

# Budget

**2020**

**2021**

**2022**

**2023**

**2024**

**#EYonBudget2023**



# Macro Fiscal (1/2)

- ▶ The **Economic Survey** projected a **real GDP growth of 6.5%** as per its baseline case. Its overall assessment gives a broader range of 6-6.8%
- ▶ The **Union Budget FY24** estimated the **nominal GDP growth at 10.5% in FY24**, down from 15.4% in FY23 (NSO's First Advance Estimates)
- ▶ Consequently, growth in **Gol's gross tax revenues is budgeted to moderate to 10.4% in FY24 (BE)** as compared to 12.3% in FY23 (RE)
- ▶ The total expenditure growth is budgeted at 7.5% in FY24 (BE). Within this, **capital expenditure is budgeted to show a strong growth of 37.4%** while revenue expenditure growth is estimated at only 1.2%
- ▶ **Effective capital expenditure** (direct capex of Gol plus grants to states for creation of capital assets) **relative to GDP is budgeted to increase to 4.5% in FY24** from 3.9% FY23 (RE)
- ▶ Apart from the push to capex, the budget has provided **support to growth by stimulating private consumption**. Consumption growth would pick up owing to— 1) downward trend in inflation leading to increased real incomes, and 2) **tax slab adjustments boosting disposable income**, especially in the lower middle income segments
- ▶ In order to provide for high growth in capital expenditure, the reduction in Gol's fiscal deficit to GDP ratio in FY24 is estimated to be modest at 0.5 percentage points. Accordingly, **Gol's fiscal deficit to GDP ratio in FY24 is estimated at 5.9%**.
- ▶ In line with the aim of fiscal consolidation, the Gol has indicated a **reduction in its fiscal deficit to GDP ratio to below 4.5% by 2025-26**

## Highlights

Nominal  
GDP Growth  
FY24

10.5%



Capital  
expenditure  
growth

37.4%



FY24 Fiscal  
Deficit

5.9% of  
GDP

# Macro Fiscal (2/2)

## Thrust on Infrastructure

- ▶ Railways has been provided with a capital outlay of INR2.40 lakh crore, which is about 9 times the outlay made in 2013-14
- ▶ Identification of 100 critical transport infrastructure projects for first and last mile connectivity for ports, coal, steel, fertilizer, and food grains sectors
  - ▶ To be taken on priority with investment of INR 75,000 crore, including INR 15,000 crore from private sources
- ▶ Urban Infrastructure Development Fund will be established through use of priority sector lending shortfall
  - ▶ This will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities
- ▶ The Harmonized Master List of Infrastructure will be reviewed by an expert committee

## Data & Tech

- ▶ A **National Data Governance Policy** will be rolled out to encourage innovation, research and enable access to anonymized data

## Green Growth

- ▶ Budget provides INR35,000 crore for priority capital investments towards energy transition, net zero objectives, and energy security

## Employment generation

- ▶ Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill the young population within the next three years
  - ▶ The scheme will cover new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills
- ▶ National Apprenticeship Promotion Scheme will be rolled out to provide stipend support to 47 lakh youth in 3 years

## Other key announcements

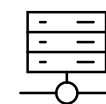
- ▶ Direct Benefit Transfer under revamping of the credit guarantee scheme for MSMEs will take effect from 1 April 2023 through infusion of INR9,000 crore in the corpus
- ▶ National financial information registry will be set up to serve as the central repository of financial and ancillary information
- ▶ Agriculture Accelerator Fund will be set-up to encourage agri-start-ups by young entrepreneurs in rural areas

## Highlights



*Capital Expenditure in Infrastructure to boost employment and output*

INR35,000 crore for energy transition



**National Data Governance Policy**

- ▶ Concessional tax regime introduced for new co-operative societies which commences manufacturing or production before 31 March 2024 and does not avail of any specified incentive or deductions, may opt to pay tax at concessional rate of 15% (plus surcharge of 10%) for tax year 2023-2024 onwards
- ▶ New provision inserted to tax income from winnings from online games. Income tax to be aggregate of 30% on net winning and income-tax which would have been chargeable on remaining income of taxpayer (after reducing new winnings above). This will be effective from 1 April 2024. TDS to be done on net winnings from any online games at rates in force w.e.f 1 July 2023
- ▶ Last date of incorporation for claiming start-up incentives is extended by another year i.e., up to 31 March 2024
- ▶ Penalty and prosecution for default in TDS on “in kind” payments for transfer of virtual digital assets and business benefit or perquisite or online game winnings made explicit with prospective effect (1 April 2023/1 July 2023)
- ▶ TCS rate increased to 20% (as against 5%) with effect from 01 July 2023 on remittances under Liberalised Remittance Schemes (including overseas tour packages) other than for medical and education purposes
- ▶ Capital gains rollover exemption on investment in new residential property in India is now capped to INR10 crore with effect from 01 April 2024. New limit to apply to capital gains for rollover of capital gains from residential property and to net sale consideration for rollover of capital gains from any other capital asset

## Highlights



**Start-ups**

31 March 2024



New tax  
for Online  
Gaming

**TCS**

5%  20%



**Penalty**

- ▶ Capital Gains arising from transfer/ redemption/ maturity of 'Market linked Debenture' (listed) taxable as short term capital gains w.e.f 1 April 2024
- ▶ Removal of exemption on TDS on payment of interest on listed debentures issued by a Company, to a resident, w.e.f 1 April 2023
- ▶ To ensure valuation of inventory as per law and prevent permanent deferral of taxes through undervaluation, tax officer may ask direct taxpayer to get inventory valuation done by a cost accountant and furnish valuation report as prescribed. Such period for inventory valuation is excluded for computing time limitation
- ▶ Cost of acquisition of any intangible asset or any other right (not already included in the ITL) will be Nil w.e.f 1 April 2024
- ▶ Removal of exemption on TDS on payment of interest on listed debentures issued by a company, to a resident, w.e.f 1 April 2023
- ▶ Interest payable on borrowed capital for acquiring/ reconstructing a property, which is allowed as deduction under the head 'income from house property' will not be included as cost of acquisition for computing capital gains on sale of such property. This amendment comes in effect from 1 April 2024
- ▶ Conversion of gold to electronic gold receipt or vice versa is not liable to capital gains taxation
- ▶ Capital Gains arising from transfer/ threshold for turnover/ gross receipts for eligible business carried on by a partnership firm (other than LLP), to avail benefit of presumptive income scheme, increased to INR3 Crore provided amounts received in cash does not exceed 5% if total gross receipts
- ▶ Payment to MSME beyond time limits specified in MSMED Act will be allowed as deduction only on actual payment. Deduction allowed on accrual basis only if payment is within due date of MSMED Act

## Highlights



Market linked debentures = Short term Capital asset



Sale of intangible assets or any other rights

Interest on Listed debentures → TDS

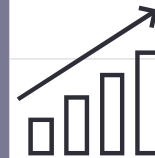
# Transaction Tax

- ▶ Investment from 'non-resident' investors is also covered under the ambit of 'premium/ angel taxation', and therefore, any fund raised in excess of the prescribed fair value is taxable in the hands of the Indian Company
- ▶ Benefit of carry forward of business loss to eligible 'start-ups' will not be denied within 10 years (extended from seven years) from the year of incorporation subject to certain conditions
- ▶ Distribution (other than interest, dividend, rental income or capital gains), say, in the nature of 'repayment of debt', by business trust to unit holder to be taxed as 'other income' in hands of unit holders. Such distribution to be reduced by cost of acquisition where units are redeemed
- ▶ Carry forward of accumulated losses and unabsorbed depreciation allowed on merger of erstwhile public sector companies subsequent to strategic disinvestment by the Government or public sector company where merger takes place within five years from prescribed date
- ▶ Clarificatory amendment issued on assessment/ reassessment of modified return filed by successor pursuant to an order of business reorganisation issued by tribunals or courts

## Highlights



Premium taxation on non-residents



Carry forward of losses from 7 years to 10 years

# Transfer Pricing

## Specified Domestic Transaction - insertion of clause

- ▶ The provision of Specified Domestic Transaction (SDT) has been expanded to cover transactions undertaken between any taxpayer with a new manufacturing cooperative society availing a concessional tax rate of 15%.

## Reduced timeline to submit TP documentation and other information

- ▶ The time limit to furnish TP documentation and other information as required by transfer pricing officer (TPO) has been reduced from 30 days to 10 days.

### Highlights



SDT  
expanded

30 10



days

# Personal Tax

- ▶ **Amendment to Concessional Tax Regime (CTR):**
- ▶ CTR to be regarded as the default tax regime while an option to consider existing tax regime will be available
- ▶ Enhancement in the basic exemption limit to INR3 lakhs from existing limit of INR2.5 lakhs
- ▶ CTR now provides a change in the tax structure with reduced slabs as under:
  - ▶ Up to INR3 lakhs - Nil
  - ▶ Above INR3 lakhs to INR6 lakhs - 5%
  - ▶ Above INR6 lakhs to INR9 lakhs - 10%
  - ▶ Above INR9 lakhs to INR12 lakhs - 15%
  - ▶ Above INR12 lakhs to INR15 lakhs - 20%
  - ▶ Above INR15 lakhs - 30%
- ▶ Introduction of standard deduction of **INR50,000** from salary and **INR15,000** from family pension under CTR
- ▶ Maximum surcharge rate reduced from 37% to 25% in case of taxpayer having taxable income exceeding INR 5Cr (maximum marginal rate reducing from 42.744% to 39%).
- ▶ Rebate limit enhanced to INR7 lakhs from the existing limit of INR5 lakhs
- ▶ Capital gain exemption under section 54 & 54F capped at INR10 crores where the capital gain/ net consideration is reinvested in a residential house.
- ▶ Tax Collected at Source (TCS) has been enhanced to 20% (from existing 5%) on certain foreign remittances (except education & medical treatment), without any threshold limit
- ▶ Leave encashment limit announced to increase from existing INR 3Lakhs to INR25 lakhs
- ▶ Income received from insurance policies, issued on or after 01 April 2023 (other than unit linked policies), having premium or aggregate of premium exceeding INR5 lakhs in a year, will be taxable (except in the case of death)
- ▶ Net winnings from online gaming subject to withholding tax at 30% without any de-minimis threshold (as against a threshold of INR10,000 earlier)
- ▶ Deployment of Joint Commissioner/ Additional Commissioner for disposal of small appeals

## Highlights



Changes to CTR

Maximum deduction of INR **10Cr.** under Section 54 & 54F



Increase in leave encashment statutory limit



Quick disposal of appeals



# Goods and Services Tax

- ▶ Filing of returns and statements will not be allowed after three years from the relevant due dates.
- ▶ Following transactions are to be treated as outside the purview of GST also for the period 1 July 2017 till 31 January 2019:
  - ▶ Supply of goods from a place in non-taxable territory to another place in non-taxable territory without such goods entering into India
  - ▶ Supply of warehoused goods before their clearance for home consumption
  - ▶ High sea sales
  - ▶ Input tax credit (ITC) will not be available for goods or services used in activities relating to Corporate Social Responsibility (CSR).
  - ▶ Value of activities as may be prescribed in respect of warehoused goods before their clearance for home consumption will be considered as an exempt supply for common ITC reversal.
  - ▶ Minimum threshold for launching prosecution will be increased from INR1 crore to INR2 crore except in case of issuance of invoice without supply.
- ▶ Place of supply of services of transportation of goods outside India will be:
  - ▶ In case of registered recipient – location of recipient
  - ▶ In case of unregistered recipient – location at which goods are handed over for transportation
  - ▶ The condition of minimal human intervention will be removed from the definition of “Online Information and Database Access or Retrieval Services”, thus placing emphasis only on information technology required to provide such service.
- ▶ Taxpayers supplying goods through e-commerce operator will be eligible to opt for the composition scheme.
- ▶ Compounding amount, in case of offences, will be reduced between 25% to 100% of the tax amount.
- ▶ Following offences will be decriminalized:
  - ▶ Obstructing or preventing any officer in discharge of his duties
  - ▶ Tempering of material evidence
  - ▶ Failure to supply information

## Highlights



No ITC on CSR activities

3  
years

Time period for filing returns after the due date



Reduction in compounding amount

# Customs

- ▶ As a part of custom duty rate rationalization, Basic Customs Duty (BCD), Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC) on several goods will be reduced.
- ▶ 146 exemptions will be extended for a period of one year, i.e., up to 31 March 2024, for the purpose of undertaking review.
- ▶ Validity of two years will not apply to exemption notifications issued in relation to:
  - ▶ Multilateral or bilateral trade agreements,
  - ▶ Obligations under international agreements, treaties, etc.
  - ▶ Privileges of constitutional authorities,
  - ▶ Schemes under Foreign Trade Policy,
  - ▶ Central Government schemes having a validity period of more than two years,
  - ▶ Re-imports, temporary imports, goods imported as gifts or personal baggage, and
  - ▶ All other duties of customs, except BCD
- ▶ Order shall be passed by the Settlement Commission within a period of nine months from the last date of the month in which application is made.

## Highlights



**146**  
exemptions  
extended  
until 31  
March 2024

**2**  
years

Validity of  
exemption  
notification  
not to apply  
in specified  
cases



Settlement  
commission  
to pass  
order within  
9 months



## Sector wise highlights

# Agriculture (1/3)

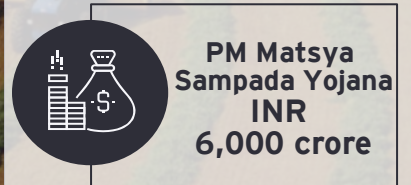
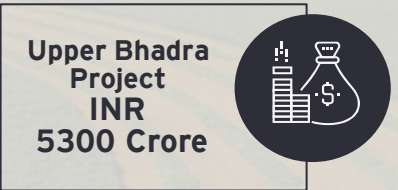
## Investments and financial support

- ▶ Agricultural credit target to be increased to INR20 lakh crore
- ▶ Agriculture Accelerator Fund to be set up to encourage agri-start ups
- ▶ Outlay of INR2,200 crore towards Atmanirbhar Horticulture Clean Plant Program to boost availability of quality planting material
- ▶ Outlay of INR6,000 crore towards PM Matsya Sampada Yojana to expand the market for fishermen and MSMEs
- ▶ Assistance of INR5,300 crore to be given to Upper Bhadra Project to provide sustainable micro irrigation and filling up of surface tanks for drinking water

## Infrastructure

- ▶ Digital public infrastructure for agriculture to be built to enable farmer-centric solutions for support and growth of agri-tech industry and start-ups
- ▶ Critical infrastructure projects to be undertaken for improving supply chain logistics of fertilisers and food grains
- ▶ Decentralised storage capacity to be set up to enable farmers to realize sales in a timely manner
- ▶ Multipurpose cooperative societies, primary fishery societies and dairy cooperative societies to be set up in next five years

## Highlights



# Agriculture (2/3)

## Green growth

- ▶ PM- PRANAM - Incentives to states to promote use of alternative fertilisers
- ▶ 10,000 bio-inputs resource centres to be set-up to create a national-level distributed micro-fertilizer and pesticide manufacturing network
- ▶ 500 new 'waste to wealth' plants to be established under GOBARdhan scheme to promote circular economy
- ▶ Green credit program to be notified to incentivize environment sustainability

## Skill and Research and Development

- ▶ Support to be given to IIMR for promoting research for making India a global hub for millets
- ▶ Centers of Excellence to be set-up for developing AI-based solutions in agriculture
- ▶ Labs using 5G services to be set up in engineering institutions for precision farming

## Others

- ▶ National cooperative database to be prepared for country-wide mapping of cooperative societies
- ▶ Public and private sector collaboration to enhance productivity of extra-long staple cotton
- ▶ Mangrove plantation to be developed along the coastline and on salt pan lands

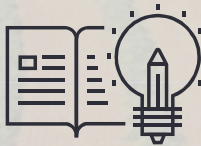
## Highlights

10,000 resource centers and 500 plants



5G labs to be set up for precision farming

Center of Excellence to be set - up for AI based solutions



# Agriculture (3/3)

## Direct Tax

- ▶ New co-operatives that commence manufacturing activities by 31 March 2024 to get the benefit of a lower tax rate of 15 percent, as is presently available to new manufacturing companies
- ▶ Extension in sunset date for incorporation of start-ups from 31 March 2023 to 31 March 2024, for availing 100% deduction of profits and gains from business for three consecutive years out of 10 years. Carry forward of losses on change of shareholding of eligible start-ups increased from seven years of incorporation to 10 years
- ▶ Threshold of section 269SS and 269T increased to INR2 lakhs for primary agricultural credit society and primary cooperative agricultural and rural development bank
- ▶ Payments made by sugarcane co-operatives to sugarcane farmers for the period prior to Assessment Year 2016-17 allowable as expenditure

## Indirect tax

- ▶ BCD rate reduced for fish lipid oil for use in manufacture of aquatic feed with effect from 2 February 2023
- ▶ Changes to Agriculture Infrastructure and Development Cess rate on various products such as coal, gold bar etc., with effect from 2 February 2023

## Highlights

# 1 year

Extension in sunset date for incorporation of start-ups



31.03.2024

15%  
tax rate

Cconcessional tax regime extended to co-operatives

7 → 10  
years                      years

Extension in timeline for carry forward of losses for start-ups

# Auto

- ▶ In order to promote domestic manufacturing, non-creditable custom duty rates (after factoring effect of SWS) on vehicles covered under HSN 8703 increased:
  - ▶ from 33% to 35% (SKD vehicles including Electric Vehicles (EV))
  - ▶ from 66% to 70% (CBU EV having CIF value upto \$40K; and other CBU vehicle having CIF value upto \$40K or/ and engine capacity upto 3000 cc for petrol-run vehicles/ upto 2500 cc for diesel-run vehicles)
- ▶ Re-emphasis laid on National Green Hydrogen Mission which was recently launched with outlay of INR19,700 crores, for supporting green mobility to reach annual production target of 5 MMT by 2030
- ▶ The concessional BCD rate is extended upto 31 March 2024:
  - ▶ On import of lithium-ion cell for manufacture of battery of EV /Hybrid Vehicles
  - ▶ On import of other specified parts, components and sub-parts (excluding PCBA) for manufacture of lithium-ion battery or PCBA of lithium-ion battery
- ▶ BCD exemption introduced on import of specified capital goods/ machinery required for manufacturing of lithium-ion cells for batteries used in EV
- ▶ Additional budget allocation to support scrappage of old vehicles of Central and State Government
- ▶ BCD exemption introduced on import of specified vehicles, automobile parts/ components, sub-systems and tyres when imported by notified testing agency
- ▶ To support MSMEs in timely receipt of payments, deduction of expenditure to payer on payment made to MSMEs beyond time limit specified in MSMED Act to be allowed only when actual payment is made

## Highlights



Increased non-creditable custom duty rates by 2%~/ 4%~.

Support green mobility



Support timely payment to MSMEs

# Chemicals (1/2)

- ▶ Capital investment outlay is being increased by 33% to INR10 lakh crore. A capital outlay of INR2.40 lakh crore has also been provide for Railways. Further, the newly established Infrastructure Finance Secretariat will provide a boost to private investment in infrastructure, including railways, roads, urban infrastructure and power.
  - ▶ This would positively impact varied specialty chemicals including construction chemicals.
- ▶ A 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors, have been identified. They are proposed to be taken up on priority with investment of INR75,000 crore, including INR15,000 crore from private sources.
  - ▶ This would positively address the logistic issues faced by the chemical and fertilizer sector.
- ▶ Research & development grant provided to one of the IITs for five years to encourage indigenous production of lab-grown diamonds.
  - ▶ Positive impact for chemicals and gases used in Chemical Vapor Deposition process undertaken for producing lab-grown diamonds.

## Highlights

Capital investment outlay increased to **INR10 lakh crore**, with focus on infrastructure



Green hydrogen production target of **5 MMT** by 2030



Focus on bio-inputs and bio-pesticides



Boost to indigenous production of Lab Grown Diamonds

**POSITIVE IMPACT**  
on chemical sub-segments



# Chemicals (2/2)

- ▶ Focus on green growth and announcement of green credit programme for incentivizing environmentally sustainable and responsive actions by companies, individuals and local bodies.
  - ▶ This would boost green chemistry products and also aid ESG initiatives undertaken by various chemical companies.
- ▶ Target of 5MMT by 2030 for production of Green Hydrogen under National Green Hydrogen Mission.
  - ▶ Positive impact for hydrogen-producing companies.
- ▶ Allocation of funds to scrap old vehicles and ambulances.
  - ▶ Positive impact for emission control catalyst, polyurethane and TPU.
- ▶ Boost to research & development to promote innovation in pharmaceutical sector.
  - ▶ Positive impact on research & development chemicals.
- ▶ As part of rationalization of customs duty rate structure, Basic Customs Duty ('BCD') rates on certain goods other than textile and agriculture is being reduced.
- ▶ Exemption on denatured ethyl alcohol is proposed to support the Ethanol Blending Programme and facilitate the Government's endeavor for energy transition.
- ▶ Reduction in BCD for acid-grade fluorspar from 5% to 2.5% to make the domestic fluorochemicals industry competitive.



# Consumer Products and Retail

Union Budget 2023  
EY Insights

- ▶ Capital investment has steeply risen for the third year in a row by 33%
- ▶ Tourism taking center stage in Budget 2023
  - ▶ Promote entrepreneurship, job creation and boost consumption
- ▶ Customs duty rate changes focused on 'Make in India' and export promotion
  - ▶ Exemptions/ concessions extended to seeds for lab grown diamonds and certain parts for kitchen chimneys and components of mobile phones and televisions
  - ▶ Increase in effective duty rates on import of toys, bicycles and motor vehicles
- ▶ Increase in effective excise duty on manufacture of specified cigarettes
- ▶ Import duty rate have been increased on silver doré, and articles made of precious materials, imitation jewelry, electric chimneys
- ▶ Clarification added in section 194R to apply TDS on benefit or perquisite in cash or in kind or partly in cash and partly in kind
- ▶ Concessional corporate tax rate of 15% extended to co-operative societies
- ▶ Tax officer empowered to get inventory valuation done from cost accountant
- ▶ Expenses related to MSMEs to be allowed as deduction on actual payment basis.



## Highlights



Capital investment of  
**INR10 lakh**  
crore

**Custom duty rationalisation to boost manufacturing**



**Rationalised slab rates - Higher disposable income**




**Promote local tourism - boost for employment and consumption**




# Defense (1/2)


- ▶ Defense budget allocation of INR 1,62,600 crores for capital outlay and INR 2,70,120 crores for revenue expenditure
- ▶ 6.7% and 15.9% increase in INR terms in budget allocation for capital outlay and revenue expenditure, respectively, over FY 22 - 23 (BE)
- ▶ An Agniveer Corpus fund is proposed to be created to incentivize Agniveers under the Agnipath Scheme, 2022
  - ▶ Each Agniveer to contribute 30% of monthly package to this fund. Government will make matching contribution and also pay interest on overall contributions
  - ▶ Consolidate amount (called Seva Nidhi) in the account will be paid to Agniveer on completion of four years of service
  - ▶ These contributions shall be under the E-E-E scheme, i.e., both contributions will be tax free at the time of contribution, annual accretion through interest as well as at the time of withdrawal.

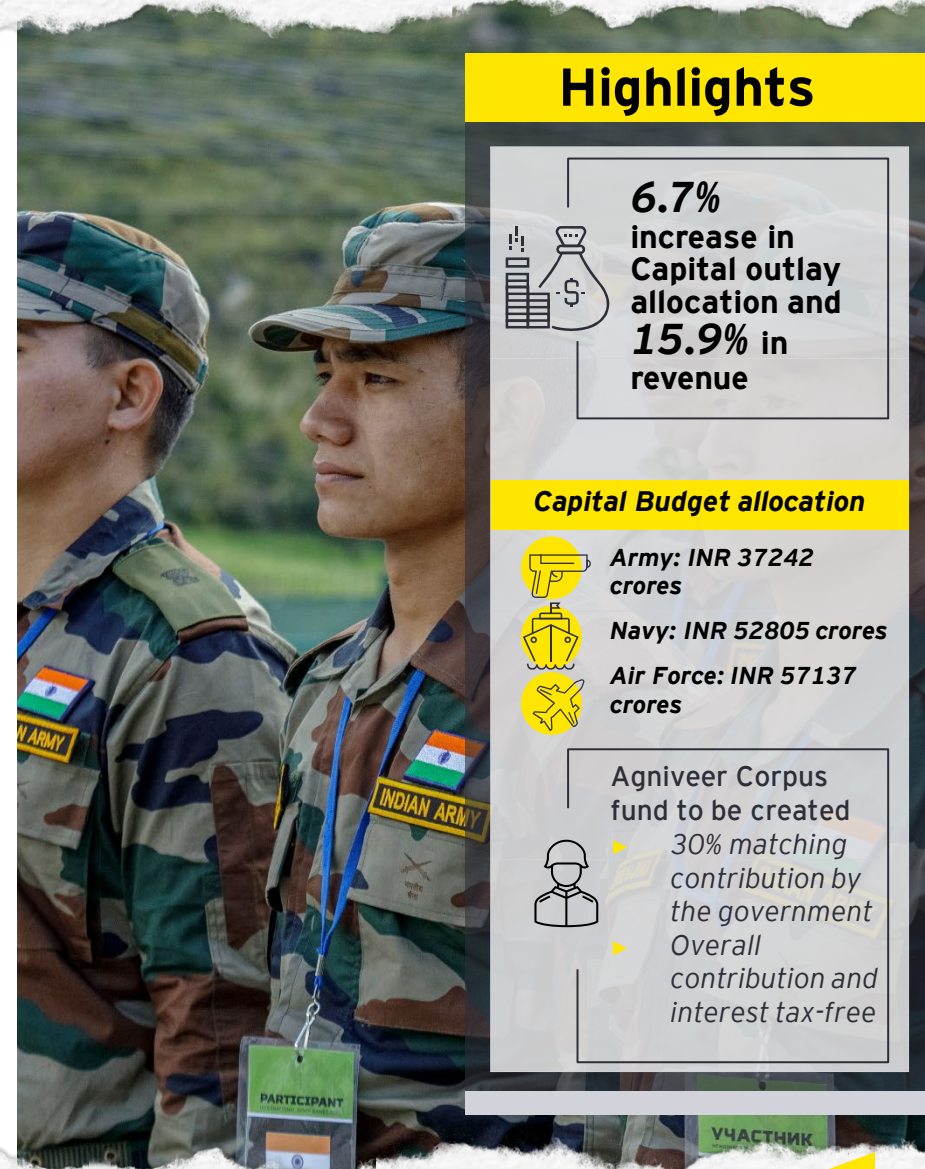
## Highlights

 **6.7% increase in Capital outlay allocation and 15.9% in revenue**

### Capital Budget allocation

-  **Army: INR 37242 crores**
-  **Navy: INR 52805 crores**
-  **Air Force: INR 57137 crores**

-  **Agniveer Corpus fund to be created**
- ▶ 30% matching contribution by the government
  - ▶ Overall contribution and interest tax-free



# Defense (2/2)

- ▶ In 2021, aircraft and engine leasing activities were permitted in GIFT IFSC. Various measures have been proposed to simplify the IFSC regulatory framework
  - ▶ Powers under the SEZ Act to be delegated to the IFSC Authority to avoid dual regulations
  - ▶ A single window IT System shall be set up for registrations and approvals under various regulations
  - ▶ Acquisition financing by IFSC banking units of foreign banks permitted
- ▶ Custom Duty exemption in relation to specified defense and aerospace products has been extended up to 31 March 2024 (subject to review during the year)
- ▶ Duty rate structure revamped for specified aeroplanes, aircraft and aircraft tyres without change to effective rate of Customs duty

## Highlights



**6.7%**  
increase in  
Capital outlay  
allocation and  
**15.9%** in  
revenue

## Capital Budget allocation



**Army: INR 37242 crores**



**Navy: INR 52805 crores**

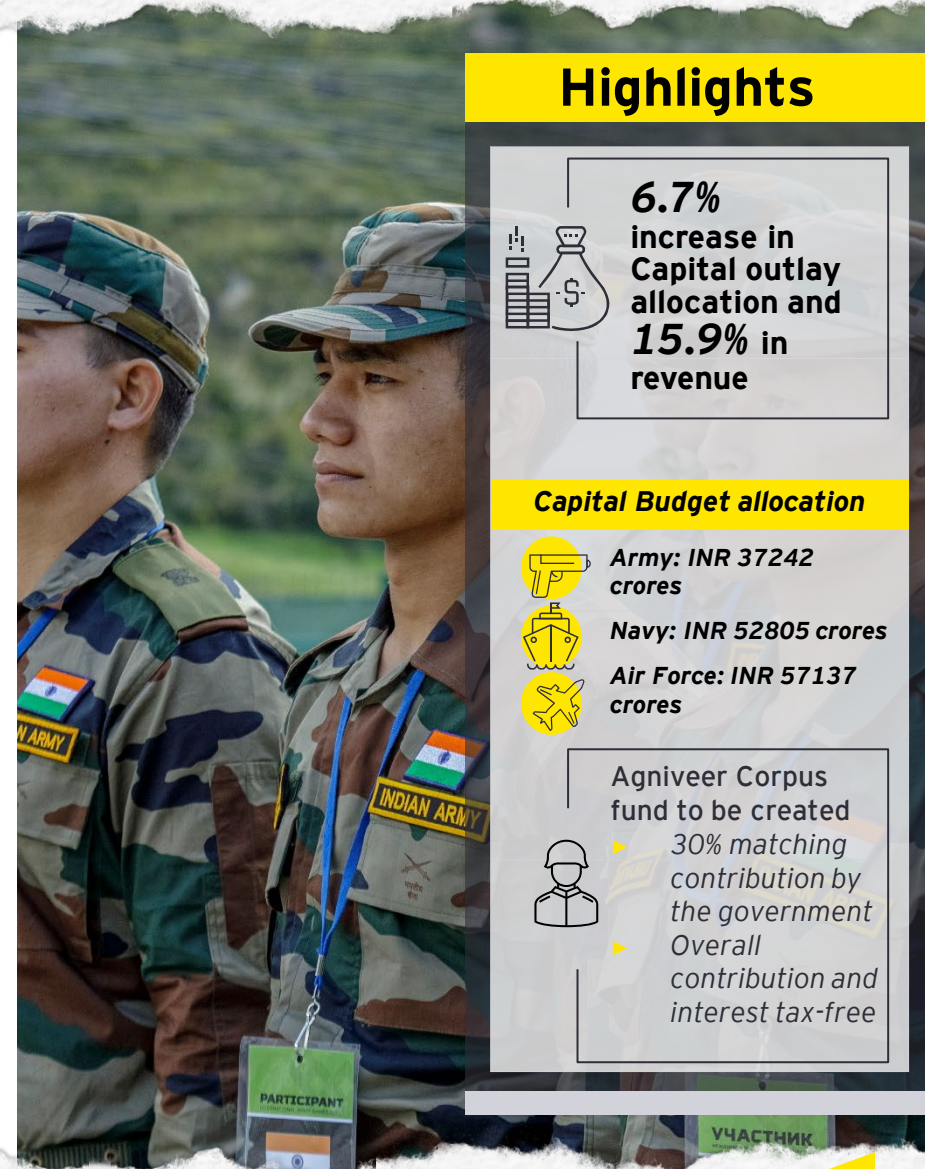


**Air Force: INR 57137 crores**



**Agniveer Corpus fund to be created**

- ▶ 30% matching contribution by the government
- ▶ Overall contribution and interest tax-free



# Financial Services (1/3)

## Policy proposals

- ▶ Revamping of the credit guarantee scheme for MSMEs through introduction of INR9,000 crores in the corpus, enabling additional collateral-free guaranteed credit of INR 2 lakh crore
- ▶ Proposed to set up a national financial information registry to serve as the central repository of financial and ancillary information
- ▶ Public consultations to be brought to the process of regulation-making and issuing subsidiary directions
- ▶ Financial sector regulators to carry out a comprehensive review of existing regulations to ease and reduce the cost of compliances
- ▶ Amendments proposed in the Banking Regulation Act, the Banking Companies Act and the RBI Act to improve bank governance and enhance investors' protection
- ▶ In order to further incentivize operations from the International Financial Services Centre (IFSC), the following incentive are proposed:
  - ▶ Delegating powers under the SEZ Act to IFSCA and adopting a single window approach for registration and approvals from IFSCA
  - ▶ Permitting acquisition financing by IFSC banking units of foreign banks
  - ▶ Recognition of offshore derivative instruments as valid contracts in IFSC

## Highlights



Government regulations



Incentives for IFSC



INR 9,000 Cr  
Credit guarantee scheme for MSMEs

# Financial Services (2/3)

## Tax proposals

- ▶ Following tax incentives are proposed for IFSC:
  - ▶ Sunset clause for tax neutral transfer in case of relocation of a fund to IFSC is extended from 31 March 2023 to 31 March 2025
  - ▶ Exemption provided to non-residents on income received from Offshore Derivate Instruments issued by IFSC Banking Units
- ▶ Threshold limit to withdraw cash without TDS increased to INR3 crores for co-operatives societies
- ▶ Clarified that benefits/ perquisites in cash are taxable and subject to withholding
- ▶ Tax treaty benefits with respect to withholding tax on income in respect of units of mutual fund will be available to non-residents
- ▶ Disallowance of interest under thin capitalization rules now relaxed for Non-banking financial companies (NBFC) to bring parity with banking and insurance companies
- ▶ TCS rate increased from 5% to 20% on certain foreign remittances (except education & medical treatment) and on sale of overseas tour packages
- ▶ Repayment of debt by business trusts to its investor is now taxable

## Highlights

Mar 23 → Mar 25

*Sunset clause extended for tax neutral transfer for relocation of fund to IFSC*

*TCS rate hiked*  
**5% to 20%**



# Financial Services (3/3)

## Tax proposals (cont'd)

- ▶ Carry forward of losses and unabsorbed depreciation will be allowed on amalgamation of the banking company subsequent to a strategic disinvestment
- ▶ Gain on transfer of Market Linked Debentures deemed to be short-term capital gains and taxable at applicable rates
- ▶ Income received from life insurance policies having premium or aggregate of premium above INR5 lakhs in a year is now taxable and deduction of premium is allowed only if the same was not claimed earlier

## Highlights



**Gain on sale  
Market linked  
debentures  
taxable**

# Infrastructure (1/3)

- ▶ The 2023 Budget lays down a blueprint for a prosperous and inclusive India @ 100 which recognizes the Infrastructure sector as a key contributor to achieving the vision of sustainable growth in Amrit Kaal.
- ▶ The Budget provides INR10 lakh crore allocation for development of the infrastructure sector and eventually creation of more jobs.
  - ▶ Capital expenditure of INR2.40 lakh crore allocated to Railways.
  - ▶ 100 critical transport infrastructure projects with capital expenditure of INR75,000 crores identified for last and first mile connectivity.
  - ▶ 50 additional airports, heliports, water aerodromes and advance landing grounds to be revived for improving regional air connectivity
- ▶ Following policy announcement have been proposed to support Green Growth:
  - ▶ Viability Gap Funding for Battery Energy Storage Systems with capacity of 4,000MWH.
  - ▶ Investment of INR20,700 crores to construct inter-state transmission system for evacuation of renewable energy.
  - ▶ Green Credit Programme to be notified under the Environment (Protection) Act to incentivize environmentally sustainable and responsive actions.

## Highlights



INR 10 lakh  
crore  
allocated for  
CAPEX



Viability Gap  
Funding for  
Battery Energy  
Storage Systems



# Infrastructure (2/3)

- ▶ Urban Infrastructure Development Fund to be established through use of priority sector lending shortfall for creating urban infrastructure in Tier 2 and Tier 3 cities.
- ▶ Coastal shipping to be promoted as the energy efficient and lower cost mode of transport, both for passengers and freight, through Public Private Partnership ('PPP') mode with viability gap funding.
- ▶ Non-resident taxpayers engaged in the business of civil construction or business of erection of P&M or testing or commissioning thereof in connection with turnkey power project approved by the Central Government have an option to offer income to tax on presumptive basis or offer income/ claim losses under normal provisions. The Budget provides that set-off of unabsorbed depreciation and brought forward losses shall not be allowed in cases where such non-resident opts to offer income under presumptive regime with effect from Assessment Year 2024-25.
- ▶ Repayment of debt being in the nature of income in the hands of the unit holder will be taxable effective Assessment Year 2024-25. It has been proposed to grant relief to taxpayers (such as Sovereign Wealth Funds and Pension Funds) from withholding of taxes subject to them obtaining a NIL withholding certificate.
- ▶ Customs duty exemption restricted up to 31 March 2024 on -
  - ▶ Pneumatic tyres for MRO operations; specified goods for aircrafts, vessels
  - ▶ Cruise ships, fishing vessels, tugs & pusher crafts, barges.

## Highlights



**PPP**

*In coastal shipping*



*Amendment in  
presumptive  
tax regime*

# Infrastructure (3/3)

- ▶ Customs duty exemption restricted up to 31 March 2025 on import of dredgers and raw materials/ parts used in manufacture of vessels/ ships.
- ▶ Solar power plant & projects excluded from Customs Project Imports Scheme.
- ▶ Place of supply for transportation of goods outside India (export freight) to be changed from destination of goods to the location of the GST recipient.

## Highlights

Rationalization of customs duty including exempts restricted



Place of supply for export freight now recipient based

# Life Sciences and Pharma

- ▶ Budget allocation to health sector increased to 2.1% of GDP (against revised estimate of INR77,351 crores to INR88,956 crores budgeted estimates)
- ▶ Focus on research and innovation through centres of excellence for pharma
- ▶ Facilities being made available in select ICMR labs for research by medical college faculty and private sector - to promote collaborative R&D
- ▶ Focus on health infrastructure by creating 157 new nursing colleges to be co-located in existing medical colleges
- ▶ Multi-disciplinary courses for medical devices to upskill manpower for futuristic medical technologies, high-end manufacturing and research
- ▶ Mission to eliminate Sickle Cell Anaemia by 2047
- ▶ Current customs exemption for specified products extended:
  - ▶ Current customs exemption for lifesaving drugs and specified drugs, medicines, diagnostic kits extended by two years up to 31 March 2025
  - ▶ Specified drugs and medicines supplied free of cost to patients under Patient Assistance Program, specified medical and surgical instruments, hospital equipment - extended by one year up to 31 March 2024
- ▶ Customs exemption for goods used in pharma sector for R&D has not been further extended beyond 31 March 2023

## Highlights

 **2.1%**  
of GDP - budget allocation to Healthcare sector

**Inclusive development**



 Collaborative research and innovation

 Mission Sickle Cell Anaemia Elimination

**157**  
new nursing colleges



# Media and Entertainment

- ▶ Specific provision to tax winnings from online games introduced
  - ▶ TDS at the rate of 30% in case of winnings from online games to now apply on 'net winnings' which will trigger at the end of financial year or upon withdrawal during the year, whichever is earlier. No de minimis threshold prescribed
  - ▶ Calculation of 'net winnings' to be prescribed. Provision effective from 1 July 2023 onwards
- ▶ Removal of income tax exemption for news agency w.e.f. AY 2024-25

## Highlights





Withholding tax  
to apply on  
winnings from  
online games

# Oil and Gas

- ▶ Budget 2023 reiterates India's commitment toward energy transition and 2070 vision for net zero carbon emission.
- ▶ In addition to the Green Hydrogen Mission, the Budget provides an allocation of INR35,000 crore toward energy transition, net zero carbon emission and energy security.
- ▶ 500 new waste-to-wealth (biogas) plants at an investment of INR10,000 crore are to be established. Additionally, 5% of the compressed bio-gas (CBG) mandate is to be introduced for all organizations marketing natural and biogas.
- ▶ Non-resident taxpayers engaged in rendering services/ facilities in connection prospecting, extraction or production of mineral oil have an option to offer income tax on a presumptive basis or offer income/ claim losses under normal provisions. Budget provides that set-off of unabsorbed depreciation and brought-forward losses shall not be allowed, where such non-resident opts to offer income under the presumptive regime. This amendment will be effective on 1 April 2023.
- ▶ Rationalization of BCD rate structure with exemption from the levy of SWS\*/AIDC\*\* on specified goods to maintain total effective import duty
  - ▶ BCD on naphtha increased to 2.5% from 1%
  - ▶ Exemption from central excise duty on blended compressed natural gas (CNG) equivalent to GST paid on biogas /compressed biogas contained in such blended CNG.

## Highlights

 INR10,000 crore outlay for GOBARdhan scheme

 INR35,000 crore for energy transition and net zero objectives

# Real estate

- ▶ Increase in outlay of Pradhan Mantri Awas Yojana by 66% to INR79,000 crores.
- ▶ The long-term capital gain exemption arising to individual/HUF on transfer of residential house **or any other long-term capital asset**, where the proceeds are reinvested in residential property, has been capped at INR10 crores.
- ▶ While computing capital gains on transfer of house property, the cost of acquisition or improvement of such house property shall not include any amount for which deduction has already been claimed while computing income from house property (i.e. interest) or under Chapter VI-A.
- ▶ For arriving at sales consideration (for computation of capital gains on development agreement), stamp duty value of share of individual/ HUF will be increased not only by cash consideration received. It will also include consideration received in any other mode.
- ▶ Distributions by REIT that do not suffer taxation either in the hands of REIT or in the hands of unit holders, will now be taxed as other income in the hands of unit holders. Where such distribution is through redemption of units by REIT, then for the purpose of computation of income in the hands of unit holders, cost of acquisition will be allowed as deduction. Option to obtain NIL withholding certificate has been provided to the unit holders.
- ▶ Uniform methodology introduced for computing value of perquisites in case of rent-free accommodation provided by employer at concessional rate.

## Highlights



Capital gains calculation and exemption now restricted for individuals

Increased Government outlay under Pradhan Mantri Awas Yojana



Tax ambit widened for unit-holders of REIT

# Start-ups

- ▶ Eligibility criteria for entitlement to start-up specific tax benefits extended by one year to include start-ups incorporated up till 31 March 2024
- ▶ Period for which eligible start-ups are protected from lapse of carried forward losses under section 79 extended from seven years to 10 years from the incorporation date
- ▶ “Angel tax” provisions extended to share capital received from non-resident investors
- ▶ “Cost of acquisition” with respect to self-generated intangible assets treated as “Nil”; “cost of improvement” for intangible assets deemed to be “Nil”
- ▶ Net winnings from online gaming subject to withholding tax at 30% without any de-minimis threshold (as against a threshold of INR10,000 earlier)
- ▶ Capital gains tax exemption on investment in residential houses available to individuals, is now subject to a cap of INR10 crore
- ▶ TCS on remittances made under the Liberalized Remittance Scheme (other than education and medical treatment) increased from 5% to 20%
- ▶ Agriculture Accelerator Fund to be set up to encourage agri-start ups

## Highlights



Start-up  
benefit - period  
**Extended**

“Angel tax” extended  
to foreign investment

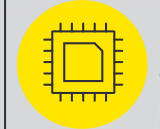


TCS rate on LRS  
**increased**

# Technology (1/2)

- ▶ Setting up of Centre of Excellence for Artificial Intelligence; leading players to partner in research, developing cutting edge application and scalable problems
- ▶ To set up a Skill India digital platform to enable demand based formal skilling and facilitating access to entrepreneurship schemes
- ▶ Entity Digi Locker to be setup to facilitate secure online storing and sharing of documents
- ▶ Setting up of a digital library for children to facilitate availability of quality books
- ▶ Unified filing process to be set up to facilitate filing of simplified forms and sharing with other agencies
- ▶ Setting up of National Financial Information Registry to enable efficient lending, promote financial inclusion and enhance financial stability

## Highlights



**Focus on AI technology**



**Promoting digital**



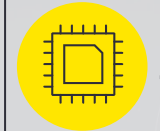
**Setting up of digital library**



# Technology (2/2)

- ▶ Setting up a Central Data Processing Centre for handling data administrative work under Companies Act, 2013%
- ▶ E-Commerce operators would be subject to penal provisions in case of contravention of GST provisions by unregistered persons or composition taxpayers for supplies made through them
- ▶ Scope of online information and database access retrieval services expanded to cover supplies with or without human intervention, whose delivery is mediated by information technology over the internet or an electronic network and the nature of supply is impossible in the absence of information technology
- ▶ Input tax credit restricted for CSR activities

## Highlights



**Focus on AI technology**



**Promoting digital**



**Setting up of digital library**

- ▶ 100 labs for developing applications using 5G services to be set up in engineering institutions to realize a new range of opportunities, business models, and employment potential.
- ▶ BCD on camera lens for camera module and input/ parts for lens of camera module of mobile phone to be reduced from 2.5% to nil subject to IGCR
- ▶ Extension for concessional duty:
  - ▶ Lithium-ion cell for use in the manufacture of battery up to 31 March 2024
  - ▶ Specific inputs and sub-parts for use in manufacture of telecommunication grade optical fibre or optical fibre cables extended for two years
- ▶ Increase the BCD on the following items from the existing nil rate:
  - ▶ Multiplexers, statistical multiplexers other than PDH based Wireline Telephony
  - ▶ Modems other than based on xDSL Wireline Telephony
  - ▶ Subscriber end equipment
- ▶ Turnover limit for availing benefit of presumptive taxation enhanced to INR3 crores for MSMEs, provided that cash transactions do not exceed 5%.
- ▶ PAN to be used as a common identifier for all digital systems of specified government agencies.
- ▶ Entity Digi Locker to be set up for use by business enterprises.

## Highlights



Boost for domestic production of mobile phones

Threshold limit for availing benefit of presumptive taxation increased



Duty increased on certain modems

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