

Indian Union Budget 2022

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CHARTERED ACCOUNTANTS



BUDGET MISSION

“Focus on a road map of recovery for the economy through job creation, demand generation and driving economic growth through infra development, FDIs.”



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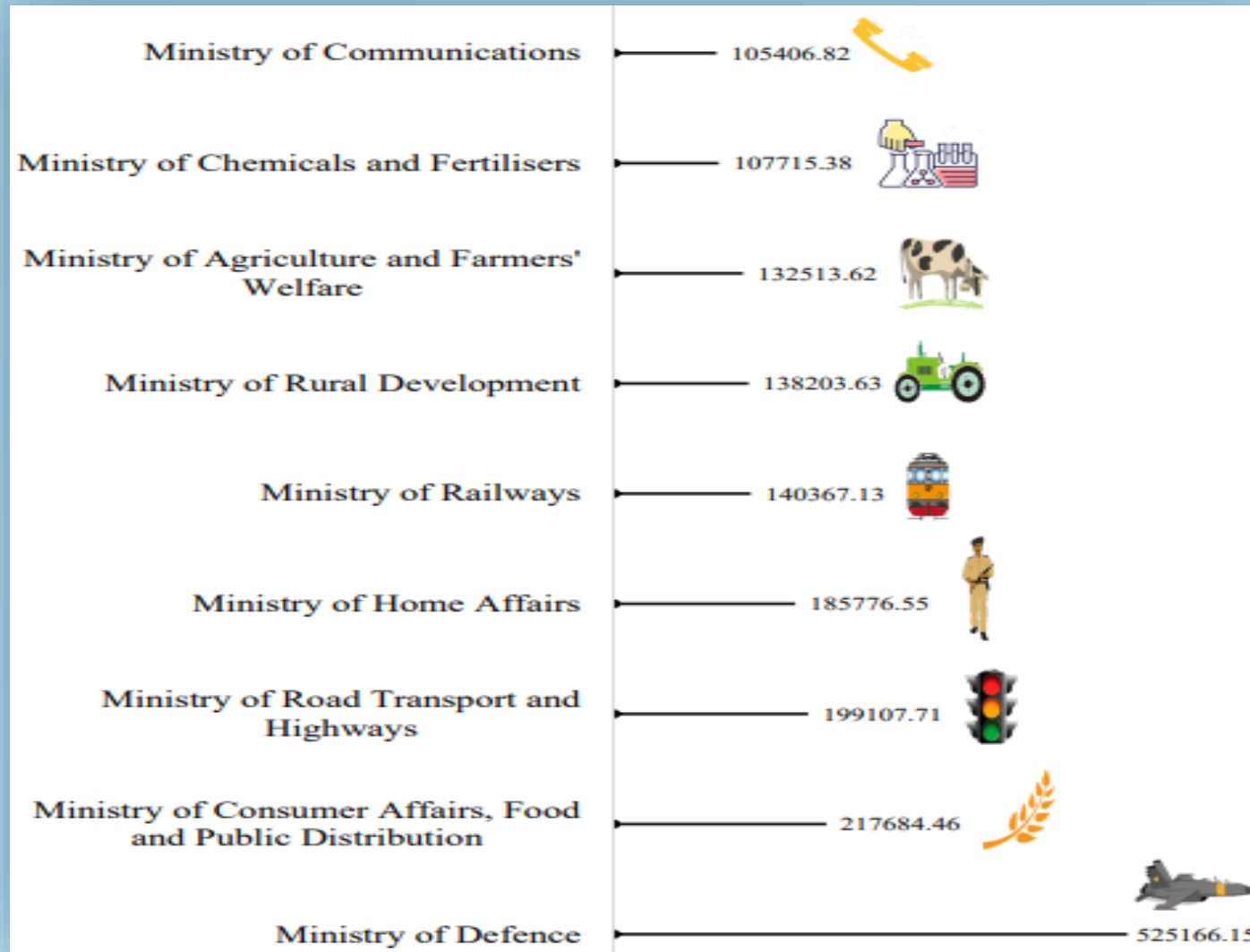
Indirect Taxation



Fiscal and Economic Overview

- ➔ Growth in Nominal GDP for the BE 2022-23 is estimated at 11.1%
- ➔ Revenue deficit in BE 2022-23 is estimated to be at 3.8% of GDP as against 3.7% in RE 2021-22.
- ➔ Effective revenue deficit in BE 2022-23 is estimated to be 2.6% of GDP as against 3.7% in RE 2021-22.
- ➔ Fiscal deficit in BE 2022-23 is estimated to be at 6.4% of GDP as against 6.9% in RE 2021-22.
- ➔ Primary deficit in BE 2022-23 is estimated to be 2.8% of GDP as against 3.3% in RE 2021-22.
- ➔ Total expenditure in BE 2022-23 is pegged at ₹ 39.45 Lakh Crore as against ₹37.70 Lakh Crore in RE 2021-22.
- ➔ The revised estimate of capital Expenditure is ₹ 6.03 Lakh Crore, which includes settlement of outstanding guaranteed liabilities of Air India and its other sundry commitments amounting to ₹ 51,971 Crore.

Ministry Wise Budget Allocation



*amount in Crores

Allocation To Major Schemes

- 37,800 Crore towards National Health Mission.
- 60,000 Crore towards Jal Jeevan Mission.
- 39,553 Crore towards National Education Mission.
- 19,000 Crore towards Pradhan Mantri Gram Sadak Yojana.
- 68,000 Crore towards PM Kisan
- 6,400 Crore towards Atmanirbhar Bharat Rojgar Yojana
- 10,000 Crore towards Pradhan Mantri Swasthya Suraksha Yojana.

KEY POLICY ANNOUNCEMENTS

PM Gatishakti

- Driven by seven engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.
- Formulation of Master Plan for expressways. Completing 25000 km national highways in 2022-23
- 400 new generation Vande Bharat Trains

Universalisation of Quality Education

- ‘one class-one TV channel’ programme of PM eVIDYA will be expanded from 12 to 200 TV channels
- Digital Ecosystem for Skilling and Livelihood – the DESH-Stack eportal – will be launched. This aims to empower citizens to skill, reskill or upskill

Har Ghar Nal Se Jal

- Additional spending of ₹ 600 bn under this scheme to cover 38 million households.
- To reduce the burden of communicable diseases.

Direct Taxation



Tax Rates

- **There are no changes proposed In the Tax Rates.**
- **Reduced Alternate minimum tax rate and Surcharge for Cooperatives:**
 - Alternate minimum tax on cooperative societies to be reduced from 18.5% to 15%
 - Surcharge on co-operative societies to be reduced from present 12 % to 7 % for those having total income of more than ₹ 1 crore and up to ₹ 10 crores.
- **Capping of Surcharge on Income Tax:**
 - Surcharge @ 15% will be levied on taxes in case of income generated by way of dividend or sale of listed equity shares which had a graded surcharge of 37 % before
 - Surcharges restricted to 15% on taxes in case of AOP's consisting of only companies as its members
- **Clarification regarding Health and Education Cess and Surcharge**
 - Clarification is given that any surcharge or cess on income and profits is not allowable as business expenditure overruling judgements of Bombay high court in Sesa Goa Ltd and Rajasthan high court in Chambal fertilizers and chemical ltd. It is effective retrospectively from 01.04.2005

Business and Profession

Deduction of interest only on actual expenditure:

Amendment in section 43B has been proposed so as to clarify that conversion of interest payable on loan or borrowing into debentures or any other instruments by which liability to pay is deferred to a future date, shall also not be deemed to have been paid actually. It is effective w.e.f. AY 2023-24

Set-off losses/un-absorbed depreciation:

Section 79A to be introduced that denies the set-off of any business loss, whether brought forward or otherwise, or any unabsorbed depreciation against any undisclosed income, detected during search and survey operations

Incentives for Start-ups and manufacturing entities :

- It is proposed to amend the provisions of section 80-IAC to extend the period of incorporation of eligible start-ups by one year , that is up to 31.03.2023
- Concessional tax regime of 15 % was introduced u/s 115 BAB for newly incorporated domestic manufacturing companies. The last date for commencement to be extended for one year up to 31.03.2024

CAPITAL GAINS

Introduction and Taxation of Virtual Digital Assets (VDA) in India:

Virtual digital assets have gained tremendous popularity in recent times and the volumes of trading in such digital assets has increased substantially. Digital rupee using block chain technique to be issued by RBI in the upcoming year.

- To define the term “virtual digital asset”, a new clause (47A) is proposed to be inserted to section 2 of the Act
- **Tax Rate:** The proposed section 115BBH seeks tax @ 30 % on transfer of VDA without any deduction in respect of any expenditure except cost of acquisition or allowance or any set-off losses
- No set off of any loss arising from transfer of VDA shall be allowed and carry forward to subsequent assessment years
- **Tax on Gift of VDA [Section 56(2)(x):** Tax on transfer of VDA shall be taxable in the hands of recipient. Transfer without consideration (FMV exceeding Rs. 50,000) or for a consideration (less than FMV), the same to be taxed u/s 56(2)(x)
- TDS at 1% to be deducted on transaction value as per section 194S effective from 1st July, 2022. In case where payment is in non monetary terms or partly monetary terms , the person shall ensure that tax on such consideration has been paid by recipient before making the payment

Filing of Return

Updated Income Tax Return:

It is proposed to introduce section 139(8A) of the IT Act wherein any person, whether or not he has furnished a return, may furnish an updated return of his income or the income of any other person in respect of which he is assessable under the IT Act, within 24 months from the end of the assessment year, subject to other prescribed conditions:

- Filed within 1 year: Additional Tax payable= 25% of (Tax + Interest)
- Filed after 1 year: Additional Tax payable= 50% of (Tax + Interest)

Modified return in case of Business re-organization:

It is proposed to insert a new section 170A to enable entities going through business reorganization, for filing of modified returns for the period between the date of effectivity of order and the date of issuance of final order of the competent authority. This amendment is effective w.e.f. 01.01.2022

Assessment and Appeals

Appeal by revenue where an identical question of law is pending before jurisdictional HC or SC :

Section 158AB to be introduced for deferral of revenue appeal where identical question of law is pending before jurisdictional HC or SC in case of any other assessment year of the assessee or in case of any other assessee.

Amendments in case of Reassessment proceedings:

- Section 148 proposed to be amended to clarify what constitutes information under Explanation 1 to section 148 and it proposes to include any audit objection, or any information received from a foreign jurisdiction under an agreement or directions contained in a court order, or information received under a scheme notified under section 135A, etc.
- Reassessment can be done for relevant 3 years but before 10 years if AO has sufficient reasons and evidences that income chargeable to tax that has escaped assessment exceeds Rs. 50 lakhs or more.

Assessment and appeals

Faceless Assessment Scheme:

- It is proposed that the existing provisions of section 144B of the Act to streamline the process of faceless assessment in order to address various legal and procedural problems being faced in implementation of the said section.
- Section 144B(9) treating the proceedings to be void on noncompliance of procedure laid down under the said section, proposed to be omitted from date of its inception.
- Virtual hearing to be mandatorily allowed
- This amendment is effective from 01.04.2022

Exemption of amount received for medical treatment and on account of death due to COVID-19:

- **Section 17(2):** Any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to COVID-19 subject to such conditions, shall not be forming part of perquisite

Assessment and Appeals

- Money received by an individual in respect of any expenditure actually incurred by him on his medical treatment or of any of his family, in respect of any illness release due to covid-19, shall not form part of income of such person.





International Taxation

Transfer Pricing

Amendment in provisions of section 263 :

Clarified that revision of transfer pricing assessment order under section 263 shall be within the powers of the PCIT/CIT who is assigned the jurisdiction of transfer pricing in respect of an order passed by TPO u/s 92CA. This amendment will be effective from 01.04.2022

Levy of penalty by commissioner(Appeals):

It is proposed to amend section 271AAB, 271AAC, AND 271AD by enabling commissioner to levy penalty under said sections to penalise actions pertaining to undisclosed income or expenditures. This amendment is applicable from 01.04.2022

Indirect Taxation



Goods and Service Tax Updates

Time-limit to avail ITC u/s 16(4) extended till 30th November of next year from 30th September.

Additional Condition for availment of ITC u/s 16(2)- ITC can be availed only if the same is not restricted in GSTR-2B.

Composition Tax Payer's Registration can be cancelled Suo-moto if they have not filed their GSTR-4 return beyond 3 months from the due date.

Credit Notes in respect of supply made in a financial year can be issued by 30th November of next financial year (currently allowed till 30th September)

Any rectification of error in GSTR-1/ GSTR-3B is now permitted till 30th November of next financial year (currently allowed till 30th September).

Goods and Service Tax Updates

The two-way communication process in filing GST returns is scrapped.

The due date for filing return by non-resident taxable person is prescribed as 13th day of next month.

Section 41 of the CGST Act is being substituted so as to do away with the concept of “claim” of ITC on a “provisional” basis.

Section 47 of the CGST Act is being amended so as to provide for levy of late fee for delayed filing of TCS returns.

Section 49 of the CGST Act is being amended so as to provide for restrictions for utilizing the amount available in the electronic credit ledger.

Goods and Service Tax Updates

Section 49 of the CGST Act is being amended so as to allow transfer of amount available in E- cash ledger of a registered person to the E- cash ledger of a distinct person.

Section 49 of the CGST Act is being amended so as to provide for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger.

Section 50(3) 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. (Meaning thereby Interest will not be levied if ITC is not utilized).

Refund claim of any balance in the electronic cash ledger shall be made available.

Rate of Interest u/s 50(3) prescribed as 18% in all cases.

Custom Updates

Special Economic Zones

- Customs Administration of SEZs to be fully IT driven and function on the **Customs National Portal** – shall be implemented by 30th September 2022.

Customs Reforms and duty rate changes

- Faceless Customs has been fully established. During Covid-19 pandemic, Customs formations have done exceptional frontline work against all odds displaying agility and purpose.

Project imports and capital goods

- Gradually phasing out of the concessional rates in capital goods and project imports; and applying a moderate tariff of **7.5 percent** – conducive to the growth of domestic sector and 'Make in India'.
- Certain exemptions for advanced machineries that are not manufactured within the country shall continue.
- A few exemptions introduced on inputs, like specialized castings, ball screw and linear motion guide - to encourage domestic manufacturing of capital goods.

Review of customs exemptions and tariff simplification

- More than **350 exemption entries proposed** to be gradually phased out, like exemption on certain agricultural produce, chemicals, fabrics, medical devices, & drugs and medicines for which sufficient domestic capacity exists.
- Simplifying the Customs rate and tariff structure particularly for sectors like chemicals, textiles and metals and minimize disputes; Removal of exemption on items which are or can be manufactured in India and providing concessional duties on raw material that go into manufacturing of intermediate products – in line with the objective of 'Make in India' and 'Atmanirbhar Bharat'.

Tariff measure to encourage blending of fuel

- Unblended fuel to attract an additional differential **excise duty of Rs 2/ litre** from the 1st of October 2022 - to encourage blending of fuel.

Custom Updates – SECTOR SPECIFIC PROPOSALS

Electronics	Gems and Jewellery	Chemicals	MSME	Exports
<p>Customs duty rates to be calibrated to provide a graded rate structure - to facilitate domestic manufacturing of wearable devices, hearable devices and electronic smart meters.</p> <p>Duty concessions to parts of transformer of mobile phone chargers and camera lens of mobile camera module and certain other items – To enable domestic manufacturing of high growth electronic items.</p>	<p>Customs duty on cut and polished diamonds and gemstones being reduced to 5 per cent; Nil customs duty to simply sawn diamond - To give a boost to the Gems and Jewellery sector.</p> <p>A simplified regulatory framework to be implemented by June this year - To facilitate export of jewellery through e-commerce.</p> <p>Customs duty of at least Rs 400 per Kg to be paid on imitation jewellery import - To disincentivise import of undervalued imitation jewellery.</p>	<p>Customs duty on certain critical chemicals namely methanol, acetic acid and heavy feed stocks for petroleum refining being reduced; Duty is being raised on sodium cyanide for which adequate domestic capacity exists – This will help in enhancing domestic value addition.</p>	<p>Customs duty on umbrellas being raised to 20 per cent. Exemption to parts of umbrellas being withdrawn.</p> <p>Exemption being rationalised on implements and tools for agri-sector which are manufactured in India.</p> <p>Customs duty exemption given to steel scrap last year extended for another year to provide relief to MSME secondary steel producers.</p> <p>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 tackle prevailing high prices of metal in larger public interest.</p>	<p>To incentivise exports, exemptions being provided on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes.</p> <p>Duty being reduced on certain inputs required for shrimp aquaculture - to promote its exports.</p>



Thank You

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