	43.6	42.7	40.7	37.4	33.2	23.2	16.8
Food Index	24.4	6.9	4.0	4.3	5.9	7.5	8.2	6.7	4.5	3.8	2.6	4.3	6.7	9.2
Non-Food manufactured products (Core)	55.1	-0.4	2.2	0.8	11.1	8.7	10.4	10.5	11.1	11.3	11.3	12.9	12.3	11.0

DIRECT TAX

With a view to achieving a transparent, efficient and accountable Income Tax system of the country, following amendments were proposed by our Finance Minister in the Budget 2022-23.

1. Updated Return within two years from the relevant assessment year w.e.f AY 2022-23

It is proposed to insert sub-section (8A) in section 139 of the Act to provide that:

- (i) Any person, whether or not he has furnished a return under sub-section (1), sub-section (4) or sub-section (5), for an assessment year (herein referred to as the relevant assessment year), may furnish an updated return of his income or the income of any other person in respect of which he is assessable under the Act, for the previous year relevant to such assessment year, **within twenty four months** from the end of the assessment year. Such return shall be furnished in the prescribed form and manner and shall contain prescribed particulars.
- (ii) The proposed provision of section 139(8A) shall not apply, if the updated return, is a **return of a loss or has the effect of decreasing the total tax liability** determined on the basis of return furnished under sub-section (1), subsection (4) or sub-section (5) or results in refund or increases the refund due on the basis of return furnished under sub-section (1), sub-section (4) or subsection (5), of such person under the Act for the relevant assessment year.
- (iii) A person shall not be eligible to furnish an updated return under the proposed sub-section (8A) of section 139, if **search** has been initiated or a **survey** has been conducted.
- (iv) It has also been proposed to amend sub-section (9) of section 139 to provide that a return filed under the proposed sub-section (8A) of the said section 139 shall be **defective unless** such return is accompanied by the proof of payment of tax as required under the **proposed section 140B**.
- (v) A new section 140B has been proposed to provide for the tax required to be paid for opting to file the updated return:-

1. Where no return furnished earlier:

Where no ITR has been furnished u/s 139(1) or (4) by an assessee, he shall be liable to pay the tax due together with interest and fee payable under any provision of the Act for any delay in furnishing the return or any default or delay in payment of advance tax, alongwith the payment of additional tax.

The tax payable shall be computed after taking into account the following:-

- (i) the amount of advance tax, if any;

- (ii) any TDS or TCS;
- (iii) any relief of tax claimed u/s 89;
- (iv) any relief of foreign tax claimed u/s 90 or 91;
- (v) any relief of foreign tax claimed u/s 90A; and
- (vi) any tax credit claimed to be set off u/s 115JAA or section 115JD.

Such updated return shall also be accompanied by proof of payment of such tax, additional tax, interest and fee.

2. Where return furnished u/s 139(1) or (4) or (5):

In such case, he shall be liable to pay the tax due together with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax, along with the payment of additional tax, as reduced by the amount of interest paid in the earlier return. The tax payable shall be computed after taking into account the following:-

- (i) TDS, TCS, Advance Tax, Self-assessment tax and the amount of relief taken in the earlier return;
- (ii) TDS or TCS on additional income offered;
- (iii) Foreign tax credit u/s 90 or 91 on additional income offered;
- (iv) Foreign tax credit u/s 90 or 91 on additional income offered
- (v) any tax credit claimed to be set off u/s 115JAA or section 115JD which is not claimed in the earlier return.

The aforesaid tax shall be increased by the amount of refund, if any, issued in respect of such earlier return.

- (vi) A payment of additional tax by persons opting to furnish their updated returns u/s 139(8A) is also required at following rates:-

December of the AY till 12 months from the end of the relevant assessment year	25% of aggregate of tax and interest payable
After the expiry of 12 months from the end of A Y but before completion of 24 months from the end of the relevant A Y	50% aggregate of tax and interest payable

2. *Reduced Alternate Minimum Tax(AMT) for Co-operative Societies w.e.f. AY 2023-24*

In order to provide parity between co-operative societies and companies, it is proposed to modify provision of section 115JC(4) to reduce the AMT rate at which co-operative societies are liable to pay income-tax to **15%**.

3. Reduced Surcharge for Co-operative Societies

Rates of Income will continue to be the same as those specified for FY 2021-22. However, there is change in the rate of surcharge. The amount of income-tax shall be increased by a **surcharge at the rate of 7%** of such income-tax in case the total income of a cooperative society exceeds **one crore rupees but does not exceed ten crore rupees**.

Surcharge at the rate of twelve per cent. of shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

4. If amount received during the lifetime of the parents or guardian u/s 80DD it would not be taxable w.e.f AY 2023-24

Currently as per section 80DD, if the dependant with disability, predeceases the individual or the member of the HUF, the amount deposited in such scheme shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

Therefore, in order to remove this genuine hardship, it is proposed to allow the deduction under the said section also during the lifetime, i.e., **upon attaining age of sixty years or more** of the individual or the member of the HUF in whose name subscription to the scheme has been made **and where payment or deposit has been discontinued**.

5. Incentives of NPS to State Government Employees w.r.e.f AY 2020-21

Under the existing provisions of the Act, any contribution by the Central Government or any other employer to the account referred to in section 80CCD of the Act (NPS account), shall be allowed as a deduction to the assesses in the computation of his total income, if it does not exceed 14% of his salary where such contribution is made by the Central Government. This limit is presently 10% of his salary where such contribution is made by any other employer.

In order to ensure that the State Government employees also get full deduction of the enhanced contribution by the State Government, it is proposed to increase the limit of deduction under section 80CCD of the Act from the existing 10% to 14% in respect of contribution made by the State Government to the account of its employee.

6. Extension of date of incorporation for eligible start up for exemption under section 80-IAC from 31.03.2022 to 31.03.2023

One of the existing condition for claiming exemption under section 80-IAC by eligible business by an eligible start-up is that it is incorporated on or after 1st day of April, 2016 but before 1st day of April 2022.

Due to COVID pandemic there have been delays in setting up of such units. In order to factor in such delays and promote such eligible start-ups, it is proposed to amend the provisions of section 80-IAC of the Act to extend the period of incorporation of eligible start-ups to **31st March, 2023**.

This amendment will take effect from 1st April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

7. Extension of the last date for commencement of manufacturing or production, under section 115BAB, from 31.03.2023 to 31.03.2024

Section 115BAB of the Income-tax Act provides for an option of concessional rate of **taxation @ 15 % for new domestic manufacturing companies** provided that they do not avail of any specified incentives or deductions and fulfil certain other conditions.

Clause (a) of sub-section (2) provides that the new domestic manufacturing company is required to be set up and registered on or after 01.10.2019, and is required to commence manufacturing or production of an article or thing on or before 31st March, 2023.

However, the cumulative impact of the persistence of the COVID-19 pandemic has resulted in some delay in setting up/registration of new domestic companies and the commencement of manufacturing or production by such companies, if they have been set up and registered.

In order to provide relief to such companies, it is proposed to amend section 115BAB so as to extend the date of commencement of manufacturing or production of an article or thing, **from 31st March, 2023 to 31st March, 2024**.

This amendment will take effect from 1 st April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

8. Scheme for taxation of Virtual Digital Assets(VDA)

➤ **Meaning of VDA w.e.f. 01.04.2022**

To define the term “virtual digital asset”, a new clause (47A) is proposed to be inserted to section 2 of the Act. As per the proposed new clause, a virtual digital asset is proposed to mean

- (i) any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account and includes its use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically.
- (ii) Non fungible token and; any other token of similar nature are included in the definition.

- (iii) Central Government may notify any other virtual digital asset as virtual digital asset by way of notification in the Official Gazette.
- (iv) The Non-fungible tokens means such digital assets as notified by the Central Government. Further, Central Government can notify such assets which shall not be considered as virtual digital assets for the purposes of the proposed section.

➤ **Income Tax Rate at 30% on transfer of VDA under section 115BBH w.e.f 01.04-2023**

- (i) The incometax payable shall be the aggregate of the amount of income-tax calculated on income of transfer of any virtual digital asset at the rate of 30%.
- (ii) No deduction in respect of any expenditure (other than cost of acquisition) or allowance or set off of any loss shall be allowed to the assessee under any provision of the Act while computing income from transfer of such asset.
- (iii) Further, no set off of any loss arising from transfer of virtual digital asset shall be allowed against any income computed under any other provision of the Act and such loss shall not be allowed to be carried forward to subsequent assessment years.

➤ **TDS on transfer of VDA under section 194Sw.e.f. 01.07.2022**

- (i) A new **section 194S** has been inserted to the Act to provide for deduction of tax on payment for transfer of virtual digital asset to a resident at the rate of **1% of such sum**.
- (ii) However, in case the payment for such transfer is–
 - (a) wholly in kind or in exchange of another virtual digital asset where there is no part in cash; or
 - (b) partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such transfer,the person before making the payment shall ensure that the tax has been paid in respect of such consideration.
- (iii) Further, no tax is to be deducted in case the payer is the **specified person** and the value or the aggregate of such value of consideration to a resident is less than Rs. 50,000 during the financial year. In any other case, the said limit is proposed to be Rs. 10,000 during the financial year.
- (iv) It is also proposed to provide that in case of a transaction where tax is deductible under section 194-O along with the proposed section 194S, then the tax shall be deducted under section 194S and not section 194-O.

- (v) For the purposes of the said section, it is proposed to provide that 'specified person' means a person:—
- (a) being an individual or Hindu undivided family whose total sales, gross receipts or turnover from the business carried on by him or profession exercised by him **does not exceed one crore rupees** in case of business or **fifty lakh rupees in case of profession**, during the financial year immediately preceding the financial year in which such virtual digital asset is transferred;
 - (b) being an individual or Hindu undivided family having income under any head other than the head 'Profits and gains of business or profession'.

➤ **Tax on gifting of VDA w.e.f. 01.04.2023**

For taxing the gifting of virtual digital assets, Explanation to clause (x) of sub-section (2) of section 56 of the Act has also been amended to inter-alia, provide that for the purpose of the said clause, the expression "**property**" shall have the meaning assigned to it in Explanation to clause (vii) and shall include virtual digital asset.

9. Provision for Application under section 239A for Refund of TDS deducted u/s 195 when no tax deduction was required w.e.f AY 2023-24

Currently, to obtain a refund of the tax deducted and paid by a person, where it was not deductible, as per the provisions of section 248 of the Act, a taxpayer has no recourse to approach the Assessing Officer with such request. He has to necessarily enter the appellate process by filing an appeal before the Commissioner (Appeals). At the same time, the agreement or arrangement, under which the tax has been deducted and paid, is not brought on the record of the Assessing Officer or examined by him.

In view of the above, a new section 239A may be inserted in the Act to provide that such a person, who has made the deduction of tax under such an agreement or arrangement and borne the tax liability, when no tax deduction was required, may file an application for refund of such tax deducted before the Assessing Officer.

Such person can, if he is not satisfied with the order of the Assessing Officer, go into appeal against such order before the Commissioner (Appeals), under section 246A of the Act.

Accordingly, the provisions of section 248 of the Act will not apply in cases where the date of tax payment, to the credit of Central Government is on or after 01.04.2022.

10. Additional incentives to units located in IFSC w.e.f 01.04.2023

1. It is proposed to amend clause (4E) of section 10 of the Act to extend the exemption under the said clause to the income accrued or arisen to or received by a non-resident as a result of **transfer of offshore derivative instruments or over-the-counter derivatives** entered into with an Offshore Banking Unit of an

- International Financial Services Centre, referred to in subsection (1A) of section 80LA.
2. It is proposed to amend clause (4F) of section 10 to extend the exemption under the said clause to the income of a non-resident by way of **royalty or interest, on account of lease of a ship**(ship means a ship or an ocean vessel, an engine of a ship or an ocean vessel, or any part thereof) in a previous year, paid by a unit of an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, if the unit has commenced its operations **on or before the 31st March, 2024.**
 3. It is proposed to insert clause (4G) in section 10 to provide exemption to any income received by a non-resident from **portfolio of securities or financial products or funds**, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an Offshore 44 Banking Unit, in any International Financial Services Centre, referred to in subsection (1A) of section 80LA, to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India.
 4. It is proposed to amend the Explanation to clause (viib) of section 56 of the Act to provide that specified fund shall also include **Category I or a Category II Alternative Investment Fund** which is regulated under the International Financial Services Centres Authority Act, 2019.
 5. It is proposed to amend clause (d) of sub-section (2) of section 80LA of the Act to provide that in addition to the income arising from the transfer of an asset being an aircraft, **the income arising from the transfer of an asset, being a ship**, which was leased by a unit of the International Financial Services Centre to any person shall also be eligible for deduction under section (1A) of the said section, subject to the condition that the unit has commenced operation **on or before the 31st day of March, 2024.**

11. Cap on Surcharge in case of Association of Persons

In case of an association of persons consisting of **only companies as its members**, the rate of surcharge on the amount of Income-tax **shall not exceed fifteen per cent.**

12. Cap on Surcharge in case LTCG under section 112

Where the total income includes any income by way of dividend or income chargeable under section 111A, **section 112** and section 112A of the Act, the rate of surcharge on the amount of Income-tax computed in respect of that part of income **shall not exceed 15%.**

13. No set off of losses against undisclosed income detected during search or seizure w.e.f AY 2023-24

A new section 79A has been inserted in the Act to provide that notwithstanding anything contained in the Act, where consequent to a search initiated under section 132 or a requisition made under section 132A or a survey conducted under section 133A, other than under sub-section (2A) of section 133A, the total income of any previous year of an assessee includes any undisclosed income, no set off, against such undisclosed income, of any loss, whether brought forward or otherwise, or unabsorbed depreciation under sub-section (2) of section 32 shall be allowed to the assessee under any provision of this Act in computing his total income for such previous year.

14. Relief for amount received for medical treatment and on account of death due to COVID-19 w.e.f. AY 2020-21

1. In order to provide the relief for COVID, it is proposed to insert section 17(2)(c) to state that, any sum paid by the employer in respect of any expenditure actually incurred by the employee for medical treatment of self or family relating to COVID-19 subject to conditions, as may be notified by the Central Government, shall not form part of "perquisite". Hence, the same will be exempt from tax to the extent the said amount is actually incurred by the employee.
2. Further, it is proposed to amend the proviso to section 56(2)(x) by inserting two new clauses in the proviso so as to provide that-
 - (i) any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, in respect of any illness related to COVID-19 subject to such conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person;
 - (ii) any sum of money received by a member of the family of a deceased person,
 - from the employer of the deceased person (without limit), or
 - from any other person or persons to the extent that such sum or aggregate of such sums does not exceed Rs. 10 lakh,where the cause of death of such person is illness relating to COVID-19 and the payment is, received within 12 months from the date of death of such person, and subject to such other conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person.

15. No deduction for cess and surcharge w.e.f. AY 2005-06

Few courts has allowed the deduction of cess and surcharge in computing the income chargeable under the head "Profits and gains of business or profession".

Now, new Explanation has been added w.e.f. AY 2005-06 to provide that the term “tax” includes and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax and the same will not be allowed as deduction under the head PGBP.

16. Facilitating Strategic Disinvestment of PSU

1. In order to facilitate the strategic disinvestment of public sector companies, it is proposed to amend section 79 of the Act to provide that the loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year to an erstwhile public sector company subject to the condition that the ultimate holding company of such erstwhile public sector company, immediately after the completion of strategic disinvestment, continues to hold, directly or through its subsidiary or subsidiaries, at least 51% of the voting power of the erstwhile public sector company in aggregate.
2. It is further proposed to provide that if the above condition is not complied with in any previous year after the completion of strategic disinvestment, the provisions of sub-section (1) shall apply for such previous year and subsequent previous years.
3. The terms “erstwhile public sector company” and “strategic disinvestment” shall have the meaning assigned to in clause (ii) and (iii) of the Explanation to clause (d) of sub-section (1) of Section 72A respectively.

17. Taxation of foreign dividend received under section 115BBD w.e.f AY 2023-24

Currently as per section 115BBD, any dividend income received from foreign company by any Indian company is taxable at the special rate of 15% subject to fulfillment of certain conditions. This concessional rate of tax **has been abolished**.

18. Disallowance u/s 14A w.e.f. AY2022-23

Under section 14A there is no deduction is allowed in respect of expenditure incurred by the assessee in relation to exempt income.

Now, It is proposed to amend section 14(1), so as to include a non- obstante clause in respect of other provisions of the Income-tax Act and provide that no deduction shall be allowed in relation to exempt income, notwithstanding anything to the contrary contained in this Act.

19. Disallowance for expense in contravention of Law under section 37 w.e.f. AY2022-23

Explanation 3 has been inserted to section 37(1) to clarify that, the explanation 1, shall include and shall be deemed to have always included expenditure incurred by an assessee-

- (i) for any purpose **which is an offense** under, or which is prohibited by, any law for the time being in force, in India or outside India; or
- (ii) to provide **any benefit or perquisite**, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guidelines, as the case may be, for the time being in force, governing the conduct of such person; or
- (iii) to **compound an offense under any law** for the time being in force, in India or outside India.

20. Disallowance of interest on conversion to debentures w.e.f. AY 2023-24

It is proposed to amend Explanation 3C, 3CA and 3D to section 43B so as to provide that conversion of interest payable u/s 43B clause (d), (da) & (e) into debenture or any other instrument by which liability to pay is deferred to a future date, **shall not be deemed to have been actually paid**. Hence, such interest, on being converted to debentures, **is disallowed**.

21. Expansion of Scope of bonus stripping and dividend stripping w.e.f. AY 2022-23

It is proposed to amend section 94(8), pertaining to the prevention of tax evasion through bonus stripping, so as to make the said provision applicable to securities as well.

Also it is proposed to amend explanation to said section to include units of business trust such as InvIT, REIT and AIF within the definition of units.

22. Cash credits under section 68 of the Act w.e.f. AY 2023-24

The provisions of section 68 of the Act has been amended so as to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of an assessee shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider.

However, this additional **onus of proof** of satisfactorily explaining the source in the hands of the creditor, **would not apply if the creditor is a well regulated entity**, i.e. it is a Venture Capital Fund, Venture Capital Company registered with SEBI.

23. Goodwill reduction from block of assets will be considered as transfer w.e.f. AY 2021-22

A clarification has been given for the purpose of section 50 of the Act, which states that reduction of the amount of goodwill of a business or profession, from the block of asset in accordance with sub item (B) of item (ii) of sub- clause (c) of clause (6) of section 43, shall be deemed to be transfer.

24. No repetitive appeal by the revenue by insertion of section 158AB w.e.f AY 2022-23

A new section 158AB has been inserted in the Act to provide a new procedure when an appeal by revenue is pending on an identical question of law to provide that where the collegium is of the opinion that any question of law arising in the case of an assessee for any assessment year ("relevant case") is identical with a question of law already raised

- in his case or
- in the case of any other assessee

for an assessment year, which is pending before the **jurisdictional High Court or the Supreme Court or in a SLP** under article 136 of the Constitution,

against the order of the ITAT or the jurisdictional High Court, in favour of such assessee ("other case"),

the collegium may decide and intimate the PCIT or CIT not to file any appeal, at this stage, to the ITAT or to the High Court.

"collegium" shall comprise of two or more CCITs or PCCITs, as specified by the Board in this regard.

Further, on receipt of a communication from the collegium, the PCIT or CIT shall direct the AO to make an application to the ITAT or jurisdictional High Court in the prescribed form **within 60 days** from the date of receipt of the order of the **CIT(A)** or within 180 days from the date of receipt of the order of the ITAT, as the case may be, stating that an appeal on the question of law arising in the relevant case may be filed when the decision on the question of law becomes final in the other case. The PCIT or CIT shall direct the AO to make such an application only if an acceptance is received from the assessee to the effect that the question of law in the other case is identical to that arising in the relevant case, and in case no such acceptance is received, the PCIT and CIT shall proceed in normal case.

25. Introduction of Modified Return in case of Merger w.e.f AY 2022-23

1. It is seen, in many cases, that there is a gap between the effective date of merger order and the date on which such order is issued by the competent authority. This also affects the final accounts of such entities as they are unable to modify their already filed returns in accordance with the reorganization. Hence, in order to remove this anomaly, it is proposed to insert a **new section 170A to the Act**, to enable for the entities going through such business reorganization, **for filing of modified returns** for the period between the date of effective date of merger and the date of issuance of final order of the competent authority.
2. Now, a modified return can be filled in the prescribed form and prescribed manner **within a period of 6 months** from the end of the month in which such order is issued.

26. Deferment of Faceless Assessment in case of sections 92CA, 144C, 253, 264A w.e.f. 01.04.2022

1. As part of this process of making the tax administration transparent and efficient, provisions for notifying faceless schemes under sections 92CA, 144C, 253 and 264A were introduced in the Act through Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 with effect from 01.11.2020 and under section 255, was inserted through Finance Act, 2021 with effect from 01.04.2021:

S.No.	Section	Scheme	Date of Limitation
1.	92CA	Faceless determination of arm's length price	31st day of March, 2022
2.	144C	Faceless Dispute Resolution Panel	31st day of March, 2022
3.	253	Faceless appeal to Appellate Tribunal	31st day of March, 2022
4.	255	Faceless procedure of Appellate Tribunal	31st day of March, 2023

2. Section 92CA and section 144C are principally related to the transfer pricing functions and international taxation which are presently out of the regime of faceless assessment. New schemes for these two functions are a part of the assessment function and should follow the faceless assessment procedure, wherein certain modifications are proposed which will have an impact on the information technology structure. Therefore, notification at this time shall result in delay in stabilization of the systems.
3. As for notification of scheme under section 255, the Appellate Tribunal is deemed to be a civil court for all the purposes of section 195 of the Act and Chapter XXXV of the Code of Criminal Procedure, 1898. Therefore, a scheme governing the procedures to be followed by such a body needs to be formulated after due consultations with Ministry of Law & Justice. Similarly, the scheme under section 253 have to follow the scheme under section 255.
4. In light of the above limitations, it is proposed to extend the date for issuing directions for the purposes of these sections 92CA, 144C, 253 and 255 **till 31st March, 2024.**

27. Amendment related to Faceless Assessment Scheme Section 144B

1. Faceless assessment provision is substituted by amended provision wherein CG provides few structural modifications in the scheme of faceless assessment provisions while retaining in substance the existing procedure for assessment.

2. The proposals are to streamline the process of faceless assessment and to address various legal and procedural issues in implementation of the said scheme. Amongst others, some key variations are as under:
- (i) A specific provision to grant an opportunity of personal hearing to all taxpayers upon request. However, such hearing should be mandatorily be conducted through video conferencing;
 - (ii) National Faceless Assessment Centre (NFAC) is only to act as point of contact amongst various units under the scheme and/or with taxpayer to conduct proceedings in faceless manner. No other functions (such as processing of draft assessment order, etc.) will be undertaken by NFAC;
 - (iii) Various units (such as Assessment Unit, Verification Unit, etc. which comprises of one or more tax authority) established under the scheme represents 'Assessing Officers having powers so assigned by CBDT';
 - (iv) Regional Faceless Assessment Centres are abolished. National Faceless Assessment Centre will interact directly with various units under the scheme such as Assessment Units, Verification Units, etc. in electronic mode;
 - (v) A specific provision declaring the assessment as void if the faceless assessment procedure prescribed in the provision is not followed is omitted with retrospective effect from earlier date.
 - (vi) This amendment will be effective retrospectively from 1 April 2021.

28. Rationalisation of Provisions under section 148 & 148A

In order to simplify the procedures u/s 148, it is proposed to–

- (i) insert a new proviso to the effect that there is no requirement for approval for issuing notice u/s 148 if the AO has passed an order under 148A(d) with prior approval of the specified authority.
- (ii) to omit the requirement of approval of specified authority in following cases;-
 - any audit objection to the effect that the assessment in the case of the assessee for the relevant assessment year has not been made in accordance with the provisions of this Act; or
 - any information received under an agreement referred to in section 90 or section 90A of the Act; or
 - any information made available to the Assessing Officer under the scheme notified under section 135A; or
 - any information which requires action in consequence of the order of a Tribunal or a Court.

29. Widening the Scope of TDS u/s 206AB and 206CCA w.e.f. 01.04.2022

1. In order to ensure that all the persons in whose case significant amount of tax has been deducted do furnish their return of income, it is proposed to reduce two years requirement to one year by amending sections 206AB and 206CCA of the Act to provide that “specified person” to mean as a person who has not filed its return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is to be deducted or collected, as the case may be, and the amount of tax collected and deducted at source is Rs. 50,000 or more in the said previous year.
2. However, in order to reduce the additional burden on individual and Hindu undivided family (HUF) taxpayers covered under section 194-IA, 194-IB and 194M of the Act for whom simplified tax deduction system has been provided without requirement of TAN, it is proposed that the provisions of section 206AB will not apply in relation to transactions on which tax is to be deducted under the said sections of the Act.
3. In addition to above, it is also proposed to rectify a drafting error in sections 206AB and 206CCA wherein the terms “deductor” and “collectee” respectively were used incorrectly. Further, since the returns are now being furnished electronically, it is also proposed that in place of ‘filing’ of return, the term ‘furnishing’ of return may be substituted.
4. Further, as a consequential amendment in section 194-IB it is also proposed to omit the reference of section 206AB from sub-section (4) of the said section.

30. Scope of reporting by producers of cinematograph films or persons engaged in specified activities w.e.f. 01.04.2022

Under section 285B, it is proposed to include producers of cinematograph films or persons engaged in specified activities to expand the scope of **reporting requirement in Form 52A** to report particulars of all payments of over Rs. 50,000 in aggregate made by him or due from him to each such person as is engaged by him in such production or specified activity.

“Specified Activities” would mean event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as the Central Government may, by notification in the Official Gazette, specify in this behalf.

31. Rationalisation of the provision of Charitable Trust and Institutions

- ***Application of income to be allowed on a payment basis***

Trust or institution are required to apply 85% of their income for the specified purposes. Any sum shall be considered an application of income in the previous year in which it is actually paid irrespective of the year in which the liability to pay such sum was incurred by such trust according to the method of accounting regularly employed.

- ***Computation of income of trusts in certain situations***

Provisions have been introduced for taxation of trusts having commercial receipts over 20% of the annual receipts in violation of the provisions of the proviso to section 2(15) or who are not getting the books of account audited or who are not filing the return of income. The taxable income in such cases shall be computed after allowing a deduction for the expenditure (other than capital expenditure) incurred in India, for the objects of the trust or institution.

- ***Special tax rate***

The following incomes of the trusts or institutions shall be chargeable to tax at the special rate of 30% under the newly proposed section 115BBI:

- Income accumulated or set apart in excess of 15%.
- Deemed income under Section 11(1B) or Section 11(3).
- Investment of funds in an unspecified manner.
- Benefit to the interested person.
- Income applied outside India.

- ***Accreted Income***

Provisions of sections 115TD, 115TE and 115TF relating to taxation of Accreted Income are also made applicable to trusts or institutions under Section 10(23C).

- ***Institutions claiming exemptions under Section 10(23C)***

- Restrictions have been imposed on institutions claiming exemption under Section 10(23C) to pass on any unreasonable benefit to the trustee or any other specified person.
- Such institutions have been allowed to accumulate income for application in subsequent years. They are required to furnish a statement stating the purpose for which the income is being accumulated and the period for which the income is to be accumulated or set apart, which shall in no case exceed 5 years. Money accumulated to be invested in the forms or modes specified in Section 11(5).
- Filing of Return of income under Section 139(4C) is mandatory to claim the exemption under Section 10(23C).

- ***Maintenance of books of accounts***

If the total income of a trust or institution, without giving effect to the provisions of Section 10(23C) or Sections 11 and 12, exceeds the maximum amount which is not chargeable to tax, such trust or institution shall keep and maintain prescribed books of account.

- ***Taxability of income accumulated under Section 11(2)***

Any income accumulated in Section 11(2) which is not utilized for the purpose for which it is so accumulated or set apart shall be deemed to be the income of such person.

- ***Cancellation of registration of Trusts***

A PCIT/CIT can cancel the trust registration if he notices one or more specified violations during any previous year or has received a reference from the AO or case selected as per the board's risk management strategy. The PCIT/CIT can call for the documents to satisfy himself about the occurrence or otherwise of any specified violation. The cancellation order shall be passed after affording a reasonable opportunity of being heard.

- ***Donation for renovation and repair of temples, mosques, gurdwaras, churches***

If the property held under a trust or institution includes any temple, mosque, gurdwara, church or other place notified under Section 80G(2)(b), any sum received by such trust or institution as a voluntary contribution for renovation or repair of such temple, mosque, gurdwara, church or other place, may, at its option, be treated by such trust or institution as forming part of the corpus of the trust or the institution.

Miscellaneous

1. A power to levy penalty under sections **271AAB, 271AAC and 271AAD** has been given to **CIT (Appeals)** in case of enhancement is made by CIT(A).
2. Amount of penalty under **section 272A** is proposed to increase **from Rs. 100 per day to Rs. 500 per day** for failures listed u/s 272A(2) like non-issue to TDS certificates, non-compliance of notice u/s 94(6), etc.
3. A new sub-section to enable the AO to pass an order giving effect to the resolution of **dispute by the DRC**. However, since DRC is an alternate dispute resolution mechanism itself, a taxpayer may opt for approaching either the Dispute Resolution Panel under section 144C of the Act or the DRC under section 245MA of the Act, and the AO shall pass the final order in conformity with the order by the DRC even in the case of an eligible assessee.
4. It is proposed to insert new section 170(2A), to provide that the assessment or other proceedings pending or completed **on the predecessor in the event of a business reorganization**, shall be deemed to have been made on the successor.
5. Tax demand, in many cases, in the case of companies transferred as a result of the proceedings under the **Insolvency and Bankruptcy Code, 2016**, has been modified by the NCLT but there is no procedure or mechanism provided in the Act to reduce such demands from the outstanding demand register by the AO.
Hence, in order to remove this anomaly, it is proposed to insert **a new section 156A** to the Act to give effect to the orders of the competent authority and to modify such demands in accordance with such directions.
6. There is a change in section 194-IA that now the TDS is to be deducted at the rate of 1% of such **sum paid or credited to the resident or the stamp duty value of such property, whichever is higher**. In case the consideration paid for the transfer and stamp duty value is less than fifty lakh rupees, no tax is to be deducted u/s 194-IA.
7. In order to widen and deepen the tax base, it is proposed to insert a **new section 194R** in the act so as to provide a new levy of **TDS at the rate of 10%** on transaction specified in Sec 28(iv) of the Income Tax Act. This amendment will **take effect from 1st July, 2022**.
As per Sec 28(iv) of the Act, the value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of profession is to be charged as business income in the hand of the recipient of such benefit or perquisite.
8. Restrictions on re-opening assessments in search, survey, and requisition cases for three years, immediately preceding the year of search or survey, have been removed retrospectively from 1 April 2021.

9. Reassessment scope after three years up to 10 years has been expanded to cases where AO has books and documents that reveal income escaping assessment is represented in the form of:
- (i) An asset; or
 - (ii) Expenditure with respect to a transaction/event or occasion, or
 - (iii) An entry in books amounting to INR 5 million or more

INDIRECT TAXES

➤ GOODS AND SERVICE TAX

Key Highlights of GST

- **Time limit for issuance of credit notes and availment of ITC:** Time limit has been relaxed till 30th November of subsequent Financial Year (Currently it is allowed till 30th September), in case of claim of ITC, Issuance of credit note and rectification of errors in GSTR-1 /GSTR-3B.
- **Interest on ITC wrongly availed and utilized shall be leviable @ 18%** (amendment retrospective from 1 July 2017).
- Manner and conditions for communication of details of inward supplies and ITC in auto-generated statement has been prescribed.

➤ LEGISLATIVE CHANGES

Input Tax Credit

- The existing procedure of two-way communication between the supplier and recipient for ITC and credit note matching has been done away with.
- Auto-generated statement containing details of ITC will be communicated to the recipient.
- Taxpayer will be eligible to avail ITC on self-assessment basis, subject to prescribed conditions and restrictions. If the tax is not paid by the supplier, recipient needs to reverse credit along with applicable interest. Credit can be re-availed once the tax is paid by the supplier.

➤ PROCEDURAL CHANGES

- **Suo-Moto Cancellation of GST registration on non-filing of returns**
 - For composition dealers: Where the return required to be filed annually is delayed beyond three months from the due date of furnishing of the said return
 - For others: When there is a delay for a “continuous tax period” as maybe prescribed; earlier it was six months.
- **GST refunds**
 - Relevant date for filing refund claim in respect of supplies made to SEZ developer or SEZ unit shall be the due date of filing GSTR-3B for such supplies.
- **GST Returns**
 - GSTR-1 not allowed to be filed where returns of any past tax period has not been furnished.
 - Filing of GSTR-1 pre-condition to file GSTR-3B.

➤ CUSTOMS

- Proposed Reforms in Customs Administration of SEZs 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 reform shall be implemented by 30th September 2022.

- 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.
- exemptions are being introduced on inputs, like specialised castings, ball screw and linear motion guide, to encourage domestic manufacturing of capital goods.
- more than 350 exemption entries are proposed to be gradually phased out. These include exemption on certain agricultural produce, chemicals, fabrics, medical devices and drugs and medicines for which sufficient domestic capacity exists. Further, as a simplification measure, several concessional rates are being incorporated in the Customs Tariff Schedule
- Duty concessions are also being given to parts of transformer of mobile phone chargers and camera lens of mobile camera module and certain other items. This will enable domestic manufacturing of high growth electronic items.
- Customs duty on cut and polished diamonds and gemstones is being reduced to 5 per cent. Simply sawn diamond would attract nil customs duty.
- the customs duty on imitation jewellery is being prescribed in a manner that a duty of at least ` 400 per Kg is paid on its import
- Customs duty on certain critical chemicals namely methanol, acetic acid and heavy feed stocks for petroleum refining are being reduced, while duty is being raised on sodium cyanide for which adequate domestic capacity exists.
- Duty on umbrellas is being raised to 20 per cent. Exemption to parts of umbrellas is being withdrawn. Exemption is also being rationalised on implements and tools for agri-sector which are manufactured in India. Customs duty exemption given to steel scrap last year is being extended for another year to provide relief to MSME secondary steel producers. Certain Anti- dumping and CVD on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel are being revoked.
- To incentivise exports, exemptions are being provided on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes that may be needed by bonafide exporters of handicrafts, textiles and leather garments, leather footwear and other goods.
- Duty is being reduced on certain inputs required for shrimp aquaculture so as to promote its exports.

➤ **EXCISE**

- Blending of fuel is a priority of this Government. To encourage the efforts for blending of fuel, unblended fuel shall attract an additional differential excise duty of ` 2/ litre from the 1st day of October 2022.

TAX RATE CARD

INCOME TAX RATES IN RESPECT OF INCOME LIABLE TO TAX FOR A.Y.2022-23

➤ Slab Rate

1. For Individuals

There is no change in tax slabs rates for individual taxpayers and are as follows:

For Individuals below age of 60 years AOI & BOI		Individuals aged between 60years and below 80 years		Individuals aged 80 year and above	
Total Income	Rate	Total Income	Rate	Total Income	Rate
Up to 2,50,000	Nil	Up to 3,00,000	Nil	Up to 5,00,000	Nil
2,50,001 to 5,00,000	5%	3,00,001 to 5,00,000	5%	5,00,001 to 10,00,000	20%
5,00,001 to 10,00,000	20%	5,00,001 to 10,00,000	20%	10,00,001 and above	30%
10,00,001 and above	30%	10,00,001 and above	30%	-	-

Option 2

For Tax Payer that has opted taxation u/s 115 BAC of the Act.

Total Income (Rs)	Tax Rates
Up to 2,50,000	NIL
2,50,001 to 5,00,000	5%
5,00,001 to 7,50,000	10%
7,50,001 to 10,00,000	15%
10,00,001 to 12,50,000	20%
12,50,001 to 15,00,000	25%
15,00,001 and above	30%

2. For Co-operative Societies

Total Income	Tax Rates
Up to INR. 10,000	10%
INR. 10,001 to INR. 20,000	20%
INR. 20,001 and above	30%

There is no change in Income Tax Rates and is as follows:

However, a resident Cooperative society who has opted taxation under section 115BAD the rate of tax for such societies shall be @ 22% from the AY 21-22.

3. For Local Authorities

There is no change in Income Tax Rates and is as follows:
Local Authorities are taxable at the rate of 30%.

4. For Firms (including LLP)

There is no change in Income Tax Rates and is as follows:
Firms (including LLP) are taxable at the rate of 30%.

5. Domestic Companies

The rates of income tax in case of companies have been specified herein:

Gross Receipts or Total Turnover	Tax Rate
< INR 400 Cr	25%
> INR400 Cr	30%

Option 2:

The Companies that opted taxation u/s 115BAA and 115BAB of the Act.

	Tax Rate
All Domestic Company	22%
New Domestic Manufacturing Company	15%

Conditions for opting reduced rate of 15%(section 115BAB)

- Registered on or after 1st October 2019 and started manufacturing on or before 31st March 2024.
- Do not avail any specified exemption or incentive
- Surcharge rate for such Companies u/s 115BAB and for companies u/s 115BAA shall be 10%.
- The Companies that opt for a reduced rate u/s 115BAB and 115BAA of the act are exempt from MAT.

6. For Foreign Companies

There is no change in Income Tax Rates and is as follows:
Foreign companies are taxable @ 40%.

In case the total income of the Company consists of

- a) Royalties received from Government of India in pursuance to an agreement before 1st April 1976 or

b) fess for rendering technical services received from government in pursuance to an agreement before 1st April 1976 – Such Foreign Companies taxable @ 50%

➤ **Surcharge**

1. (i) In case of every **individual or HUF or every association of persons (not having company or having both company and others as its member) or body of individuals**, whether incorporated or not or every artificial juridical person:

There is no change in Surcharge rates and are as follows:

Total Income	Tax Rate
Exceeding INR 50 lacs but not exceeding 1 Cr.	10% of Income Tax
Exceeding INR 1 Cr upto 2 Cr	15% of Income Tax
Exceeding INR 2 Cr upto 5 Cr	25% of Income Tax
Exceeding INR 5 Cr	37% of Income Tax

- (ii) In Case of **Association of Persons having only company as its members** - Surcharge has been **restricted to 15% only.**

- Surcharge on Dividend income and capital gain u/s 111A, **112** and 112A will be **restricted to 15% only.**

2. In case of **Cooperative Societies:**

There is no change in surcharge rates and is as follows:

Total Income	Tax Rate
Exceeding INR 1 Cr. but not exceeding 10Cr.	7% of Income Tax
Exceeding INR 10 Cr.	12% of Income Tax

3. In case of **Domestic company:**

There is no change in surcharge rates and are as follows:

Total Income	Tax Rate
Exceeding INR 1Cr to INR 10 Cr	7% of Income Tax
Exceeding INR 10 Cr	12% of Income Tax

4. In case of company, **other than a domestic company:**

There is no change in surcharge rates and are as follows:

Total Income	Rates
Exceeding INR 1 Cr to INR 10 Cr	2% of income Tax
Exceeding INR 10 Cr	5% of Income Tax

Surcharge will also be applicable at the appropriate rates for the persons liable to pay tax under section 115JB.

In other case, the surcharge will be leviable at the rate of 12% of Income Tax.

➤ **Education Cess**

Cess at the rate of 4% in the name of "HEALTH AND EDUCATION CESS ON INCOME TAX" shall be leviable on the amount of tax, inclusive of surcharge.

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