

INDIA UNION BUDGET 2023-24

10 KEY TAKEAWAYS

We outline the top 10 tax proposals emanating from Budget 2023. The Hon'ble FM has focused on rationalising tax provisions and reducing compliance burdens in line with its vision of Ease of Doing Business in India.

Some of the key tax proposals emanating from the Budget 2023 are outlined here:

Individual tax rates under the new regime

To make the New Tax Regime (NTR) more attractive, the Hon'ble Finance Minister has provided relief to salaried-class individuals by reducing the tax rates. The revised proposed slabs would be:

Income	Tax Rate
Upto INR 300,000	Nil
INR 300,000 - 600,000	5%
INR 600,000 - 900,000	10%
INR 900,000 - 1,200,000	15%
INR 1,200,000 - INR 1,500,000	20%
Above INR 1,500,000	30%

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In addition to the above, a rebate of INR 25,000 is proposed to be provided to individuals opting for the NTR new tax regime thereby increasing the taxable income threshold to INR 700,000. Further, the maximum surcharge applicable is proposed to be capped at 25% from an existing rate of 37%, reducing the maximum tax rate to 39% from current 42.74%.

Benefits to MSME Sector & Professionals

To extend relief to Micro, Small & Medium Enterprises and certain Professionals, the threshold of applicability under the presumptive taxation scheme is proposed to be enhanced to INR 30mn and INR 7.5mn from the current limit of INR 20mn and 5mn respectively. Further, to address the liquidity issue of MSMEs, it is proposed that the payment made to an MSME beyond the time limit specified under section 15 of MSMED Act, 2006 would be disallowed under section 43B of the IT Act.

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Incentives to start-ups

Eligible start-ups registered under section 80-IAC of the IT Act are allowed to carry forward and set-off their losses for a period of up to 7 years from the date of incorporation, subject to the fulfilment of certain conditions. It is proposed to extend the time frame for carry forward and set-off of losses from 7 years to 10 years. Further, the tax holiday under section 80-IAC of the IT Act is proposed to be extended to start-ups incorporated till 31 March 2024.

03

Operations from IFSC

To incentivise operations from IFSC, it is proposed to exempt income distributed to non-residents on the Offshore Derivative Instrument (ODI) entered with IFSC Banking units of IFSC shall be exempt from taxation. Further, with IFSCA (Fund Management) Regulations, 2022 in place, certain definitions under IFSC provisions are aligned to include reference to IFSCA (Fund Management) Regulations, 2022.

04

Taxability of winning from online gaming

To bring online gaming within the tax net, it is proposed to incorporate a new provision to tax winnings from online games @30%. Consequentially, effective 1 July 2023, it is proposed to introduce withholding tax on net winnings generated from online games during a financial year @ 30% under section 194BA of the ITA Act.

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Clarity on capital gain taxation for intangible assets

- 06 ➤ To bring finality to the long-drawn litigation on chargeability of capital gains arising on the transfer of certain intangible assets not defined in the IT Act, it is proposed that the Cost of Acquisition and Cost of Improvement for such intangible assets or any rights, for which consideration has not been paid, shall be 'NIL'.

Enhancement of ambit of section 56(2)(viib) of IT Act

- 07 ➤ To counter tax avoidance by non-resident investors and to bring them at par with resident investors, it is proposed to include non-resident investors within the ambit of section 56(2)(viib) of the IT Act.

Indirect tax announcements

- 08 ➤ Input tax credit on goods and services used for meeting obligations under Corporate Social Responsibility, in terms of section 135 of the Companies Act, 2013 restricted specifically from a date to be notified.
- 09 ➤ Provisions introduced for sharing of information (viz. particulars in the application for registration, returns or e-invoice or e-way bills or any other as may be prescribed) furnished by the taxpayer in the GST common portal, with such other systems.
- 10 ➤ To rationalise the customs duty rate structure, the number of basic customs duty rates on goods, other than textiles and agriculture, is being reduced from 21 to 13.

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