

Finance Act 2023 – Impact on Direct Taxes

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Personal Tax Rates – New Tax regime

Tax Rates	Total Income for AY 2023-24	Total Income for AY 2024-25
Nil	Up to 250,000	Up to 300,000
5 %	INR 250,001 to INR 500,000	INR 3,00,001 to INR 600,000
10 %	INR 500,001 to INR 750,000	INR 600,001 to INR 9,00,000
15 %	INR 750,001 to INR 10,00,000	INR 9,00,001 to INR 12,00,000
20 %	INR 1,000,001 to INR 1,250,000	INR 12,00,001 to INR 15,00,000
25 %	INR 1,250,001 to INR 1,500,000	-
30 %	Above INR 1,500,000	Above INR 1,500,000

New Regime to be the New Default Tax Regime

- ❑ Significant amendment made in section 115BAC is that unlike the existing scenario, wherein the old regime is the by-default regime and the taxpayer has to opt for the new regime, by filing an online declaration, now this new regime has been made a by default tax regime.
- ❑ The individuals or HUF who wish to continue with the old regime will now be required to opt for the old regime u/s 115BAC(6) of the Act, by filing an online declaration in the prescribed form, on or before the due date of filing of original return u/s 139(1) of the Act.
- ❑ In case of a person having income from business or profession, such option of continuing with the old regime u/s 115BAC(6), once exercised shall apply to subsequent assessment years as well.
- ❑ All the above discussed amendments will take effect from FY 2023-24, and will, accordingly, apply in relation to AY 2024-25 and subsequent assessment years.

Rebate u/s 87A – w.e.f. AY 2024-25

- ❑ Old Regime: No tax on individual having taxable income upto INR 500,000 as a result of rebate under section 87A of INR 12,500
- ❑ New Regime: No tax on individual having taxable income up to INR 700,000 as a result of rebate under section 87A of INR 25,000
- ❑ The standard deduction of 50000/- will now be available under the new scheme as well.

Surcharge - w.e.f. AY 2024-25

❑ Surcharge for Individuals & HUFs is as under

Particulars	Surcharge Old Scheme (AY 2024-25)	Surcharge New Scheme (AY 2024-25)
Income exceeding INR 50 Lakhs but not exceeding INR 1 crore	10%	10%
Income exceeding INR 1 crore but not exceeding INR 2 crores	15%	15%
Income exceeding INR 2 crores but not exceeding INR 5 crores	25%	25%
Income exceeding INR 5 crores	37%	37% 25%

Marginal Relief introduced in Finance Act.

- ❑ Marginal Tax Relief introduced for small taxpayers under the New Tax Regime.
- ❑ Taxpayers with income between 7 Lacs and ₹7,27,777/- would be benefitted since the tax payable shall be restricted to amount exceeding 7lacs only.
- ❑ E.g. Mr. Z's total income under the new tax regime for FY 2023-24 is ₹7,05,000. Now, tax under the new regime (including cess) for the year would be ₹26,520 but the additional income is only ₹5,000.
- ❑ As per the amendment, Mr. Z will be eligible for a marginal tax relief of ₹21,520. Mr. Z will end up paying a tax of ₹5,000 (including cess) with this marginal tax relief. There will be a tax saving of ₹21,520/- due to marginal relief.

Marginal Relief introduced in Finance Act.

Total Income	Tax liability before rebate under Section 87A	Tax liability before rebate under Section 87A	Excess of tax over income	Rebate under Section 87A	Net tax liability after rebate (before cess)
A	B	C=(A)-7,00,000/-	(D)= (B) – (C)	(E)	(F) = (B) – (E)
Rs.7,00,000/-	Rs.25,000/-	-	Rs.25,000/-	Rs.25,000/-	-
Rs.7,10,000/-	Rs.26,000/-	Rs.10,000/-	Rs.16,000/-	Rs.16,000/-	Rs.10,000/-
Rs.7,20,000/-	Rs.27,000/-	Rs.20,000/-	Rs.7,000/-	Rs.7,000/-	Rs.20,000/-
Rs.7,25,000/-	Rs.27,500/-	Rs.25,000/-	Rs.2,500/-	Rs.2,500/-	Rs.25,000/-
Rs.7,27,780/-	Rs.27,780/-	Rs.27,780/-	-	-	Rs.27,780/-
Rs.7,30,000/-	Rs.28,000/-	Rs.30,000/-	(Rs.2,000/-)	-	Rs.28,000/-
Rs.7,40,000/-	Rs.29,000/-	Rs.40,000/-	(Rs.11,000/-)	-	Rs.29,000/-

Manufacturing Co-operative Societies

- New section 115BAE is introduced wherein the new manufacturing co-operative society, set up on or after 01.04.2023 and commences manufacturing or production on or before 31.03.2024 shall be eligible for lower rate of 15%.
- Surcharge shall be 10%.
- (w.e.f. 01.04.2024, AY 2024-25)

Section 9 - Extending deeming provision to gift to Not-Ordinarily Resident

- ❑ Currently, gifts made by persons residents in India to **non-residents** are deemed to accrue and arise in India under section 9(1)(viii) of the Act.
- ❑ Amendment made in section 9(1)(viii) of the Act so as to extend this deeming provision to sum of money exceeding fifty thousand rupees, received by a **not ordinarily resident**, without consideration from a person resident in India.
- ❑ Accordingly, any sum of money exceeding INR 50,000 received by either a 'non-resident' or 'resident but not ordinarily resident in India' from a person resident in India without any consideration shall be deemed to accrue or arise in India.
- ❑ (w.e.f. 01.04.2024)

Section 10(10D) : Exempt income under life insurance policies

- ❑ As per the old provisions of section 10(10D) any sum received under a life insurance policy (including bonus) was exempt subject to a condition that premium payable for any year during the term of policy should not exceed ten per cent of the actual capital sum assured.
- ❑ The amendment made in section to tax income from insurance policies (other than ULIP) having premium or aggregate of premium above Rs 5,00,000 in a year. It means that any insurance policy (other than ULIP), **issued on or after April 1, 2023**, whose **premium payable** for any of the previous year during the term of such **policy exceeds Rs.5 Lacs** will be taxable.
- ❑ (w.e.f. 01.04.2024)

Section 10(10D) : Exempt income under life insurance policies

- ❑ What if multiple policies purchased by one person on or after 01-04-2023 in the following scenarios

<i>Particulars</i>	<i>Premium payable every year (In lakhs)</i>	<i>Capital sum assured (In lakhs)</i>	<i>Whether premium exceeds 10% of capital sum assured?</i>	<i>Whether premium exceeds ` 5,00,000</i>	<i>Whether eligible for exemption under Sec. 10(10D)?</i>
Policy A	5.50	55.00	No	Yes	No
Policy B	3.00	20.00	Yes	No	No
Policy C	4.25	40.00	Yes	No	No
Policy D	7.00	80.00	No	Yes	No
Policy E	4.00	80.00	No	No	Yes*
Policy F	4.90	60.00	No	No	Yes*
Policy G	0.55	10.00	No	No	Yes*
Policy H	0.45	9.00	No	No	Yes*

Section 10(10D) : Exempt income under life insurance policies

❑ What if a single policy purchased by four different persons in the following scenarios: -

<i>Particulars</i>	<i>Person A</i>	<i>Person B</i>	<i>Person C</i>	<i>Person D</i>
Date of investment in Insurance Policy	31-01-2023	15-04-2023	21-05-2023	31-07-2023
Premium payable every year (In lakh)	3.40	4.00	6.30	8.00
Sum assured (In lakhs)	50.00	45.00	70.00	70.00
Whether the amount of premium exceeds 10% of the capital sum assured?	No	No	No	Yes
Whether the amount of premium during the year exceeds 5 lakhs?	Not applicable	No	Yes	Yes
Whether exemption available under Section 10(10D)?	Yes	Yes	No	No

Section 10AA : Specifying time limit for bringing consideration against export proceeds into India

Additional Conditions for availing exemption u/s 10AAZ

Return of Income should be filed within the due date specified u/s 139(1).

Proceeds from sale of goods or provision of services is received in, or brought into, India by the assessee in convertible foreign exchange, within a period of 6 months from the end of the previous year or, within such further period as the RBI may allow in this behalf.

(w.e.f. AY 01.04.2024)

Section 28(iv) : Providing clarity on benefits and perquisites in cash

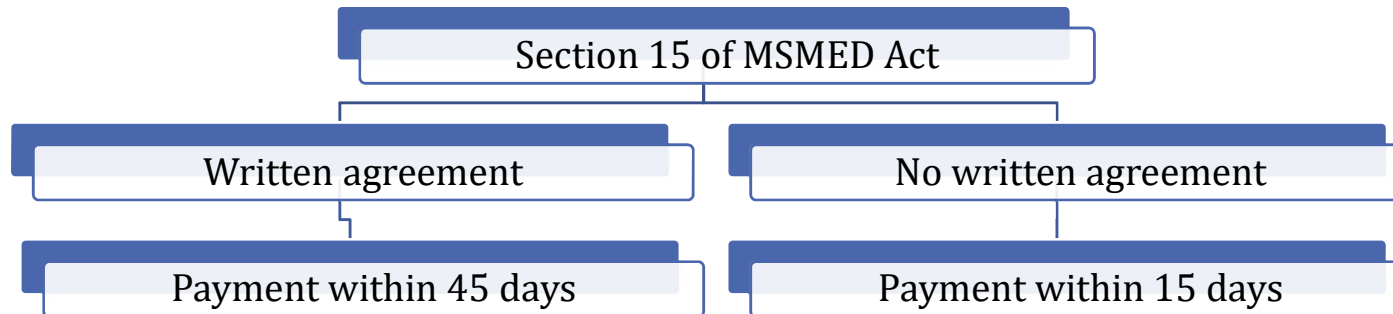
- ❑ Section 28 of the Act provides for income that shall be chargeable to income-tax under the head “Profits and gains of business or profession”. Clause (iv) of this section brings to chargeability the value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession.
- ❑ This provision was inserted through the Finance Act 1964 and the Circular no 20D dated 7th July 1964 issued to explain the provisions of this Act stated clearly that the benefit could be in cash or in kind.
- ❑ Therefore, the intention of the legislation while introducing this provision was also to include benefit or perquisite whether in cash or in kind. However, Courts have interpreted that if the benefit or perquisite are in cash, it is not covered within the scope of this clause of section 28 of the Act.
- ❑ Consequential amendment is also made in section 194R TDS on Perquisites.
- ❑ (w.e.f. 01.04.2024)

Section 35D : Deduction of Preliminary Expenses

- ❑ It provides for amortization of certain preliminary expenses over period of 5 years. As per amendments, the condition of the activities in connection with the preparation of feasibility report or the project report or the conducting of market survey or of any other survey or the engineering services being carried out by assessee himself ~~or approved concerns (deleted)~~.
- ❑ The assessee shall only be required to furnish a statement containing the particulars of this expenditure within prescribed period to the prescribed income-tax authority in the prescribed form and manner.
- ❑ (w.e.f. 01.04.2024, AY 2024-25)

Section 43B : Promoting timely payments to Micro and Small Enterprises

- ❑ A new clause (h) in section 43B of the Act inserted to provide that any **sum payable** by the assessee to a **micro or small enterprise beyond the time limit specified** in section 15 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 shall be allowed as deduction only on actual payment.
- ❑ (w.e.f. 01.04.2024, AY 2024-25).



Section 43B : Promoting timely payments to Micro and Small Enterprises

❑ X Ltd. purchases raw material on credit from Y Ltd:-

Value of invoice: Rs. 6,40,000,

Date of invoice: February 1, 2024,

Date of acceptance of goods: February 1, 2024

Y Ltd. is a small enterprise. There is no agreement about the time of payment. Consequently, payment should be made within 15 days of acceptance of goods as per MSMED Act (i.e., on or before February 16, 2024). Deduction will be available to X Ltd. in different situation is as follows –

Due date as per MSMED Act	Date of payment	Is it late payment and section 43B is applicable	Basis of deduction	Previous year in which deductible
February 16, 2024	February 28, 2024	Yes	Payment basis	2023-24
February 16, 2024	March 31, 2024	Yes	Payment basis	2023-24
February 16, 2024	April 10, 2024	Yes	Payment basis	2024-25

Section 43B : Promoting timely payments to Micro and Small Enterprises

Z Ltd. purchases goods

Invoice value: Rs. 11,20,000 on credit from A Ltd.

Date of purchase / Date of acceptance of goods is March 2, 2024

As per written agreement with A, Z Ltd. has to make payment on or before April 30, 2024.

Due date for payment as per MSMED Act is April 16, 2024 (i.e., the agreed date of payment or 45 days, whichever is earlier).

The deduction will be available to Z Ltd. in the following payment terms are as follows –

Payment in Rs./date of payment	Due date as per MSMED Act	Is it late payment and section 43B is applicable	Basis of deduction	Previous year in which deductible
1,00,000 on March 30, 2024	April 16, 2024	No	Accrual basis	2023-24
2,00,000 on April 6, 2024	April 16, 2024	No	Accrual basis	2023-24
4,00,000 on April 15, 2024	April 16, 2024	No	Accrual basis	2023-24
4,20,000 on May 6, 2024	April 16, 2024	Yes	Payment basis	2024-25

Section 44AD & Section 44ADA : Presumptive taxation schemes

44AD – Presumptive Taxation for Small Eligible Business

Old Provision	New Provision	CHANGE
<ul style="list-style-type: none">• Turnover – Rs. 2 Crore• Deemed Profit – 6% / 8%• Tax Audit not required	<ul style="list-style-type: none">• Turnover – Rs. 3 Crore• Deemed Profit – 6% / 8%• Tax Audit not required• Aggregate Cash Receipt should not exceed 5% of Turnover	Both Provisions are available. As the new proviso added to Section 44AD.

44ADA – Presumptive Taxation for specified Professional

Old Provision	New Provision	CHANGE
<ul style="list-style-type: none">• Receipt – Rs. 50 Lakhs• Deemed Income – 50%• Tax Audit not required	<ul style="list-style-type: none">• Receipt – Rs. 75 Lakhs• Deemed Income – 50%• Tax Audit not required• Aggregate Cash Receipt should not exceed 5% of Turnover	Both Provisions are available. As the new proviso added to Section 44ADA.

(w.e.f. 01.04.2024, AY 2024-25)

Section 44BB and Section 44BBB : Preventing misuse of presumptive schemes

- ❑ Section 44BB and Section 44BBB of the IT Act provides for taxation of income at a presumptive rate of 10% on income earned by non-resident taxpayers engaged in specified businesses. Further, it also provides that where the non-resident taxpayer does not want to offer income to tax at presumptive rate and offer actual income as per normal provisions, the same can be offered provided that the taxpayer maintains books of account and get them audited under Section 44AB of the IT Act.
- ❑ A new sub-section inserted in Section 44BB and Section 44BBB of the IT Act to provide that where the income in any AY is offered on **presumptive basis, set-off of unabsorbed depreciation and brought forward business loss will not be allowed.**
- ❑ (w.e.f. 01.04.2024)

Alignment of provisions of section 45(5A) with the TDS provisions of section 194-IC

Old Provision	New Provision	Change
Section 45(5A) Transfer of Capital Asset, being Land or building or both in this case the CG will be considered as Full value of consideration shall be taken as Stamp Duty Value of share and further increased by consideration received in Cash	Section 45(5A) Transfer of Capital Asset, being Land or building or both in this case the CG will be considered as Full value of consideration shall be taken as Stamp Duty Value of share and further increased by consideration received in cash or by a cheque or draft or by any other mode	In place of cash now it is Cash/ Cheque/ Draft / any other mode

(w.e.f. 01.04.2024)

Section 47(viid) : Conversion of Gold to Electronic Gold Receipt (EGR) and vice versa Not Considered as Transfer for Capital Gain Tax

- ❑ In order to promote the **concept of Electronic Gold**, the **conversion** of physical form of gold into Electronic Gold and vice versa by a SEBI registered Vault Manager will be excluded from the purview of 'transfer' for the purposes of Capital gains.
- ❑ The cost of acquisition of physical gold shall be treated as cost of acquisition of electronic gold and the holding period and indexation shall be available from the date when physical gold was held and vice versa.
- ❑ (w.e.f. 01.04.24, AY 2024-25)

Section 48(ii): Double deduction claimed on interest on borrowed capital for acquiring, renewing or reconstructing a property

Background

The amount of interest payable on borrowed capital for purchase or repair of a house property is allowed as a deduction under section 24 of the Act & under chapter VIA.

Double Deduction

Firstly, interest on borrowed capital is claimed in the form of deduction under section 24 & under chapter VIA.

Secondly while computing capital gains on transfer of such property this same interest also forms a part of cost of acquisition or cost of improvement under section 48 of the Act.

Amendment

Inserted a proviso after clause (ii) of the section 48 so as to provide that the cost of acquisition or the cost of improvement shall not include the amount of interest claimed under section 24 or Chapter VIA.

❑ Chennai Tribunal in **C. Ramabrahmam [2012] 27 taxmann.com 104 (Chennai-Trib)**: held that an assessee can include interest paid on housing loan for computation under section 48 even though said amount has already been deducted under section 24(b) while computing income from 'house property'.

❑ (w.e.f. 01.04.2024)

Section 50AA : Special provision for taxation of capital gains in case of Market Linked Debentures

Marker Linked Debentures

MLDs are the fixed income instruments, regulated by SEBI, whose returns are linked to either a particular security or market Index such as government security, gold index fund, or Nifty Index fund, etc.

Current taxability

Currently taxed as long term capital gain at the rate of 10% without indexation.

Amendment

Since MLDs are in nature of derivatives, Inserted section 50AA, to tax transfer and redemption of MLDs as short term capital gains at the applicable rates.

- ❑ The Finance Act 2023 has expanded the scope of Section 50AA to cover specified mutual funds as well. The “specified mutual fund” means a mutual fund where **not more than 35% of** its total proceeds is invested in the **equity shares of domestic companies**.

- ❑ (w.e.f. 01.04.2024)

Section 54 & 54F : Limiting the Capital Gain benefit upto Rs. 10 Crore – w.e.f. AY 2024-25

Particulars	Section-54	Section-54F
Deduction Available	On the long-term capital gain on transfer of a residential house if the capitals gain is re-invested in a residential house.	On long-term capital arising on transfer of long-term capital asset except a residential house if the net-consideration is re-invested in a residential house.
Maximum deduction	Rs.10 crore	Rs.10 Crore
Example	<ul style="list-style-type: none"> • Capital gain on transfer- Rs.12 Crore • Amount re-invested in residential house - Rs.13 crore. • Maximum deduction available will be capped to Rs.10 crore. So, Rs.2 crore will be taxed as LTCG u/s. 112. 	<ul style="list-style-type: none"> • Net consideration received- Rs.12 • Capital gain on transfer- Rs.6 Crore • Amount re-invested in residential house - Rs.13 crore. • Cost of new asset is more than Rs.10 crore so the cost of such asset shall be deemed to be Rs.10 crore. So, Maximum deduction available will be Rs.5 crore(i.e. $6 \times 10 / 12$). Hence, Rs.1 crore will be taxed as LTCG under section-112.

Section 55(2) Defining the cost of acquisition in case of certain assets for computing capital gains

- ❑ 'cost of acquisition' and 'cost of improvement' of
- ❑ intangible assets or any sort of right for
- ❑ which no consideration has been paid for acquisition,
- ❑ Amended the provisions of sub-clause (1) of the Clause (b) of the subsection (1) and clause (a) of sub-section (2) of section 55 so as to provide that the 'cost of improvement' or 'cost of acquisition' of a capital asset being any intangible asset or any other right (other than those mentioned in the said sub-clause or clause, as the case may be) shall be 'Nil'.

- ❑ (w.e.f. 01.04.2024)

- ❑ Earlier, the Income tax act was amended to provide that the cost of the acquisition of goodwill – Nil. (Finance Act 2021)

Bringing the non-resident investors within the ambit of section 56(2)(viib) to eliminate the possibility of tax avoidance

- ❑ Section 56(2)(viib) of the Act was introduced to prevent generation and circulation of unaccounted money through share premium received from resident investors in a private company in excess of its fair market value.
- ❑ The old provision was not applicable for consideration (share application money/ share premium) received from non-resident investors.
- ❑ Amendment made to include the consideration received from a nonresident also under the ambit of 56(2)(viib).
- ❑ ITAT Mumbai in Heckyl Technologies Private Limited [ITA – 3087/ MUM /2017] held that Section 56(2)(viib) of Income Tax Act does not apply to share premium received from non-resident.
- ❑ (w.e.f. 01.04.2024)

Relief to Start-ups u/s 79 & 80-IAC

- ❑ **Section 79:** Setting off of carried forward losses will only be allowed if at least 51% shareholding (as on the last date of the previous year) remains same as on the last date of the previous year to which the loss belongs. However, this condition of continuity of at least 51% shareholding for setting off of carried forward losses is relaxed for an eligible start-up if all the shareholders of the company continue to hold those shares.
- ❑ **Section 80-IAC:** The loss u/s 79 is allowed to be set off only if it has been incurred during the period of 7 years beginning from the year in which such company is incorporated.
- ❑ In order to align this period of 7 years with the period of 10 years contained in section 80-IAC(2), the time period for loss of eligible start-ups to be considered for relaxation is increased from 7 years to 10 years from the date of its incorporation.
- ❑ The proviso of Section 79 has therefore been amended.

Section 92D(3) : Reducing the time provided for furnishing TP report during TP Assessment

- ❑ As per of old provision of section 92D(3) of the Act, the AO or the CIT(A) may during the course of any proceedings under the Act require a person to furnish any information or document, as prescribed under Rule 10D, within a period of 30 days from the date of receipt of a notice issued in this regard.
- ❑ The limit for furnishing such documents is reduced to 10 days from current 30 days.
- ❑ The AO or CIT(A) may extend the period of 10 days by a further period of 30 days on an application made for this purpose by the assessee.
- ❑ (w.e.f. 01.04.2023)

Section 94B : Excluding non-banking financial companies (NBFC) from restriction on interest deductibility

- ❑ Section 94B of the income tax act contains provisions relating to the deduction of interest expenditure incurred by an Indian company or a permanent establishment of a foreign company.
- ❑ As per old provision, Banking and Insurance companies are excluded from restriction on interest deductibility under Section 94B, Amendment made to exclude certain class of NBFCs.
- ❑ The NBFCs will be spared like Banking and Insurance companies, which were earlier falling into the gamut of interest deductibility of Section 94 B of the IT Act
- ❑ (w.e.f. 01.04.2024, AY 2024-25)

Section 132 : Assistance to authorised officer during search and seizure

- ❑ In the recent past, due to the increased use of technology and digitization in every aspect including management and maintenance of accounts, digitization of data, cloud storage etc., the procedure for search & seizure has become complex, requiring the use of data forensics, advanced technologies for decoding data etc
- ❑ Therefore, amendment made in provisions of the section 132 to provide that during the course of search the authorised officer, may requisition the services of any other person or entity, as approved by the PCCIT/CCIT/PDGIT/DGIT, to assist him for the purposes of the search.
- ❑ (w.e.f. 01.04.2023)

Section 140B : Clarification regarding advance tax while filing Updated Return

- ❑ Clarification to the provisions 140B(4) that interest payable under section 234B shall be computed on an amount equal to the assessed tax as reduced by the amount of advance tax, the credit for which has been claimed in the earlier return, if any.
- ❑ The intention of the law makers was to calculate the interest only on the difference of Tax Liability as reduced by Advance Tax already paid. The previous wordings of the section might have been a bit complicated.
- ❑ Therefore, the amendment is just clarificatory in nature and has no tangible implication on the calculations.
- ❑ (w.e.f. 01.04.2022-retrospective)

Section 142(2A) : Preventing permanent deferral of taxes through undervaluation of inventory

- ❑ **Old:** Sub-section 142(2A) of the IT Act provides that in case the Assessing officer has doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialized nature of business activity of the assessee at any stage of the proceedings in regards to the nature and complexity of the accounts, volume of the accounts and in the interests of revenue, and is of the opinion that it is necessary, he may with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, direct the assessee to get his accounts audited by an accountant, and to furnish report as per rules.
- ❑ **New / Amended:** To amend the said sub-section (2A) so as to enable the AO to get the **inventory of the assessee also valued by a cost accountant nominated** by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner in this behalf

Section 153 : Alignment of timeline provisions

- ❑ The time limit for completion of assessment u/s. 143 or 144 was brought down from 21 months to 9 months from the end of the assessment year vide various Finance Acts. **The same is increased to 12 months.**
- ❑ A new sub-section 3A is inserted whereby if any assessment or reassessment is pending on the date of search u/s 132 or requisition u/s 132A, the time limit of completion of the same shall be extended by 12 months.
- ❑ (w.e.f. 01.04.2023)

Facilitating TDS credit for income already disclosed in the return of income of past year

- ❑ **Old Provision:** Credit of TDS can be availed in the year in which such income is offered to tax.
- ❑ **Problem Faced by taxpayers :** In many instances it is seen that assessee offers income to tax due to accrual method of accounting, however TDS is deducted and deposited in subsequent year.
 - In such cases, assessee is unable to avail the TDS Credit because income is not being offered to tax in the year in which TDS is deposited.
- ❑ **Amendment:** Now the assessee can avail the TDS credit by making an application in the prescribed form to the Assessing Officer within two years from the end of the financial year in which such tax was deducted at source.
- ❑ (w.e.f. 01.10.2023)

Section 192A : TDS on payment of accumulated balance due to an employee

- ❑ Omission of second proviso to Section 192A of the IT Act to restrict TDS at 20% instead of TDS at MMR on payment of accumulated balance to the extent of taxable component of the lump sum payment due to an employee of PF in case of failure by employee to furnish the PAN.
- ❑ (w.e.f. 01.04.2023)

Section 193 : TDS on payment of interest on listed debentures to a Resident

- ❑ Under old law, clause (ix) of the proviso to Section 193 of IT Act, **no tax is required to be deducted on interest payable on a security issued by a company, which is in dematerialized form and listed on a recognized stock exchange in India.**
- ❑ Omitted the said clause (ix) of proviso to Section 193 of the IT Act.
- ❑ Accordingly, **TDS will be required to be deducted on such interest paid on debentures securities @ 10%**
- ❑ (w.e.f. 01.04.2023)

Section 194B & 194BB : TDS and taxability on net winnings from online games

- ❑ In terms of Sections 194B and Section 194BB of the IT Act, TDS is deductible at the rates in force:
 - By a bookmaker or any person licensed to engage in horse racing or arranging for wagers/betting in a race course, while paying a person any income exceeding INR 10,000/-.
 - On winnings from lottery, crossword puzzles, gambling and betting of any form or nature, when such winnings exceed INR 10,000/-.
- ❑ These provisions are amended to provide that the deduction of tax shall be on the amount or **aggregates** of amounts exceeding INR 10,000 during the financial year. (w.e.f. 01.04.2023)
- ❑ Further, a new proviso is introduced to the Section 194B to exclude online games from the purview of the said Section from July 1, 2023, since a new Section 194BA is proposed to be introduced for deduction of TDS on winnings from online games from the said date.
- ❑ The Finance Act 2023 adds Section 194BA to the list of section 206AB with effect from 01-04-2023. Thus, the tax shall be deducted at the rate of 30% even if the deductee is a non-filer of return.

Section 194N :Increasing threshold limit for co-operatives to withdraw cash without TDS

- ❑ Section 194N of the Act provides that a banking company or a co-operative society engaged in carrying on the business of banking or a post office, which is responsible for paying any sum to any person (recipient) shall, at the time of payment of such sum in cash, deduct 2% of such sum, as income-tax.
- ❑ In case of Co-Operative society the cash withdrawn from a Bank the limit for deducting TDS of 2% is increase from Rs. 1 Crore to Rs. 3 Crore.
- ❑ (w.e.f. 01.04.2023)

Section 196A : Tax treaty relief at the time of TDS

- ❑ Section 196A of the IT Act provides for deduction of tax at the rate of 20% on payment of income (in respect of units of a Mutual Fund specified under Section 10(23D) or from the specified company referred to in the Explanation to Section 10(35)) to a non-resident (not being a company) or a foreign company. In this regard, several representations have been filed requesting that if a tax treaty provides for a lower rate than 20%, such benefit may be considered.
- ❑ **DTAA relief available for TDS under Section 196A of the IT Act with respect to certain income of a non residents relating to units of mutual funds.**
- ❑ (w.e.f 01.04.2023)

Section 197 : Extending the scope Tax Deducted at source to lower or nil rate

- ❑ Amendment made in section 197 adds section 194LBA to the list of specified sections. Section 194LBA of the Act, inter-alia, provides that business trust shall deduct and deposit tax at the rate of 5% on **interest income of non-resident unit holders**. Section 10(23FE) of the Act allowed to notified Sovereign Wealth Funds and Pension Funds to claim exemption of income earned from business trusts however, TDS was still to be deducted u/s. 194LBA.
- ❑ (w.e.f. 01.04.2023)

Section 206AB & 206CCA Relief from higher rate of TDS/TCS for non-filers of income-tax returns

- ❑ In case of a non-filer tax withdrawing cash (non-filing of ITR in the prior 3 years), the TDS to be deducted at 2% on the amount exceeding INR 20lacs and 5% on the amount exceeding INR 1 crore in aggregate during the financial year.
- ❑ (w.e.f. 01.04.2023)

Section 206C : Increasing rate of TCS of certain remittances

Sr No	Type of Remittance	Rates under Old law	Rates under new Law
1.	Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
2.	Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	20% without any threshold limit.

❑ The Finance Act 2023 has amended Section 206C(1G)(a) to omit the words “out of India” to expand the scope of the provision to the remittance made under LRS, even within India. Thus, where the remittance is made under LRS to the GIFT city, the new rates of TCS shall apply.

❑ (w.e.f. 01.07.2023)

Section 246 : Introduction of the authority of Joint Commissioner (Appeals)

- ❑ The assessee, aggrieved by appealable orders passed by CPC or Assessing officer under the provisions of this act has the 1st Appellate Authority as the Commissioner (Appeals). The CIT(A) is overburdened and there are high number of cases pending at the CIT(A) level.
- ❑ A new authority for appeals is being created at Joint Commissioner/ Additional Commissioner level to handle certain class of cases involving small amount of disputed demand. Such authority has all powers, responsibilities and accountability similar to that of Commissioner (Appeals) with respect to the procedure for disposal of appeals.
- ❑ Orders Appealable before JCIT(A) - 143(1), 143(3), 144, 147, 200A(1), 201, 206C(6A), 206CB(1), Penalty Orders, 154, 155.
- ❑ (w.e.f. 01.04.2023)

Section 253 : Rationalisation of Appeals to the Appellate Tribunal

- ❑ Sections 271AAB (penalty in search cases), 271AAC (penalty for 68-69D), 271AAD (false/omitted entries in books) and 263 (revision) were amended to enable CIT(A) to impose the above penalties. However, the same was omitted u/s 253.
- ❑ Therefore, the amendment made in provisions of section 253 of the Act to make the orders passed by CIT(A) under the above sections appealable before the Appellate Tribunal.
- ❑ (w.e.f. 01.04.2023)

Section 269SS & 269T : Penalty for cash loan/ transactions against primary co-operatives

- ❑ To provide relief to the low-income groups and to facilitate easier conduct of business operations the limit under section 269SS and 269T has been increase from 20,000 to 2 lakh for Primary Agricultural Credit Societies (PACS) & Primary Co-Operative Agricultural & Rural Development Bank (PCARD).
- ❑ This will imply such deposit/repaid can be accepted/repaid from its members or such loan is taken/given by its member upto Rs.2 lakh in cash. **The penalty would be leviable only if the amount of loan or deposit is accepted/repaid is more than Rs.2 lakh.**
- ❑ (w.e.f. 01.04.2023)

Section 271FAA : Penalty for furnishing inaccurate statement of financial transaction or reportable account

- ❑ Inserted new sub-section (2) to section 271FAA that if there is any inaccuracy in the statement of financial transactions submitted by a prescribed reporting financial institution (Section 285BA) and such inaccuracy is due to **false or inaccurate information submitted** by the account holder, a penalty of **five thousand rupees** shall be imposable on such institution, in addition to the penalty leviabale on such financial institution in the said section, if any. Such amount **may be recovered from the amount holder**.

- ❑ (w.e.f. 01.04.2023)

Charitable & Religious Trusts

- ❑ Application by a charitable or religious trust before 01-04-2021 out of corpus, loans or borrowings shall not be allowed when such amount is deposited back or invested in the corpus, or the loan or borrowing is repaid.
- ❑ Repayment of loan or investment/depositing back into corpus shall be considered an application for charitable or religious purposes only within 5 years of application from the corpus or loan.
- ❑ The donations by a trust or institution to another trust or institution shall be treated as the application of up to 85% of such donations.
- ❑ Three funds namely Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust, and Rajiv Gandhi Foundation have been removed from the list of eligible funds for a deduction under Section 80G.

Charitable & Religious Trusts

- ❑ The trusts and institutions that have commenced the activities shall make the application directly for regular registration instead of provisional registration.
- ❑ The submission of an application for registration containing false or incorrect information, or if it is incomplete, shall be considered a specified violation and result in the cancellation of the registration of trusts or institutions by PCIT/CIT.
- ❑ The provisions of accreted tax under Section 115TD are extended to trusts or institutions if they fail to apply for re-registration.
- ❑ To claim accumulation of income, the trusts or institutions shall file Form 9A and Form 10 at least 2 months before the due date of filing of return of income.
- ❑ The trusts or institutions cannot claim the benefit of exemption provisions by filing an updated return of income.

Section 149 - Time limit for Notice

- A search is initiated under section 132 or
A search under section 132 for which last authorization is executed or
Requisition is made under section 132A
- After 15th March for any financial year and
- The period of limitation for issue of notice under section 148 expires on 31st March of such financial year.
- Then a period of 15 days shall be excluded for the purpose of computing period of limitation as per this section and a notice under section 148 shall be deemed to be issued on 31st March of the such financial year.
- (w.e.f. 01.04.2023)

Section 149 - Time limit for Notice

- Where the information suggesting that income chargeable to tax has escaped assessment as referred to in Explanation 1 to section 148 emanates
- From statement recorded or documents impounded under section 131 or section 133A,
- on or before 31st March of a financial year,
- in consequence of a search initiated under section 132 or a search under section 132 for which last authorisation is executed or requisition is made under section 132A after 15th March for such financial year,
- Then a period of 15 days shall be excluded for the purpose of computing period of limitation as per this section and a notice under section 148A(b) shall be deemed to be issued on 31st March of the such financial year.
- Crux:** Where extremely less time to issue a notice under section 148 or show cause notice under section 148A(d) when the last authorisation / requisition is received/ made after 15th March of the said year and the time limit for issuance of notice is getting over for earlier years on 31st March.

Section 151 - Sanction for issue of notice

- ❑ As per section 151 of the Act, specified authority for the purpose of sanction of notice under section 148 and 148A would include Principal Chief Commissioner or Principal Director General or where there is no Principal Chief Commissioner or Principal Director General, Chief Commissioner or Director General if more than three years have elapsed from the end of relevant assessment year.
- ❑ Now, deleted the phrase “ where there is no Principal Chief Commissioner or Principal Director General ” and thus in effect, it would mean that any of these authorities may sanction the issue of notice u/s 148 and 148A.
- ❑ (w.e.f. 01.04.2023)

Return in response to notice Issue under section 148

- ❑ Amendment made in section 148 to provide that a return in response to notice under section 148 shall be filed **within 3 months from the end of the month in which notice** is issued or **within such time as may be allowed by the Assessing Officer** on a request being made in the regard.
- ❑ Also amendment made to provide that where any such **return is filed beyond the time allowed** under section 148, such return **shall not be deemed to be return under section 139**. As a consequence, **notice under section 143(2) would not be mandatory in such cases**.
- ❑ (w.e.f. 01.04.2023)

THANK YOU

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