



The FINANCE BILL 2023

Changing Times
An IMPACT ANALYSIS

This is a gist of some of the key amendments proposed in the Finance Bill 2023. We recommend that you seek suitable professional advice before acting on them. You may email us for queries on taxation@rajendraco.com

These amendments generally apply to income earned from 1st April 2023.

February 1st 2023

For Individuals / HUFs / AOPs / BOIs / AJPs

The new tax regime shall apply by default – and in this regime:

- salaried employees shall get a Standard Deduction;
- for a taxable income of upto Rs. 700,000 - a tax rebate of upto Rs. 25,000;
- the minimum tax exemption shall be for an income of Rs. 300,000;
- the revised tax slabs shall be as under:
 - Upto 3 Lakhs NIL; 3-6 Lakhs 5% tax; 6-9 Lakhs 10%; 9-12 Lakhs 15%; 12-15 Lakhs 20% and 15 Lakhs plus – 30%;
- the surcharge for individuals with income above Rs. 5 crores will be only 25%.

Thus for those opting for the new tax regime there will be tax saving to every assessee of some amount.

None of these benefits are available if one elects to stay under the old tax regime - surcharge will continue at 37% for income above Rs. 5 crores and no change in tax rates or slabs either.

- TCS on remittances made after 1.7.2023 under the **LRS Scheme** (other than for education or medical expense) shall now be collected at 20% (earlier 5%) for any amounts remitted. The earlier rate of 5% shall apply only for education or medical expense related remittances and if they exceed Rs. 7 Lakhs.

For Businesses

- presumptive taxation based on 6%/ 8% of **business receipts** will be available even for cases where turnover is between Rs. 2 crores and Rs. 3 crores – provided cash receipts do not exceed 5%.
- presumptive taxation based on 50% of **professional receipts** will be available even for cases where receipts are between Rs. 50 Lakhs and Rs. 75 Lakhs– provided cash receipts do not exceed 5%.
- any payment made to a **Micro / Small Enterprises** shall now be allowed only in the year when paid and not on accrual basis, subject to certain additional conditions.
- in case of a tax scrutiny, an Officer will be permitted to appoint a Cost Accountant to **value the inventory** of the Business.
- if **shares are issued to a Non Resident** at a premium, the Premium may be taxable unless it is justified by way of a Valuation. Earlier shares allotted to Non Resident were exempt from this provision.

For Eligible Start Ups

- an exemption will be available for eligible registered Start Ups incorporated before 1st April 2024 (extended by one year).

For Investors

- income received from a **REIT/ InViT** in the form of repayment of debt shall now be taxable as Income from Other Sources on receipt itself. Only amount received on redemption of Units will be reduced from cost.
- any gain on transfer or redemption of a **Market Linked Debenture** shall now be specifically taxable as a Short Term Capital Gain.
- TDS shall now be done on **Interest on listed securities** which are held in dematerialized form.
- where capital gains exemption is sought by reinvesting in the **purchase of a residential house** under section 54 or 54F, the reinvestment tax benefit shall be capped by assuming the cost of the new house as not more than Rs. 10 crores.
- for any **insurance policy** purchased after 1.4.2023 where the premium paid in any year exceeds Rs. 5 Lakhs, the gain will always be taxable as Income from Other Sources.
- converting Physical Gold into **Electronic Gold** and vice versa will not be treated as a taxable transaction.
- investment limit under **Senior Citizen Savings Scheme** increased to Rs. 30 Lakhs.
- limit on MIP Scheme of the Post Office increased to 9 Lakhs for single account and 15 Lakhs for Joint Account.
- new 7.50% **Mahila Sanmaan Saving Scheme** to be launched to allow investment for upto Rs. 2 Lakhs for women.

For Public Trusts

- if sums are **donated to another Trust** only 85% of such sum shall be treated as application of income.
- if **corpus is replenished** or loans are repaid, the same shall be allowed as a deduction only if it done within a period of 5 years.
- where the corpus was used or loans taken before 1.4.2021 the same shall not be treated as application **when replenished/ repaid.**
- option for **accumulation of income** under 1 year / 5 year Scheme will need to be filed by 31st August 2023.

On Tax Administration

- a single form for all assesses expected.
- very few cases will be selected for tax scrutiny.
- smaller cases will be taken up by a new set of Appellate Officers for quick redressal.
- PAN will be treated as a unified Business Identifier.
- a Uniform filing process on a common portal expected.

On GST

- no change in GST **rates.**
- ITC in respect of **CSR expenditure** cannot be claimed
- no need to obtain registration if entire income is **exempted supply** – even if registration threshold limits are crossed.
- a tax return can only be filed within three years from the due date of furnishing the said return.