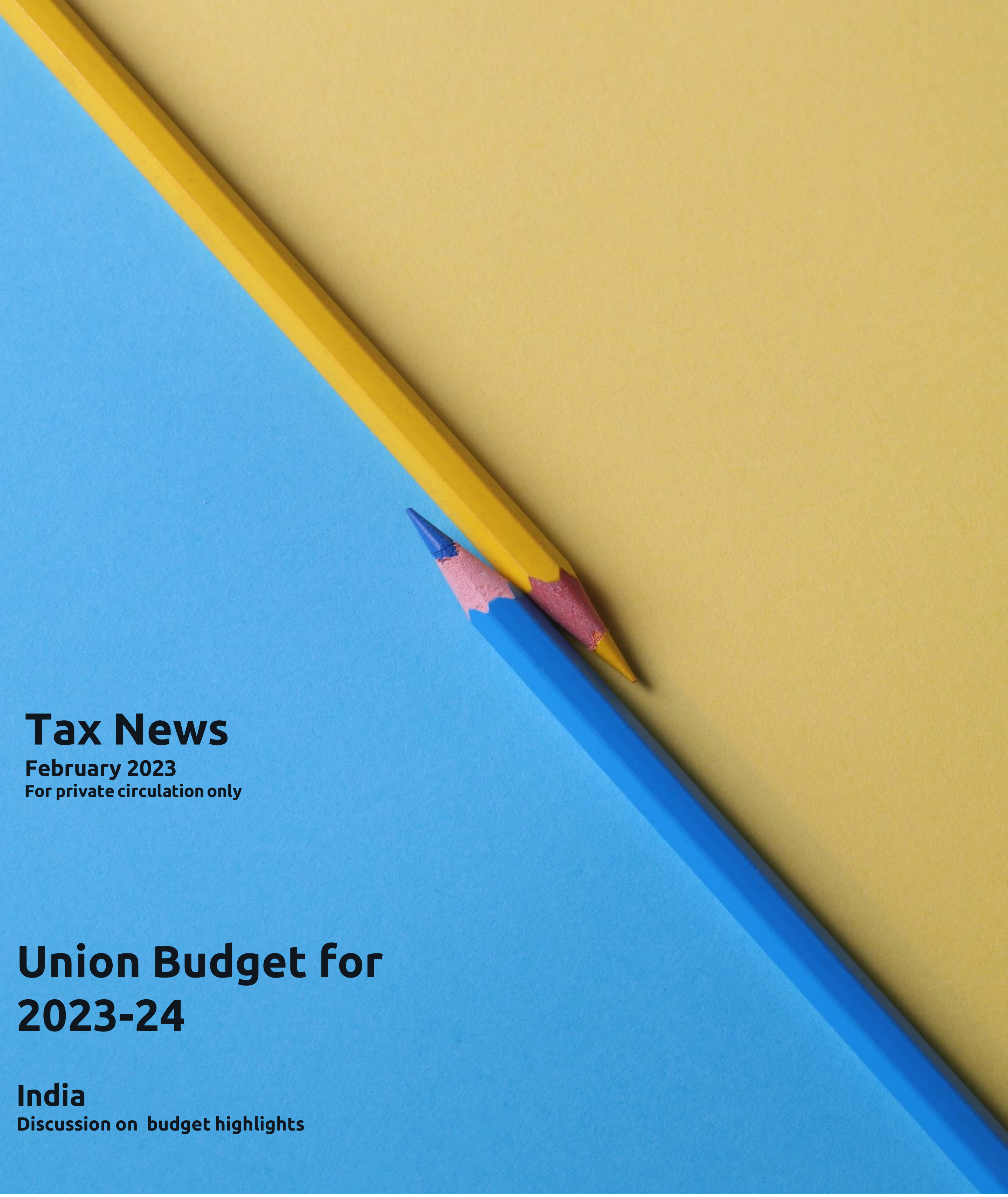

Tax News

February 2023
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Union Budget for 2023-24

India

Discussion on budget highlights

CELEBRATING 35 YEARS

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Transmittal

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February 2, 2023

Dear Reader,

For a moment, observe the pickle the government finds itself in – a looming recession, stubbornly high inflation, a battered Rupee, large scale handing out of pink slips, drying up of venture capital funds. And we are only a month into *Amrit Kaal* and we could really use some good news. This was the backdrop when the Honourable Finance Minister, Ms. Nirmala Sitharaman presented the Union Budget for the financial year 2023 – 2024 ('Budget 2023') before the Lok Sabha on February 1, 2023. As the last full budget of this government, Ms. Sitharaman had to balance the pressures of the Union elections next year and the calls for fiscal prudence.

After several Budgets without so much as a brass farthing for individual tax payers and a looming election, Ms. Sitharaman appeared to generously dole out benefits in the form of higher tax slabs and rebates. Of course, that was at the cost of shifting to the new tax regime announced two years back and sacrificing the popular Sec. 80C deduction of Rs. 1.50 lakhs. There was a sense of foreboding that the push for the new tax regime was heralding the eventual scrapping of various tax deductions so cherished by the middle class. Naturally, Ms. Sitharaman had to rob Peter to pay Paul and these tax cuts were financed by unkind cuts to food and fertilizer subsidies and spending on rural development.

Budget 2023 was careful to placate small businessmen and middle income taxpayers by increasing presumptive tax limits and by penalising delayed payments to micro and small enterprises. Poster boys of the economy, i.e., start-ups were placated with extension in tax benefits, though the government appeared to shoot themselves in the foot with the taxing of share premium received from foreign investors to block money laundering.

As in the earlier years, it gives us great pleasure to present you with a quick snap-shot on Budget 2023. We believe that you will benefit from the early insights on Budget 2023 through this issue of 'Tax News', though more clarity is expected on many of the provisions which will unravel in the coming days. We hope you will also find the ready reckoner and the compliance calendar useful.

Should you require any further clarifications or details on the budget proposals or any assistance in the analysis of the impact of the proposals on your business, please do feel free to get in touch with us. As always, we look forward to your valuable suggestions.

Yours faithfully

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1
Executive Summary

Executive Summary

Direct taxation

- Individual taxpayers have reasons to rejoice with an increase to the taxation threshold in the case of the new scheme. An individual salaried employee with an income of Rs. 15 Lakhs can expect to save upto Rs. 50,000 through the amendments introduced in Budget 2023. Similarly, an individual earning Rs. 30 Lakhs can expect to save upto Rs. 70,000.

- Individual taxpayers also have another reason to rejoice with the maximum amount of deduction for leave encashment being increased from the present limit of Rs. 3 Lakhs to Rs. 25 Lakhs. This would apply in the case of retirement of non-government salaried employees.

- Companies and firms found their tax rates to be unchanged. The time limit for incorporation of start-ups eligible for tax holiday was extended by one more year to March 31, 2024. The condition of continuity of at least 51 per cent 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. At present this relaxation applies for losses incurred during the period of 7 years from incorporation of such start-up. It is proposed to increase this period to 10 years.

- In order to ease compliance and to promote non-cash transactions, it is proposed to increase the threshold limits for presumptive scheme of taxation for eligible businesses from Rs. 2 crore to Rs. 3 crore and for specified professions from Rs. 50 lakh to Rs. 75 lakh. The increased limit will apply only in case the amount or aggregate of the amounts received during the year, in cash, does not exceed five per cent of the total gross receipts/turnover.

- In order to promote timely payments to micro and small enterprises, it is proposed to include payments made to such enterprises within the ambit of section 43B of the Act. Thus, deduction for such payments would be allowed only when actually paid. It will be allowed on accrual basis only if the payment is within the time mandated under the Micro, Small and Medium Enterprises Development Act. This amendment will have far reaching implications to businesses which would need to effectively track outstanding payments to suppliers especially at the year end to avoid disallowance.

- SEZ units seeking to claim deduction from income tax under section 10AA will now have to ensure that proceeds from their export of goods or services are brought into India within 6 months failing which exemption will be proportionately denied. We also now have clarity on the requirement to file returns within the due dates to claim this deduction.

- Taking aim at the growing number of online gamers in India it is proposed to provide for TDS and taxability on net winnings at the time of withdrawal or at the end of the financial year.

- Share application money or share premium received by a company over and above its fair value was subject to tax under the head income from other sources. However, if such amount was received from a non-resident this provision wouldn’t apply. Budget 2023 has done away with this exemption which is expected to have far reaching implications especially at a time when the country is seeking to push for FDIs.

Direct taxation (Contd.)

► In order to increase TCS on certain foreign transactions and on sale of overseas tour packages, an amendment is proposed to section 206C of the Act.

► For better targeting of tax concessions and exemptions Budget 2023 proposes to cap deduction from capital gains on investment in residential house under sections 54 and 54F to Rs. 10 crores. Another proposal with similar intent is to limit income tax exemption from proceeds of insurance policies with very high value.

► In continuation of the Government's efforts to regulate Charitable Trust's and their functioning a slew of measures have been introduced in this years budget. Restrictions have been proposed on application of funds out of corpus and loans taken by a charitable trust. Further, donations to other trusts to be treated as application only to the extent of 85% of donations.

Indirect Taxation

► GST authorities have been empowered to cancel a taxpayers registration if they fail to file returns for a consecutive period of 6 months. However, if the registration has not been cancelled but only suspended due to non-filing of returns, the suspension will be revoked and registration restored on filing of pending returns.

► In an effort to ease cash flow issues, taxpayers have now been permitted to transfer the balance in their electronic cash ledger between registrations provided they are under the same PAN.

► Changes were introduced for registered persons who take residential premises on rent. They will now be required to remit GST on the rental amounts under reverse charge mechanism from July 18, 2022.

► In a big relief to taxpayers, the time limit for availment of ITC and rectification of errors in GST returns has been extended to 30th November of the next financial year. Since the amendment is in the substitution form, it can be interpreted to be apply retrospectively.

► Input tax credit blocked with respect to goods or services used for obligations under CSR activities. This is in line with the stand taken under the Income Tax Act for treatment of CSR expenses.

► With a clear intention of promoting 'Make in India' Customs duty on several items such as precious metals and imported vehicles have undergone changes. Changes have also been made on customs duty in the retail sector so as to give them a more level playing field.

2 Direct Taxation

Key highlights

- Tax rates for individuals under new regime have been changed.
- For individuals, tax rates under new regime will be the default rate.
- Under new tax regime, Surcharge is reduced to 25% from 37% for individual whose income is more than 5 crore.

Tax rates for individuals

- The new tax regime introduced in 2021 for individuals will henceforth be the default scheme of taxation. Those individuals opting for the old regime have to specifically exercise their option to do so, failing which they would be assessed under the new regime. As in the earlier years, the option once exercised by individuals having income from business or profession can be changed only once. But individuals having income from salary, pension, and other sources, can exercise/change the options every year.

- With effect from assessment year 2024-25 the following rates are provided under new regime for individuals:

New regime		Old regime	
Income	**Rate of tax**	**Income**	**Rate of tax**
Below Rs. 3.00 lakhs	Nil	Below Rs. 2.50 lakhs	
Rs. 3.00 to Rs. 6.00 lakhs	5%	Rs. 2.50 to Rs. 5.00 lakhs	5%
Rs. 6.00 to Rs. 9.00 lakhs	10%	Rs. 5.00 to Rs. 10 lakhs	20%
Rs. 9.00 to Rs. 12.00 lakhs	15%	Above Rs. 15.00 lakhs	30%
Rs. 12.00 to Rs.15.00 lakhs	20%		
Above Rs. 15.00 lakhs	30%		

- Highest slab of surcharge for individuals has been brought down to 25% from 37% under the new tax regime. Currently, individuals having taxable income above Rs.5.00 Cr are subjected to surcharge of 37% on the tax amount. This has been reduced to 25%. This has resulted in the reduction of maximum marginal rate on individual taxpayers from 42.74% to 39%. Surcharge rates applicable for individuals is as follows:

Tax Regime	Income > Rs. 50 lakhs	Income > Rs. 1 crore	Income > Rs. 2 crores	Income > Rs. 5 crores
New Regime	10% of income tax	15% of income tax	25% of income tax	25% of income tax
Old Regime	10% of income tax	15% of income tax	25% of income tax	37% of income tax

Key highlights

► Salary limits from Rs. 5 lakhs to Rs. 6 crores have been compared under 3 different regimes

► Surcharge is applicable at 37% of the tax amount in case of old regime and existing new regime when income exceeds Rs. 5 crores. This has been reduced to 25% under the proposed amendment to the new regime.

► Rebate limit is increased to Rs. 7.00 lakhs from Rs 5.00 lakhs for individuals who pays tax under new regime

► Tax calculation under both regimes for various scales of salary income is provided in the illustrative table below:

Salary income before any deductions / exemptions	Income tax under old regime	Income tax under existing new regime	Income tax under proposed new regime
5,00,000	-	-	-
5,50,000	-	18,200	-
6,00,000	-	23,400	-
7,00,000	-	33,800	-
7,50,000	23,400	39,000	-
10,00,000	75,400	78,000	54,600
15,00,000	2,10,660	1,95,000	1,45,600
30,00,000	6,78,600	6,63,000	6,08,400
70,00,000	21,19,260	21,02,100	20,42,040
1,50,00,000	50,85,990	50,68,050	50,05,260
5,00,00,000	1,91,78,250	1,91,58,750	1,90,90,500
5,50,00,000	2,31,56,562	2,31,35,190	2,10,40,500
6,00,00,000	2,52,93,762	2,52,72,390	2,29,90,500

Assumptions

- *Rs. 2.00 lakhs deductions and exemptions considered under old regime*
- *Rs. 0.50 lakhs standard deduction has been considered under the proposed new regime*
- *This computation is for a resident individual below 60 years of age*

► On account of increase in rebates, from the AY 2024-25 onwards, an individual resident in India is exempt from paying tax under new regime if his total income is below Rs. 7.00 lakhs which is up for the existing Rs. 5 lakhs. However, the condition is that he should not opt for the old tax regime. If the individual wishes to continue with the old tax regime, the maximum amount of income without tax would be limited to Rs. 5 lakhs.

Key highlights

- Standard deduction for salaried income can be claimed under new regime.
- Maximum limit for leave encashment on retirement is increased to Rs. 25 lakhs.
- Tax rate for LLPs and firms continues at 30%.
- Tax rate of 25% has been retained for to companies with turnover up to Rs. 400 crores. Other companies have a tax rate of 30%.

- The benefit of standard deduction has been extended to the salaried class and the pensioners including family pensioner under the new tax regime also. A salaried individual will get standard deduction of Rs. 50,000 and a pensioner Rs. 15,000. Previously, standard deduction was not available under the new tax regime.

- The maximum amount which can be exempted for leave encashment on the retirement of non-government salaried employees is proposed to be increased from Rs. 3 Lakhs to Rs. 25 Lakhs.

Tax rates for companies and firms

- In the case of LLP and firms, the rate of income-tax remain unchanged at 30%.

- Reduced tax rate of 25% remains unchanged for companies with a turnover of up to Rs. 400 crores. Companies having turnover exceeding Rs. 400 crores will be taxed at 30%.

- The rates applicable to companies in different scenarios are given below:

Turnover	Income tax	Surcharge on (a)	Education and Health Cess on (a+b)	Effective tax rate
Domestic company - profit below Rs. 1 crore:				
Below Rs. 400 crores	25%	Nil	4%	26.00%
Above Rs. 400 crores	30%	Nil	4%	31.20%
Domestic company - profit between Rs. 1 crore to Rs. 10 crores:				
Below Rs. 400 crores	25%	7%	4%	27.82%
Above Rs. 400 crores	30%	7%	4%	33.38%
Domestic company - profit above Rs. 10 crores:				
Below Rs. 400 crores	25%	12%	4%	29.12%
Above Rs. 400 crores	30%	12%	4%	34.94%

Key highlights

- Lower tax rates of 22% and 15% for companies upon satisfaction of certain conditions
- Surcharge of 7% and 12% on domestic companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores respectively.
- Foreign companies with income exceeding Rs. 1.0 crore and Rs. 10.0 crores will be subject to a surcharge of 2% and 5% of income tax respectively.
- Presumptive taxation thresholds have been increased for both businesses as well as professionals which are expected to ease compliance burden for small assessees.

Special rates for certain companies on satisfaction of conditions	Income tax	S'charge	Cess	Eff. tax rate
I. Domestic companies availing the benefit of section 115BAA	22%	10%	4%	25.168%
Conditions:				
- No deductions/incentive/exemptions can be claimed such as SEZ benefits, benefits of Sec. 80IA, 80IAB, 80IAC, 80IB etc. except sec. 80JJAA				
- Cannot claim additional depreciation				
II. Domestic company been set up and registered on or after 1 October 2019 and has commenced manufacturing on or before 31 March 2024 – Sec. 115BAB	15	10%	4%	17.16%
Conditions:				
Apart from the conditions mentioned for companies mentioned in I. above, the additional conditions have to be satisfied:				
- Not to be formed by the splitting up and reconstruction of a business already in existence				
- Does not use any plant or machinery previously used for any purpose				
Other matters:				
Companies exercising above options will be excluded from provisions of Minimum Alternate Tax ('MAT')				
Surcharge rates applicable for such companies will be 10% rather than 7% in case of other companies.				

Increasing threshold limits for presumptive taxation

- In order to benefit more businesses and professionals in the small and medium segment the threshold limits for presumptive taxation have been increased in the following manner in the cases of eligible assessees who do not have cash receipts exceeding 5% of the total turnover or gross receipts

Income	Existing limit	Revised limit
For businesses (44AD)	2,00,00,000	3,00,00,000
For professionals (44ADA)	50,00,000	75,00,000

- In the case of other eligible assessees who have cash receipts exceeding 5% of the total turnover or gross receipts the limit will continue as Rs. 2 crores (for businesses) and Rs. 50 Lakhs (professionals). This amendment will take effect from AY 2024-25 onwards.

Key highlights

- Expenses on which payment is to be made to Micro and Small Enterprises is allowed on payment basis.
- Assessing officers have a new tool to block undervaluation of inventory by engaging cost accountant to value inventory as per standards.
- Mandatory for SEZ units to realize export proceeds to India within 6 months without which 10AA exemption would not be available.

Promoting timely payments to Micro and Small Enterprises

- With the objective of promoting timely payments to Micro and Small Enterprises, Budget 2023 has proposed to provide that overdue amounts to a micro or small enterprise cannot be claimed as an expenditure in that financial year. Instead, it could be claimed in subsequent years when the payment was actually made.

Scenario	Maximum period
If contract is silent about credit period	15 days
If contract specifies a period less than 45 days	Period specified in contract
If contract specifies a period greater than 45 days	45 days

Preventing permanent deferral of taxes through undervaluation of inventory

- Undervaluation of inventory is an age-old practice of assessees for managing profits and income tax thereon. While specific valuation standards have been issued by the Income Tax Department, proper compliance was never ensured.
- Budget 2023 proposes to amend the provisions relating to assessment proceedings so as to enable assessing officers to direct the assessee to get their inventory valued by a cost accountant nominated by the Income Tax Department. The assessee would then be required to furnish a report signed by the cost accountant valuing its inventory. The cost for this exercise would be borne by the government.
- This amendment will take effect from AY 2023-24 onwards.

Additional conditions for obtaining SEZ deduction

- Units in Special Economic Zones ('SEZ units') which commenced commercial operations prior to September 30, 2020 are eligible for a 15 year tax holiday. Budget 2023 has clarified that SEZ units will not be eligible to claim a tax deduction if they have not filed their tax returns within the due dates.
- Budget 2023 has also clarified that it would be mandatory for SEZ units to bring in export proceeds within 6 months from the end of the financial year, failing which proportionate amount of tax benefit would not be allowed.

Key highlights

- Share premium in excess of fair value received from non-resident investors will now be subject to tax except in cases the amount is received by a start-up recognized by DPIIT
- Relief to start-ups in carrying forward and setting off of losses by increasing period from 7 years to 10 years
- Tax benefit for start ups extended for 1 more year

Taxing share premium from non-resident investors

- If a company receives share premium from an investor, the difference between the fair value of the shares and the consideration received would be taxed in the hands of the company as income from other sources. However, as a saving grace, the prevailing provisions exempted share premium received from non-residents. Now, Budget 2023 seeks to withdraw this exemption available to non-residents.

- This proposal has far reaching implications. At the outset 'fair value' is determined through two ways – one by a computation which roughly translates into the book value of the share and the second by way of the discounted cashflow method ('DCF method'). Given that most investments are received based on the future earning potential of the company, the DCF method becomes the default choice. However, this will entail a very expensive valuation report from a SEBI registered Category I merchant banker. Further, the valuation assumptions can be questioned by the tax authorities at the time of assessment. Valuation of shares under the DCF method is highly subjective and can easily be disputed by the tax authorities.

- The proposal is most untimely when the world is staring at a looming recession and funds from investors are fast drying up. However, companies which are less than ten years old can still obtain registration as a startup from the Department for Promotion of Industry and Internal Trade and avail exemption from these provisions.

Relief for start-ups

Budget 2023 proposed multiple benefits for start-ups. Major announcements are:

- Proposal to provide the benefit of carrying forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years. The condition of continuity of at least 51 per cent 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 on the last day of the year in which the loss is proposed to be set off. Presently, this relaxation applies for losses incurred during the period of 7 years from incorporation of such start-up.

- The existing provisions of the section 80-IAC of the Act, inter alia, provides for deduction of an amount equal to hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, provided it was incorporated prior to 1st April 2023. In order to further promote the development of start-ups, it is proposed to extend the period of incorporation of eligible start-ups to April 1, 2024. It may be noted that only start-ups which hold a certificate of eligible business from the Inter-Ministerial Board of Certification and with a turnover of up to Rs. 100 crores is eligible for this tax holiday.

Key highlights

- New section introduced specifically taxing winnings from online games. Provisions of TDS on income from lottery, crossword puzzles and other games also made water-tight.
- Rate of collections from TCS on foreign remittances increased considerably in the case of overseas tour packages and remittances other than for education or medical treatment.

Taxability & TDS on winnings from online games

- The TDS provisions require deduction of tax at source on income by way of winnings from lottery, crossword puzzle, or other games for winnings exceeding Rs. 10,000. Similar provisions are in force for winnings from horse racing or for betting from any race course. It has come to the attention of the IT department that deductors were splitting winnings into multiple transactions in order to avoid the threshold of Rs. 10,000. Budget 2023 proposes to amend section 194B and 194BB to the effect that the threshold of Rs. 10,000 will apply to a persons aggregate winnings in a financial year. This amendment will take effect from AY 2024-25 onwards.

- The last few years have witnessed a meteoric rise in the number of users of online games which brought in the need for specific regulation. Accordingly, Budget 2023 proposes to amend section 194B to include online gaming within its ambit specifically. It is also proposed to insert a new section 194BA to provide for tax deduction on net winnings in the account of the user. It is important to note that winnings from online games would be taxed @ 30%.

Increase in rate of TCS on certain remittances

- In order to increase TCS on certain foreign transactions and on sale of overseas tour packages, an amendment is proposed to section 206C of the Act. The current and proposed TCS rates are given below:

Type of remittance	Present rate	Proposed rate
For the purpose of any education, if the amount being remitted is a loan obtained from any financial institution as defined in section 80E.	0.5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	No change
For the purpose of education, other than (i) or for the purpose of medical treatment	5% of the amount or the aggregate of the amounts in excess of Rs.7 lakh.	No change
Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
Any other case relating to foreign remittances	5% of the amount or the aggregate of the amounts in excess of Rs.7 lakh.	20% without any threshold limit.

- This amendment to TCS provisions will take effect from July 1, 2023.

Key highlights

- Penal provisions introduced with respect to TDS on gifts given to businesses and professionals as well as VDA's.
- TDS rate for non-resident's who have mutual fund investments from NRO accounts reduced provided they submit a tax residency certificate
- Mechanism introduced to allow tax payers to claim credit of TDS within 2 years from date of deduction.
- TDS provisions will become applicable on interest received from debentures listed on a stock exchange in India.

Penalty provisions with respect to TDS

- Finance Act 2022 had introduced two new TDS provisions – one for TDS on benefits given to businesses and professionals such as gifts, free travel, etc. and the other for TDS on transfer of Virtual Digital Assets ('VDA'), i.e., cryptocurrency, NFTs, etc. which were often exchanged for other VDAs. Such benefits and exchanges of VDAs were difficult to track and bring to book and hence the introduction of TDS provisions. However, there were no corresponding penalty provisions for non-compliance.

- Budget 2023 proposes to introduce penalty provisions to encourage compliance.

Reduction of TDS on income from mutual funds to non-residents

- Non-residents who have invested in Indian mutual funds from their NRO accounts can breathe easy as TDS on income from mutual funds investments will now be taxed at the lower of 20% or the rates prescribed under the Double Taxation Avoidance Agreement ('DTAA') between India and their country of residence, whichever is lower. However, they will be required to obtain a tax residency certificate from the tax authorities in their country of residence.

TDS credit for income already disclosed in returns of past years

- It is common for tax payers to disclose income on the accrual basis of accounting both for convenience and for optimising the benefits of lower tax slabs. However, in some cases, the tax deductor may deduct TDS only in the year of pay out. For example, interest on post office savings accrue over many years, but the TDS is deducted by the Post Office authorities only in the year the interest is paid out. In such situations, the tax payer is put in a difficult position wherein he is not allowed to claim the full amount of TDS in the year of deduction as the corresponding income is not declared in that year. By then, it would be too late to revise the returns of the previous years as well.

- Budget 2023 has taken cognisance of this anomaly and has provided for a mechanism for tax payers to apply to their assessing officers for allowing credit of TDS within two years from the date of deduction of TDS.

Removal of TDS exemption on interest from listed debentures

- As per the prevailing provisions of the IT Act, TDS is not required in respect of payment of interest on debentures provided such debentures is held in dematerialized form and is listed on a recognised stock exchange in India. In order to avoid under-reporting of interest income by recipients, this exemption from TDS provisions has been done away with. This amendment will take effect from AY 2024-25 onwards.

Key highlights

- Clarified that interest on loans cannot be included as part of cost of acquisition or improvement at the time of computing capital gains.
- Maximum deduction eligible under section 54 and 54F limited to Rs. 10 crores.
- Cost of acquisition and cost of improvement in the case of intangible assets has been clarified to be Nil.
- Conversion of physical gold to e-gold and vice versa not considered as transfer for the purpose of capital gains tax

Changes in cost of acquisition for capital gains

- Earlier there was no specific provision allowing or restricting interest on housing loan as part of the cost of the asset while computing capital gains. Many courts have taken the view that the interest is also to be included as cost of acquisition. Now it is specifically proposed that cost of acquisition of the asset or the cost of improvement shall not include the interest on housing loan which has already been claimed as a deduction while computing taxable income.

Limiting the benefits under section 54 and 54F

- Section 54 and section 54F of the IT Act provide for exemption from capital gains provided specific capital gains have been reinvested in residential properties. The primary objective of introduction of these sections was to mitigate the acute housing shortage prevailing at that point in time. Further, these sections were expected to act as an impetus to house building activities.
- In order to restrict the claim for capital gains exemption by high net worth individuals using these sections, it has been proposed to amend these sections by imposing a maximum deduction limit of Rs. 10 crores. If the cost of the new asset being purchased exceeds Rs. 10 crores, the value of the asset would be deemed to be Rs. 10 crores. This provisions of this amendment would also extend to deposits made under the Capital Gains Account Scheme.
- This amendment will take effect from AY 2024-25 onwards.

Cost of acquisition in the case of intangible assets

- Under the existing provisions of the Act, there is lack of clarity regarding what is to be considered as cost of acquisition in the case of intangible assets.
- Budget 2023 has brought clarity to this by defining the cost of acquisition and cost of improvement in the case of intangible asset or any other right to be 'Nil'.

Conversion of physical gold to e-gold not subject to capital gains

- To promote investments in electronic equivalent of gold which are traded on stock exchanges, the conversion of physical gold to Electronic Gold Receipt (EGR) and vice versa is proposed not to be treated as a transfer and not to attract any capital gains.

Key highlights

- Further restrictions proposed on application of funds out of corpus and loans
- Donation to other trust to be treated as application to the extent of 85%
- Filing forms for accumulation of income to be filed 2 months prior to due date of filing returns

Rationalization of provisions for charitable trusts

The provisions relating to charitable trust have been rationalized. Major changes are :

- **Redepositing corpus and repayment of loans -** For calculating the amount spent for charitable purposes, more restrictions are proposed through this budget. Henceforth, usage of funds out of corpus or loans treated as an application before 1 April 2021 will not be treated as an application again when such an amount is deposited back into the corpus or when such loans are repaid. Going forward, redeposit of the amount in corpus/repayment of loans is to be done within five years from the end of the previous year from the usage of these funds for being allowed as an application in the year of depositing back/repayment, subject to the fulfilment of the prescribed conditions.
- **Treatment of donations to other trust** - The donations made by a trust or institution to another trust or institution shall be treated as application only to the extent of 85% of such donations.

Other changes including streamlining various due dates and timelines:

- To address the practical challenges faced in seeking provisional/regular registration, it is proposed that trusts or institutions apply for provisional registration only before the commencement of activities. The trusts or institutions, which have already commenced their activities, will directly make an application for regular registration. This amendment is applicable from 1 October 2023.
- Filing of Form 9A and Form 10 by trusts or institutions to claim accumulation of income is now required to be made at least two months prior to the due date of filing of return of income.
- It is now clarified that the trusts or institutions cannot claim the benefit of exemption provisions by filing updated return of income.

Key highlights

- Concessional tax rate of 15% extended to Co-operative societies
- Co-operative societies to enjoy higher threshold of Rs. 3 crores for cash withdrawals from banks without TDS
- Limits for acceptance and repayment of loans to certain co-operative societies increased to Rs. 2 lakhs
- In order to ensure speedier resolution of disputes and to reduce the burden of the CIT(A) it is proposed to introduce a Joint Commissioner (Appeals) for cases involving smaller amounts.

Relief for cooperative societies

Budget 2023 has given due weightage to promote the cooperative sector. A slew of measures have been incorporated as given below:

- Concessional tax rate of 15% to promote new societies focusing on manufacturing has been proposed. Earlier, such a concessional tax rate was provided to only eligible companies. Budget 2023 proposes to extend this benefit to co-operative societies too. In order to promote the growth of manufacturing in cooperative sector, the finance minister said a new cooperative society formed on or after April 1, 2023, which commences manufacturing or production by March 31, 2024 and does not avail of any specified incentive or deduction, is proposed to be allowed an option to pay tax at a concessional rate of 15 per cent similar to what is available to new manufacturing companies.

- A higher threshold limit of Rs 3 crore for TDS on cash withdrawal by co-operative societies from banks have been proposed through this budget. As per section 194N of the Act cash withdrawal by entities exceeding 1 crore from banks and other financial institutions was subject to a deduction of 2 per cent of such sum, as income-tax. This threshold has been increased in case of cooperative societies.

- Another major relief is the proposal to amend section 269SS and 269T of the income tax act to ensure there is no penalty for cash loan/transactions against primary co-operatives by increasing the threshold limits from the existing Rs. 20,000 to Rs. 2,00,000 in case of Primary Agricultural Credit Societies and Primary Co-Operative Agricultural and Rural Development Banks.

Introduction of Joint Commissioner (Appeals)

- It has been brought to the attention of the Ministry that the first authority for appeal, Commissioners of Income Tax (Appeals) are currently overburdened due to the huge number of appeals and the pendency being carried forward every year.

- In order to clear this bottleneck and to ensure speedier resolution of issues a new authority for appeals is being proposed to be created at the Joint Commissioner / Additional Commissioner level to handle certain class of cases involving small amount of disputed demand.

- Once the rules have been finalised by the department, assessees may see their appeals being transferred from Commissioner (Appeals) to Joint Commissioner (Appeals) depending on the amount involved. The relevant amendments to the Act to give effect to the introduction of this new provision will take effect from April 1, 2023.

Key highlights

- Time limit for furnishing TP report reduced from 30 days to 10 days.
- Gifts exceeding Rs. 50,000 received by individuals not ordinarily resident in India from persons resident in India will be subject to tax in India.
- Life insurance policies which have an annual premium greater than Rs. 5 Lakhs will not be exempted from tax on maturity of the policy.

Reducing the time provided for furnishing TP report

- In what is expected to be a blow to professionals, Budget 2023 proposes to amend section 92D of the IT Act which provides for a time limit of 30 days to furnish the transfer pricing report by reducing this time limit to 10 days from the date of receipt of notice. This amendment will take effect from April 1, 2023.

Extending deeming provisions under Sec. 9 to gifts to not-ordinarily resident

- Section 9 of the Act deals with income that is deemed to accrue or arise in India. Finance Act, 2019 inserted an amendment to this section by covering within its ambit amounts exceeding Rs. 50,000 received by a non-resident without consideration from a person resident in India. This amendment did not cover persons being not-ordinarily resident in India. In view of the above, Budget 2023 has proposed to amend this section so as to also include amounts received by persons not-ordinarily resident in India exceeding Rs. 50,000 without consideration from persons resident in India. This amendment will take effect from AY 2024-25 onwards.

Rationalisation of exempt income under life insurance policies

- Section 10(10D) of the IT Act provides for income tax exemption on the sum received under a life insurance policy provided the premium payable for any of the years under the policy does not exceed 10% of the sum assured. The legislative intent behind this section was to further the welfare objective of the government by subsidising the risk premium for an individual’s life and to encourage more people to get their life covered. However, it has now come to the attention of the government that high net worth individuals have invested in these policies in order to claim exemption.

- Finance Act, 2021 introduced a provision to restrict the exemption from tax in the case of ULIPs which have a premium which exceeds Rs. 2,50,000. Budget 2023 now seeks to further amend section 10(10D) by taxing proceeds on maturity of all life insurance policies (other than ULIPs for which the Rs. 2.5 Lakhs limit will continue) having premium or aggregate of premium above Rs. 5 Lakhs in a year. This amendment shall apply for policies issued on or after April 1, 2023.

Indirect Taxation

Key highlights

- Registrations may be cancelled if returns not furnished for a continuous period of 6 months.
- Registered person can use modified PMT-09 to transfer balance in electronic cash ledger within various branches having separate GSTIN but same PAN.
- 5th phase of e-invoice implementation applicable for taxpayers with aggregate turnover > ₹10 crores.

Cancellation of GST Registration for failure to file return

- GST authorities are empowered to cancel the registration in case a person has not filed returns for a continuous period of six months. However, if the registration has been suspended due to non-filing of GST return but not cancelled by the GST authorities, the suspension will be revoked and the GST registration restored upon filing of all pending returns.

Transfer of balance in cash ledger within various branches

- The new amendment enables all registered taxpayers to transfer any amount of tax, interest, or penalty available in electronic cash ledger between various branches of the entity having separate GSTIN but the same PAN, using form PMT-09 with effect from 5th July 2022.

E-invoicing under GST

- Taxpayers must comply with e-invoicing in FY 2022-23 if their aggregate turnover under all GSTIN under same PAN exceeds ₹10 crores for transactions with effect from 01st October 2022.
- The following transactions and documents comes under e-invoicing :

Documents	Transaction
Tax invoices, credit notes and debit notes under Section 34 of the CGST Act	Taxable Business-to-Business sale of goods or services, Business-to-government sale of goods or services, exports, deemed exports, supplies to SEZ (with or without tax payment), stock transfers or supply of services to distinct persons, SEZ developers, and supplies under reverse charge covered by Section 9(3) of the CGST Act.

Key highlights

- Exemption removed for renting of residential dwelling to registered person and shall be payable under reverse charge.
- Introduction of GST on pre-packaged and labelled commodities covered under Legal Metrology Act.

Removal of exemption on renting of residential dwelling

- With effect from July 18, 2022, a registered person who takes a residential premises on rent will have to remit GST on the rental amounts under the reverse charge mechanism ('RCM'). The following table gives a summary:

Property	Purpose	Recipient	Before 18th July 2022	After 18th July 2022
Residential	Residence	Unregistered	Exempt	Exempt
		Registered	Exempt	Taxable under RCM
Residential	Commercial	Registered	Taxable under forward charge	Taxable under RCM
		Unregistered	Taxable under forward charge	Taxable under forward charge
Commercial	Commercial	Any person	Taxable under forward charge	Taxable under forward charge

GST On Pre- Packaged and Labelled Commodities

- Prior to July 18, 2022, GST was applicable on certain goods when they were packed in a unit container and were bearing a brand name. With effect from July 18, 2022, GST shall apply on supply of such "pre-packaged and labelled" commodities attracting the provisions of Legal Metrology Act (LMA), with the condition that such goods must be packed in a package of predetermined quantity whether sealed or not and the package must bear declarations as required under LMA Act and Rules.

- Essentially, this is a change in modalities of imposition of GST on branded specified goods to "pre-packaged and labelled" specified goods.

- Further, a clarificatory circular has been issued by CBIC on the applicability of GST on pre-packaged and labelled commodities clarifying on aspects such as stage at which GST is payable, scope of goods, exclusions, weight threshold, etc.

Key highlights

- Due date of availment of ITC and rectification of other errors extended to 30th November.
- Input tax credit blocked with respect to goods or services used for CSR activities.

Due date of availment of ITC and rectification of other errors extended to November 30th

Presently, the due date of filing the GSTR3B returns for the month of September falls on the 20th of the October. On account of this proposal, additional time for availment of ITC will be available till 30th November of next financial year. This appears to have been done to make it in line with the closure of books of account and income tax returns which generally happens by November of the next financial year. Since the amendment is in 'substitution' form, it can be said that it applies retrospectively.

Particulars	Old due date	New due date
Due date for availment of ITC for F.Y	20th October of next F.Y	November 30th of the next F.Y
Time limit for issue of credit notes and corresponding adjustment to tax liability	Filing of September return of next F.Y	November 30th of the next F.Y
Rectification of errors and omissions in GSTR-1 for the F.Y	October 11th of next F.Y	November 30th of the next F.Y
Rectification of errors and omissions in GSTR- 3B for the F.Y	October 20th of next F.Y	November 30th of the next F.Y

Input tax credit blocked with respect to goods or services used for obligations under CSR.

- Budget 2023-24 has amended section 17(5) of the CGST act to provide that input tax credit shall not be available in respect of goods and services or both received by taxable person, which are used or intended to be used for activities relating to obligations under corporate social responsibility referred to in section 135 of the companies act.

Key highlights

- CBIC has notified new Postal Export (Electronic Declaration and Processing) Regulations 2022 for postal exports.
- Customs duties on several items such as precious metals and imported vehicles (including electric vehicles)

CBIC notifies Postal Export (Electronic Declaration and Processing) Regulations, 2022

- Leveraging the countrywide network of post offices to enable Micro, Small and Medium Enterprises ('MSME') to export to global markets, the CBIC has collaborated with the Department of Posts ('DoP') to develop a new dedicated Postal Bill of Exports ('PBE') Automated System for postal exports. Under the new system, the exporter will be able to file the PBE online from home/office and deposit the parcel in a nearby post office for export and are no longer be required to visit a Foreign Post Office ('FPO') located in India for customs clearance. The export parcel deposited by the exporter will be moved by the DoP to an FPO for export clearance through a digital platform.

Changes in BCD

- Following are the important items for which Budget 2023 has changed Basic Customs Duty ('BCD'):

Item	Existing	Proposed
Compounded Rubber	10%	Lower of 25% or Rs 30 per kg
Imitation Jewelry	Higher of 20% or Rs 400/kg	Higher of 25% or Rs 600/kg
Articles of precious metals	20%	25%
Bicycles	30%	35%
Toys and parts of toys	60%	70%
Electric Kitchen Chimney	7.5%	15%
Heat coil for use in the manufacture of electric kitchen chimneys	20%	15%
Vehicles (including electric vehicles) in semi – knocked down (SKD) form	30%	35%
Vehicles in completely built unit (CBU) form	60%	70%
Specific capital goods/machinery for manufacture of Lithium-ion cell for use in battery of electrically operated vehicle (EVs)	As applicable	Nil
Gold	12.5%	10%
Platinum	12.5%	10%
Silver	12.5%	10%
Coin	12.5%	10%
Aero planes and other aircrafts	3%	2.5%

Key highlights

- Automobile sector is likely to see strong growth owing to the proposed reduction in the basic customs duty.
- Retail sector is also likely to benefit with BCD being reduced on various key components which will help them compete with international brands.

Changes in BCD (contd.)

Item	Existing	Proposed
Fish meal/ Krill meal / Mineral and Vitamin Premixes used in manufacture of aquatic feed.	15%	5%
Naphtha	1%	2.5%

The impact of budget 2023 -2024 on key sectors :

Lab Grown Diamonds :

- India is a global leader in cutting and polishing of natural diamonds, contributing about three-fourths of the global turnover by value. With the depletion in deposits of natural diamonds, the industry is moving towards Lab Grown Diamonds ('LGDs') and in order to seize the opportunity basic customs duty is reduced on seeds used to manufacture these diamonds.

Green Hydrogen Mission :

- The The recently launched National Green Hydrogen Mission, with an outlay of 19,700 crores, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector. The target is to reach an annual production of 5 MMT by 2030.

Automobile Industry :

- One of the most significant announcements was the customs duty removal on capital goods imported for manufacturing lithium-ion batteries, which would eventually help reduce the cost of electric vehicles in the country. However, these benefits will apply only for vehicles manufactured within the country. As a result of hike basic customs duty from 60% to 70% for luxury vehicles including electric vehicles, luxury segment of vehicles manufacturing could see a growth. Automobiles sales in India could see a boost owing to the proposed reduction of basic customs duty rates on goods other than agriculture and textiles from 21% to 13%.

Retail Sector :

- Customs duty on television panels has been reduced to 2.5% – The move is expected to support manufacturers and help them compete with international market
- Duty cut on the import of certain inputs for mobile phone manufacturing, consequently experts project mobile phones to become cheaper
- For Jewellery sector, basic customs duty on articles made out of gold has been decreased.

Key highlights

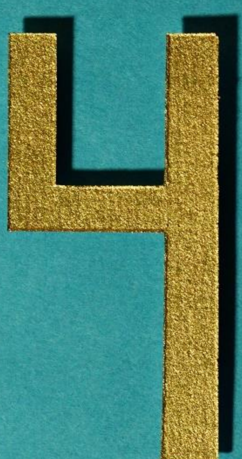
- Notification has been issued on the provisions to be followed by IT and ITeS units in SEZ to permit 100% its employees to work from a place outside the SEZ.
- **DESH (SEZ 2.0)** Proposed introduction of DESH Development of Enterprises and Service Hubs Bill 2022 to replace the SEZ Act

Introduction of new rule for work from home in SEZ

- In July 2022, The Department of Commerce had issued a notification permitting 50% of employees (including contractual employees) to work from home or from a place outside SEZ.
- In a notification issued in December 2022 extension of 100% work from home facility for IT and ITeS units in SEZs up to 31 December 2023 was granted. For units other than IT & ITEs the limit continues at 50%. Units need to ensure that the conditions specified are to be met.

SEZ 2.0 The shift from SEZ to DESH

- The Ministry of Commerce is in process of drafting new legislation to replace the SEZ Act. Development of Enterprise and Service Hubs (DESH) Bill, 2022, is expected to be tabled in the Parliament's Monsoon Session. It aims to set up 'development hubs' to promote economic activities, attract investment, enhance export competitiveness, and build robust infrastructure facilities. According to the proposed bill, DESH will be permitted to produce for both the domestic and international markets and undertake contract manufacture outside these hubs.



Ready Reckoner

- Key TDS rates
- Reverse charge mechanism under GST
- Quoting of PAN
- Reporting financial transaction
- Compliance calendar

Ready Reckoner

Key TDS Rates

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194	Dividend	5,000	10%	10%
194A	Interest other than interest on security (by bank)	Others 40,000 Sen. Citizens 50,000	10%	10%
194A	Interest other than interest on securities (by others)	5,000	10%	10%
194C	Contracts	30,000	1%	2%
194H	Commission or brokerage	15,000	5%	5%
194I(b)	Rent (Land / building / furniture)	2,40,000	10%	10%
194I(a)	Rent (plant & machinery / equipment)	2,40,000	2%	2%
194IA	Consideration for transfer of immovable property	50,00,000	1%	1%
194IB	Rent paid by individual / HUF not subject to tax audit	50,000 per month	5%	5%
194IC	Payment under joint development agreement to resident individual who transfers land / building	Nil	10%	NA
194J(1)(a)	Professional / Royalty / Non-compete fee	30,000	10%	10%
194J(1)(b)	Technical service (not being a professional service)	30,000	2%	2%
194J(1)(ba)	Any remuneration or commission paid to director of the company (other than those covered under Sec. 192)	-	10%	10%
194M	Contracts / professional charges / paid by individual / HUF not subject to tax audit	50,00,000	5%	5%
194N	Cash withdrawals (from bank, co-operative bank, post office) other than co-operative societies	Withdrawals in excess of Rs. 1 crore a year	2%	2%
	Co-operative societies	Withdrawals in excess of Rs. 3 crores a year	2%	2%
194O	Consideration paid by e-commerce operator for sale of goods or provision of services through its platform	5,00,000 (Individual)	1%	1%

Key TDS Rates – Continued

Section	Nature of payment	Cut-off amount (INR)	Rate % (Individual)	Rate % (Others)
194Q	Purchase of goods by a buyer whose turnover exceeds Rs. 10 crores	50,00,000	0.1%	0.1%
194R	Benefit or perquisite of a business or profession	20,000	10%	10%
194S	Purchase of virtual digital assets	50,000	1%	1%
195	Non Residents	TDS is to be deducted on a case to case basis, at rates to be determined based on DTAA or Income Tax Act, whichever is beneficial and also subject to certain conditions		

Notes

- **Sec. 194C**: Where the aggregate of the amounts paid / credited or likely to be paid / credited to a contactor exceeds INR 100,000 during the financial year, TDS has to be deducted.
- **No PAN for the payee**: TDS of 20% has to be deducted if the deductee does not furnish his PAN.
- **Tax returns not filed by deductees**: TDS at double the usual rate or 5%, whichever is higher, needs to be deducted if deductees from whom more than Rs. 50,000 has been deducted in the preceding two years, but have not filed their tax returns.
- **No TDS on goods transport**: No deduction shall be made from any sum credited or paid to the account of a contractor during the course of business of plying, hiring or leasing goods carriages if he furnishes declaration that he owns not more than 10 goods carriage vehicles and also furnishes his PAN, to the person paying or crediting such sum.

Higher rate for deduction of TDS / TCS - Sec. 206AB / 206CCA

Higher rate of TDS/TCS deduction is applicable to all payments except the specified payments mentioned below under Exclusions.

Applicability:

a. Aggregate TDS / TCS in each of immediately preceding two financial years is Rs. 50,000 or more.
b. The person has **not filed OR filed after the due date**, the returns of income for **preceding financial year** for which the time limit for filing of income return has expired.

Key TCS Rates

- Tax is to be collected at source by sellers at the time of making specified sales to their customers. Sellers will have to collect tax at source from their customers at the prescribed rates and remit it to the government on or before the 7th of the following month. Separate returns on quarterly basis will have to be submitted to the tax department.

Section	Nature of receipt	Cut-off amount (INR)	Rate %
206C(1)	Alcoholic liquor for human consumption	Nil	1%
206C(1)	Tendu leaves	Nil	5%
206C(1)	Timber	Nil	2.5%
206C(1)	Waste and scrap from the manufacture or mechanical working of materials	Nil	1%
206C(1F)	Sale of motor vehicle	10,00,000	1%
206C(1G)(a)	(i) Authorized dealer receiving amounts to be remitted outside India under the Liberalised Remittance Scheme ('LRS') of RBI obtained from any financial institution.	7,00,000	0.5%
	(ii) For the purpose of education, other than (i) or for the purpose of medical treatment	7,00,000	5%
206C(1G)(b)	Seller of overseas tour package which offers visit to a country outside India including travel and hotel stay	Nil	20%
206C(1G)(c)	Any other case relating to foreign remittances	Nil	20%
206C(1H)	Sale of goods by persons whose turnover exceeds Rs. 10 crores in the preceding financial year	50,00,000	0.1%

Quantum of TDS / TCS

If the provisions of Sec. 206AB or 206CCA are attracted, the following would be the applicable TDS / TCS rates: Twice the rate specified in the relevant provision of the IT Act/rates in force OR 5%, whichever is higher

Exclusions

- Payments to Non-residents not having a permanent establishment in India.
- Payment covered under the following sections:
    - Sec. 192 – TDS on salaries
    - Sec. 192A – TDS on premature withdrawal from EPF
    - Sec. 194B – TDS on lottery
    - Sec. 194BB – TDS on horse racing
    - Sec. 194LBC – TDS on income in respect of investment in securitisation trust
    - Sec. 194N - TDS on cash withdrawal from bank in excess of Rs. 1 crore

Furnishing of statement of financial transactions

Prescribed class of persons will have to furnish details of certain financial transaction entered by them during the year with the Income Tax Department. The list of some of these transactions which must be reported by persons/entities are given below:

Class of persons	Nature of transactions	Value of transaction
Any entity/person who is liable for audit under IT Act	Receipt of cash against sale of goods or services	Cash payments exceeding Rs. 2,00,000/- in a year
Company or institution issuing bonds or debentures	Receipt from any person for acquiring bonds or debentures issued by the company or institution	Aggregating to Rs. 10,00,000/- or more in a year
Company	Receipt from any person for acquiring shares issued by the company	Aggregating to Rs. 10,00,000/- or more in a year
Company listed in a stock exchange	Buy back of shares from any person (other than the shares bought in the open market)	Aggregating to Rs. 10,00,000/- or more in a year
Authorized dealer in foreign exchange	Receipt from any person for sale of foreign currency including credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument	Aggregating to Rs. 10,00,000/- or more in a year
Registrar or sub-registrar	Sale or purchase of any immovable property	Payments/value as per stamp valuation exceeding Rs. 30,00,000/-

Annual reporting of transactions in Form 61A

All transactions covered under the various provisions mentioned in the above table will have to be reported to the Income Tax Department. The reporting will be done electronically in Form 61A. Form 61A will have to be furnished on or before 31st May each year. Non filing will lead to a penalty of Rs. 500 per day.

Mandatory modes of electronic payment

With effect from January 1, 2020, entities with turnover exceeding Rs. 50 crores will have to mandatorily provide the following prescribed electronic modes of payment

- Debit Card powered by RuPay
- Unified Payments Interface (UPI) (BHIM-UPI)
- Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)

With effect from February 1, 2020, a penalty of Rs. 5,000 per day will be leviable to entities which fail to provide the above three facilities for electronic modes of payment.

Transactions in relation to which permanent account number is to be quoted in documents

Every person should quote their PAN in all documents pertaining to transactions prescribed. List of such transactions are as below:

Nature of transaction	Value of transaction
Sale / purchase of motor vehicle	All transactions
Application for opening bank account	All transactions
Application for credit / debit cards	All transactions
Opening DEMAT account with depositor	All transactions
Payment to a hotel or restaurant against a bill or bills at any one time	Cash payments exceeding Rs. 50,000
Payments in connection for travelling to a foreign country including purchase of foreign currency	Cash payments exceeding Rs. 50,000
Purchase of mutual fund units	All payments exceeding Rs. 50,000
Purchase of debentures and bonds in a company or an institution	All payments exceeding Rs. 50,000
Payment to the Reserve Bank of India, for acquiring bonds issued by it.	All payments exceeding Rs. 50,000
Deposit with a banking company or a co-operative bank	Cash payments exceeding Rs. 50,000
Purchase of bank drafts or pay orders or bankers' cheques	Cash payments exceeding Rs. 50,000
Fixed deposits with banks, post office, NBFC's and Nidhi Companies	Payments exceeding Rs. 50,000 or aggregating to more than Rs. 5,00,000 during a financial year
Payment for one or more pre-paid payment instruments, to a banking company or a co-operative bank	Amounts aggregating to more than Rs. 50,000 during a financial year
Life insurance premium paid	Amounts aggregating to more than Rs. 50,000 during a financial year
Sale or purchase, by any person, of shares of an unlisted company	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of securities other than shares	Payments exceeding Rs. 1,00,000 per transaction
Sale or purchase of immovable property	Payments / value as per stamp valuation exceeding Rs. 10,00,000
Any other sale or purchase, by any person, of goods or services	Amount exceeding Rs. 2,00,000 per transaction

Form 60

Any person entering into any transaction referred in the above table and raising bills should ensure that the PAN has been correctly furnished and the same has been mentioned in the document. In case the PAN is not available then a declaration to that extend should be obtained in Form 60.

Details of declarations received in Form 60 needs to be filed with the Income Tax Department on half yearly basis by 31st October and by 30th April each year in Form 61.

Ready Reckoner: Reverse charge mechanism under GST

Reverse charge mechanism under GST

- Under the normal taxation regime, the supplier collects the tax from the buyer and deposits the same after adjusting the output tax liability with the input tax credit available. But under the reverse charge mechanism, the liability to pay tax shifts from the supplier to the recipient.
- Unlike Service Tax, there is no concept of partial reverse charge. The recipient has to pay 100% tax on the supply.
- The liability for remittance of GST under the reverse charge mechanism by the recipient arises in the following scenarios:

Description of service
Legal services provided by an advocate or a firm of advocates
Services provided by a goods transport agency in respect of transportation of goods by road
Services supplied by an arbitral tribunal to a business entity
Services provided by way of sponsorship to any body corporate or partnership firm
Services supplied by an insurance agent to any person carrying on insurance business
Support services provided by Government / local authority in relation to (1) renting of immovable property (2) other specified services (postal service, transportation of goods or passengers, services in relation to aircrafts or vessels)
Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company
Service by way of renting of residential dwelling to registered person
Supply of security services by non-corporate to a registered person
Supply of specified categories of goods and services to notified classes of registered persons [such categories of goods and services and classes of registered persons are yet to be notified]
Services supplied through an E-commerce operator
Services supplied by a directors of a company or a body corporate
Services of lending of securities under Securities Lending Scheme, 1997 of SEBI
Services provided by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient, provided to a body corporate.
Services supplied by any person by way of transfer of development rights for construction of project by a promoter

FEBRUARY - 2023

Mo	Tu	We	Th	Fr	Sa	Su
		1	2	3	4	5
6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1 & GSTR 1 (MONTHLY)	12
13 GSTR 6	14	15 PF, ESIC	16	17	18	19
20 GSTR 3B & GSTR 5 & GSTR 5A	21	22	23	24	25	26
27	28 PT (HALF YEARLY)					

MARCH - 2023

Mo	Tu	We	Th	Fr	Sa	Su
		1	2	3	4	5
6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, PMT 01,GSTR 8	11 GST ANX-1 & GSTR 1	12
13 GSTR 6	14	15 PF, ESIC, ADVANCE TAX DUE DATE-FOURTH INSTALMENT (AY 23-24)	16	17	18	19
20 GSTR 3B, GSTR 5 & GSTR 5A	21	22	23	24	25	26
27	28	29	30	31 UPDATED RETURN (AY 2020-21)		

APRIL - 2023

Mo	Tu	We	Th	Fr	Sa	Su
					1	2
3	4	5	6	7 EQUALISATION LEVY	8	9
10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1, GSTR 1 (MONTHLY)	12	13 GSTR 1(Q) & GSTR 6	14	15 PF, ESIC	16
17	18 CMP-08 (FOR JAN 23 - MAR 23)	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22	23
24	25	26	27	28	29	30 TDS PAYMENT FOR THE MONTH OF MARCH

MAY - 2023

Mo	Tu	We	Th	Fr	Sa	Su
1	2	3	4	5	6	7 TDS PAYMENT & EQUALISATION LEVY
8	9	10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1, GSTR 1	12	13 GSTR 6	14
15 PF, ESIC & TCS RETURN (Jan-March)	16	17	18	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21
22	23	24	25	26	27	28
29	30 FORM 11 for LLP & QUARTERLY CERTICATE FOR THE QUARTER ENDING 31ST MARCH 2023	31 TDS QUARTERLY STATEMENT, TDS RETURN (JAN - MAR) & CMP-08 (OCT 23-DEC 23), FORM 61A & 61B (AY 23-24)				

JUNE - 2023

Mo	Tu	We	Th	Fr	Sa	Su
			1	2	3	4
5	6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1 & GSTR 1
12	13 GSTR 6	14	15 PF, ESIC, ADV TAX - FIRST INSTALMENT (AY 24-25), FORM 16 TO EMPLOYEES AY 2023-24	16	17	18
19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22	23	24	25
26	27	28	29	30 TDS QUARTERLY STATEMENT, FORM DPT 03 & FORM 1 EQUALISATION LEVY STATEMENT		

JULY - 2023

Mo	Tu	We	Th	Fr	Sa	Su
					1	2
3	4	5	6	7 TDS PAYMENT & EQUALISATION LEVY	8	9
10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1 & GSTR 1 (Monthly)	12	13 GSTR 1(Q) & GSTR 6	14	15 PF, ESIC & TCS RETURN (APR-JUN)	16
17	18 CMP-08 (FOR APR 23 - JUN 23)	19	20 GSTR 3B & GSTR 5 & GSTR 5A	21	22	23
24	25	26	27	28	29	30 QUARTERLY TCS CERTIFICATE FOR THE QUARTER ENDING 30TH JUNE 2023
31 TDS RETURN (APR -JUN) & ANNUAL IT RETURN FOR AY 23-24						

AUGUST - 2023

Mo	Tu	We	Th	Fr	Sa	Su
	1	2	3	4	5	6
7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1 & GSTR 1 (Monthly)	12	13 GSTR 6
14	15 PF, ESIC & FORM 16A FOR THE QUARTER ENDING JUNE 23	16	17	18	19	20 GSTR 3B, GSTR 5 & GSTR 5A
21	22	23	24	25	26	27
28	29	30	31 PT (HALF YEARLY)			

SEPTEMBER - 2023

Mo	Tu	We	Th	Fr	Sa	Su
				1	2	3
4	5	6	7 TDS PAYMENT & EQUALISATIO N LEVY	8	9	10 GSTR 7, PMT 01 & GSTR 8
11 GST ANX-1 & GSTR 1	12	13 GSTR 6	14	15 PF, ESIC & ADVANCE TAX - Second Instalment (AY 24-25)	16	17
18	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22	23	24
25	26	27	28	29	30 TDS QUARTERLY STATEMENT, SUBMISSION OF TAX AUDIT REPORT IN FORM 3CA/3CB (AY 23-24)	

OCTOBER - 2023

Mo	Tu	We	Th	Fr	Sa	Su
						1
2	3	4	5	6	7 TDS PAYMENT & EQUALISATION LEVY	8
9	10 GSTR 7, PMT 01,GSTR 8	11 GST ANX-1 & GSTR 1 (MONTHLY)	12	13 GSTR 1(Q) & GSTR 6	14	15 PF, ESIC, TCS RETURN (JUL-SEPT)
16	17	18 CMP-08 (FOR JULY 23- SEP 23)	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22
23	24	25 ITC-04 (APR'23 - SEP'23) HALF YEARLY	26	27	28	29
30 QUARTERLY TCS CERTIFICATE FOR THE QUARTER ENDING 30TH SEPTEMBER 2023, LAST DATE FOR AOC-4 & FORM 8 FOR LLP	31 TDS RETURN(JUL-SEPT), FORM 3CEB, FORM 3CA OR 3CB & 3CD(3CEB CASES), IT RETURN FOR COMPANIES					

NOVEMBER - 2023

Mo	Tu	We	Th	Fr	Sa	Su
		1	2	3	4	5
6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1 & GSTR 1	12
13 GSTR 6	14	15 PF, ESIC & FORM 16A FOR THE QUARTER ENDING SEP 23	16	17	18	19
20 GSTR 3B, GSTR 5 & GSTR 5A	21	22	23	24	25	26
27	28	29 LAST DATE FOR FILING MGT-7	30 INCOME TAX RETURN FOR AY (23-24) - TRANSFER PRICING CASES			

DECEMBER - 2023

Mo	Tu	We	Th	Fr	Sa	Su
27	28	29	30	1	2	3
4	5	6	7 TDS PAYMENT & EQUALISATION LEVY	8	9	10 GSTR 7, PMT 01 & GSTR 8
11 GST ANX-1 & GSTR 1 (MONTHLY)	12	13 GSTR 6	14	15 PF, ESIC, ADVANCE TAX-THIRD INSTALMENT (AY 24-25)	16	17
18	19	20 GSTR 3B, GSTR 5 & GSTR 5A	21	22	23	24
25	26	27	28	29	30	31 TDS QUARTERLY STATEMENT, DUE DATE FOR FILING GSTR 9, GSTR 9C, GSTR 9A (COMPOSITION) & GSTR 9B LAST DATE FOR FILING ITR FOR FY 2022-23

JANUARY - 2024

Mo	Tu	We	Th	Fr	Sa	Su
1	2	3	4	5	6	7 TDS PAYMENT & EQUALISATION LEVY
8	9	10 GSTR 7, PMT 01 & GSTR 8	11 GST ANX-1 & GSTR 1 (MONTHLY)	12	13 GSTR 1(Q) & GSTR 6	14
15 PF, ESIC & TCS return (Oct-Dec)	16	17	18 CMP-08 (For Oct-23 to Dec-23)	19	20 GST 3B, GSTR 5 & GSTR 5A	21
22	23	24	25	26	27	28
29	30 QUARTERLY TCS CERTIFICATE FOR THE QUARTER ENDING 31ST DECEMBER 2023	31 TDS return (Oct-Dec)	1	2	3	4

Note to Reader & Glossary

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We have used the following sources while preparing this document

1. The Finance Bill, 2023
2. The Finance Minister's Budget speech, February 1, 2023
3. Various notifications issued by the Central Board of Indirect Taxes & Customs

Glossary

ADD : Anti Dumping Duty
AOP : Association of Persons
AY : Assessment Year
BCD : Basic Customs Duty
Budget 2022 : Union Budget for 2022 - 23
Budget 2023 : Union Budget for 2023 - 24
CBDT : Central Board of Direct Taxes
CBU : Completely Built Unit
CGST Act : Central Goods and Services Tax Act, 2017
CSR : Corporate Social Responsibility
Crores : Ten millions
DESH : Development of Enterprise and Service Hubs
DOP : Department of Posts
DPIIT : Department for promotion of industry and internal trade
DTAA : Double Taxation Avoidance Agreement
EGR : Electronic Gold Receipt
ESIC : Employee State Insurance Corporation
EV : Electric Vehicle
FM : Finance Minister
FPO : Foreign Post Office
FY : Financial Year
GJA : G. Joseph & Associates
GST : Goods & Services Tax
GSTIN : Goods & Services Tax Identification Number
HUF : Hindu Undivided Family
IGST : Integrated Goods & Services Tax
INR /Rs. : Indian Rupee
IT Act : Income-tax Act, 1961
IT and ITeS : Information Technology and Information Technology Enabled Services
ITC : Input Tax Credit
ITR : Income Tax Return
Lakhs : Hundred thousands
LGD : Lab Grown Diamonds
LLP : Limited Liability Partnership
LMA : The Legal Metrology Act, 2009
LRS : Liberalised Remittance Scheme
LUT : Letter of Undertaking
MAT : Minimum Alternate Tax
MSME : Micro Small and Medium Enterprises
NBFC : Non Banking Financial Companies
NRO : Non Resident (Ordinary)
NFT : Non-Fungible Token
PAN : Permanent Account Number
PBE : Postal Bill of Exports
PF : Provident Fund
PT : Profession Tax
RBI : Reserve Bank of India
RCM : Reverse charge mechanism
SEBI : Securities & Exchange Board of India
SEZ : Special Economic Zone
SGST : State Goods & Services Tax
SKD : Semi Knocked Down
TCS : Tax Collected at Source
TDS : Tax Deducted at Source
ULIP : Unit Linked Insurance Plan
UPI : Unified Payments Interface
VDA : Virtual Digital Asset

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