

News From India

Union Budget 2023 - Quick Synopsis

The Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman presented the Union Budget 2023-24 in Parliament on the 1st of February 2023. Indian economy has increased in size from being 10th to 5th largest in the world in the past nine years.

Seven priorities set the tone for Budget 2023

- Inclusion Development
- Reaching the Last mile
- Infrastructure and Investment
- Unleashing the Potential
- Green Growth
- Youth Power
- Financial Sector

Various proposals are as follow :

Direct Taxes

- For MSMEs and Professionals, to avail presumptive taxation benefit, turnover limit has increased from Rs. 2 crores to Rs. 3 crores and from Rs. 50 Lakhs to Rs. 75 Lakhs respectively whose cash receipts are not more than 5 percent. Also to allow deduction for expenditure incurred on payments made to MSME only, when payment is actually made.
- New co-operatives that commence manufacturing activities till 31.3.2024 shall get the benefit of a lower tax rate of 15 %.
- Extended the date of incorporation for income tax benefits to start-ups from 31.03.23 to 31.3.24. Also, to provide the benefit of carry forward of losses on change of shareholding of start-ups from 7 years of incorporation to 10 years.
- To cap deduction from capital gains on investment in residential house under sections 54 & 54F to Rs. 10 crores.
- Income Tax for Individuals:-
 - Increase in rebate limit from Rs. 5 Lakhs to Rs. 7 Lakhs in the new tax regime.

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- Change in tax structure in new tax regime: -

Income Slab	Rate
0-3 lakh	Nil
3-6 lakh	5 %
6-9 lakh	10%
9-12 lakh	15%
12-15 lakh	20%
Above 15 lakh	30%

- Salaried person with an income of Rs. 15.5 lakh or more will get a standard deduction of Rs. 52,500 instead of Rs. 50,000.
- Standard deduction of Rs. 50,000 to salaried individual and deduction from family pension up to Rs. 15,000 is allowed under the new regime.
- Reduction of surcharge rate from 37 % to 25 % in the new tax regime.
- Tax exemption on leave encashment on retirement of non-government salaried employees is increased from Rs. 3 Lakhs to Rs. 25 Lakhs.
- Income of authorities, boards and commissions set up by statutes of the Union or State for the purpose of housing, development of cities, towns and villages, and regulating, or regulating and developing an activity or matter, is exempted from income tax. Other major measures in this direction are:
 - Removing the minimum threshold of Rs. 10,000/- for TDS and clarifying taxability relating to online gaming.
 - Not treating conversion of gold into electronic gold receipt and vice versa as capital gain.
 - Reducing the TDS rate from 30% to 20% on taxable portion of EPF withdrawal in non-PAN cases.
 - Taxation on income from Market Linked Debentures.
- Privately held companies such as start-ups selling shares at a premium to foreign investors may require paying additional tax, which could affect fundraising for unlisted domestic companies. The government has proposed to extend the so-called ‘angel tax’ provisions to transactions involving foreign investors. According to the proposal, the excess premium received on sale of shares by an Indian unlisted company to a foreign investor will be construed as “income from other sources” and subject to tax.
- Income from the redemption of Market linked debentures will be deemed to be short-term gains irrespective of the holding period and will be taxed at the highest rate which can be 30% for resident individuals and 40% for foreign companies.
- From the next fiscal year, returns from life insurance policies beyond an aggregate Rs. 5 lakh value will be taxed.

- The budget has brought in parity in terms of taxation of all kinds of income for Real Estate Investment Trusts/InvITs unit holders in the form of 'repayment of debt', which was a pass-through earlier, will be taxed from April 2024.

- Other major proposals:-
 - Green transitions have been incentivised using a range of tools – putting aside money for replacing old and polluting government vehicles – in turn, creating demand for the domestic auto industry – supporting renewable energy with viability gap funding (VGF) for battery storage; and more funds to facilitate e-vehicle adoption.
 - Decriminalisation under section 276A of the Income Tax Act w.e.f 1st April 2023.
 - Extension of period of tax benefits to funds relocating to IFSC, GIFT City till 31.03.2025.
 - Units of foreign banks located in the International Finance Services Centre or GIFT City are permitted to fund acquisition of companies or assets by Indian companies, but that may be restricted only to overseas assets. Currently, overseas takeovers are funded by the overseas branches of foreign banks and not those located in the GIFT City.

Indirect Taxes

- Reduction of basic customs duty rates on goods, other than textiles and agriculture, from 21% to 13%.
- Reduction of basic customs duty on seeds used in manufacturing natural diamonds.
- Customs Duty on specified capital goods/machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs) extended to 31.03.2024
- Increase the import duty on silver dore, bars and articles to align them with that on gold and platinum also increase in articles made from gold and platinum to enhance the duty differential.

Overall, the budget is balanced and aims towards steering the country for realising its growth potential.