

NewsBites

Forty-Sixth Edition

Greetings!

We are delighted to present our Budget Special news bites.

This News Bites intends to give an overview of the Budget for FY 2022-23 in the sphere of Direct & Indirect Tax, Companies Act, 2013 and other key aspects.

We hope you find this useful. For any feedback you can reach to us at info@sanca.in.

Best Regards,
S A N & CO.
Chartered Accountants

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Income Tax Proposals

Key Highlights of Union Budget 2022:

Following amendments have been proposed under Income Tax Laws & GST laws in the Finance Bill, 2022 which shall be effective from April 01, 2022 of the Finance Bill, 2022.

Direct Taxes Proposals

a. Tax deduction limit increased to 14% on employers contribution to NPS account of State Govt employees:

The threshold limit for deduction in respect of employer's contribution to NPS is increased to 14% of salary in the case of State Government employees.

b. Income from virtual digital assets (Crypto currency) chargeable to tax @ 30%:

Any income from transfer of any virtual digital asset to be taxed at the rate of 30%. Crypto/virtual digital asset gifts to be taxed in the hands of the recipient. No set off facility to available in case of losses from investment in these virtual assets

c. TDS on virtual digital assets:

It is proposed that 1% tax to be deducted from the payment of consideration to a resident person on transfer of virtual digital asset

d. Provisions related to filing of updated return within the period of 2 years for correcting errors:

Provision to file an Updated Return on payment of additional tax has been introduced in the bill which will enable the assessee to declare income missed out earlier. It can be filed within two years from the end of the relevant assessment year.

e. Income tax relief on Covid -19 treatment expenses and compensation:

Any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, in respect of any illness related to COVID-19 subject to such conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person;

f. TDS on sale of immovable property:

TDS of 1% is applicable on sale of immovable property on the **sum paid to the seller i.e. 1%** is applicable on the consideration paid to the seller. The buyer has to deduct this TDS. Now It is proposed to amend sub-section (1) of the said section to provide that the person responsible for paying to a resident any sum by way of consideration for transfer of any immovable property (other than agricultural land) shall at the time of credit or payment of such sum to the resident deduct tax at the rate of **one per cent of such sum or the stamp duty value of such property, whichever is higher, as income tax thereon.**

g. Litigation Management:

In cases where question of law is identical to the one pending in High Court or Supreme Court, the filing of appeal by the department shall be deferred till such question of law is decided by the court. To greatly help in reducing repeated litigation between taxpayers and the department.

h. Deterrence against tax-evasion:

No set off, of any loss to be allowed against undisclosed income detected during search and survey operations.

i. Rationalizing TDS Provisions:

Benefits passed on to agents as business promotion strategy is taxable in hands of agents. Now Tax deduction provided to person giving benefits, if the aggregate value of such benefits exceeds Rs 20,000 during the financial year.

j. Levy of surcharge @ 12%:

In cases where tax has to be charged and paid under sub-section (2A) of section 92CE (related to transfer pricing) or Section 115QA (which provides that a domestic company distributing its income through buy back of shares have to pay income tax /distribution tax @20%) or Section 115TA (Tax on distributed income to investors) or Section 115TD (Tax on accreted income) of the Income tax Act.

k. Reduction in rates of Alternate Minimum Tax & rate of surcharge for Co-operative Society:

For co-operative societies, the rate of alternate minimum tax has been reduced from 18.5% to 15%.

- Rate of surcharge in case of co-op-society (not opting for section 115BAD) is reduced from 12% to 7% where any income is between Rs. 1 crore and Rs.10 crore.

l. Health and Education cess shall not be allowed as business Expenses under Section 37 of Income tax Act:

It is clarified that the term “tax” shall include and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax.’ So, Payment of any surcharge and cess shall not be allowed as expenditure.

m. Incentive for Startups:

Section 80-IAC allows eligible start-up tax holiday for 3 consecutive financial years out of its first ten years since incorporation for the companies incorporated between 01-04-2016 and 31-03-2022.

It is proposed to increase this Period of incorporation by one year, upto 31.03.2023 for eligible start ups

n. Newly incorporated manufacturing entities will be incentivized under concessional tax regime for one more year:

Section 115BAB requires that the domestic company should be set-up and registered on or after the 1st day of October, 2019, and should have commenced manufacturing or production of an article or thing on or before the 31st day of March, 2023 for availing the benefit of concessional rate.

It is proposed to amend the said clause so as to extend the date of commencement of manufacturing or production of an article or thing from 31st March, 2023 to 31st March, 2024.



Goods & Services Tax

Indirect Taxes Proposals

a. Additional Condition for availment of ITC u/s 16(2):

Section 38, earlier called furnishing of inward supplies, is amended completely to remove reference of earlier GSTR-2 and replace it with GSTR-2A and GSTR-2B with new heading as 'Communication of details of inward supplies and input tax credit'.

Hence now onwards ITC can be availed only if the same is being reflected in GSTR 2B.

b. Extension in Time limit of availing Input Tax Credit

An important amendment to the Central Goods and Services Tax Act is in Section 16, 34, 37, 39 and 52. The last date to make amendments, corrections, upload missed sales invoices or notes or to claim any missed Input Tax Credit or ITC of one financial year is no longer due date to file September return of the following year, but it is 30th November of the following year.

c. Provisional claim of input tax credit proposed to be abolished:

Section 41 of the CGST Act is being substituted so as to do away with the concept of "claim" of eligible input tax credit on a "provisional" basis and to provide for availment of self-assessed input tax credit subject to such conditions and restrictions as may be prescribed.

If outward tax liability has not been discharged by the supplier then the recipient has to reverse such input tax credit along with interest. However, upon payment of outward tax liability by the supplier, the recipient can re-avail such input tax credit.

d. Cancellation of GST registration:

Section 29 of the CGST Act is amended for Cancellation of GSTIN by officer. If a composition taxable person fails to file an annual return for three months beyond the due date of 30th April of the following year, his registration can get cancelled. Likewise, for any other taxpayer, the six months consecutive default in return filing is replaced with consecutive tax period default as may be prescribed.

Following are the key changes announced in Budget 2022 in respect of finance & Infrastructure:

- Emergency credit line guarantee scheme for small and medium sized businesses to be extended to March 2023
- Energy transition and climate action will be a major government priority
- Public issue of Life Insurance Corporation expected shortly
- Special Economic Zones Act to be replaced with new legislation
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- To launch digital rupee using blockchain technology starting 2022/23
- National highways network to be expanded by 25,000km in 2022/23
- Highway's expansion to cost 200 billion rupees in 2022/23

Companies Act, 2013

Insolvency and Bankruptcy Code:

Necessary amendments in the Code will be carried out to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.

Impact:

This comes with an intention to boost faster resolution of bankrupt companies by proposing amendments to enhance the resolution process's efficiency and cross-border insolvency resolution.

These much needed amendments will pave way for the faster resolution of debt – ridden companies.

Accelerated Corporate Exit:

Several IT-based systems have been established for accelerated registration of new companies. Now the Centre for Processing Accelerated Corporate Exit (C-PACE) with process re-engineering, will be established to facilitate and speed up the voluntary winding-up of these companies from the currently required 2 years to less than 6 months.

Impact:

This will come as a big relief for companies which are stuck with long timelines for voluntary winding up. Therefore, now companies whose business is no more operation, will not have to wait for 2 years to file an application for strike off company.

Experts say "If incorporation and exit is expedited then it makes India a favorable jurisdiction for investment."

Ease of Doing Business 2.0 & Ease of Living:

In recent years, over 25,000 compliances were reduced, and 1486 Union laws were repealed. This is the result of our government's strong commitment for 'minimum government & maximum governance', our trust in the public, and ease of doing business (EODB).

The next phase of Ease of Doing Business EODB 2.0 and Ease of Living, will be launched.

This new phase will be guided by an active involvement of the states, digitization of manual processes and interventions, integration of the central and state-level systems through IT bridges, a single point access for all citizen-centric services, and a standardization and removal of overlapping compliances. Crowdsourcing of suggestions and ground level assessment of the impact with active involvement of citizens and businesses will be encouraged.

Impact:

There's a lot of redundancy, overlap and duplication in doing a business. This budget acknowledged the overlapping in compliances. Therefore, if overlapping is removed, it will further reduce the burden of compliances.

With the further efforts towards digitization, it will help to simplify the manual processes.

Further the idea of "Trust Based Governance" it will enable a hostile free environment between the Government and Companies.

Companies will be given a chance to do the right thing instead of being put under suspicion.

This is a modern and progressive concept of creating a trust based enabling environment and give them enough empowerment which will help in ease of doing business.

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