



## The FINANCE BILL 2022

### An IMPACT ANALYSIS

This is a gist of some of the key amendments proposed in the Finance Bill 2022. We recommend that you seek suitable professional advice before acting on them. This is NOT an exhaustive list of all amendments, but includes a summary of only some amendments which would be of a larger interest

These Amendments generally apply to income earned from 1<sup>st</sup> April 2022.

*“A king must make arrangements for the welfare of the populace by way of abandoning any laxity and by governing the state in line with Dharma, along with collecting taxes which are in consonance with the Dharma.”*  
(Mahabharata)

## February 1<sup>st</sup> 2022

### On Tax rates

There is **NO** change in tax rates.

For Individuals and HUFs earning **Long term Capital Gains** on any assets *after 1.4.2022* and having taxable income in excess of Rs. 2 crores, **surcharge** will be capped at 15%. (Currently the cap on surcharge is only on tax payable for dividends on shares and for capital gains on securities sold on a Stock Exchange).

**Co-operative Societies** having an income between Rs. 1 -10 Crores will have a surcharge of 7% (earlier 12%).

### For Businesses

Assesses have been claiming a deduction for the **Education Cess** paid on basis of some High Court judgments. It has been clarified *with retrospective effect* that Education Cess paid is not an allowable deduction.

If any benefit or perquisite exceeding Rs. 20,000 is provided in cash or kind to anyone then the provider will have to do a TDS of 10% thereon (w.e.f. 1<sup>st</sup> July 2022).

### On Investment Income

Net Income earned from **Virtual Digital Assets** (such as crypto currencies) will be taxed at a flat 30% - only deduction allowed being cost of acquisition - losses will not be carried forward – and the buyer will do a 1% TDS on such transactions.

A loss arising out of **bonus stripping** will no longer be allowed (similar to Dividend Stripping) for securities including REIT's, AIF's and INVIT's on transactions done after 1.4.2022.

**Foreign Dividends** received after 31.3.2022 will not be eligible for a concessional tax rate of 15% even where Indian company holds more than 26% in such foreign company.

### For New Businesses and Start-ups

The concessional tax rate of 15% for **new manufacturing businesses** will be available if manufacturing commences by 31st March 2024 (earlier 31.3.2023).

Eligible **Startups** can claim a tax deduction if they are set up by 31.3.2023 (earlier 31.3.2022).

## On Property Transactions

TDS of 1% to be done on transaction price or Ready Reckoner Value, whichever is higher (w.e.f 1.4.2022)

## Related to TDS

Penalties for non-issue of TDS certificates and various other defaults increased to Rs. 500 per day from Rs. 100 per day currently (upto the amount of TDS paid).

## For Charities

Expenses will be treated as **application of income** ONLY when actually paid even if the accrual system of accounting is followed.

## On Return Filing

Currently, a tax return for a year ending March can be filed belatedly or revised only till December. A new concept of **updated** returns is now being introduced which allows updating a return once within 2 years under certain circumstances by paying an additional tax of 25% if updated within 1 year and 50% if updated within 2 years – this would enable correction of errors that were noticed maybe subsequent to filing or on completion of a subsequent audit which indicate that some income missed being included in an earlier year. There is a detailed provision for such **updated** returns.

Anyone having reported TDS of Rs. 50,000 on income and not filing a tax return in the previous financial year will be subjected to a penal TDS rate under **206AB** on income in the subsequent year (earlier this applied if returns were not filed for 2 consecutive years).

## On Tax Administration

There are various changes made to reassessment procedures introduced last year - including permitting reassessment based on audit objections / doing away with multiple approvals / allowing reassessment beyond 3 years for areas beyond unrecorded assets.

## On GST

No change in GST **rates**

The following can now be done by 30<sup>th</sup> November (instead of 30<sup>th</sup> September):

- **claim un-availed input tax credit** of the earlier financial year
- issue **Credit Notes** relating to invoices issued in earlier financial year
- **rectify** errors in GSTR1 of earlier financial year

GSTR1 for a period can only be filed if earlier filings of GSTR1 have been completed.

GSTR 3B can be filed only after GSTR1 for the same period has been filed.

Excess cash lying in ledger can be passed on to satisfy the liability of a distinct person and for the entity passing it will be considered as a refund.

**Interest** @18% will be charged only on ITC which has been wrongly availed and actually utilized.

For **SEZ** units – refund can be filed within 2 years from the due date of filing the GST returns.

## For Companies

The procedure for Voluntary Winding up of companies will be amended so that this can be done in not more than 6 months.