

# UNION BUDGET 2022 - Quick Synopsis

## Updated Return

A new provision permitting taxpayers to file an Updated Return on payment of additional tax. An amount equal to twenty five percent or fifty percent as additional tax on the tax and interest due on the additional income furnished would be required to be paid. This updated return can be filed within two years from the end of the relevant assessment year.

## Reduced Alternate minimum tax rate and Surcharge for Co-operatives

Alternate minimum tax for co-operative societies reduced from present 18.5% to 15%

Surcharge on cooperative societies reduced from 12% to 7% for those having total income exceeding Rs. 1 crore and but not exceeding Rs 10 crores.

## Parity between employees of State and Central government

Increase in tax deduction limit from 10 per cent to 14 per cent on employer's contribution to the NPS account of State Government employees as well.

## Incentives for Start-ups

Period of incorporation of the eligible start-up extended by one more year, i.e. from 31.03.2022 to 31.03.2023 for providing tax incentives.

## Incentives for newly incorporated manufacturing entities under concessional tax regime

Last date for commencement of manufacturing or production under section 115BAB extended by one year i.e. from 31.03.2023 to 31.03.2024.

## Scheme for taxation of virtual digital assets

Any income from transfer of any virtual digital asset shall be taxed at the rate of 30 per cent. No deduction for expenses is allowed except cost of acquisition. Further losses cannot be set off against any other income.

TDS on transfer of virtual digital asset at the rate of 1 per cent of respective consideration above a monetary threshold.

Gift of virtual digital asset to be taxed in the hands of the recipient.

## **Litigation management to avoid repetitive appeals by the Department**

No repetitive appeals for identical question of laws.

## **Tax incentives to IFSC**

Offshore banking income/IFSC shall be exempt to tax subject to specified conditions.

## **Rationalization of Surcharge**

Surcharge of AOP's capped from present 37% to 15%.

Surcharge on long term capital gains arising on transfer of any type of long term assets capped from 37% to 15%.

## **Rationalizing TDS Provisions**

TDS shall be deducted at 10% if the aggregate value of benefits exceeds Rs. 20,000 during the financial year in case of benefits passed on to the agents for business promotion.

## **Tax relief to persons with disability**

Section 80DD provides that the deduction shall be allowed only if the payment of annuity or lump sum amount is made to the benefit of the dependant, in the event of the death of the individual or the member of the HUF in whose name subscription to the scheme has been made. Section 80DD amended to also allow the deduction during the lifetime, i.e., upon attaining age of sixty years or more of the individual or the member of the HUF in whose name subscription to the scheme has been made and where payment or deposit has been discontinued.

## **Penalty u/s 272A increased**

Penalty under section 272A on failure to comply with statutory requirements is increased from Rs. 100 to Rs. 500 per day.

## **Penalty u/s 271AAE**

Penalty under section 271AAE to be levied on trusts or institutions if income is applied for the benefit of a specified person.

### **Bonus stripping applicability expanded**

The provisions of bonus stripping shall also apply to securities and units of business trusts and Alternative Investment Funds (AIFs).

### **Dividends from foreign company**

No concessional tax rate of 15% to be allowed on dividends received by an Indian company from a foreign company in which it holds 26% or more shareholding.

### **Section 14A disallowance**

Disallowance under section 14A shall be made even if exempt income has not accrued or arisen or has not been received during the previous year.

### **Taxability of COVID-19 compensation**

Any compensation received up to Rs. 10 lakhs on death due to COVID-19 shall not be liable to tax. Any sum received for the medical treatment of COVID-19 shall not be taxable as perquisite or income from other sources.

### **Clarifications given**

Any surcharge or cess on income and profits is not allowable as business expenditure. No set off of any loss shall be allowed against undisclosed income detected during search and survey operations.